

MEDTRONIC PLC
RECONCILIATION OF WORLDWIDE REPORTED REVENUE GROWTH TO NON-GAAP REVENUE GROWTH
(Unaudited)

Quarterly (in millions)	Revenue	Reported Growth	Currency Impact on Growth	Covidien Alignment Adjustment ⁽¹⁾	Impact of Extra Week ⁽²⁾	Divestiture Impact ⁽³⁾	Non-GAAP Growth
Q2 FY18	\$ 7,050	(4)%	\$ 35	\$ —	—%	\$ (560)	3%
Q1 FY18	7,390	3	(33)	—	—	—	4
Q4 FY17	7,916	5	(37)	—	—	—	5
Q3 FY17	7,283	5	(40)	—	—	—	6
Q2 FY17	7,345	4	50	—	—	—	3
Q1 FY17	7,166	(1)	(7)	—	~6	—	5
Q4 FY16	7,567	4	(179)	—	—	—	6
Q3 FY16	6,934	61	(344)	2,578	—	—	6
Q2 FY16	7,058	62	(452)	2,731	—	—	6
Q1 FY16	7,274	70	(529)	2,671	~(6)	—	6
Q4 FY15	7,304	60	(483)	2,691	—	—	7
Q3 FY15	4,318	4	(158)	—	—	—	8
Q2 FY15	4,366	4	(38)	—	—	—	5
Q1 FY15	4,273	5	34	—	—	—	4
Q4 FY14	4,566	2	(39)	—	—	—	3
Q3 FY14	4,163	3	(41)	—	—	—	4
Q2 FY14	4,194	2	(38)	—	—	—	3
Q1 FY14	4,083	2	(55)	—	—	—	3
Q4 FY13	4,459	4	(48)	—	—	—	5
Q3 FY13	4,027	3	(41)	—	—	—	4
Q2 FY13	4,095	2	(118)	—	—	—	5
Q1 FY13	4,008	2	(119)	—	—	—	5
Annual (in millions)	Revenue	Reported Growth	Currency Impact on Growth	Covidien Alignment Adjustment ⁽¹⁾	Impact of Extra Week ⁽²⁾	Divestiture Impact ⁽³⁾	Non-GAAP Growth
FY17	\$ 29,710	3 %	\$ (34)	\$ —	~2%	\$ —	5%
FY16	28,833	42	(1,502)	7,981	~(2)	—	6
FY15	20,261	19	(645)	2,691	—	—	6
FY14	17,006	3	(173)	—	—	—	4
FY13	16,589	3	(326)	—	—	—	5
FY12	16,184	4	273	—	—	—	2
FY11	15,508	1	12	—	—	—	1

Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP.

- (1) Adjusted to align legacy Covidien's monthly revenue to Medtronic's fiscal quarters throughout full year FY15 baseline.
- (2) Fiscal year 2016 was a 53-week year, with the extra week included in the first quarter results. While it is difficult to calculate the exact impact for the extra week, the adjustment represents the Company's best estimate of the annual and quarterly impact.
- (3) The non-GAAP revenue growth calculation excludes estimated impacts related to the divested Patient Care, Deep Vein Thrombosis, and Nutritional Insufficiency businesses for the second quarter of fiscal year 2017.

MEDTRONIC PLC
RECONCILIATION OF EMERGING MARKETS REPORTED REVENUE GROWTH TO NON-GAAP GROWTH
(Unaudited)

(in millions)	Total Emerging Markets Revenue	Reported Growth	Currency Impact on Growth	Non-GAAP Growth
Q2 FY18⁽¹⁾	\$ 1,075	9 %	\$ 7	12 %
Q1 FY18	1,035	11	(6)	12
Q4 FY17	1,061	11	9	10
Q3 FY17	984	9	(22)	11
Q2 FY17	984	8	(12)	10
Q1 FY17⁽²⁾	933	—	(53)	Low Double Digits

Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP.

- (1) The non-GAAP revenue growth calculation excludes revenue related to the divested Patient Care, Deep Vein Thrombosis, and Nutritional Insufficiency businesses for the second quarter of fiscal year 2017.
- (2) Due to the 52/53 week fiscal year calendar, the Company had an additional selling week in the first quarter of fiscal year 2016. Fiscal year 2016 was a 53-week year, with the extra week included in the first quarter results. While it is difficult to calculate an exact impact from the extra week, the Company estimates that it benefited consolidated reported growth in fiscal year 2016 by approximately \$450 million. The Company estimates that, adjusting for the extra week, non-GAAP revenue growth in emerging markets was in the low double digits for the first quarter of fiscal year 2017.

MEDTRONIC PLC
RECONCILIATION OF DIABETES GROUP WORLDWIDE REPORTED REVENUE GROWTH TO NON-GAAP
REVENUE GROWTH
(Unaudited)

(in millions)	Total Diabetes Group Revenue	Reported Growth	Currency Impact on Growth	Non-GAAP Growth
Q2 FY18	\$ 462	—%	\$ 7	(2)%
Q1 FY18	449	(1)	—	(1)%
Q4 FY17	512	3	(4)	4 %
Q3 FY17	501	6	(5)	7 %
Q2 FY17	462	3	(1)	3 %
Q1 FY17 ⁽¹⁾	452	2	(2)	High-Single Digits

Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP.

- (1) Due to the 52/53 week fiscal year calendar, the Company had an additional selling week in the first quarter of fiscal year 2016. Fiscal year 2016 was a 53-week year, with the extra week included in the first quarter results. While it is difficult to calculate an exact impact from the extra week, the Company estimates that it benefited consolidated reported growth in fiscal year 2016 by approximately \$450 million. The Company estimates that, adjusting for the extra week, non-GAAP revenue growth for the Diabetes Group was in the high-single digits for fiscal year 2017.

MEDTRONIC PLC
RECONCILIATION OF OPERATING MARGIN TO NON-GAAP OPERATING MARGIN GROWTH ⁽¹⁾
(Unaudited)

	<u>FY17</u>		<u>FY16</u>		<u>FY15⁽⁴⁾</u>
Operating Profit Percentage	17.9 %		18.4 %		18.0%
Non-GAAP Adjustments ⁽²⁾					
Impact of inventory step-up	0.1 (a)		0.8 (d)		2.2 (d)
Restructuring charges, net	1.3		1.0		1.1
Acquisition-related items	0.8 (b)		1.0		2.0
Amortization of intangible assets	6.7		6.7		3.3
Certain litigation charges	1.0		0.1		0.8
Special charge (gain), net	0.3 (c)		0.2 (e)		(0.1)
Impact of product technology upgrade commitment	—		—		0.3 (f)
Transaction costs	—		—		0.2
Impairment of IPR&D	—		—		0.3
Impact of tax sharing agreement	—		—		0.3 (g)
Non-GAAP EPS	<u>28.1 %</u>		<u>28.2 %</u>		<u>28.4%</u>
Currency impact	0.9		1.2		—
Adjusted Non-GAAP EPS	<u>29.0 %</u>		<u>29.4 %</u>		<u>28.4%</u>
Operating Margin Improvement, Non-GAAP	<u>(0.1)%</u>		<u>(0.2)%</u>		
Operating Margin Improvement, Non-GAAP Constant Currency⁽³⁾	<u>0.8 %</u>		<u>1.0 %</u>		

Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP.

- (1) The data in this schedule has been intentionally rounded to the nearest 0.1% and, therefore, may not sum.
- (2) Non-GAAP adjustments relate to charges or gains that management believes may or may not recur with similar materiality or impact on results in future periods.
 - (a) Represents amortization of step-up in fair value of inventory acquired in connection with the HeartWare acquisition.
 - (b) Integration-related costs incurred in connection with the Covidien acquisition, and charges incurred in connection with the pending divestiture of a portion of our Patient Monitoring & Recovery division to Cardinal Health.
 - (c) The charge represents a contribution to the Medtronic Foundation.
 - (d) Represents amortization of step-up in fair value of inventory acquired in connection with the Covidien acquisition.
 - (e) The impairment of a debt investment.
 - (f) Represents the probable and reasonably estimable commitment related to a CRHF global comprehensive program for home based monitors due to industry conversion from analog to digital technology.
 - (g) To exclude the non-interest portion of the impact of a tax sharing agreement with Tyco International plc and TE Connectivity Ltd.
- (3) Due to its 52/53 week fiscal year calendar, the Company had an additional selling week in the first quarter of fiscal year 2016. While it is difficult to calculate an exact impact from the extra week, the Company estimates an \$0.08 to \$0.10 benefit to non-GAAP diluted earnings per share (EPS) in the first quarter of fiscal year 2016. The Company estimates that, adjusting for the extra week, the non-GAAP operating margin improvement was approximately 1.0 percent on a constant currency, constant week basis when compared to fiscal year 2016.
- (4) Combined Medtronic, Inc. and Covidien plc results for the fiscal year ended April 24, 2015.

MEDTRONIC PLC
NET INCOME AND DILUTED EPS GAAP TO NON-GAAP RECONCILIATIONS
(Unaudited)

Fiscal year ended April 28, 2017									
(in millions, except per share data)	Net Sales	Cost of Products Sold	Gross Margin Percent	Operating Profit	Operating Profit Percent	Income Before Provision for Income Taxes	Net Income attributable to Medtronic	Diluted EPS ⁽¹⁾	Effective Tax Rate
GAAP	\$ 29,710	\$ 9,291	68.7%	\$ 5,330	17.9%	\$ 4,602	\$ 4,028	\$ 2.89	12.6%
Non-GAAP Adjustments: (2)									
Impact of inventory step-up (a)	—	(38)		38		38	24	0.02	36.8
Special charge (b)	—	—		100		100	63	0.05	37.0
Restructuring charges, net	—	(10)		373		373	272	0.20	27.1
Certain litigation charges	—	—		300		300	190	0.14	36.7
Acquisition-related items (c)	—	(10)		230		230	156	0.11	32.2
Amortization of intangible assets	—	—		1,980		1,980	1,460	1.05	26.3
Certain tax adjustments, net (d)	—	—		—		—	202	0.15	—
Non-GAAP	\$ 29,710	\$ 9,233	68.9%	\$ 8,351	28.1%	\$ 7,623	\$ 6,395	\$ 4.60	16.2%
Foreign currency impact	34	(65)	0.3	289	0.9			0.17	
Constant Currency Adjusted	\$ 29,744	\$ 9,168	69.2%	\$ 8,640	29.0%			\$ 4.77	
Fiscal year ended April 29, 2016									
(in millions, except per share data)	Net Sales	Cost of Products Sold	Gross Margin Percent	Operating Profit	Operating Profit Percent	Income Before Provision for Income	Net Income attributable to Medtronic	Diluted EPS ⁽¹⁾	Effective Tax Rate
GAAP	\$ 28,833	\$ 9,142	68.3%	\$ 5,291	18.4%	\$ 4,336	\$ 3,538	\$ 2.48	18.4%
Non-GAAP Adjustments: (2)									
Impact of inventory step-up (e)	—	(226)		226		226	165	0.12	27.0
Special charge (f)	—	—		70		70	44	0.03	37.1
Restructuring charges, net	—	(9)		299		299	221	0.15	26.1
Certain litigation charges	—	—		26		26	17	0.01	34.6
Acquisition-related items	—	—		283		283	212	0.15	25.1
Amortization of intangible assets	—	—		1,931		1,931	1,467	1.03	24.0
Loss on previously held forward starting interest rate swaps	—	—		—		45	29	0.02	35.6
Debt tender premium	—	—		—		183	118	0.08	35.5
Certain tax adjustments, net (g)	—	—		—		—	417	0.29	—
Non-GAAP	\$ 28,833	\$ 8,907	69.1%	\$ 8,126	28.2%	\$ 7,399	\$ 6,228	\$ 4.37	15.8%
Foreign currency impact	1,502	113	1.2	797	1.2			0.47	
Constant Currency Adjusted	\$ 30,335	\$ 9,020	70.3%	\$ 8,923	29.4%			\$ 4.84	
Year over year percent change:								Net Income	Diluted EPS
GAAP								14%	17%
Non-GAAP								3%	5%
Constant Currency Adjusted Non-GAAP (3)									9%

Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP.

- (1) The data in this schedule has been intentionally rounded to the nearest \$0.01 and, therefore, may not sum.
- (2) Non-GAAP adjustments relate to charges or benefits that management believes may or may not recur with similar materiality or impact on results in future periods.

- (a) Represents amortization of step-up in fair value of inventory acquired in connection with the HeartWare acquisition.
 - (b) The charge represents a contribution to the Medtronic Foundation.
 - (c) Integration-related costs incurred in connection with the Covidien acquisition, and charges incurred in connection with the pending divestiture of a portion of our Patient Monitoring & Recovery division to Cardinal Health.
 - (d) The net charge primarily relates to the tax effect from the recognition of the outside basis difference of certain subsidiaries which are included in the expected divestiture of a portion of our Patient Monitoring & Recovery division to Cardinal Health, certain tax charges recorded in connection with the redemption of an intercompany minority interest, and the resolution of various tax matters from prior periods.
 - (e) Represents amortization of step-up in fair value of inventory acquired in connection with the Covidien acquisition.
 - (f) The impairment of a debt investment.
 - (g) Primarily relates to U.S. income tax expense resulting from the Company's completion of an internal reorganization of the ownership of certain legacy Covidien businesses that reduced the cash and investments held by Medtronic's U.S.-controlled non-U.S. subsidiaries. Also includes a benefit related to the establishment of a deferred tax asset on the tax basis in excess of book basis of a wholly owned U.S. subsidiary of which the Company disposed.
- (3) Due to its 52/53 week fiscal year calendar, the Company had an additional selling week in the first quarter of fiscal year 2016. While it is difficult to calculate an exact impact from the extra week, the Company estimates an \$0.08 to \$0.10 benefit to non-GAAP diluted earnings per share (EPS) in the first quarter of fiscal year 2016. The Company estimates that, adjusting for the extra week, non-GAAP earnings and diluted EPS increases were approximately 8 to 9 percent and approximately 11 to 12 percent, respectively, on a constant currency, constant week basis when compared to the prior fiscal year.

MEDTRONIC PLC
NET INCOME AND DILUTED EPS GAAP TO NON-GAAP RECONCILIATIONS
(Unaudited)

(in millions, except per share data)

Fiscal year ended April 29, 2016								
	Net Sales	Cost of Products Sold	Gross Margin Percent	Operating Profit	Operating Profit Percent	Income from Operations Before Taxes	Net Income	Diluted EPS
GAAP	\$ 28,833	\$ 9,142	68.3%	\$ 5,291	18.4%	\$ 4,336	\$ 3,538	\$ 2.48
Non-GAAP Adjustments: (2)								
Impact of inventory step-up (a)	—	(226)		226		226	165	0.12
Special charges (b)				70		70	44	0.03
Restructuring charges, net (c)	—	(9)		299		299	221	0.15
Certain litigation charges (d)	—	—		26		26	17	0.01
Acquisition-related items (e)	—	—		283		283	212	0.15
Amortization of intangible assets (f)	—	—		1,931		1,931	1,467	1.03
Loss on previously held forward starting interest rate swaps (g)	—	—		—		45	29	0.02
Debt tender premium (h)	—	—		—		183	118	0.08
Certain tax adjustments (i)	—	—		—		—	417	0.29
Non-GAAP	\$ 28,833	\$ 8,907	69.1%	\$ 8,126	28.2%	\$ 7,399	\$ 6,228	\$ 4.37
Foreign currency impact	1,502	113	1.2	797	1.2			0.47
Constant Currency Adjusted	\$ 30,335	\$ 9,020	70.26537%	\$ 8,923	29.4%			\$ 4.84
Fiscal year ended April 24, 2015								
	Net Sales	Cost of Products Sold	Gross Margin Percent	Operating Profit	Operating Profit Percent	Income from Operations Before Taxes	Net Income	Diluted EPS
GAAP	\$ 20,261	\$ 6,309	68.9%	\$ 3,766	18.6%	\$ 3,486	\$ 2,675	\$ 2.41
Non-GAAP Adjustments: (2)								
Impact of inventory step-up (a)	—	(623)		623		623	455	0.41
Impact of product technology upgrade commitment (j)	—	(74)		74		74	61	0.06
Special (gains) charges, net (k)	—	—		(38)		(38)	(23)	(0.02)
Restructuring charges, net (l)	—	(15)		252		252	180	0.16
Certain litigation charges, net (m)	—	—		42		42	27	0.02
Acquisition-related items (n)	—	—		550		550	433	0.39
Amortization of intangible assets (f)	—	—		733		733	538	0.49
Impact of acquisition on interest expense (o)	—	—		—		77	49	0.04
Certain tax adjustments (p)	—	—		—		—	349	0.31
Non-GAAP	\$ 20,261	\$ 5,597	72.4%	\$ 6,002	29.6%	\$ 5,799	\$ 4,744	\$ 4.28 (1)
							Net Income	Diluted EPS
Year over year percent change:								
GAAP							32%	3%
Non-GAAP							31%	2%
Adjusted Non-GAAP								13%

See description of non-GAAP financial measures at the end of the earnings press release.

- (1) The data in this schedule has been intentionally rounded to the nearest \$0.01 and, therefore, may not sum.
- (2) Non-GAAP adjustments relate to charges or gains that management believes may or may not recur with similar materiality or impact on results in future periods.
 - (a) Represents amortization of step-up in preliminary fair value of inventory acquired in connection with the Covidien acquisition, which was recorded in *costs of products sold* in our condensed consolidated statements of income.
 - (b) The \$44 million after-tax (\$70 million pre-tax) special charge was recorded in connection with the impairment of a debt investment.
 - (c) Includes a \$274 million after-tax charge (\$364 million pre-tax) related to a continuation of our cost synergies initiative, partially offset by a \$53 million (\$65 million pre-tax) reversal of excess restructuring reserves related to certain restructuring initiatives. The fiscal year 2016 restructuring charge for the cost synergies initiative primarily consisted of employee termination costs (including accelerated stock compensation due to terminations resulting from the Covidien acquisition), fixed asset impairments, and contract termination costs. The restructuring charge includes expense within cost of products sold related to inventory write-offs of discontinued product lines.
 - (d) Relates to probable and reasonably estimable INFUSE product liability litigation.
 - (e) Primarily includes integration-related costs incurred in connection with the Covidien acquisition, partially offset by net income related to the change in fair value of contingent consideration associated with acquisitions subsequent to April 29, 2009.
 - (f) To exclude amortization of intangible assets.
 - (g) Relates to losses incurred from the unwinding of forward starting interest rate swaps, which were previously entered into in advance of a planned debt issuance that is no longer expected post the internal reorganization described in footnote (i). The losses were recorded in *interest expense, net* in our condensed consolidated statements of income.
 - (h) The \$118 million after-tax charge (\$183 million pre-tax) charge was recorded in connection with the cash tender offer of certain outstanding debt securities issued by Medtronic, Inc. and Covidien International Finance S.A. The charge was recorded in *interest expense, net* in our condensed consolidated statements of income.
 - (i) Primarily relates to U.S. income tax expense resulting from the Company's completion of an internal reorganization of the ownership of certain legacy Covidien businesses that reduced the cash and investments held by Medtronic's U.S.-controlled non-U.S. subsidiaries. Also includes a benefit related to the establishment of a deferred tax asset on the tax basis in excess of book basis of a wholly owned U.S. subsidiary the Company expects to dispose of during the foreseeable future.
 - (j) Represents the probable and reasonably estimable commitment related to a CRHF global comprehensive program for home based monitors due to industry conversion from analog to digital technology.
 - (k) The \$23 million after-tax (\$38 million pre-tax) special gain includes \$64 million after-tax (\$100 million pre-tax) charitable contribution made to the Medtronic Foundation, \$25 million after-tax (\$41 million pre-tax) gain on divestiture recognized in connection with the sale of the MicroFrance product line, and \$62 million after-tax (\$97 million pre-tax) net gain recognized in connection with the sale of a certain equity method investments.
 - (l) Includes a \$176 million after-tax (\$248 million pre-tax) charge related to the fiscal year 2015 restructuring initiative and a \$28 million after-tax (\$38 million pre-tax) charge related to a continuation of our fourth quarter fiscal year 2014 restructuring initiative, partially offset by a \$25 million after-tax (\$34 million pre-tax) reversal of excess restructuring reserves related to certain legacy Medtronic and certain legacy Covidien restructuring initiatives. The restructuring charge for the fiscal year 2015 initiative consisted of employee termination costs (including accelerated stock compensation due to terminations resulting from the Covidien acquisition), asset write-downs, contract termination fees, and other related costs. This restructuring charge includes expense within cost of products sold related to inventory write-offs of discontinued product lines. The fiscal year 2015 initiative primarily relates to the Covidien acquisition, strategic alignment of certain manufacturing processes, certain inventory rationalizations, and certain program cancellations. The reversal was primarily a result of revisions to particular strategies and employees identified for elimination finding other positions within the Company.
 - (m) Relates to accounting charges for probable and reasonably estimable INFUSE product liability litigation of \$24 million after-tax (\$37 million pre-tax) and other litigation matters.
 - (n) Primarily includes transaction and integration-related costs incurred in connection with the Covidien acquisition (bridge financing fees, legal fees, and other transaction-related costs), of which \$127 million after-tax (\$189 million pre-tax) primarily relates to accelerated or incremental stock compensation expense incurred in the acquisition.

- (o) Represents the incremental interest expense incurred to hold \$17 billion of debt from December 10, 2014 through the end of the third quarter of fiscal year 2015. On December 10, 2014, Medtronic issued \$17 billion of debt to finance, in part, the cash component of the Covidien acquisition consideration including the payment of certain transaction and financing expenses and for working capital and general corporate purposes, which may include repayment of indebtedness. The Covidien acquisition closed on January 26, 2015.
- (p) Primarily relates to a \$329 million tax expense for anticipated resolution of the Kyphon acquisition-related issues with the IRS.

MEDTRONIC PLC
RECONCILIATION OF DILUTED EPS TO NON-GAAP EPS AND DIVIDEND PAYOUT RATIO⁽¹⁾
(Unaudited)

	FY17	FY16	FY15	FY14	FY13	FY12	FY11
Diluted EPS	\$ 2.89	\$ 2.48	\$ 2.41	\$ 3.02	\$ 3.37	\$ 3.41	\$ 2.86
Non-GAAP Adjustments ⁽²⁾							
Impact of inventory step-up	0.02 (a)	0.12 (b)	0.41 (b)	—	—	—	—
Restructuring charges, net	0.20	0.15	0.16	0.06	0.14	0.06	0.18
Acquisition-related items	0.11 (c)	0.15	0.39	0.08	(0.05)	0.04	(0.01)
Amortization of intangible assets	1.05	1.03	0.49	0.23	—	—	—
Certain litigation charges	0.14	0.01	0.02	0.69	0.23	0.05	0.22
Certain tax adjustments, net	0.15 (d)	0.29 (e)	0.31 (f)	(0.06) (g)	—	—	—
Special charge (gain), net	0.05 (h)	0.03 (i)	(0.02) (j)	0.03 (h)	—	—	—
Loss on previously held forward starting interest rate swaps	—	0.02 (k)	—	—	—	—	—
Debt tender premium	—	0.08	—	—	—	—	—
Impact of product technology upgrade commitment	—	—	0.06 (l)	—	—	—	—
Impact of acquisition on interest expense	—	—	0.04 (m)	—	—	—	—
Impact of authoritative convertible debt guidance on interest expense, net	—	—	—	—	0.06 (n)	0.05 (n)	0.10 (n)
Executive separation costs	—	—	—	—	—	—	0.01 (o)
Physio-Control divestiture-related items	—	—	—	—	—	(0.16) (p)	—
Non-GAAP EPS	<u>4.60</u>	<u>4.37</u>	<u>\$ 4.28</u>	<u>4.04</u>	<u>3.75</u>	<u>3.46</u>	<u>3.37</u>
Currency impact	0.17	0.47	—	0.10	(0.01)	0.08	(0.06)
Adjusted Non-GAAP EPS	<u>\$ 4.77</u>	<u>\$ 4.84</u>	<u>\$ 4.28</u>	<u>\$ 4.14</u>	<u>\$ 3.74</u>	<u>\$ 3.54</u>	<u>\$ 3.31</u>
Dividend per Share	\$ 1.72	\$ 1.52	\$ 1.22	\$ 1.12	\$ 1.04	\$ 0.97	
Dividend Payout Ratio	69%	63%	40%	33%	30%	34%	
Impact of non-GAAP adjustments	(30)	(27)	(10)	(3)	—	(5)	
Dividend Payout Ratio, Non-GAAP basis	<u>39%</u>	<u>36%</u>	<u>30%</u>	<u>30%</u>	<u>30%</u>	<u>29%</u>	

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- (2) Non-GAAP adjustments relate to charges or gains that management believes may or may not recur with similar materiality or impact on results in future periods.
 - (a) Represents amortization of step-up in fair value of inventory acquired in connection with the HeartWare acquisition.
 - (b) Represents amortization of step-up in fair value of inventory acquired in connection with the Covidien acquisition.
 - (c) Integration-related costs incurred in connection with the Covidien acquisition, and charges incurred in connection with the pending divestiture of a portion of our Patient Monitoring & Recovery division to Cardinal Health.
 - (d) The net charge primarily relates to the tax effect from the recognition of the outside basis difference of certain subsidiaries which are included in the expected divestiture of a portion of our Patient Monitoring & Recovery division to Cardinal Health, certain tax charges recorded in connection with the redemption of an intercompany minority interest, and the resolution of various tax matters from prior periods.

- (e) Primarily relates to U.S. income tax expense resulting from the Company's completion of an internal reorganization of the ownership of certain legacy Covidien businesses that reduced the cash and investments held by Medtronic's U.S.- controlled non-U.S. subsidiaries. Also includes a benefit related to the establishment of a deferred tax asset on the tax basis in excess of book basis of a wholly owned U.S. subsidiary of which the Company disposed.
- (f) Primarily relates to a \$329 million tax expense for anticipated resolution of the Kyphon acquisition-related issues with the IRS.
- (g) Represents a tax benefit associated with the resolution of certain issues in the fourth quarter of fiscal year 2014 with the IRS. The years under review by the IRS were with respect to fiscal years 2009 through 2011.
- (h) The charge represents a contribution to the Medtronic Foundation.
- (i) The impairment of a debt investment.
- (j) Special gain includes \$64 million after-tax charitable contribution made to the Medtronic Foundation, \$25 million after-tax gain on divestiture recognized in connection with the sale of the MicroFrance product line, and \$62 million after-tax net gain recognized in connection with the sale of a certain equity method investments.
- (k) Relates to losses incurred from the unwinding of forward starting interest rate swaps, which were previously entered into in advance of a planned debt issuance that was no longer expected post the internal reorganization.
- (l) Probable and reasonably estimable charges related to a CRHF global comprehensive program for home based monitors due to industry conversion from analog to digital technology.
- (m) Represents the incremental interest expense incurred to hold \$17 billion of debt from December 10, 2014 through the end of the third quarter of fiscal year 2015. On December 10, 2014, Medtronic Inc. issued \$17 billion of debt to finance, in part, the cash component of the Covidien acquisition consideration including the payment of certain transaction and financing expenses and for working capital and general corporate purposes.
- (n) The Financial Accounting Standards Board (FASB) authoritative guidance for convertible debt accounting resulted in an after-tax impact to net earnings of \$57 million, \$53 million, and \$106 million for fiscal years 2013, 2012, and 2011, respectively. This convertible debt matured in April 2013.
- (o) Costs associated with the transition and retirement of Chief Executive Officer, William Hawkins.
- (p) Net gain from Physio-Control divestiture-related items includes a \$204 million after-tax gain recognized on the sale of Physio-Control, partially offset by \$34 million of after-tax transaction costs.

MEDTRONIC PLC
RECONCILIATION OF NET INCOME TO NON-GAAP NET INCOME AND TOTAL PAYOUT RATIO⁽¹⁾
(Unaudited)

(in millions)	FY17	FY16	FY15	FY14	FY13	FY12
GAAP Net Income attributable to Medtronic	\$ 4,028	\$ 3,538	\$ 2,675	\$ 3,065	\$ 3,467	\$ 3,617
Non-GAAP Adjustments ⁽²⁾						
Impact of inventory step-up	24 (a)	165 (b)	455 (b)	—	—	—
Restructuring charges, net	272	221	180	60	147	64
Acquisition-related items	156 (c)	212	433	79	(51)	45
Amortization of intangible assets	1,460	1,467	538	230	—	—
Certain litigation charges	190	17	27	701	235	57
Certain tax adjustments, net	202 (d)	417 (e)	349 (f)	(63) (g)	—	—
Special charge (gain), net	63 (h)	44 (i)	(23) (j)	26 (h)	—	—
Loss on previously held forward starting interest rate swaps	—	29 (k)	—	—	—	—
Debt tender premium	—	118	—	—	—	—
Impact of product technology upgrade commitment	—	—	61 (l)	—	—	—
Impact of acquisition on interest expense	—	—	49 (m)	—	—	—
Impact of authoritative convertible debt guidance on interest expense, net	—	—	—	—	57 (n)	53 (n)
Physio-Control divestiture-related items	—	—	—	—	—	(170) (o)
Non-GAAP Net Income attributable to Medtronic	<u>\$ 6,395</u>	<u>\$ 6,228</u>	<u>\$ 4,744</u>	<u>\$ 4,098</u>	<u>\$ 3,855</u>	<u>\$ 3,666</u>
Dividends	2,376	2,139	1,337	1,116	1,055	1,021
Share repurchases, net	3,116	2,339	1,271	1,246	980	1,344
Total Payout Ratio	136%	127%	97%	77%	59%	65%
Impact of non-GAAP adjustments	(50)	(55)	(42)	(19)	(6)	—
Total Payout Ratio, Non-GAAP basis	<u>86%</u>	<u>72%</u>	<u>55%</u>	<u>58%</u>	<u>53%</u>	<u>65%</u>

Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP.

- (1) The data in this schedule has been intentionally rounded to the nearest \$0.01 and, therefore, may not sum.
- (2) Non-GAAP adjustments relate to charges or benefits that management believes may or may not recur with similar materiality or impact on results in future periods.
- (a) Represents amortization of step-up in fair value of inventory acquired in connection with the HeartWare acquisition.
 - (b) Represents amortization of step-up in fair value of inventory acquired in connection with the Covidien acquisition.
 - (c) Integration-related costs incurred in connection with the Covidien acquisition, and charges incurred in connection with the pending divestiture of a portion of our Patient Monitoring & Recovery division to Cardinal Health.
 - (d) The net charge primarily relates to the tax effect from the recognition of the outside basis difference of certain subsidiaries which are included in the expected divestiture of a portion of our Patient Monitoring & Recovery division to Cardinal Health, certain tax charges recorded in connection with the redemption of an intercompany minority interest, and the resolution of various tax matters from prior periods.
 - (e) Primarily relates to U.S. income tax expense resulting from the Company's completion of an internal reorganization of the ownership of certain legacy Covidien businesses that reduced the cash and investments held by Medtronic's U.S.- controlled non-U.S. subsidiaries. Also includes a benefit related to the establishment of a deferred tax asset on the tax basis in excess of book basis of a wholly owned U.S. subsidiary of which the Company disposed.
 - (f) Primarily relates to a \$329 million tax expense for anticipated resolution of the Kyphon acquisition-related issues with the IRS.

- (g) Represents a tax benefit associated with the resolution of certain issues in the fourth quarter of fiscal year 2014 with the IRS. The years under review by the IRS were with respect to fiscal years 2009 through 2011.
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