

NON-GAAP FINANCIAL MEASURES

This commentary contains financial measures which are considered “non-GAAP” financial measures under applicable U.S. Securities and Exchange Commission rules and regulations.

These non-GAAP financial measures should be considered supplemental to, and not a substitute for, financial information prepared in accordance with generally accepted accounting principles (GAAP). The company’s definition of these non-GAAP measures may not be the same or similar to measures presented by other companies.

Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider aligning historical Covidien revenues to Medtronic's fiscal calendar and to exclude the effect of certain charges or gains that contribute to or reduce earnings but 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 company generally uses these non-GAAP financial measures to facilitate management’s review of the operational performance of the company and as a basis for strategic planning. Management believes that the resulting non-GAAP financial measures provide useful information to investors regarding the underlying business trends and performance of the company’s ongoing operations and are useful for period over period comparisons of such operations. These non-GAAP financial measures reflect an additional way of viewing aspects of the company’s operations that, when viewed with GAAP results and the reconciliations to corresponding GAAP financial measures, may provide a more complete understanding of factors and trends affecting Medtronic’s business.

Because non-GAAP financial measures exclude the effect of items that will increase or decrease the company’s reported results of operations, management strongly encourages investors to review the company’s consolidated financial statements and publicly filed reports in their entirety. Reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures are included herein.

MEDTRONIC PLC
RECONCILIATION OF EFFECTIVE TAX RATE TO NON-GAAP NOMINAL TAX RATE
(Unaudited)

Three months ended October 30, 2015

	Provision for Income Taxes (2)	Income from Operations Before Income Taxes	Effective Tax Rates
GAAP	\$ 563	\$ 1,083	52.0%
Non-GAAP Adjustments (1):			
Restructuring charges, net	17	73	23.3
Certain litigation charges	9	26	34.6
Acquisition-related items	17	49	34.7
Loss on previously held forward starting interest rate swaps	16	45	35.6
Amortization of intangible assets	110	483	22.8
Certain tax adjustments	(442)	—	—
Non-GAAP	<u>\$ 290</u>	<u>\$ 1,759</u>	16.5%

- (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) The tax effect of each Non-GAAP Adjustment is based on the jurisdiction(s) in which the expense/(income) is incurred and the tax laws in effect for each such jurisdiction.

MEDTRONIC PLC
RECONCILIATION OF INTEREST EXPENSE, NET TO NON-GAAP INTEREST EXPENSE, NET

(Unaudited)

Three months ended October 30, 2015

GAAP Interest Expense, Net	\$	217
Non-GAAP Adjustment (1):		
Loss on previously held forward starting interest rate swaps		(45)
Non-GAAP Interest Expense, Net	<u>\$</u>	<u>172</u>

(1) Non-GAAP adjustment relates to charges or gains that management believes may or may not recur with similar materiality or impact on results in future periods.

MEDTRONIC PLC
RECONCILIATION OF DILUTED EARNINGS PER SHARE TO ADJUSTED NON-GAAP EARNINGS PER SHARE

(Unaudited)

(in millions, except per share data)

	Three months ended October 30, 2015
GAAP Diluted Earnings Per Share	\$ 0.36
Non-GAAP Adjustments (1):	
Restructuring charges, net	0.04
Certain litigation charges	0.01
Acquisition-related items	0.02
Loss on previously held forward starting interest rate swaps	0.02
Amortization of intangible assets	0.26
Certain tax adjustments	0.31
Non-GAAP Earnings Per Share	1.03 (2)
Foreign currency impact	0.12
Adjusted Non-GAAP Earnings Per Share	\$ 1.15

	Three months ended October 24, 2014
GAAP Diluted Earnings Per Share	\$ 0.83
Non-GAAP Adjustments (1):	
Special charges	0.06
Acquisition-related items	0.06
Amortization of intangible assets	0.06
Non-GAAP Earnings Per Share	1.02 (2)
To align Medtronic and Covidien (3)	0.02
Adjusted Non-GAAP Earnings Per Share	\$ 1.04

Year over year percent change:

GAAP	(57)%
Non-GAAP Earnings Per Share	1 %
Adjusted Non-GAAP Earnings Per Share	11 %

(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) The data in this schedule has been intentionally rounded to the nearest \$0.01 and, therefore, may not sum.

(3) On a comparable basis, which is prepared by aligning Covidien plc's prior year results to Medtronic's fiscal quarter ended October 24, 2014.

MEDTRONIC PLC					
Gross Margin and Operating Profit GAAP to Non-GAAP Reconciliation					
Three months ended October 30, 2015					
(in millions)	Net Sales	Cost of Products Sold	Gross Margin Percentage	Operating Profit	Operating Profit Percent
GAAP	\$7,058	\$2,182	69.1%	\$1,300	18.4%
Non-GAAP Adjustments: ⁽¹⁾					
Restructuring charges, net		-		73	
Certain litigation charges		-		26	
Acquisition-related items		-		49	
Amortization of intangible assets		-		483	
Non-GAAP	\$7,058	\$2,182	69.1%	\$1,931	27.4%
Foreign currency impact	452	55		202	
Constant Currency Adjusted	\$7,510	\$2,237	70.2%	\$2,133	28.4%
Three months ended October 24, 2014					
(in millions)	Net Sales	Cost of Products Sold	Gross Margin Percentage	Operating Profit	Operating Profit Percent
GAAP	\$4,366	\$1,142	73.8%	\$1,030	23.6%
Non-GAAP Adjustments: ⁽¹⁾					
Special charges		-		100	
Acquisition-related items		-		61	
Amortization of intangible assets		-		89	
Non-GAAP	\$4,366	\$1,142	73.8%	\$1,280	29.3%
To align Medtronic and Covidien ⁽²⁾	\$2,731	\$958		\$724	
Adjusted to align Medtronic and Covidien	\$7,097	\$2,100	70.4%	\$2,004	28.2%
To adjust for benefit in the prior year from Covidien ⁽³⁾				(\$50)	
Adjusted for benefit in prior year from Covidien				\$1,954	
Year over year percentage change:				<u>Operating Profit</u>	
GAAP				26%	
Adjusted to align Medtronic and Covidien				6.4%	
Adjusted for benefit in prior year from Covidien				9%	

(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) On a comparable basis, which is prepared by aligning Covidien's prior year monthly results to Medtronic's fiscal quarter ended October 24, 2014.

(3) To adjust for the benefit of fiscal year end sales and gain in mark-to-market hedge accounting in legacy Covidien's prior fiscal year end quarter.

MEDTRONIC PLC			
Selling, General, and Administrative Expense (SG&A) on a Comparable, Constant Currency Basis			
Three months ended October 30, 2015			
(in millions)	Net Sales	SG&A Expense	SG&A Expense as a Percentage of Net Sales
As reported	\$7,058	\$2,343	33.2%
Foreign currency impact	452	137	
Adjusted	\$7,510	\$2,480	33.0%
Three months ended October 24, 2014			
(in millions)	Net Sales	SG&A Expense	SG&A Expense as a Percentage of Net Sales
As reported	\$4,366	\$1,507	34.5%
To align Medtronic and Covidien ⁽¹⁾	2,731	877	
Adjusted	\$7,097	\$2,384	33.6%

(1) On a comparable basis, which is prepared by aligning Covidien plc's prior year monthly results to Medtronic's fiscal quarter ended October 24, 2014.

MEDTRONIC PLC			
Research & Development (R&D) Expense on a Comparable, Constant Currency Basis			
Three months ended October 30, 2015			
(in millions)	Net Sales	R&D Expense	R&D Expense as a Percentage of Net Sales
As reported	\$7,058	\$545	7.7%
Foreign currency impact	452	8	
Adjusted	\$7,510	\$553	7.4%
Three months ended October 24, 2014			
(in millions)	Net Sales	R&D Expense	R&D Expense as a Percentage of Net Sales
As reported	\$4,366	\$374	8.6%
To align Medtronic and Covidien ⁽¹⁾	2,731	147	
Adjusted	\$7,097	\$521	7.3%

(1) On a comparable basis, which is prepared by aligning Covidien's prior year monthly results to Medtronic's fiscal quarter ended October 24, 2014.

MEDTRONIC PLC			
Other Expense, Net on a Comparable, Constant Currency Basis			
Three months ended October 30, 2015			
(\$ in millions)	Net Sales	Other Expense, Net	Other Expense, Net as a Percentage of Net Sales
As reported	\$7,058	\$57	0.8%
Foreign currency impact	452	50	
Adjusted	\$7,510	\$107	1.4%
Three months ended October 24, 2014			
(\$ in millions)	Net Sales	Other Expense, Net	Other Expense, Net as a Percentage of Net Sales
As reported	\$4,366	\$63	1.4%
To align Medtronic and Covidien ⁽¹⁾	2,731	25	
Adjusted	\$7,097	\$88	1.2%

(1) On a comparable basis, which is prepared by aligning Covidien's prior year monthly results to Medtronic's fiscal quarter ended October 24, 2014.