

35TH ANNUAL J.P. MORGAN HEALTHCARE CONFERENCE

JANUARY 9, 2017
SAN FRANCISCO

OMAR ISHRAK
CHAIRMAN & CEO

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 capital, product development and introduction, partnerships, regulatory matters, restructuring initiatives, mergers/acquisitions/divestitures and related effects, accounting estimates, 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 the filings we make 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.

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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 contains financial measures and guidance, including free cash flow figures (defined as operating cash flows less property, plant and equipment additions), revenue, margin and growth rates on a constant currency basis, and adjusted EPS, all of which are considered "non-GAAP" financial measures under applicable SEC rules and regulations. We believe these non-GAAP measures provide a useful way to evaluate our underlying performance. Medtronic calculates forward-looking non-GAAP financial measures based on internal forecasts that omit certain amounts that would be included in GAAP financial measures. For instance, forward-looking revenue growth and EPS projections exclude the impact of foreign currency exchange fluctuations. Forward-looking non-GAAP EPS guidance also excludes other potential charges or gains that would be recorded as non-GAAP adjustments to earnings during the fiscal year, such as amortization of intangible assets and acquisition-related, certain tax and litigation, and restructuring charges or gains. Medtronic does not attempt to provide reconciliations of forward-looking non-GAAP EPS guidance to projected GAAP EPS guidance because the combined impact and timing of recognition of these potential charges or gains is inherently uncertain and difficult to predict, and is unavailable without unreasonable efforts. In addition, we believe such reconciliations would imply a degree of precision and certainty that could be confusing to investors. Such items could have a substantial impact on GAAP measures of financial performance. Detail concerning how all non-GAAP measures are calculated, including all GAAP to non-GAAP reconciliations, are provided on our website and can be accessed using this [link](#).

FOCUSED LONG-TERM COMMITMENTS DRIVING SHAREHOLDER VALUE

EXECUTING ON A BROAD, SUSTAINABLE GROWTH PLATFORM

REVENUE
GROWTH



EPS
LEVERAGE



CAPITAL
ALLOCATION

Robust innovation pipeline, geographic reach, and new healthcare business models

Multiple operating and financial leverage levers to deliver consistent and reliable double-digit earnings per share growth

Purposeful capital deployment prioritizing substantial cash returns to shareholders and disciplined reinvestment

Commitments

MID-SINGLE DIGIT

CONSTANT CURRENCY REVENUE GROWTH



DOUBLE-DIGIT

CONSTANT CURRENCY EPS GROWTH



>50 PERCENT

RETURNED TO SHAREHOLDERS

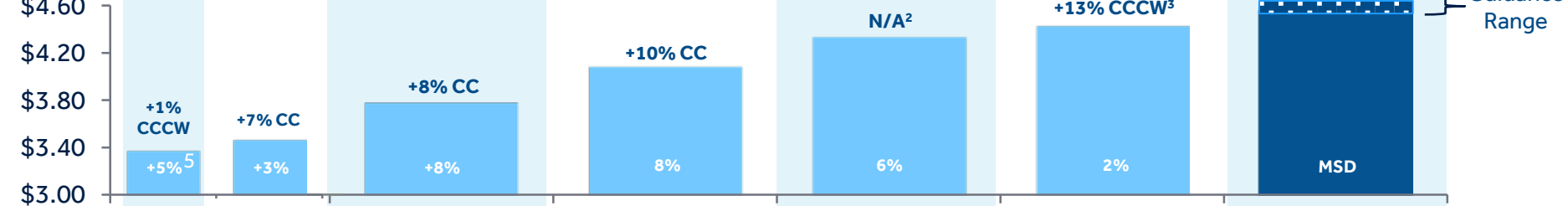
CREATING LONG-TERM SHAREHOLDER VALUE

IMPROVING REVENUE, EPS AND FREE CASH FLOW GROWTH

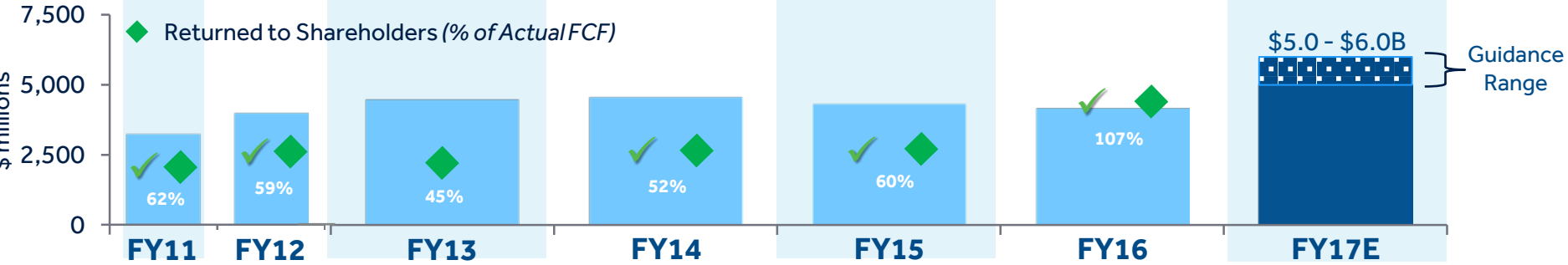
Revenue Growth¹ (Y/Y) ✓ Goal: Mid-single digit CC growth.



Non-GAAP EPS Current Goal: Double-Digit CC Non-GAAP EPS Growth. Previous Goal: 200-400bps EPS leverage.



Actual Free Cash Flow⁴ ✓ Goal: Return a minimum of 50% to shareholders.



1 CCCW - Constant currency, constant week. Q1 FY11 and Q1 FY16 had an extra week. Q4 FY15 through Q3 FY16 adjusted to include legacy Covidien in baseline.

2 N/A - Not applicable. Difficult to compare EPS to prior year given the acquisition of Covidien.

3 Adjusted to include legacy Covidien in full year FY15 baseline.

4 FCF is operating cash flow minus capital expenditures. 5 Non-GAAP EPS growth, not adjusted for FX, extra week, or COV comparability.



COVIDIEN ACQUISITION HAS ADDED SIGNIFICANT VALUE

EXECUTING ON THE LARGEST ACQUISITION IN MEDTECH HISTORY

REVENUE
GROWTH



EPS
LEVERAGE



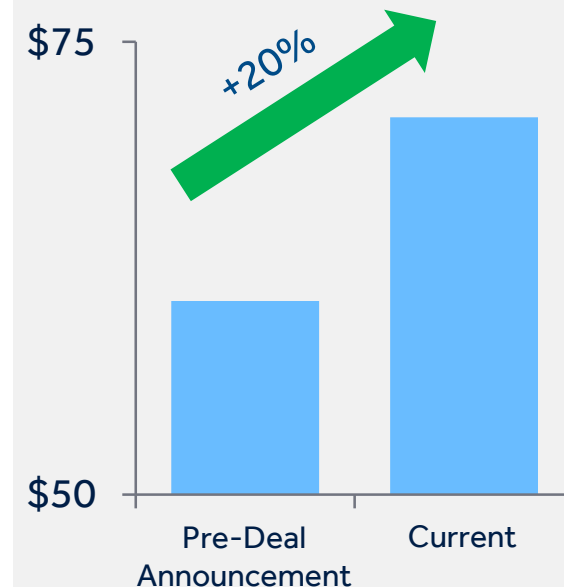
CAPITAL
ALLOCATION

- **Increased Diversification**
- **COV Peripheral Vascular** + MDT Drug-Coated Balloon
- **COV Neurovascular** franchise + MDT neurosurgery
- Combined assets to create **end stage renal business**
- Expanded Cath Lab Managed Services into **Operating Rooms**

- **Value Capture:** ~\$355M in FY16; \$850M+ by FY18
- **Global ERP Implementation** on track
- **Scale catalyst for long-term cost savings**
- **FX Headwinds** have reduced reported leverage

- **Accessible Free Cash Flow** from ~35% to ~55%
 - **Long-term expectations tempered given Treasury notices / regulations**
- **+41% Dividend Increase** since acquisition; payout ratio now at ~40%
- **Untrapped ~\$10B Cash; \$5B Incremental Share Repurchase** by FY18

MDT Stock Price Since Deal Announcement



Pre-deal announcement reflects 6/13/14 closing price. Current reflects closing price on 1/6/17.

STRATEGY TO CAPTURE HEALTHCARE GROWTH OPPORTUNITIES

EXPECT TO RESULT IN MID-SINGLE DIGIT REVENUE GROWTH

Universal Healthcare Needs:
Perpetual Source of
Opportunity

Medtronic Strategies to
Capture Growth

Three Diversified
Growth Vectors

Improve Clinical Outcomes



Therapy Innovation

Expand Access



Globalization

Optimize Cost & Efficiency



Economic Value

New Therapies

200-350bps

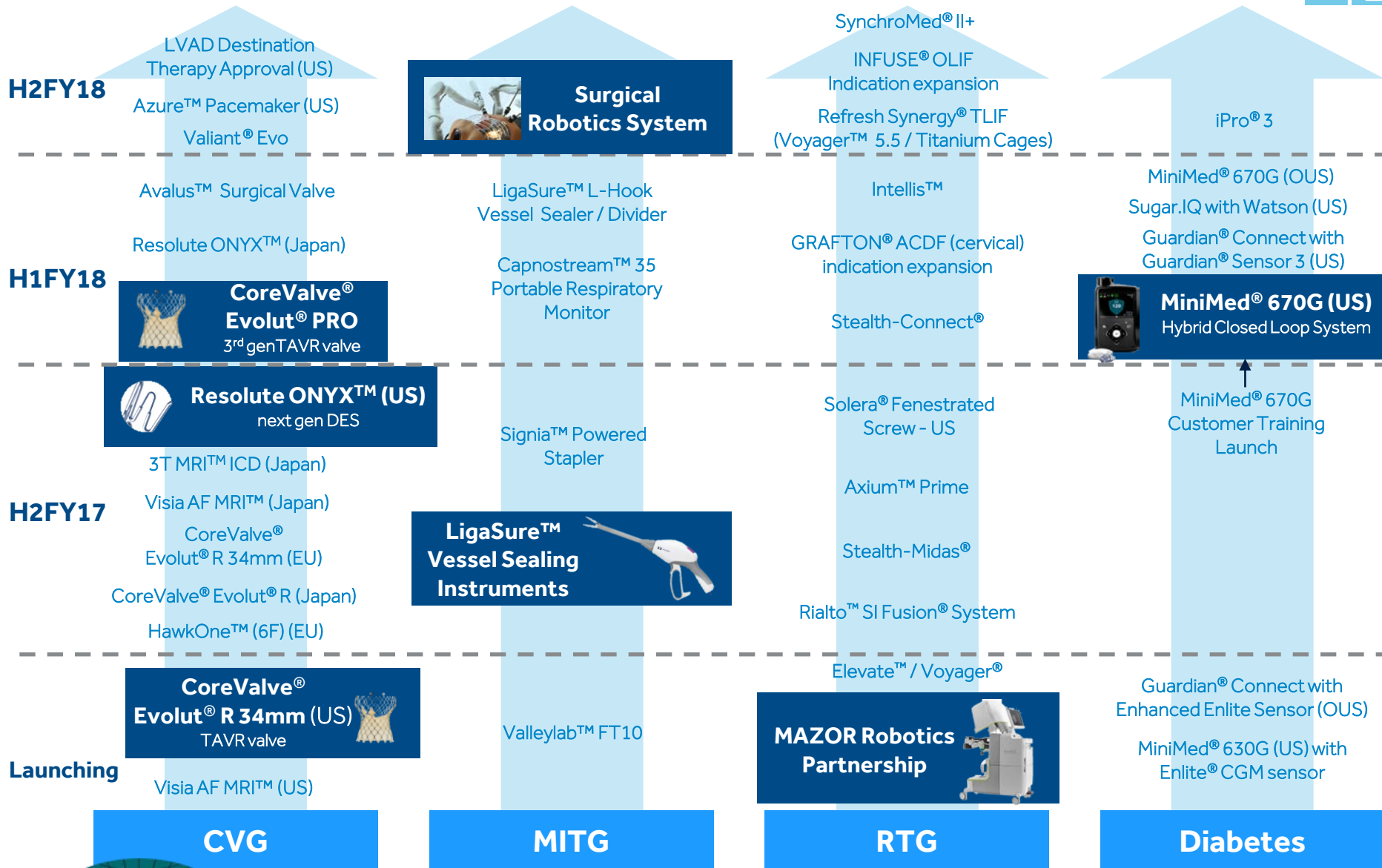
Emerging Markets

150-200bps

Services & Solutions

40-60bps

FULL PIPELINE SUSTAINS 200-350BPS NEW THERAPIES GROWTH

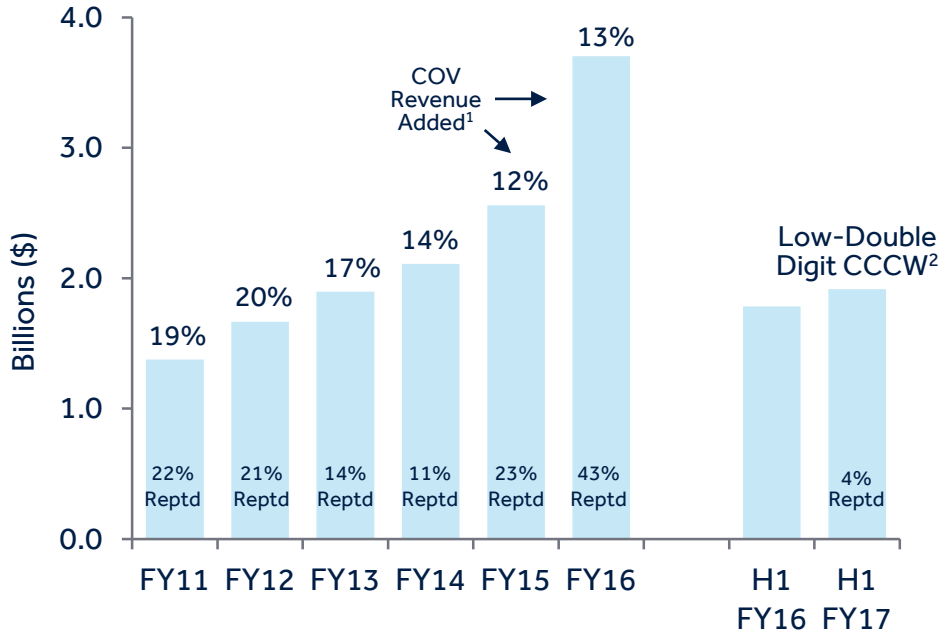


UNLOCKING THE EMERGING MARKET OPPORTUNITY

MAINTAINING MARGINS COMPARABLE TO DEVELOPED MARKETS

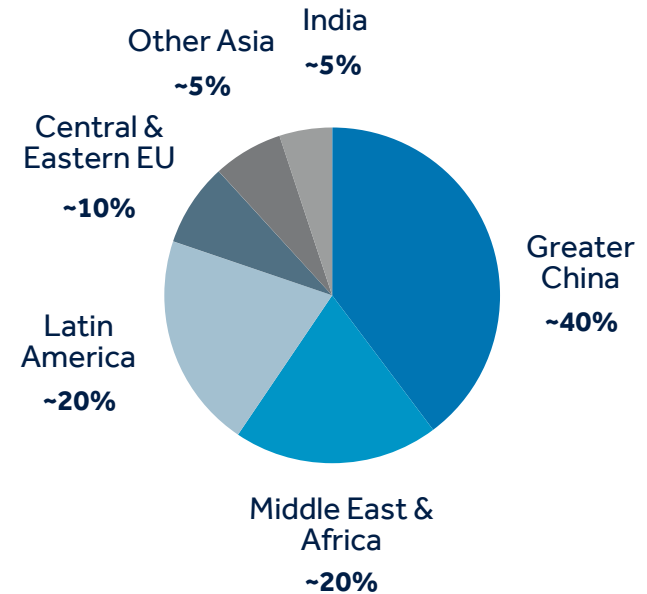


Medtronic Emerging Market Revenue



Diversified Emerging Market Revenue

As of Q2 FY17



Strategic Growth Drivers

Traditional Market Development

- Education & Training
- Distribution Reach



1

Channel Optimization

2

Private Partnerships

3

Public Partnerships

The penetration of existing therapies into emerging markets represents the single largest opportunity in MedTech.

1. FY15 emerging markets revenue reflects partial year (FQ4) Covidien contribution. FY16 includes Covidien for full-year.
 2. CCCW is constant currency, constant week



UNLOCKING THE EMERGING MARKET OPPORTUNITY

CHANNEL OPTIMIZATION

Benefits

✓ STRATEGIC

- Allows Medtronic to better serve customer needs through more direct relationships

✓ FINANCIAL

- Accelerates growth and captures margin: shared benefit for both the end customer and Medtronic

✓ SUSTAINABILITY

- Strengthens systematic integrity and compliance
- Promotes ethical practices in channel

Opportunity

- Building blocks for long-term sustained emerging markets growth
- Today, nearly \$3B of MDT sales through over 6,000 distributors
- Optimizing distributor relationships expected to result in substantial incremental revenue

Approaches

PARTNERSHIP MODEL CHANGE

CHINA & INDIA



- Consolidate roles and responsibilities
- Adjust distributor margins



- Distributors focus more on logistics and last-mile services

DISTRIBUTOR TRANSITIONS

TURKEY & SAUDI ARABIA



- Formed JV's with largest distributor

PANAMA & SLOVAKIA



- Leveraging direct infrastructure

ACCOUNT-BY-ACCOUNT TRANSITIONS

BRAZIL



- Serve specific, high-value accounts directly but keep distributor for remaining territory

UNLOCKING THE EMERGING MARKET OPPORTUNITY

PUBLIC / PRIVATE PARTNERSHIPS



Public Partnerships

RUSSIA SOLE SOURCE SUPPLIER



- Cardiovascular disease is the leading cause of death in Russia
- Russian government committed to increasing Acute Coronary Syndrome (ACS) spend by ~4x
- Sole supplier arrangement for coronary stents and balloons in Russia for 2017-2022; starting shipments this quarter
- Estimated 800K-1M ACS patients 2017-2020
- MDT majority partner in JV with private company

CHINA CHENGDU DIABETES & DIALYSIS



- Long-term government partnership
- MDT to locally manufacture dialysis system and next generation sensor augmented insulin pumps
- Commercial commitment and joint market access development



Private Partnerships

ABRAAJ STRATEGIC PARTNERSHIP



- Abraaj establishing integrated hub & spoke health delivery network across sub-Saharan Africa, India sub-continent, and Southeast Asia
- Committed to improving patient access and delivering high-quality care
- Medtronic strategic partnership provides medical devices and value-based care continuum services to ensure best-in-class outcomes within Abraaj network

INDIA AND SEA MANAGED SERVICES



- 19 partnerships in place; 17 in India, 2 pilot programs in Southeast Asia
- Targeted scope to enable infrastructure creation and market development with incremental device revenue opportunity
- Focus on building access in Tier 2-3 cities with entrepreneur led and mid-market hospitals (KIMS)
- Building pipeline in Southeast Asia

SERVICES AND SOLUTIONS: DRIVING ANNUITY REVENUE

CLMS & ORMS ENABLING FUTURE VALUE-BASED HEALTHCARE



Overview

- Long-term growth partnership with providers
 - Incremental device revenue by expanding patient access
- Driving annuity revenue growth over long-life contracts
 - Annualizing at ~\$120M in service revenue
- Global scale and broadening product offerings drive future growth
- Proven CLMS results:
 - 25-35% increase in lab capacity
 - Increased market share and savings

Medtronic Differentiators



Expertise in care pathway development



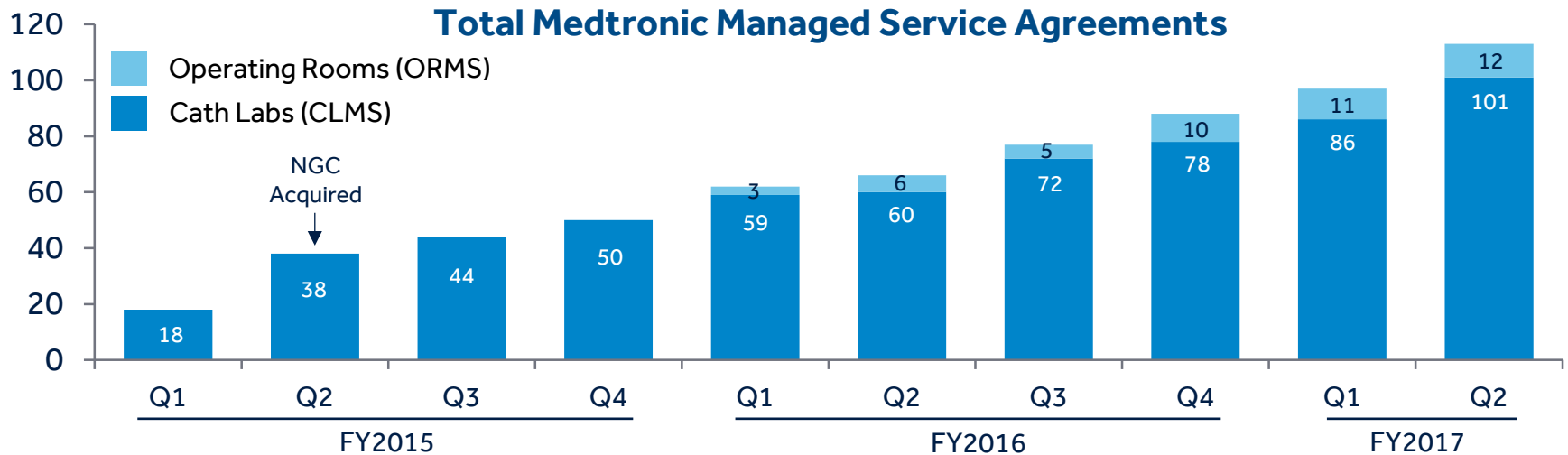
Visibility and influence with policy makers



Technology innovation in care delivery



Disease and condition understanding



FOCUSED ON EMERGING VALUE-BASED HEALTHCARE SIGNATURE PROGRAMS



1

CHRONIC CARE MANAGEMENT

Diabetes

- Diabeter acquisition; 2,000+ patients covered
- Integrated diabetes management offering remote care through connectivity
- MDT owned stand-alone clinics
- Focused on achieving optimal glucose control for patients at the lowest decile of cost to payers
- 5 Netherlands-based clinics with a pipeline of UK, MEA and US prospects

Obesity

- NOK acquisition; 35K patients treated
- Global standard of care for bariatric surgery featuring standardized nutritional and medical support
- Increased patient engagement and more durable weight loss
- 8 Netherlands-based clinics with roadmap to future expansion



2

EPISODIC BUNDLE

Orthopedic Solutions

- Goal to reduce system costs across the entire episode while maintaining or improving outcomes
- Comprehensive solution underpinned by complication management and post-acute monitoring

Potential US Shared Value

- CMS cost savings target: ~\$350M over 5 years.



RESPONSIVE ORTHOPEDICS

CABG

- Positioned to offer technologies and services across the CABG care continuum
 - Pre- and peri-procedure
 - Post-Discharge
- Willing to share financial accountability for the performance of our products and services

3

THERAPY OPTIMIZERS

Infection Control

- TYRX™: anti-infection envelope for implantable devices
- Infections occur in 1-3% of high-risk device implants; cost ~\$75K to treat
- TYRX™ reduces infection rate to <0.5% in high-risk patients
- Shared savings model to improve outcomes and reduce costs to both the providers and payers

Potential US Shared Value

- Total cost to HC payers: ~\$500M/yr.¹

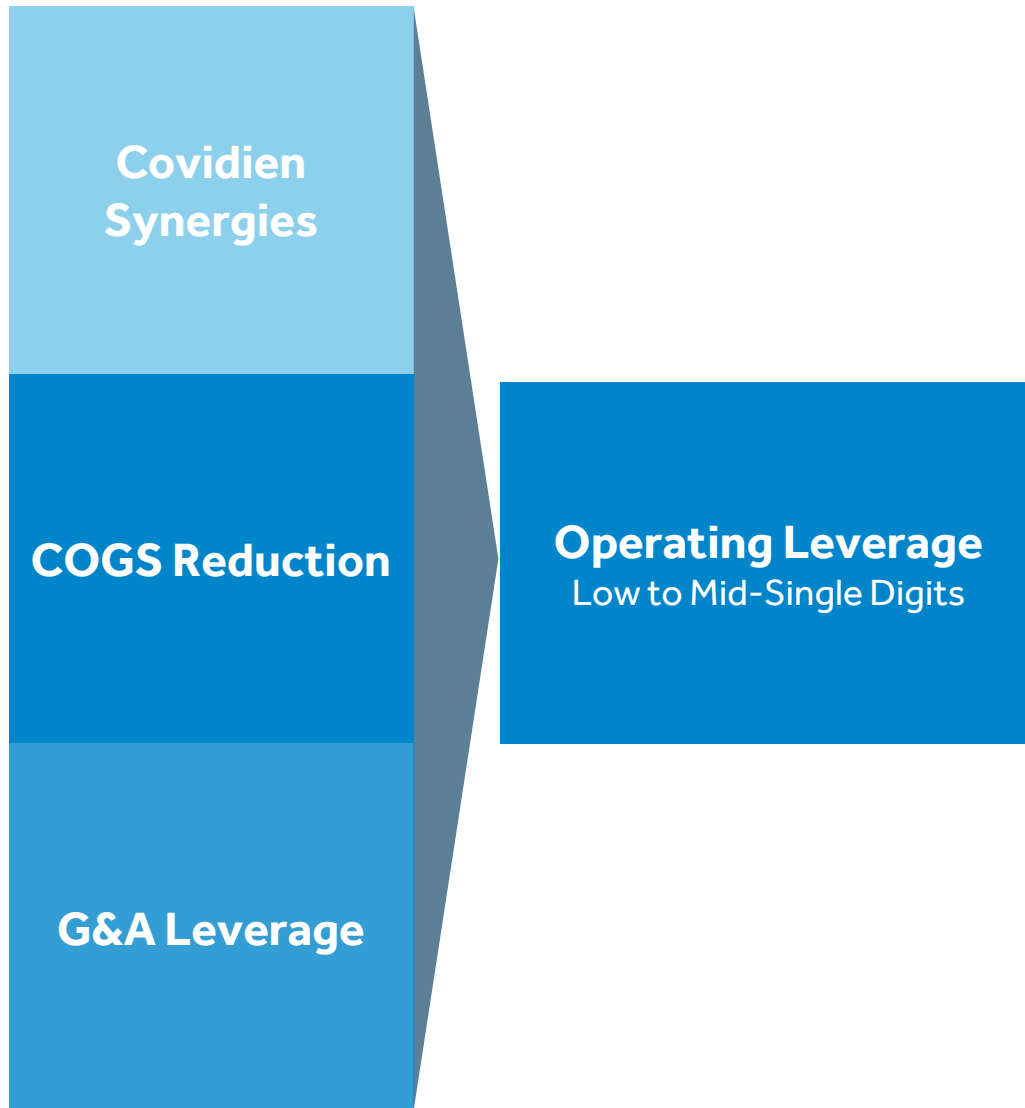
Respiratory Compromise

- 11.6% of US adult inpatient surgeries experience respiratory compromise with an average of \$18K of added hospital cost per patient
- 5 year pledge to reduce unplanned ICU transfers from the GCF and other codes by 20%
- 50% rebate on consumables purchased in one year if objectives aren't met

1. High-risk CRDM implants.

DELIVERING MARGIN EXPANSION

GOING BEYOND COVIDIEN SYNERGIES TO DELIVER MORE OPPORTUNITIES

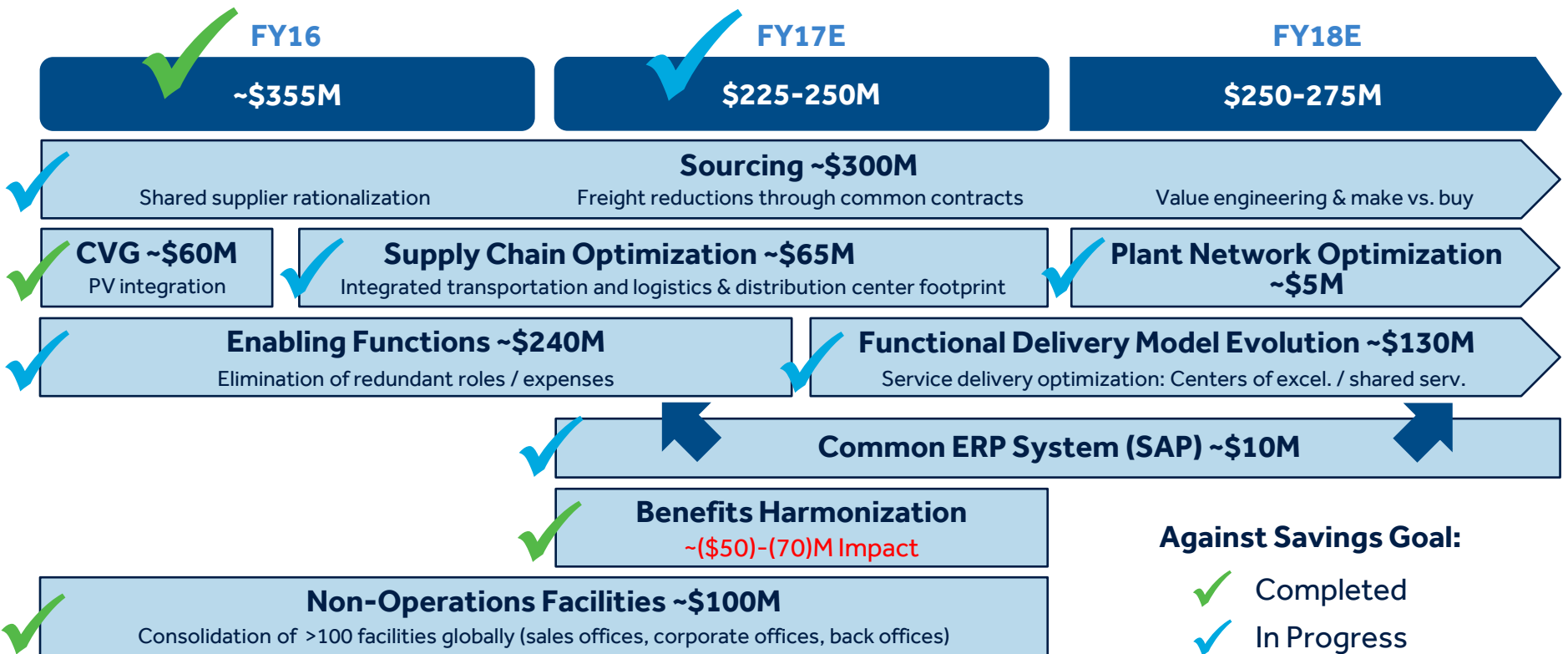


Utilizing systems and structures at scale across the enterprise to drive margin expansion

- Operating leverage of low to mid-single digits contributes to double-digit EPS growth expectation
- On track to deliver minimum of \$850M in COV synergies
- COV synergies catalyst for long tail of leverage opportunities beyond FY18

DELIVERING ON COVIDIEN SYNERGIES AND BEYOND

FY16-FY18: ON TRACK FOR A MINIMUM OF \$850M IN COST SAVINGS



Leverage / Cost Savings Opportunities beyond Covidien Synergies through FY21

- Enable functional delivery model
- Standardizing of workforce management best practices
- Implement scalable and consistent HR models
- Standardize and automate reporting
- Centralize credit management
- Supply chain
- Manufacturing plant optimization & consolidation
- Implement lean manufacturing cell operating system

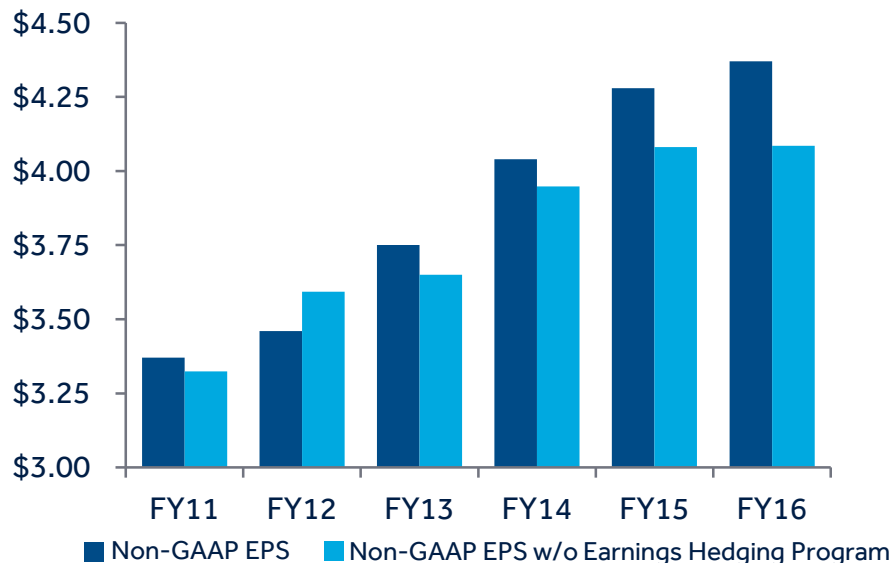
FOREIGN EXCHANGE AND HEDGING

FX IMPACT EXPECTED TO MODERATE

Hedging Reduces Short-Term Volatility of Earnings and Cash Flows

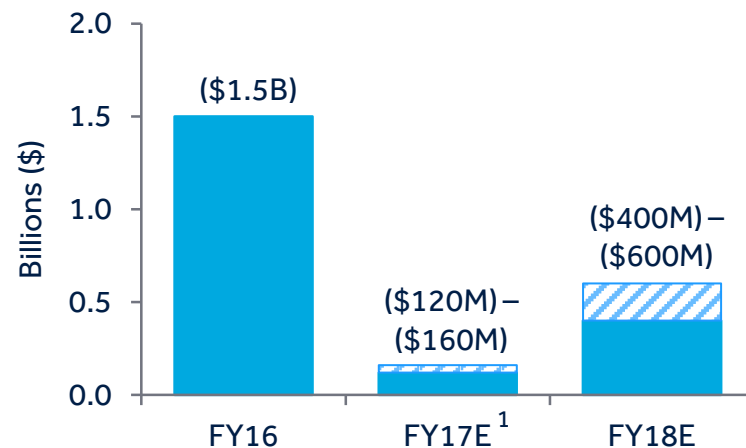
- Hedges of forecasted EBIT exposures up to 18 months in the future are layered in over time
- Hedge major developed market currencies including the Euro and Japanese Yen
- Recognize hedging gain/loss in net other expense

Non-GAAP EPS with / without Hedging

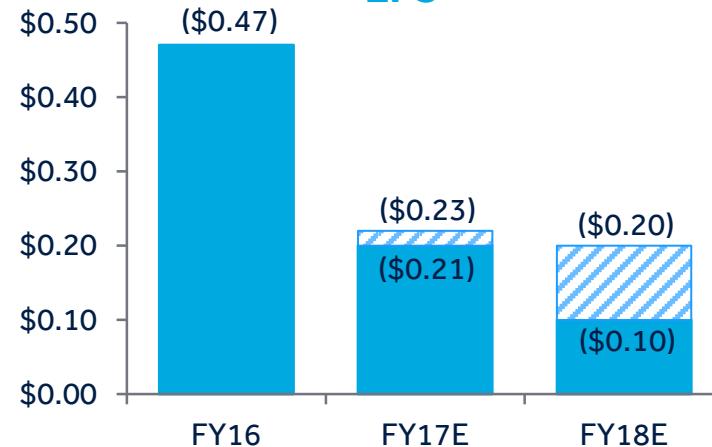


Annual FX Impact / Guidance

Revenue



EPS



1. Includes an approximate \$40M to \$60M negative impact in Q3 FY17.

REITERATING FY17 GUIDANCE

DELIVERING DOUBLE-DIGIT CC & MID-SINGLE DIGIT REPORTED EPS GROWTH

Current Financial Guidance

	H2 FY17	FY17
Revenue Growth Outlook – CCCW	MSD	MSD
CVG Growth	MSD, Q3 greater than Q4	--
MITG Growth	MSD	--
RTG Growth	Low-end of MSD, Ramp Q3 to Q4	--
Diabetes Growth	MSD to HSD, Ramp Q3 to Q4	--
COV Synergies	--	~\$225-250M
EPS Growth Guidance– CCCW¹	8-10%	Double Digit
Free Cash Flow ²	--	\$5B - \$6B

Other than noted, revenue and EPS growth guidance do not include any charges or gains that would be recorded as non-GAAP adjustments to earnings during the fiscal year

¹ Estimated FX impact to FY17 EPS of (\$0.21) to (\$0.23) ; Implies 2017 non-GAAP diluted EPS in range of \$4.55-\$4.60

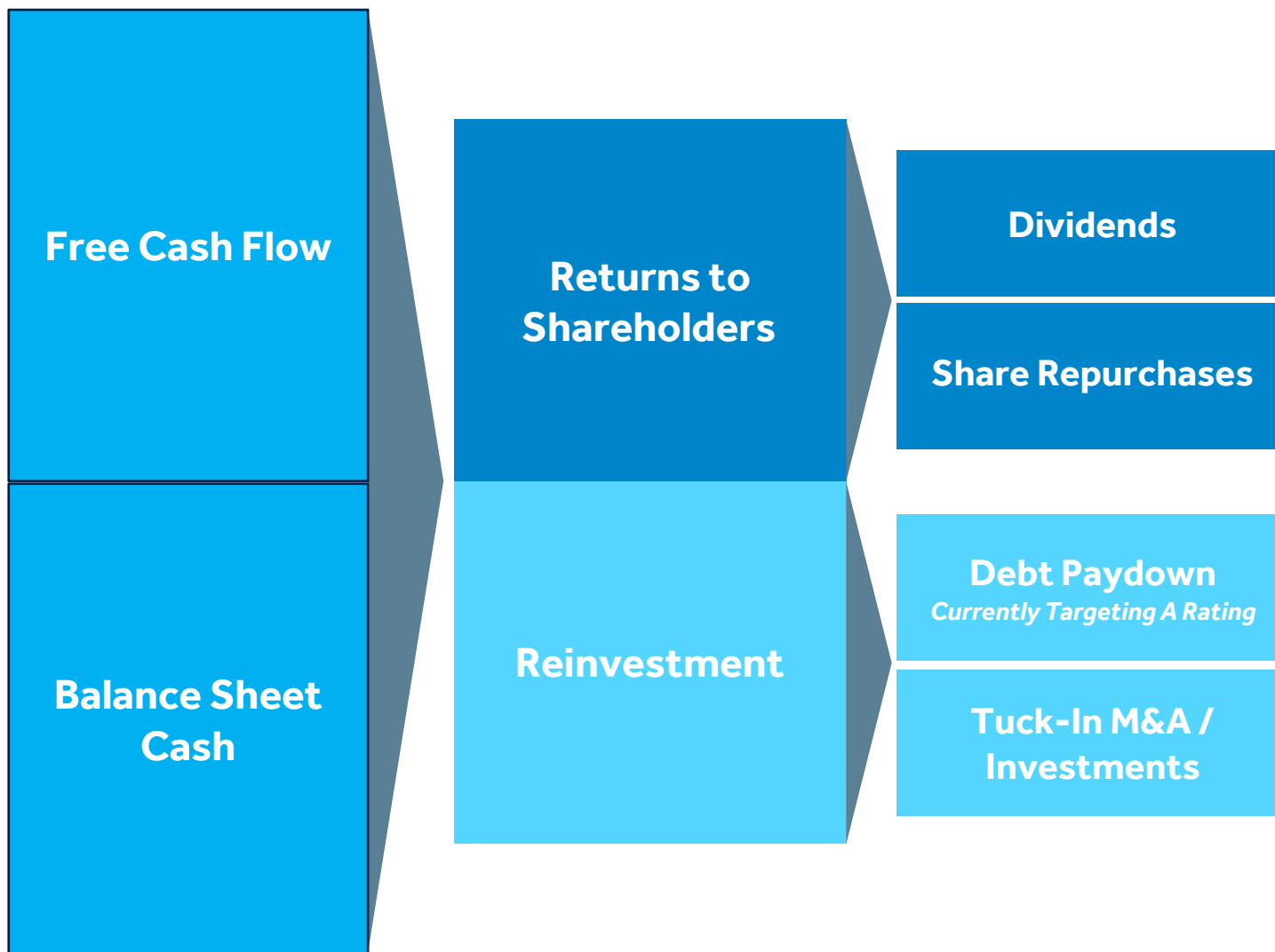
² Operating cash flows less property, plant and equipment additions

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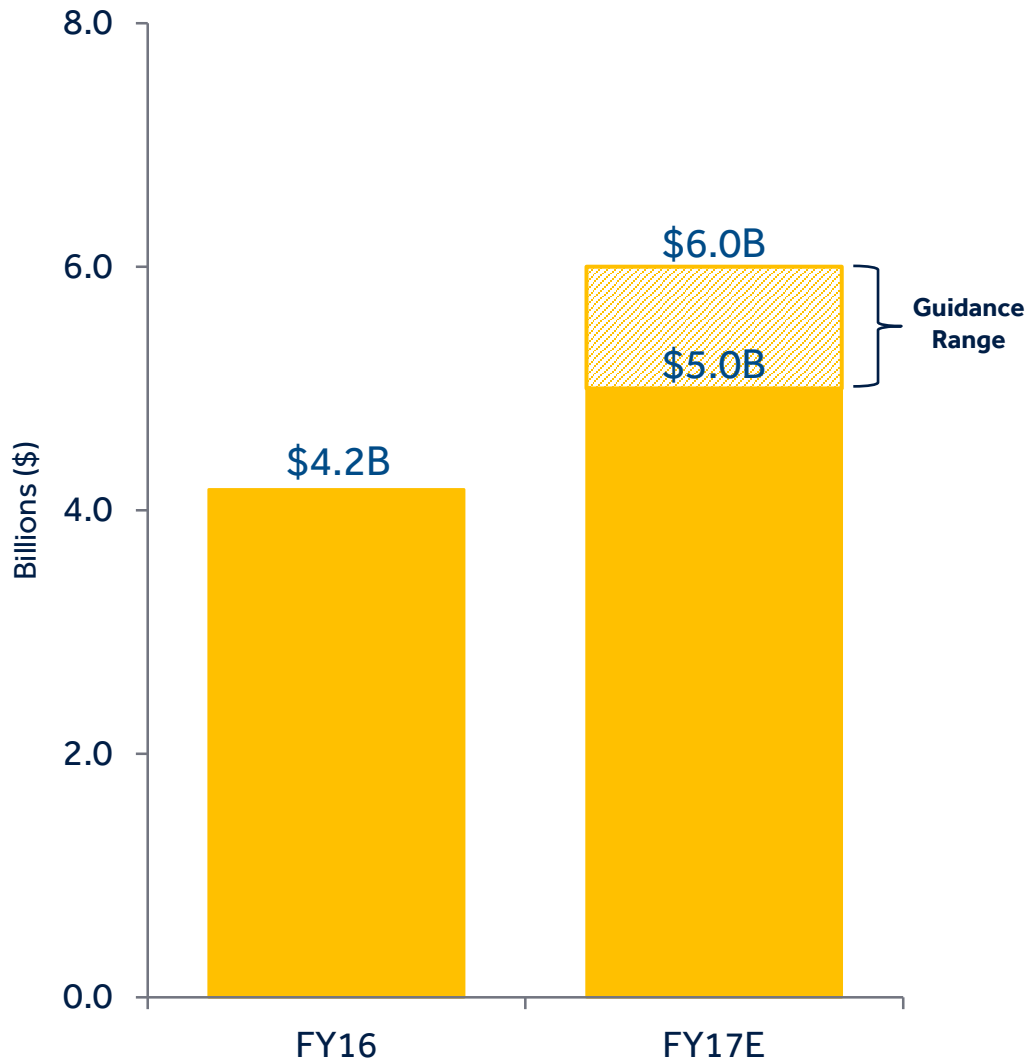
PURPOSEFUL CAPITAL DEPLOYMENT PLAN

FOCUSED ON SHAREHOLDER RETURNS AND DISCIPLINED REINVESTMENT



GENERATING SIGNIFICANT FREE CASH FLOW

SUBSTANTIAL GROWTH FROM PRIOR YEAR



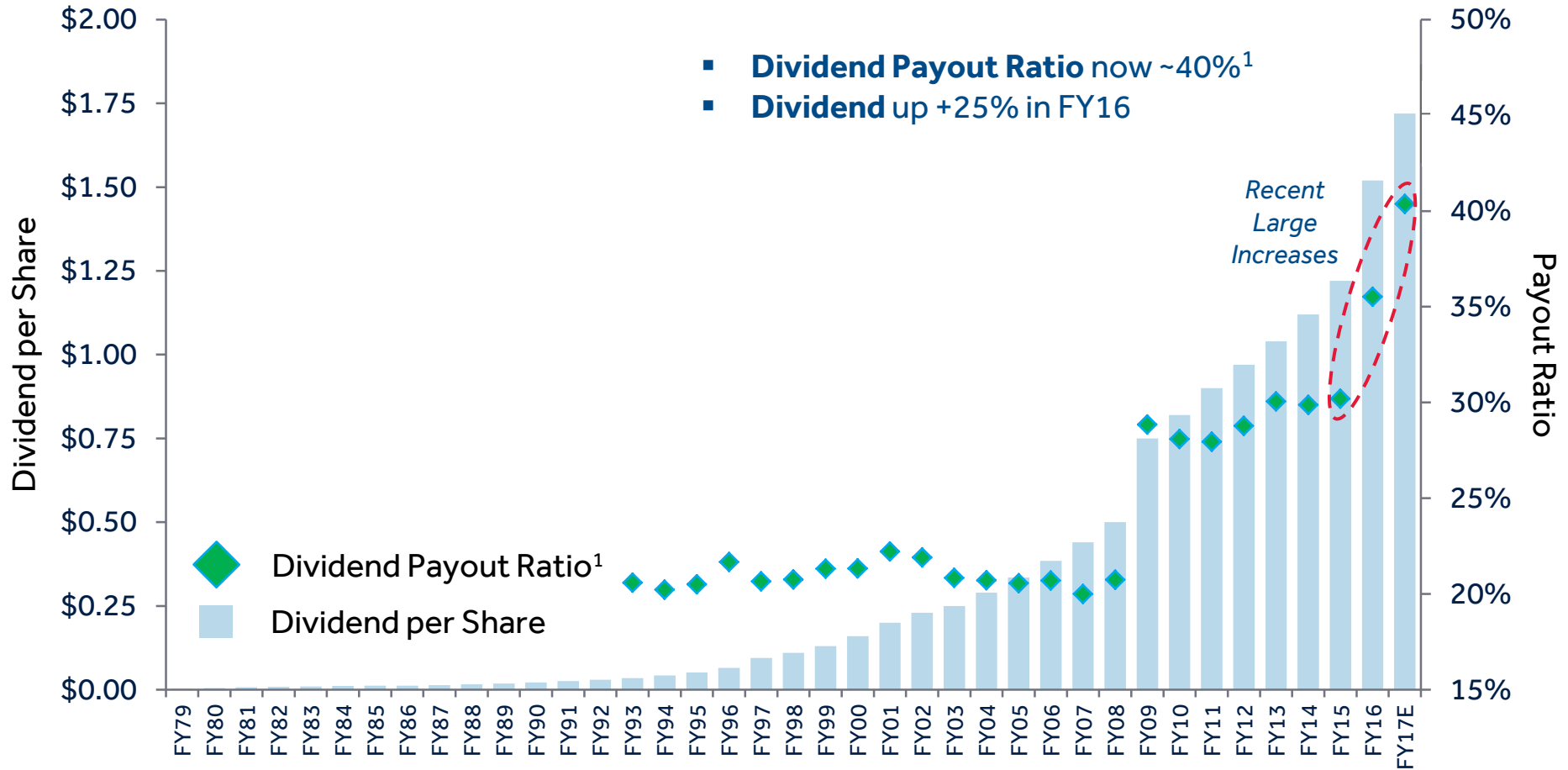
Change in Accessible Mix

- Awaiting final court decision on Puerto Rico resolution; now expect cash transfer in FY18/19
- Expect accessible FCF ratio to increase from ~55% to ~60% following Puerto Rico resolution and to remain stable thereafter
- Potential US tax reform could have significant positive impact to accessible mix

Free cash flow (FCF) defined as operating cash flow, less capital expenditures

38 YEARS OF INCREASING DIVIDEND

DIVIDEND EXPECTED TO GROW IN-LINE WITH EARNINGS GROWTH

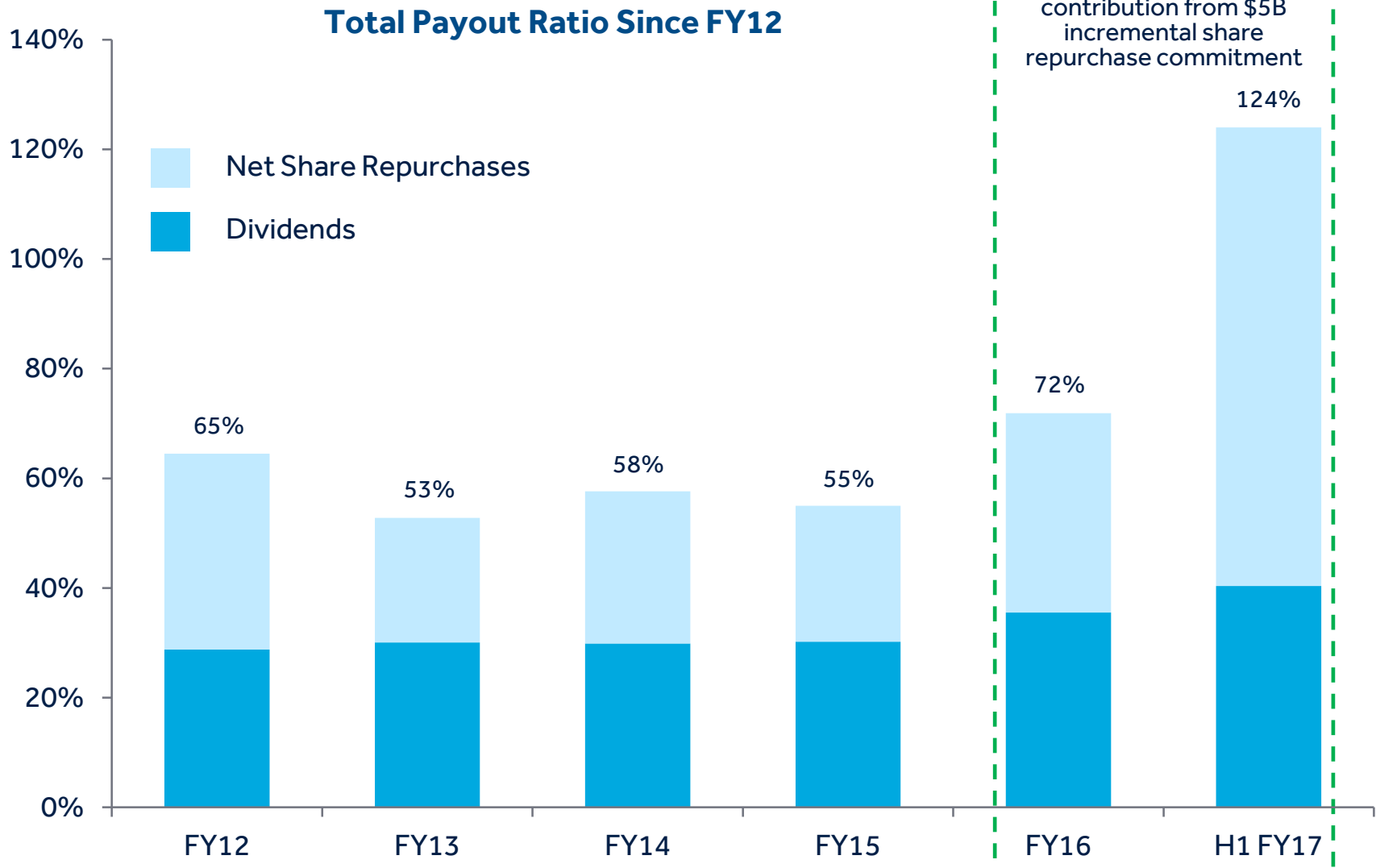


18% Dividend Per Share CAGR over 38 Year History
 Member of S&P 500 Dividend Aristocrats

1. On a non-GAAP basis. Calculated as annual dividend per share divided by prior year non-GAAP earnings per share.

STRONG TRACK RECORD OF RETURNING CAPITAL TO SHAREHOLDERS

PURPOSEFULLY SUPPLEMENTING DIVIDEND WITH SHARE REPURCHASE



Payout ratio calculated as dividends plus net share repurchases divided by adjusted net income.

DISCIPLINED PLATFORM FOR STRATEGIC M&A

STRONG ACQUISITION TRACK RECORD DELIVERING MID-TEENS IRR

Disciplined Portfolio Management Criteria

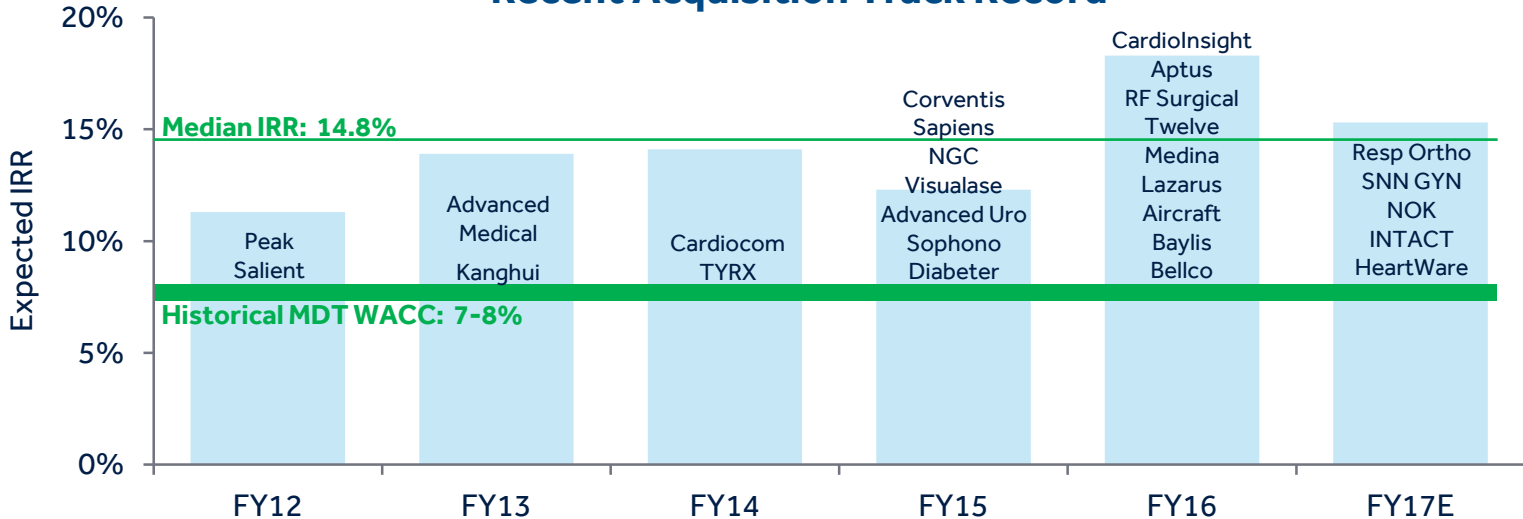
- 1 Meets Portfolio Criteria
- 2 Strengthens Strategic Priorities Across Groups
- 3 Meets Financial Guidelines

- ✓ Minimal to no "net" EPS dilution
- ✓ Clear financial value proposition
- ✓ Mid-teens risk-adjusted return hurdle

Medtronic Value-Add Post Acquisition



Recent Acquisition Track Record



MEDTRONIC: DRIVING SHAREHOLDER VALUE

FOCUSED ON REDUCING UNCERTAINTY IN UNCERTAIN TIMES

Size & Scale

- Leading Market Positions
- Global Distribution and Manufacturing Footprint
- Public and Private Partnerships

Ongoing Innovation

- Delivering Meaningful New Products over the Next 18 Months across All Groups
- Business Model Innovation

Building Diversification

- Business / Disease States Diversification
- Geographic Diversification

Disciplined Allocator of Capital

- Strong Track Record of Returning Capital to Shareholders
- Reinvestment: Tuck-In Acquisitions Delivering Strong Returns

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