

connection with the redemption of an intercompany minority interest, partially offset by a benefit related to the resolution of various tax positions from prior years.

- (d) Represents amortization of step-up in fair value of inventory acquired in connection with the Covidien acquisition.
- (e) 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 (f). The losses were recorded in *interest expense, net* in our consolidated statements of income.
- (f) 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.

MEDTRONIC PLC
RECONCILIATION OF OPERATING CASH FLOW TO FREE CASH FLOW
(Unaudited)

(in millions)	Nine months ended	Six months ended	Three months ended
	January 27, 2017	October 28, 2016	January 27, 2017
Net cash provided by operating activities	\$ 5,107	\$ 3,022	\$ 2,085
Additions to property, plant, and equipment	(924)	(598)	(326)
Free Cash Flow (1)	<u>\$ 4,183</u>	<u>\$ 2,424</u>	<u>\$ 1,759</u>

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

(1) Free cash flow represents operating cash flows less property, plant, and equipment additions.

MEDTRONIC PLC
RECONCILIATION OF ESTIMATED FULL FISCAL YEAR OPERATING CASH FLOW TO FREE CASH FLOW
(Unaudited)

(in billions)	Full Fiscal Year 2017 Estimate	
	Low	High
Net cash provided by operating activities (1)	\$ 6.2	\$ 7.1
Additions to property, plant, and equipment	(1.2)	(1.1)
Free Cash Flow (2)	\$ 5.0	\$ 6.0

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

- (1) Estimated full fiscal year net cash provided by operating activities includes assumptions related to the timing and amount of cash flows resulting from charges or gains that result from transactions or events that management believes may or may not recur with similar materiality or impact to operations in future periods (Non-GAAP Adjustments). The estimated full year range is broad to capture the unpredictability inherent in the timing and amount of cash flows related to Non-GAAP Adjustments. The estimate includes projected cash flows related to Non-GAAP Adjustments which have been recognized in the Company's statements of income. If the Company were to incur charges or gains related to Non-GAAP Adjustments which have not yet been recognized in the statements of income, the estimated full fiscal year net cash provided by operating activities may be significantly effected.
- (2) Free cash flow represents operating cash flows less property, plant, and equipment additions.

MEDTRONIC PLC
 THIRD QUARTER SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE (SG&A), RESEARCH AND
 DEVELOPMENT EXPENSE (R&D), AND OTHER (INCOME) EXPENSE, NET ON AN ADJUSTED BASIS
 (Unaudited)

Three months ended January 27, 2017

(in millions)	Net Sales	SG&A Expense	SG&A Expense as a Percentage of Net Sales	R&D Expense	R&D Expense as a Percentage of Net Sales	Other (Income) Expense, net	Other (Income) Expense, net as a Percentage of Net Sales
As reported	\$ 7,283	\$ 2,388	32.8%	\$ 530	7.3%	\$ 46	0.6%
Foreign currency impact	40	9		1		(38)	
Adjusted	\$ 7,323	\$ 2,397	32.7%	\$ 531	7.3%	\$ 8	0.1%

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

MEDTRONIC PLC
REVENUE AND OPERATING PROFIT PERCENT GAAP TO NON-GAAP RECONCILIATIONS
(Unaudited)

	Three months ended January 27, 2017	
	Revenue	Operating Profit Percent
Reported	5.0%	15.7%
Non-GAAP adjustments (1)	—	12.5
Foreign currency impact (2)	0.6	0.9
Non-GAAP constant currency adjusted	5.6	29.1
Impact from acquisitions and divestitures	(1.5)	0.4
Adjusted	4.1%	29.5%

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

- (1) 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.
- (2) Constant currency growth, a non-GAAP financial measure, measures the change in revenue between current and prior year periods using average exchange rates in effect during the applicable prior year period.

MEDTRONIC PLC
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in millions)	January 27, 2017	April 29, 2016
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 2,768	\$ 2,876
Investments	8,690	9,758
Accounts receivable, less allowances of \$168 and \$161, respectively	5,453	5,562
Inventories	3,720	3,473
Other current assets	1,792	1,931
Total current assets	22,423	23,600
Property, plant, and equipment, net	4,947	4,841
Goodwill	41,224	41,500
Other intangible assets, net	26,209	26,899
Tax assets	1,484	1,383
Other assets	1,291	1,421
Total assets	\$ 97,578	\$ 99,644
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Current debt obligations	\$ 6,226	\$ 993
Accounts payable	1,557	1,709
Accrued compensation	1,521	1,712
Accrued income taxes	821	566
Other accrued expenses	2,547	2,185
Total current liabilities	12,672	7,165
Long-term debt	25,923	30,109
Accrued compensation and retirement benefits	1,610	1,759
Accrued income taxes	2,527	2,903
Deferred tax liabilities	3,643	3,729
Other liabilities	1,710	1,916
Total liabilities	48,085	47,581
Commitments and contingencies		
Shareholders' equity:		
Ordinary shares — par value \$0.0001	—	—
Retained earnings	52,266	53,931
Accumulated other comprehensive loss	(2,879)	(1,868)
Total shareholders' equity	49,387	52,063
Noncontrolling interests	\$ 106	\$ —
Total equity	\$ 49,493	\$ 52,063
Total liabilities and equity	\$ 97,578	\$ 99,644

MEDTRONIC PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in millions)	Nine months ended	
	January 27, 2017	January 29, 2016
Operating Activities:		
Net income	\$ 2,860	\$ 2,435
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,199	2,112
Amortization of debt discount and issuance costs	21	22
Acquisition-related items	(43)	216
Provision for doubtful accounts	31	43
Deferred income taxes	(404)	(291)
Stock-based compensation	272	291
Other, net	(113)	(117)
Change in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	18	86
Inventories	(261)	(388)
Accounts payable and accrued liabilities	(124)	177
Other assets and liabilities	495	(399)
Certain litigation charges	300	26
Certain litigation payments	(144)	(321)
Net cash provided by operating activities	5,107	3,892
Investing Activities:		
Acquisitions, net of cash acquired	(1,328)	(1,132)
Additions to property, plant, and equipment	(924)	(693)
Purchases of investments	(3,354)	(4,509)
Sales and maturities of investments	4,286	4,017
Other investing activities, net	21	(11)
Net cash used in investing activities	(1,299)	(2,328)
Financing Activities:		
Acquisition-related contingent consideration	(58)	(21)
Change in current debt obligations, net	1,149	1,223
Proceeds from short-term borrowings (maturities greater than 90 days)	4	139
Issuance of long-term debt	131	—
Payments on long-term debt	(392)	(1,612)
Dividends to shareholders	(1,782)	(1,608)
Issuance of ordinary shares	309	360
Repurchase of ordinary shares	(3,409)	(2,170)
Other financing activities	80	60
Net cash used in financing activities	(3,970)	(3,677)
Effect of exchange rate changes on cash and cash equivalents	54	(9)
Net change in cash and cash equivalents	(108)	(2,122)
Cash and cash equivalents at beginning of period	2,876	4,843
Cash and cash equivalents at end of period	\$ 2,768	\$ 2,721
Supplemental Cash Flow Information		
Cash paid for:		
Income taxes	\$ 474	\$ 1,236
Interest	626	707