**Ryan Weispfenning**

Thank you, Jackie. Good morning and welcome to Medtronic's third quarter conference call and webcast. During the next hour, Omar Ishrak, Medtronic Chairman and Chief Executive Officer, and Gary Ellis, Medtronic Chief Financial Officer, will provide comments on the results of our fiscal year 2016 third quarter, which ended on January 29, 2016. After our prepared remarks, we will be happy to take your questions.

First, a few logistical comments: Earlier this morning, we issued a press release containing our financial statements and a revenue-by-division summary. We also issued for the first time a presentation that provides additional details on our revenue performance, and as a result, have reduced our prepared revenue-by-division commentary in Gary's section. Next, you should note that many of the statements made during this call may be considered forward-looking statements, and that actual results might differ materially from those projected in any forward-looking statement. Additional information concerning factors that could cause actual results to differ is contained in our periodic reports filed with the SEC, and we do not undertake to update any forward-looking statement. In addition, the reconciliations of any non-GAAP financial measures are available on the Investors portion of our website at Medtronic.com. Unless we say otherwise, references to quarterly results increasing or decreasing are in comparison to the third quarter of fiscal year 2015, and all year-over-year growth rates are given on a comparable, constant currency basis, which adjusts for the negative effect of foreign currency translation, and includes Covidien plc in the prior year comparison, aligning Covidien's prior year monthly results to Medtronic's fiscal quarters. These adjustment details can be found in the reconciliation tables included with our earnings press release. With that, I am now pleased to turn the call over to Medtronic Chairman and Chief Executive Officer, Omar Ishrak.

**Omar Ishrak**

Good morning and thank you, Ryan, and thank you to everyone for joining us. This morning, we reported third quarter revenue of $6.9 billion, representing growth of 6 percent, in the upper half of our mid-single digit baseline expectation. Q3 non-GAAP diluted earnings per share were $1.06, growing at 17 percent on a comparable, constant currency basis and reflecting 1,150 basis points of leverage, significantly above our baseline expectation of 200 to 400 basis points.

Our performance in Q3 was solid, with sustained execution resulting in another quarter of market outperformance[1]. We continue to deliver on our three growth strategies – therapy innovation, globalization, and economic value – which are driving increased diversity of our growth, an important and differentiated attribute of our company. Our revenue growth may modestly ebb and flow from quarter-to-quarter, indicative of the challenges we are absorbing in certain businesses or regions as we capitalize on success in others. However, our confidence around the sustainability and consistency of our revenue growth within the mid-single digit range continues to build with each passing quarter. In addition, the Covidien integration is delivering robust operating leverage as we realize our committed cost synergies[2], which combined with our financial leverage, drove high-teens EPS growth and double-digit EPS leverage in Q3. Through FY18, as we continue to

realize cost synergy benefits, we expect to be at the high end of or exceeded our EPS leverage goal of 200 to 400 basis points. While our operational performance remains strong, we recognize foreign currency translation is still a significant pressure to our bottom line on a reported basis, as it is for most multinational companies of our size and diversity. We are attempting to offset this as much as possible by stretching our operations and through our conventional hedging programs. We also continue to generate significant, accessible free cash flow, which we are deploying with discipline, investing for our future while at the same time allocating capital to reduce debt and provide strong returns to our shareholders through dividends and share repurchases. In summary, our formula for long-term success is to deliver consistent mid-single digit revenue growth, with 200 to 400 basis points of EPS leverage, and return a minimum of 50 percent of our adjusted free cash flow to shareholders through dividend growth and share repurchases. The expected net result is creating enormous value, with sustainable double-digit total shareholder returns[3].

Now, let's turn to the drivers of our revenue growth. As we have noted before, we have three growth priorities stemming from our overall strategies: new therapies, emerging markets, and services and solutions, with specific growth expectations for each. We continue to quantify and communicate our performance against these goals.

In Therapy Innovation, we continue to see strong adoption of our new products, and our pipeline remains robust[4]. Our New Therapies growth vector accounted for nearly two-thirds of our total company growth, contributing approximately 350 basis points, at the high end of our goal of 150 to 350 basis points. Based on our pipeline and product breadth, we believe performance in the upper half of this range is sustainable over the long term.

In our Cardiac & Vascular Group, which grew 7 percent, we continue to see strong growth from recently launched products that are helping to create important, rapidly growing MedTech markets such as transcatheter aortic valve replacement, MRI-safe implantable technology, AF ablation, predictive diagnostics, and drug-coated balloons. CVG is also seeing highly differentiated new products drive growth in its base businesses. In drug-eluting stents, our Resolute Onyx™ and Resolute® Integrity® stents are holding share despite major competitive launches. Our position in Europe has been strengthened further by the recent addition of new sizes and indications for Resolute Onyx™. In High Power, the Evera MRI® ICD that we launched last fall resulted in improved pricing in the US ICD market and a multi-year high share position. Looking ahead, we have a number of new products that will continue to differentiate us in the CVG market and help protect and grow our leadership position. These include our MR-conditional CRT-D devices, which recently received FDA approval and are currently launching in the US and Europe. We also continue to make progress in bringing our Micra® Transcatheter Pacing System to the US and Japan, and we had a successful FDA advisory panel on this technology two weeks ago. Our longer-term CVG pipeline is also robust, with potentially disruptive therapies like our drug-filled stent, Intrepid™ transcatheter mitral valve, and Symplicity Spyral™ renal denervation system.

Our Minimally Invasive Therapies Group grew 5 percent, with Surgical Solutions growing above market and PMR growing at market. Innovative technologies that advance and enhance minimally invasive surgery are driving strong, above-market growth. Looking ahead, the majority of MITG's growth will come from five key growth drivers: within Surgical Solutions, Open-to-Minimally Invasive Surgery, or MIS, Gastrointestinal Cancer, and Lung Cancer, and within PMR, End Stage Renal Disease and Respiratory Compromise. Of these, the largest contributor to growth is expected to come from our Open-to-MIS strategy, which is focused on sustainable, long-term surgical market leadership by improving open surgery, transitioning open surgery to MIS, and

advancing MIS technologies. Our recently created new business, Renal Care Solutions, supplemented its breadth with the acquisition of Bellco last month. Bellco has a full line of therapies and systems for the treatment of renal failure. This combination of Bellco with our legacy renal access business and our internally developed portable dialysis system, offers a complete product solution for End Stage Renal Disease. To fuel the global growth drivers I mentioned, MITG has a strong product portfolio and expects to launch more than 20 products through the end of FY17, with approximately 75 percent in Surgical Solutions and approximately 25 percent in PMR. These new offerings are expected to generate approximately $500 million in cumulative revenue over the next 3 years. Across MITG, we are developing solutions that span the entire care continuum, aspiring to enable earlier diagnosis, better treatment, faster complication-free recovery, and enhanced patient outcomes through less invasive solutions.

In our Restorative Therapies Group, which grew 4 percent, we also have a number of new products driving growth. In Neurovascular, our Pipeline™ Flex and Solitaire™ FR devices are leading the rapidly growing stroke market. Following the four clinical trials published last year in the *New England Journal of Medicine*, the market continues to adopt our Solitaire™ mechanical thrombectomy device, a segment of the global ischemic stroke market that we think can triple in size by 2020. In Surgical Technologies, we are seeing strong growth from our recently launched O-arm® O2 Surgical Imaging System. In Spine, despite posting mid-single digit growth in International Core Spine and double digit growth in US BMP, Q3 results came in below our expectations, primarily because of weakness in US Core Spine. We are focused on executing our turnaround plan in Spine. Our primary focus is growing our market share through what we are calling "Speed to Scale" product launches. "Speed to Scale" involves coming to market with a steady cadence of new products as a result of faster innovation cycles, and launching these products at scale with sets available for the entire market. These new products will also be combined with enabling technologies, biologics, and targeted physician training at time of launch. The goal is to constantly innovate procedures, such as OLIF and TLIF, and improve upon their outcomes. We have several near-term launches, including accelerated ramps of Solera® Voyager® and our Elevate™ expandable interbody device, both of which are expected to improve our share in TLIF procedures, an area where we have been struggling. This quarter, we will launch the Atlantis Essentials™ anterior cervical plate system, the first product in our Spine Essentials™ platform. Spine Essentials™ will bring efficiency to the most common spine fusion procedures through more streamlined, pre-sterilized sets. Additionally, we are further integrating the development roadmaps of our enabling technologies with our spine instrumentation, offering a differentiated Surgical Synergy™ experience for our customers. Finally, we intend to focus our efforts on gaining share in Biografts, utilizing our broad biologics portfolio, including Infuse®.

We had challenges this quarter in our Neuromodulation division as well. While we continue to make progress against our FDA consent decree commitments and are focused on resolving this matter, our drug pump revenue has been affected. We are also facing increased competition in Pain Stim. Our recently approved MRI surgical lead is expected to help our competitive position in Pain Stim, as we are the first company to have a complete spinal cord stimulation system approved for full body MRI scans. In addition, we continue to market the benefits of our differentiated AdaptiveStim® and SureScan® MRI technology, and more surgeons are adopting our AdaptiveStim® HD high-density programming options. While we are focused on solving the issues in Spine and Neuromodulation, and our efforts in Spine are expected to result in steady improvement, Neuromodulation could be under some pressure for the next several quarters, resulting in overall RTG growth around the low end of the mid-single digit range.

In our Diabetes Group, which grew 11 percent, we continue to see strong adoption of our MiniMed® 640G System in the markets where it is available, as well as strong demand for our MiniMed® Connect, which is the only system providing remote access to pump and sensor data on the user's smartphone. We also continue to make excellent progress in bringing the world's first hybrid closed loop system, the MiniMed® 670G, to market. We expect to complete enrollment in our pivotal trial in the next few weeks, with PMA submission to the FDA targeted before the end of June. Outside the U.S., we had a strong Q3 performance. We were pleased by the positive guidance recently issued by NICE in the United Kingdom, which recommended the MiniMed® Paradigm Veo™ as the only system for reducing the risk of potentially life-threatening hypoglycemic episodes. In our Non-Intensive Diabetes Therapies business for type 2, our partnership with Henry Schein is underway, and we are already starting to see interest from primary care physicians for our iPro®2 professional CGM system with Pattern Snapshot. In our Diabetes Service & Solutions business, we are preparing to bring our standalone CGM system, Guardian® Connect, to market, with a PMA submission in the US next week, as well as expected launch in Europe in early FY17. This product will allow us to provide both type 1 and type 2 patients on multiple daily injections with a real-time glucose monitoring solution. When you combine our standalone CGM product with the applications and cognitive computing capabilities that we will bring through our partnership with IBM, we are well positioned to provide patients with not just a sensor, but with a comprehensive diabetes management solution. Overall, we are excited by the progress of our Diabetes business and feel we are well positioned for sustained growth.

Next, let's discuss our Globalization strategy. In Q3, Emerging Markets grew 14 percent and contributed approximately 190 basis points to our Q3 total company growth, at the upper end of our baseline goal of 150 to 200 basis points. We have consistently delivered double-digit growth in Emerging Markets, despite the fact that several of these markets have faced macro-economic pressures. This is a result of continued execution of our differentiated strategies in channel optimization and in developing public and private partnerships. We have also benefitted from increased geographic diversification of our emerging market revenue, which stabilizes the growth rate and reduces the dependency on any single market[5].

In Q3, Middle East & Africa, Southeast Asia, India, and Greater China all grew in the mid- to upper-teens. In China, we grew 14 percent, where our strong sales execution and expansion of our multi-line selling presence into Tier 2 and 3 markets is resulting in above market growth. We continue to implement our channel optimization strategy, which aims to transition our distribution partnerships to include consolidated logistics platform distributors. We are also developing comprehensive partnerships with provincial governments, like that with the Chengdu government in Sichuan province, where we previously announced a partnership to manufacture our portable hemodialysis equipment. In Q3, we broadened our partnership with Chengdu, agreeing to manufacture our next-generation diabetes pump technology in Chinese-language for the local market in Sichuan, while working together with local authorities to expand access for this product. China continues to represent a tremendous growth opportunity. Despite the complexities of this market, we have shown that we can grow double-digits in China on a sustained basis. We believe China will become our largest healthcare market over the long-term, serving more patients and doctors than any other country, and we can never lose sight of this potential[6].

In the Middle East & Africa, we grew 19 percent, driven by the joint venture we formed earlier this year with our largest Saudi distributor as part of our channel optimization strategy in the region.

In Latin America, we grew 10 percent, including 7 percent growth in Brazil. While we continue to outperform the market in Brazil, we do see continued market volume weakness resulting from public spending constraints, as well as some difficulty in getting inventory into the country because of customs holds.

Across the Emerging Markets, we are applying our standard market development activities, as well as our differentiated approach of local channel optimization, like in China, India, Saudi Arabia, and Turkey, establishing government partnerships like in Chengdu, and developing private partnerships like the one we established with the Abraaj Group last quarter. All of these initiatives have the ability to accelerate growth in these regions and lead to sustained market outperformance. We believe strongly that the penetration of existing therapies into Emerging Markets represents the single largest opportunity in MedTech over the long-term[7].

Turning now to our Economic Value growth strategy, our Services & Solutions growth vector contributed approximately 20 basis points to Medtronic growth. While this overall result was below our goal of 40 to 60 basis points, revenue growth was in the mid-thirties and contributed 50 basis points to CVG growth, where our efforts are most developed. We expect to further improve our growth as the Services & Solutions model is expanded across all our business groups[8].

In Care Management Services, formally known as Cardiocom®, our growth rate was in the mid-twenties in Q3, driven by strong performance within the US Veterans Administration healthcare system, where we are managing a cohort of over 85 thousand patients with multiple co-morbidities. Care Management Services represents an important platform for us, especially as post-acute care services become even more critical in bundled payment models for different interventions.

In our Hospital Solutions business, through which we provide expertise in operational efficiency, as well as daily administrative management of hospital cath labs and operating rooms, we had service revenue growth rates in the mid-thirties. Since the time we started this business a little over two years ago, we have completed a total of 72 long-term managed service agreements with hospital systems, representing more than $1.7 billion in contracted service and product revenue over an average span of 6 years. While the majority of these hospitals are in Europe, we also have 7 hospitals in Latin America and 7 in the Middle East & Africa. We continue to attract strong customer interest in Hospital Solutions in regions around the world, and we have a full pipeline of potential contracts. We are pleased with the progress we are making in expanding the Hospital Solutions model into operating rooms, utilizing the breadth of our MITG products and associated expertise. We have signed 5 operating room managed services deals, representing approximately $140 million in cumulative revenue, with an average life of 7 years.

We are also expanding our solutions offerings into chronic disease management through Diabeter, a Netherlands-based diabetes clinic and research center we acquired almost a year ago. We continue to grow the number of contracted patients, and expect to expand Diabeter beyond the Netherlands over time. Through initiatives like Diabeter, as well as others that I mentioned earlier, we are transforming our Diabetes Group from a market-leading pump and sensor business into a holistic diabetes management business.

While all of these Services and Solutions – Care Management Services, Cath Lab and Operating Room Managed Services, and Diabeter – are still relatively early stage businesses, they represent important future building blocks that we will use to create comprehensive value-based healthcare

offerings[9], where payment will be based on measurable patient outcomes over a specific time horizon. We are rapidly developing expertise in these areas, with a particular focus on supporting bundled solutions across the care continuum, targeting specific patient cohorts requiring a particular intervention. This is consistent with the direction of CMS's bundled payment initiative and their first implementation, Comprehensive Care for Joint Replacement, or CJR, which we fully support. While this initiative is still evolving, it is one that is mandatory, consistent, and measurable, which allows it to be scalable. We encourage CMS to expand bundled payments to other clinical areas, where we participate more broadly.

Healthcare is going through a necessary transformation, where stakeholders are seeking not only to improve clinical outcomes and expand access to care, but are also looking for solutions to optimize cost and efficiency. Our confidence continues to grow in Medtronic's ability to lead and compete in these new value-based healthcare models around the world[10]. Our organization is exploring new and novel ways to not only deliver better clinical and economic value, but to tie our success to these outcomes through innovative new business models with providers and payers. We remain convinced that our technologies and services can play a central role to make this shift to value-based healthcare successful.

Turning now to the P&L, as I mentioned earlier, we delivered EPS leverage in Q3 of 1,150 basis points on a comparable, constant currency basis, which significantly exceeded our baseline expectation of 200 to 400 basis points. All areas of our global operations are executing to the plan we laid out at the beginning of the fiscal year, as we deliver on our productivity improvements and cost synergy programs. Operating leverage in the quarter was 510 basis points, driven predominantly by improvement in SG&A, which is the line item where the majority of the Covidien integration cost synergies that we are realizing today are located. The remainder of our EPS leverage was driven by improvements in our interest expense and tax rate, as well as share repurchase activity.

Our strong revenue growth and operating leverage is generating significant adjusted free cash flow. In Q3, we generated $1.8 billion, and expect to generate nearly $40 billion in adjusted free cash flow over the next 5 years. We also continue to look for ways to untrap cash on our balance sheet. Last September, we announced that we had untrapped $9.3 billion of cash, and last month, we announced how we intend to use these proceeds. We are executing an incremental $5 billion share repurchase that we intend to complete by the end of FY18. We intend to use a majority of the remaining proceeds to either prepay existing debt or pay debt as it comes due by the end of fiscal year 2018 in order to meet our commitments to our debt investors.

We are deploying our capital with a balanced focus on M&A investments, meeting our debt reduction commitments, and returns to our shareholders. We are committed to returning a minimum of 50 percent of our adjusted free cash flow to our shareholders through dividends and share repurchases. As an S&P Dividend Aristocrat, we expect to deliver dependable, long-term dividend growth. Earlier this fiscal year, we increased our dividend by 25 percent, and we expect to grow our dividend faster than earnings, with the intent of reaching a 40 percent payout ratio on a non-GAAP basis even earlier than we previously communicated. Regarding share repurchases, with the incremental $5 billion share repurchase, we expect to return approximately $15 billion to shareholders over 3 years, more than double the amount we returned over the past 3 years[11]. With our M&A investments, we remain disciplined when evaluating potential opportunities. Any investment we make must meet our portfolio criteria, which are: the target must provide a line of sight to improving outcomes, allow for Medtronic to add value, and we must have a team that is

positioned to win. In addition, our investments must be aligned with and strengthen one or more of our three growth strategies, meet our high financial return hurdles, and minimize any near-term shareholder dilution.

Before turning the call over to Gary, I would like to conclude by commenting briefly on our Covidien integration activities, which continue to go extremely well. We are executing on our priorities of preserve, optimize, accelerate, and transform. We have preserved and in many cases accelerated the growth of both companies. Talent retention and employee satisfaction remain high as our two cultures continue to come together. Our value capture programs are resulting in strong operating leverage. And we have meaningfully improved the sustainability of both our growth, through the diversification of our revenue base, and our capital allocation goals, through the increased access to our cash.

In summary, Q3 was another quarter of solid execution by our organization, our operating leverage is coming through as we expected, and I am pleased with how we are positioning the company to deliver growth consistently and reliably. Gary will now take you through a more detailed look at our third quarter results. Gary?

**Gary Ellis**
Thanks, Omar.

Third quarter revenue of $6 billion, 934 million increased 61 percent as reported, or 6 percent on a comparable, constant currency basis, which excludes the $344 million unfavorable impact of foreign currency. Acquisitions and divestitures contributed a net 20 basis points to Q3 revenue growth.

Q3 non-GAAP EPS was $1.06, a decrease of 1 percent versus the $1.07 delivered by legacy Medtronic last year, or an increase of 17 percent on a comparable, constant currency basis after adjusting for the 11 cent impact to EPS from foreign currency translation. Q3 GAAP diluted earnings per share were $0.77, a decrease of 21 percent.

In addition to the $374 million after-tax adjustment for amortization expense, this quarter's non-GAAP adjustments to earnings on an after-tax basis were:

- a $43 million charge for acquisition-related items;
- a $16 million net restructuring charge; and
- a $25 million benefit resulting from the establishment of a deferred tax asset related to the realization of a one-time capital loss.

Our Cardiac and Vascular Group, which accounted for 35 percent of our total company sales, grew revenue by 7 percent, with all three divisions growing at or above overall company growth. CRHF grew 6 percent, as we took significant share in a flat global implantables market. In High Power, our strong Evera MRI® launch resulted in our highest US High Power share since early in the decade, despite the fact that we had declines in CRT-D. While our CRT-D business experienced sequential growth in US implant share, we also had an intentional reduction in customer inventories ahead of our Q4 CRT-D MRI launch. In Coronary, we are holding global drug-eluting stent share in the face of major competitor data releases and product launches, which we attribute to increasing preference for Resolute Onyx™ in Europe and our CVG multi-line contracts in the US. In Transcatheter Valves, we grew in the low thirties, consistent with the market. Market share growth in Europe and the initial launch of CoreValve® in Japan in the back half of Q3 balanced

modest US share loss, where a competitor product launch and a lack of having Evolut® R in the largest valve segment limited total US growth to the mid-twenties. We were pleased to receive IDE approval for our US Low Risk trial, and it is worth noting that we now expect the global TAVR market will grow to approximately $4 billion by the end of 2020. In Peripheral, we maintained drug-coated balloon market leadership globally and in the US on the strength of our clinically differentiated IN.PACT® Admiral® balloon.

Our Minimally Invasive Therapies Group, which accounted for 33 percent of our total company sales, grew revenue 5 percent, with strong, at- or above-market performances in both divisions. In Surgical Solutions, both Advanced Stapling and Advanced Energy grew in the upper-single digits, although we estimate that US surgical volumes have normalized now at 1 to 2 percent. The PMR division grew 1 percent as the business was affected by a product hold of the Puritan Bennett™ 980 ventilator, which resulted in an approximate negative $10 to $15 million impact to the quarter. This is expected to affect quarterly PMR revenue by approximately $20 to $25 million until the product returns to the market, which is expected in the first half of next fiscal year.

Our Restorative Therapies Group, which accounted for 25 percent of total company sales, grew revenue by 4 percent, with strong growth in Neurovascular and Surgical Technologies offsetting declines in Spine and Neuromodulation. In Spine, while US Core Spine was challenged, we gained international Core Spine share. In BMP, the US had strong, low-double digit growth. However, the InductOs™ ship hold in Europe is expected to continue through mid-FY17. In Neuromodulation, we recently received FDA approval for Parkinson's patients with early onset motor complications, expanding the number of potential patients that can be treated with our DBS therapy.

Our Diabetes Group, which accounted for 7 percent of total company sales, grew revenue 11 percent, with strong, broad-based performance across all three divisions. In IIM, our type 1 business, we are seeing very good growth driven by the MiniMed® 640G. In NDT, our type 2 business, while the revenue base is still small, we are seeing growth over 250 percent as we continue to drive our iPro®2 professional CGM solution and the new, easy-to-interpret Pattern Snapshot report into the primary care channel. In DSS, our Diabetes Service & Solutions business, we saw high-single digit growth driven by US consumables sales, our Diabeter acquisition, and continued strong adoption of our MiniMed® Connect remote connectivity platform.

Now, turning to the P&L, as I discuss the operating items, it is worth clarifying that my comments will be made on a non-GAAP comparable, constant currency basis, unless I say otherwise. The Q3 operating margin was 29.2 percent. This represented a 140 basis point improvement over the prior year, but this improvement was completely offset on a reported basis by a negative 140 basis point impact from foreign currency. The 140 basis point operating margin improvement included a 140 basis point improvement in SG&A, offset by a 20 basis point decline in gross margin, a 10 basis point increase in R&D, and a 20 basis point improvement in Net Other Expense. This resulted in operating profit growth of over 10 percent, or operating leverage of approximately 510 basis points over revenue growth.

Our operating margin included gross margins of 70.5 percent, SG&A of 33.3 percent, and R&D of 7.6 percent. Also included in our Q3 operating margin was Net Other Expense of $9 million, which included net currency gains of $78 million, primarily from our earnings hedging program. It is worth noting that included in these net gains was an unexpected $21 million expense, resulting from a revaluation of Argentine peso-denominated net assets, which devalued by approximately 30 percent. Regarding our earnings hedging program, while we hedge the majority of our operating

results in developed market currencies to reduce volatility in our earnings from foreign exchange, a growing portion of our profits are unhedged, especially emerging market currencies, which can create modest volatility in our earnings. Assuming recent exchange rates for the remainder of the fiscal year, which include a $1.09 Euro and 113 Yen, we expect Q4 Net Other Expense to be in the range of $5 million expense to $15 million of income, which includes approximately $110 million in currency gains and no longer includes the U.S. Medical Device tax, which has been suspended.

We expect our Q4 operating margin to be in the range of 31.0 to 31.3 percent on an as-reported basis based on current exchange rates. This forecast implies an approximate 300 basis point improvement in our operating margin on a constant currency basis. Our value capture programs as a result of the Covidien integration remain on track, and we now expect to exceed our original FY16 savings goal of $300 to $350 million, and continue to target a minimum of $850 million by the end of FY18.

Below the operating profit line, Q3 Net Interest Expense was $176 million, in-line with our forecast. Based on current rates, we would expect Q4 Net Interest Expense to be in the range of $205 to $210 million. This is an increase over prior quarters as the execution of our incremental share repurchases results in reduced interest income.

At the end of Q3, we had approximately $35.8 billion in debt and approximately $17.3 billion in cash and investments, of which approximately $6 billion was "trapped".

Our non-GAAP nominal tax rate on a cash basis in Q3 was 14.3 percent, which was an improvement from our forecast due to the permanent extension of the US R&D tax credit, as well as operational tax adjustments. For Q4, we expect our non-GAAP nominal tax rate on a cash basis to be in the range of 16.0 to 16.5 percent.

In Q3, adjusted free cash flow was $1.8 billion. We remain committed to returning a minimum of 50 percent of our adjusted free cash flow to shareholders, and also continue to target an A credit profile. In Q3, we paid $534 million in dividends and repurchased $710 million of our ordinary shares. As of the end of Q3, we had remaining authorization to repurchase approximately 81 million shares. Third quarter average daily shares outstanding, on a diluted basis, were 1 billion, 422 million shares. For FY16, we now expect diluted weighted average shares outstanding to be approximately 1 billion, 427 million shares, including approximately 1 billion 419 million shares in Q4.

Next, I would like to comment on our revenue outlook. We expect revenue growth for the fourth quarter of FY16 to be in the range of 5.0 to 5.5 percent on a constant currency basis, which is consistent with our prior outlook of second half revenue being in the upper-half of our mid-single digit baseline goal. This is solid revenue growth, especially when you consider the strong, upper-single digit growth we delivered in Q4 last year. While we cannot predict the impact of currency movements, to give you a sense of the FX impact if exchange rates were to remain similar to yesterday for the remainder of the fiscal year, then our Q4 revenue would be negatively affected by approximately $180 to $220 million.

Turning to guidance on the bottom line, we continue to expect non-GAAP cash earnings per share in the range of $4.36 to $4.40, which includes an expected 45 to 50 cent negative foreign currency impact based on current exchange rates. As in the past, my comments on EPS guidance do not

include any charges or gains that are recorded or would be recorded as non-GAAP adjustments to earnings during the fiscal year.

Next, I would like to provide some high-level framing comments on fiscal year 2017. While we intend to give our revenue outlook and EPS guidance per our normal practice on our Q4 call, here are some items to keep in mind as you think about our next fiscal year:

- First, on revenue growth, while we are not formally providing our FY17 revenue outlook, we believe it is reasonable to think about our revenue growth in the mid-single digit range on a constant currency basis, consistent with our baseline expectations.

- However, keep in mind that we had an extra selling week in the first quarter of FY16. This will negatively affect our Q1 FY17 revenue growth rate by approximately 600 basis points and our full fiscal year revenue growth rate by approximately 150 basis points, and has a commensurate impact to earnings per share.

- Regarding foreign exchange, given current rates, we expect a few hundred million dollar negative impact to FY17 revenue, and expect it to negatively affect FY17 earnings per share by approximately $0.20 to $0.25, primarily from the loss of the significant hedging gains we had in FY16, as well as continued pressure from unhedged Emerging Market currencies.

- Based on the operating leverage from our Covidien integration activities, as well as the financial leverage from share repurchases we expect to generate in FY17, we would expect constant currency EPS growth to be double-digits to lower-teens, after adjusting for the extra week in FY16, which would exceed our baseline goal of generating 200 – 400 basis points of EPS leverage.

Before turning the call back over to Omar, I would like to remind you that we plan to hold our Q4 earnings call on May 31st. We also plan to host our Investor Day on June 6th, which will be held in New York City.

Omar?

**Omar Ishrak**
Thanks, Gary.

We will now open the phone lines for Q&A. In addition to Gary, I've asked Mike Coyle, President of our Cardiac and Vascular Group, Bryan Hanson, President of our Minimally Invasive Therapies Group, Geoff Martha, President of our Restorative Therapies Group, and Hooman Hakami, President of our Diabetes Group, to join us. We want to try to get to as many people as possible, so please help us by limiting yourself to only one question, and if necessary, a related follow-up. If you have additional questions, please contact our Investor Relations team after the call. Operator, first question please.

**Following Q&A:**

**Omar Ishrak**
OK. Thanks for your questions.

I would like to conclude by noting that we continue to focus on delivering on our financial model, which is: consistent, mid-single digit constant currency revenue growth, 200 to 400 basis points of constant currency EPS leverage, and returning a minimum 50 percent of our adjusted free cash flow to our shareholders. There are still areas where we need to improve, and our work of fulfilling the Medtronic Mission – alleviating pain, restoring health, and extending life – goes on. I am confident our team can execute consistently, balancing tradeoffs and offsetting pressures, to create long-term, dependable value in healthcare.

With that, on behalf of our entire management team, I would like to thank you again for your continued support and interest in Medtronic. We look forward to updating you on our progress on our Q4 call on May 31st. Thank you, and have a great day.

The Elevate expandable interbody device and the Atlantis Essentials anterior cervical plate system incorporate technology developed by Gary K. Michelson, M.D.