#### MEDTRONIC, INC. WORLD WIDE REVENUE

(Unaudited)

	FY13	FY13	FY13	FY13	FY13	FY14	FY14	FY14	FY14	FY14
(\$ millions)	QTR 1	QTR 2	QTR 3	QTR 4	Total	QTR 1	QTR 2	QTR 3	QTR 4	Total
REPORTED REVENUE:										
CARDIAC RHYTHM DISEASE MANAGEMENT	\$1,193	\$ 1,227	\$1,171	\$ 1,332	\$ 4,922	\$ 1,193	\$1,273	\$ 1,184	<b>s</b> —	\$ 3,650
Defibrillation Systems	675	689	654	755	2,773	655	713	655	_	2,023
Pacing Systems	463	480	459	505	1,906	474	477	439	_	1,389
AF & Other	55	58	58	72	243	64	83	90	_	238
CORONARY	\$ 433	\$ 429	\$ 445	\$ 465	\$ 1,773	\$ 435	\$ 427	\$ 436	<b>s</b> —	\$ 1,298
STRUCTURAL HEART	\$ 280	\$ 271	\$ 272	\$ 310	\$ 1,133	\$ 313	\$ 281	\$ 281	<b>s</b> —	\$ 875
ENDOVASCULAR	\$ 209	\$ 210	\$ 212	\$ 235	\$ 867	\$ 219	\$ 218	\$ 218	<b>s</b> —	\$ 655
CARDIAC & VASCULAR GROUP	\$2,115	\$ 2,137	\$2,100	\$ 2,342	\$ 8,695	\$ 2,160	\$2,199	\$ 2,119	<u>s</u> —	\$ 6,478
SPINE	\$ 786	\$ 782	\$ 753	\$ 811	\$ 3,131	\$ 765	\$ 746	\$ 744	<u>s</u> —	\$ 2,253
Core Spine	645	649	639	671	2,603	641	636	631	_	1,906
BMP	141	133	114	140	528	124	110	113	_	347
NEUROMODULATION	\$ 419	\$ 454	\$ 447	\$ 492	\$ 1,812	\$ 428	\$ 479	\$ 478	<b>s</b> —	\$ 1,386
SURGICAL TECHNOLOGIES	\$ 324	\$ 344	\$ 350	\$ 407	\$ 1,426	\$ 361	\$ 377	\$ 386	<b>s</b> —	\$ 1,125
RESTORATIVE THERAPIES GROUP	\$1,529	\$ 1,580	\$1,550	\$ 1,710	\$ 6,369	\$ 1,554	\$1,602	\$ 1,608	<u>s</u> —	\$ 4,764
DIABETES GROUP	\$ 364	\$ 378	\$ 377	\$ 407	\$ 1,526	\$ 369	\$ 393	\$ 436	<b>s</b> —	\$ 1,198
TOTAL	\$4,008	\$ 4,095	\$4,027	\$ 4,459	\$16,590	\$ 4,083	\$4,194	\$ 4,163	<u>s</u> —	\$12,440
ADJUSTMENTS:										
CURRENCY IMPACT (1)						\$ (55)	\$ (38)	\$ (41)	\$ —	\$ (135)
COMPARABLE OPERATIONS (1)	\$4,008	\$ 4,095	\$4,027	\$ 4,459	\$16,590	\$ 4,138	\$4,232	\$ 4,204	\$ <u> </u>	\$12,575

(1) Medtronic management believes that in order to properly understand Medtronic's short-term and long-term financial trends, investors may wish to consider the impact of foreign currency translation on revenue. In addition, Medtronic management uses results of operations before currency translation to evaluate the operational performance of the Company and as a basis for strategic planning. Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures prepared in accordance with GAAP.

Note: The data in this schedule has been intentionally rounded to the nearest million and therefore the quarterly revenue may not sum to the fiscal year to date revenue.

#### MEDTRONIC, INC. U.S. REVENUE

(Unaudited)

	FY13	FY13	FY13	FY13	FY13	FY14	FY14	FY14	FY14	FY14
(\$ millions)	QTR 1	QTR 2	QTR 3	QTR 4	Total	QTR 1	QTR 2	QTR 3	QTR 4	Total
REPORTED REVENUE:										
CARDIAC RHYTHM DISEASE MANAGEMENT	\$ 623	\$ 645	\$ 595	\$ 653	\$ 2,517	\$ 603	\$ 676	\$ 594	<b>s</b> —	\$ 1,873
Defibrillation Systems	399	411	383	425	1,618	383	427	372	_	1,181
Pacing Systems	196	202	182	193	774	186	200	171	_	557
AF & Other	28	32	30	35	125	34	49	51	_	135
CORONARY	\$ 144	\$ 139	\$ 134	\$ 146	\$ 563	\$ 141	\$ 139	\$ 132	<b>s</b> —	\$ 412
STRUCTURAL HEART	\$ 102	\$ 102	\$ 96	\$ 110	\$ 410	\$ 102	\$ 106	\$ 102	<b>s</b> —	\$ 310
ENDOVASCULAR	\$ 81	\$ 83	\$ 77	\$ 89	\$ 329	\$ 80	\$ 83	\$ 80	<b>s</b> —	\$ 244
CARDIAC & VASCULAR GROUP	\$ 950	\$ 969	\$ 902	\$ 998	\$ 3,819	\$ 926	\$1,004	\$ 908	<u>s</u> —	\$ 2,839
SPINE	\$ 558	\$ 549	\$ 522	\$ 559	\$ 2,190	\$ 536	\$ 517	\$ 517	<u>s</u> —	\$ 1,569
Core Spine	430	430	422	437	1,722	426	421	419	_	1,266
BMP	128	119	100	122	468	110	96	98	_	303
NEUROMODULATION	\$ 295	\$ 324	\$ 309	\$ 332	\$ 1,259	\$ 293	\$ 337	\$ 329	<b>s</b> —	\$ 959
SURGICAL TECHNOLOGIES	\$ 209	\$ 218	\$ 215	\$ 249	\$ 891	\$ 233	\$ 240	\$ 241	<b>s</b> —	\$ 715
RESTORATIVE THERAPIES GROUP	\$1,062	\$ 1,091	\$1,046	\$ 1,140	\$ 4,340	\$ 1,062	\$1,094	\$ 1,087	<u>s</u> —	\$ 3,243
DIABETES GROUP	\$ 215	\$ 229	\$ 223	\$ 234	\$ 900	\$ 208	\$ 229	\$ 270	<b>s</b> —	\$ 706
TOTAL	\$2,227	\$ 2,289	\$2,171	\$ 2,372	\$ 9,059	\$ 2,196	\$2,327	\$ 2,265	<u>s</u> —	\$ 6,788
ADJUSTMENTS:										
CURRENCY IMPACT						\$ —	\$ —	\$ —	\$ —	\$ —
COMPARABLE OPERATIONS	\$2,227	\$ 2,289	\$2,171	\$ 2,372	\$ 9,059	\$ 2,196	\$2,327	\$ 2,265	<u>\$</u>	\$ 6,788

Note: The data in this schedule has been intentionally rounded to the nearest million and therefore the quarterly revenue may not sum to the fiscal year to date revenue.

#### MEDTRONIC, INC. INTERNATIONAL REVENUE

(Unaudited)

	FY13	FY13	FY13	FY13	FY13	FY14	FY14	FY14	FY14	FY14
(\$ millions)	QTR 1	QTR 2	QTR 3	QTR 4	Total	QTR 1	QTR 2	QTR 3	QTR 4	Total
REPORTED REVENUE:										
CARDIAC RHYTHM DISEASE MANAGEMENT	\$ 570	\$ 582	\$ 576	\$ 679	\$ 2,405	\$ 590	\$ 597	\$ 590	<b>s</b> —	\$ 1,777
Defibrillation Systems	276	278	271	330	1,155	272	286	283	_	842
Pacing Systems	267	278	277	312	1,132	288	277	268	_	832
AF & Other	27	26	28	37	118	30	34	39	_	103
CORONARY	\$ 289	\$ 290	\$ 311	\$ 319	\$ 1,210	\$ 294	\$ 288	\$ 304	s —	\$ 886
STRUCTURAL HEART	\$ 178	\$ 169	\$ 176	\$ 200	\$ 723	\$ 211	\$ 175	\$ 179	<b>\$</b> —	\$ 565
ENDOVASCULAR	\$ 128	\$ 127	\$ 135	\$ 146	\$ 538	\$ 139	\$ 135	\$ 138	s —	\$ 411
CARDIAC & VASCULAR GROUP	\$1,165	\$ 1,168	\$1,198	\$ 1,344	\$ 4,876	\$ 1,234	\$1,195	\$ 1,211	<u>s</u> —	\$ 3,639
SPINE	\$ 228	\$ 233	\$ 231	\$ 252	\$ 941	\$ 229	\$ 229	\$ 227	<u>s</u> –	\$ 684
Core Spine	215	219	217	234	881	215	215	212	_	640
ВМР	13	14	14	18	60	14	14	15	_	44
NEUROMODULATION	\$ 124	\$ 130	\$ 138	\$ 160	\$ 553	\$ 135	\$ 142	\$ 149	s —	\$ 427
SURGICAL TECHNOLOGIES	\$ 115	\$ 126	\$ 135	\$ 158	\$ 535	\$ 128	\$ 137	\$ 145	s —	\$ 410
RESTORATIVE THERAPIES GROUP	\$ 467	\$ 489	\$ 504	\$ 570	\$ 2,029	\$ 492	\$ 508	\$ 521	<u>s</u> —	\$ 1,521
DIABETES GROUP	\$ 149	\$ 149	\$ 154	\$ 173	\$ 626	\$ 161	\$ 164	\$ 166	s —	\$ 492
TOTAL	\$1,781	\$ 1,806	\$1,856	\$ 2,087	\$ 7,531	\$ 1,887	\$1,867	\$ 1,898	<u>s</u> —	\$ 5,652
ADJUSTMENTS:										
CURRENCY IMPACT (1)						\$ (55)	\$ (38)	\$ (41)	\$ —	\$ (135)
COMPARABLE OPERATIONS (1)	\$1,781	\$ 1,806	\$1,856	\$ 2,087	\$ 7,531	\$ 1,942	\$1,905	\$ 1,939	\$ <u> </u>	\$ 5,787

(1) Medtronic management believes that in order to properly understand Medtronic's short-term and long-term financial trends, investors may wish to consider the impact of foreign currency translation on revenue. In addition, Medtronic management uses results of operations before currency translation to evaluate the operational performance of the Company and as a basis for strategic planning. Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures prepared in accordance with GAAP.

Note: The data in this schedule has been intentionally rounded to the nearest million and therefore the quarterly revenue may not sum to the fiscal year to date revenue.

#### MEDTRONIC, INC. CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (Unaudited)

	Three months ended					Nine months ended			
	Ja	nuary 24, 2014	J	anuary 25, 2013	J	anuary 24, 2014	J	anuary 25, 2013	
			(in	millions, excep	ot pe	r share data)			
Net sales	\$	4,163	\$	4,027	\$	12,440	\$	12,130	
Costs and expenses:									
Cost of products sold		1,050		999		3,162		2,992	
Research and development expense		360		376		1,092		1,148	
Selling, general, and administrative expense		1,454		1,401		4,308		4,223	
Special charges		_		_		40		_	
Restructuring (credits) charges, net		(15)		_		3		_	
Certain litigation charges, net		_		_		24		245	
Acquisition-related items		200		(55)		104		(44)	
Amortization of intangible assets		89		88		263		247	
Other expense, net		45		17		122		119	
Interest expense, net		25		46		98		103	
Total costs and expenses		3,208		2,872		9,216		9,033	
Earnings before income taxes		955		1,155		3,224		3,097	
Provision for income taxes		193		167		607		599	
Net earnings	\$	762	\$	988	\$	2,617	\$	2,498	
Basic earnings per share	\$	0.76	\$	0.98	\$	2.61	\$	2.45	
Diluted earnings per share	\$	0.75	\$	0.97	\$	2.58	\$	2.43	
Basic weighted average shares outstanding		998.3		1,012.5		1,002.7		1,020.7	
Diluted weighted average shares outstanding		1,010.0		1,021.0		1,014.0		1,028.7	
Cash dividends declared per common share	\$	0.2800	\$	0.2600	\$	0.8400	\$	0.7800	

## MEDTRONIC, INC. RECONCILIATION OF CONSOLIDATED GAAP NET EARNINGS TO CONSOLIDATED NON-GAAP NET EARNINGS (Unaudited)

(in millions, except per share data)

	Three mo			
	uary 24, 2014	uary 25, 2013		Percentage Change
Net earnings, as reported	\$ 762	\$ 988		(23)%
Restructuring credits	(13) (a)	_		
Acquisition-related items	167 (b)	(57)	(c)	
Impact of authoritative convertible debt guidance on interest expense, net	_	15	(d)	
Non-GAAP net earnings	\$ 916	\$ 946		(3)%

## MEDTRONIC, INC. RECONCILIATION OF CONSOLIDATED GAAP DILUTED EPS TO CONSOLIDATED NON-GAAP DILUTED EPS (Unaudited)

		Three mo				
	Jan	nuary 24, 2014		uary 25, 2013		Percentage Change
Diluted EPS, as reported	\$	0.75	\$	0.97		(23)%
Restructuring credits		(0.01) (a)		_		
Acquisition-related items		0.17 (b)		(0.06) (	c)	
Impact of authoritative convertible debt guidance on interest expense, net		_		0.01 (	d)	
Non-GAAP diluted EPS	\$	0.91	\$	0.93 (	1)	(2)%

- (1) The data in this schedule has been intentionally rounded to the nearest \$0.01, and therefore, may not sum.
- (a) The \$13 million (\$0.01 per share) after-tax (\$15 million pre-tax) restructuring credits are a reversal of excess restructuring reserves related to the fiscal year 2013 restructuring initiative. This reversal was primarily a result of revisions to particular strategies and employees identified for elimination finding other positions within the Company. In addition to disclosing restructuring credits that are determined in accordance with U.S. generally accepted accounting principles (U.S. GAAP), Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding these restructuring credits. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates these restructuring credits when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same or similar to measures presented by other companies.
- (b) The \$167 million (\$0.17 per share) after-tax (\$200 million pre-tax) acquisition-related items primarily includes \$204 million after-tax (\$236 million pre-tax) impairment of long-lived assets related to the Ardian, Inc. (Ardian) acquisition and \$39 million after-tax (\$39 million pre-tax) net income related to the change in fair value of contingent consideration payments associated with acquisitions subsequent to April 29, 2009. In the third quarter of fiscal year 2014, the U.S. pivotal trial in renal denervation for treatment-resistant hypertension, Symplicity HTN-3, failed to meet its primary efficacy endpoint. Therefore, we assessed the Ardian IPR&D and long-lived asset group for impairment. As the Company continues to evaluate the long-term strategy for the renal denervation program, the impairment assessments were based upon probability-weighted cash flows of the potential future scenarios. As a result, in the third quarter of fiscal year 2014, the Company recorded impairment charges of \$166 million after-tax (\$192 million pre-tax) related to IPR&D and \$38 million after-tax (\$44 million pre-tax) related to other long-lived assets. The Ardian goodwill resides in the Coronary

reporting unit. Based upon the results of the annual goodwill impairment review, no goodwill impairment existed. The change in fair value of contingent consideration payments is primarily related to adjustments in Ardian contingent consideration, which are based on annual revenue growth through fiscal year 2015. Based on the results of the trial, there is no projected revenue growth through fiscal year 2015. In addition to disclosing acquisition-related items that are determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding these acquisition-related items. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates these acquisition-related items when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same or similar to measures presented by other companies.

- (c) The \$57 million (\$0.06 per share) after-tax (\$55 million pre-tax) acquisition-related items includes \$70 million after-tax (\$70 million pre-tax) net income related to the change in fair value of contingent consideration payments associated with acquisitions subsequent to April 29, 2009, \$10 million after-tax (\$10 million pre-tax) of acquisition-related costs from the November 2012 acquisition of China Kanghui Holdings, and a \$3 million after-tax (\$5 million pre-tax) IPR&D impairment charge related to a recent acquisition in the Structural Heart business. The change in fair value of contingent consideration payments is primarily related adjustments in Ardian contingent consideration, which are based on annual revenue growth through fiscal year 2015, due to slower commercial ramp in Europe and extended U.S. regulatory process. In addition to disclosing acquisition-related items that are determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding these acquisition-related items. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates these acquisition-related items when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same or similar to measures presented by other companies.
- (d) The Financial Accounting Standards Board (FASB) authoritative guidance for convertible debt accounting resulted in an after-tax impact to net earnings of \$15 million (\$0.01 per share). The pre-tax impact to interest expense, net was \$23 million. This convertible debt matured in April 2013. In addition to disclosing the financial statement impact of this authoritative guidance that is determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding this authoritative guidance. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates the impact of this authoritative guidance when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same or similar to measures presented by other companies.

## MEDTRONIC, INC. RECONCILIATION OF CONSOLIDATED GAAP NET EARNINGS TO CONSOLIDATED NON-GAAP NET EARNINGS (Unaudited)

(in millions, except per share data)

		]	Nine mo			
	January 24, 2014			January 25, 2013		Percentage Change
Net earnings, as reported	\$	2,617		\$ 2,498		5%
Special charges		26	(a)	_		
Restructuring charges, net		2	(b)	_		
Certain litigation charges, net		17	(c)	235	(e)	
Acquisition-related items		71	(d)	(46)	(f)	
Impact of authoritative convertible debt guidance on interest expense, net				44	(g)	
Non-GAAP net earnings	\$	2,733		\$ 2,731		<u> </u>

# MEDTRONIC, INC. RECONCILIATION OF CONSOLIDATED GAAP DILUTED EPS TO CONSOLIDATED NON-GAAP DILUTED EPS (Unaudited)

		Ni	ne months o				
	January 24, 2014			J	January 25, 2013		Percentage Change
Diluted EPS, as reported	\$	2.58		\$	2.43		6%
Special charges		0.03	(a)		_		
Restructuring charges, net		_	(b)		_		
Certain litigation charges, net		0.02	(c)		0.23	(e)	
Acquisition-related items		0.07	(d)		(0.04)	(f)	
Impact of authoritative convertible debt guidance on interest expense, net		_			0.04	(g)	
Non-GAAP diluted EPS	\$	2.70		\$	2.65	(1)	2%

- (1) The data in this schedule has been intentionally rounded to the nearest \$0.01, and therefore, may not sum.
- (2) The data in this schedule has been intentionally rounded, and therefore, the first, second, and third quarter data may not sum to the fiscal year to date totals.
- (a) The \$26 million (\$0.03 per share) special charge represents an after-tax charitable cash donation (\$40 million pre-tax) made to the Medtronic Foundation. In addition to disclosing special charges that are determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding this special charge. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates this special charge when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same or similar to measures presented by other companies.
- (b) The \$2 million (less than \$0.01 per share) after-tax (\$3 million pre-tax) restructuring charges, net is the net impact of a \$15 million after-tax (\$18 million pre-tax) charge related to a continuation of our fourth quarter fiscal year 2013 restructuring initiative, partially offset by a \$13 million after-tax (\$15 million pre-tax) reversal of excess restructuring reserves related to the fiscal year 2013 restructuring initiative. The restructuring charge consisted primarily of contract

termination fees. The reversal was primarily a result of revisions to particular strategies and employees identified for elimination finding other positions within the Company. In addition to disclosing restructuring charges, net that are determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding these restructuring charges, net. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates these restructuring charges, net when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same or similar to measures presented by other companies.

- (c) The \$17 million (\$0.02 per share) after-tax (\$24 million pre-tax) certain litigation charges, net relates to accounting charges for patent and Other Matters litigation. In addition to disclosing certain litigation charges, net that are determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding these certain litigation charges. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates these certain litigation charges when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same or similar to measures presented by other companies.
- (d) The \$71 million (\$0.07 per share) after-tax (\$104 million pre-tax) acquisition-related items includes \$204 million after-tax (\$236 million pre-tax) impairment of long-lived assets related to the Ardian acquisition and \$135 million after-tax (\$135 million pre-tax) net income related to the change in fair value of contingent consideration payments associated with acquisitions subsequent to April 29, 2009. In the third quarter of fiscal year 2014, the U.S. pivotal trial in renal denervation for treatment-resistant hypertension, Symplicity HTN-3, failed to meet its primary efficacy endpoint. Therefore, we assessed the Ardian IPR&D and long-lived asset group for impairment. As the Company continues to evaluate the long-term strategy for the renal denervation program, the impairment assessments were based upon probability-weighted cash flows of the potential future scenarios. As a result, in the third quarter of fiscal year 2014, the Company recorded impairment charges of \$166 million after-tax (\$192 million pre-tax) related to IPR&D and \$38 million after-tax (\$44 million pre-tax) related to other long-lived assets. The Ardian goodwill resides in the Coronary reporting unit. Based upon the results of the annual goodwill impairment review, no goodwill impairment existed. The change in fair value of contingent consideration payments primarily related to adjustments in Ardian contingent consideration, which are based on annual revenue growth through fiscal year 2015. In the first quarter of fiscal year 2014, the Company recorded after-tax net income of \$96 million (\$96 million pre-tax) related to the change in fair value of contingent consideration payments due to slower commercial ramp in Europe and extended U.S. regulatory process. In the third quarter of fiscal year 2014, the Company recorded after-tax net income of \$39 million (\$39 million pre-tax) related to the change in fair value of contingent consideration payments based on the results of the trial as there is no projected revenue growth through fiscal year 2015. In addition to disclosing acquisition-related items that are determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding these acquisition-related items. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates these acquisition-related items when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same or similar to measures presented by other companies.
- (e) The \$235 million (\$0.23 per share) after-tax (\$245 million pre-tax) certain litigation charges, net relates to an accounting charge for probable and reasonably estimable patent litigation with Edwards Lifesciences, Inc. In addition to disclosing certain litigation charges, net that are determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding these certain litigation charges. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates these certain litigation charges when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in

accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same or similar to measures presented by other companies.

- The \$46 million (\$0.04 per share) after-tax (\$44 million pre-tax) acquisition-related items includes \$67 million after-tax (\$67 million pre-tax) net income related to the change in fair value of contingent consideration payments associated with acquisitions subsequent to April 29, 2009, \$13 million after-tax (\$13 million pre-tax) of acquisition-related costs from the November 2012 acquisition of China Kanghui Holdings, a \$5 million after-tax (\$5 million pre-tax) net charge for an adjustment of transaction costs related to the divestiture of the Physio-Control business that occurred in the fourth quarter of fiscal year 2012, and a \$3 million after-tax (\$5 million pre-tax) IPR&D impairment charge related to a recent acquisition in the Structural Heart business. The change in fair value of contingent consideration payments is primarily related to the change in fair value of Ardian, Inc. contingent consideration payments, which are based on annual revenue growth through fiscal year 2015, due to slower commercial ramp in Europe and extended U.S. regulatory process. In addition to disclosing acquisition-related items that are determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding these acquisition-related items. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates these acquisition-related items when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same or similar to measures presented by other companies.
- (g) The Financial Accounting Standards Board (FASB) authoritative guidance for convertible debt accounting resulted in an after-tax impact to net earnings of \$44 million (\$0.04 per share). The pre-tax impact to interest expense, net was \$69 million. This convertible debt matured in April 2013. In addition to disclosing the financial statement impact of this authoritative guidance that is determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding this authoritative guidance. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates the impact of this authoritative guidance when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same or similar to measures presented by other companies.

# MEDTRONIC, INC. RECONCILIATION OF WORLDWIDE REVENUE GROWTH TO CONSTANT CURRENCY GROWTH (Unaudited) (in millions)

	Three months ended  January 24, January 25,				D (1	Currency	-	Constant	
		1ary 24, 2014	Jai	2013	Reported Growth	on Gro Dollar	wtn (a) Percentage	Currency Growth (a)	
Reported Revenue:									
Defibrillation Systems	\$	655	\$	654	<u> </u>	\$ (4)	(1)%	1%	
Pacing Systems		439		459	(4)	(11)	(2)	(2)	
AF & Other		90		58	55	<u>—</u>	_	55	
Cardiac Rhythm Disease Management		1,184		1,171	1	(15)	(1)	2	
Coronary		436		445	(2)	(9)	(2)	_	
Structural Heart		281		272	3	(1)	(1)	4	
Endovascular		218		212	3	(3)	(1)	4	
Cardiac & Vascular Group		2,119		2,100	1	(28)	(1)	2	
Core Spine		631		639	(1)	(9)	(1)	_	
BMP		113		114	(1)	<del></del>	_	(1)	
Spine		744		753	(1)	(9)	(1)	_	
Neuromodulation		478		447	7	_	_	7	
Surgical Technologies		386		350	10	(4)	(1)	11	
Restorative Therapies Group		1,608		1,550	4	(13)	(1)	5	
Diabetes Group		436		377	16	_		16	
Total	\$	4,163	\$	4,027	3.4%	\$ (41)	(1)%	4.4%	

(a) Medtronic management believes that in order to properly understand Medtronic's short-term and long-term financial trends, investors may wish to consider the impact of foreign currency translation on revenue. In addition, Medtronic management uses results of operations before currency translation to evaluate the operational performance of the Company and as a basis for strategic planning. 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.

# MEDTRONIC, INC. RECONCILIATION OF INTERNATIONAL REVENUE GROWTH TO CONSTANT CURRENCY GROWTH (Unaudited) (in millions)

	Three months ended				Currency	Constant		
	Jan	uary 24,	Jar	nuary 25,	Reported	on Grov	vth (a)	Currency
		2014		2013	Growth	 ollar	Percentage	Growth (a)
Reported Revenue:								
Defibrillation Systems	\$	283	\$	271	4%	\$ (4)	(2)%	6%
Pacing Systems		268		277	(3)	(11)	(4)	1
AF & Other		39		28	39	_		39
Cardiac Rhythm Disease Management		590		576	2	(15)	(3)	5
Coronary		304		311	(2)	(9)	(3)	1
Structural Heart		179		176	2	(1)	_	2
Endovascular		138		135	2	(3)	(2)	4
Cardiac & Vascular Group		1,211		1,198	1	(28)	(2)	3
Core Spine		212		217	(2)	(9)	(4)	2
BMP		15		14	7	_	<del></del>	7
Spine		227		231	(2)	(9)	(4)	2
Neuromodulation		149		138	8	_	<del></del>	8
Surgical Technologies		145		135	7	(4)	(3)	10
Restorative Therapies Group		521		504	3	(13)	(3)	6
Diabetes Group		166		154	8	_	_	8
Total	\$	1,898	\$	1,856	2%	\$ (41)	(2)%	4%

(a) Medtronic management believes that in order to properly understand Medtronic's short-term and long-term financial trends, investors may wish to consider the impact of foreign currency translation on revenue. In addition, Medtronic management uses results of operations before currency translation to evaluate the operational performance of the Company and as a basis for strategic planning. 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.

#### MEDTRONIC, INC.

#### RECONCILIATION OF EMERGING MARKET REVENUE GROWTH TO CONSTANT CURRENCY GROWTH (Unaudited) (in millions)

	,	Three mor	ıths e	ended		Currency	Impact	Constant
	Janu	January 24, January 25,		Reported	on Grow	th (a)	Currency	
	2	2014		2013	Growth	Dollar	Percentage	Growth (a)
Emerging Market Revenue (b)	\$	521	\$	475	10%	\$ (11)	(2)%	12%

- (a) Medtronic management believes that in order to properly understand Medtronic's short-term and long-term financial trends, investors may wish to consider the impact of foreign currency translation on revenue. In addition, Medtronic management uses results of operations before currency translation to evaluate the operational performance of the Company and as a basis for strategic planning. 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.
- (b) Emerging Market Revenue includes revenues from Asia Pacific (except Australia, Japan, Korea, and New Zealand), Central and Eastern Europe, Greater China, Latin America, the Middle East and Africa, and South Asia.

# MEDTRONIC, INC. RECONCILIATION OF OPERATING CASH FLOW TO FREE CASH FLOW (Unaudited) (in millions)

	emonths ended January 24, 2014	Six months ended October 25, 2013			Three months ended January 24, 2014		
Net cash provided by operating activities	\$ 3,631	\$	2,019	\$	1,612		
Additions to property, plant, and equipment	(291)		(196)		(95)		
Free cash flow (a)	\$ 3,340	\$	1,823	\$	1,517		

(a) Medtronic management believes that in order to properly understand Medtronic's short-term and long-term financial trends, investors may wish to consider free cash flow. In addition, Medtronic management uses free cash flow to evaluate operational performance of the Company and as a basis for strategic planning. 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. Medtronic calculates free cash flow by subtracting property, plant, and equipment additions from operating cash flows.

### MEDTRONIC, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	January 24, 2014 April 26, 2013			ril 26, 2013
	(in millions, except per share data)			re data)
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$	1,304	\$	919
Investments		12,363		10,211
Accounts receivable, less allowances of \$114 and \$98, respectively		3,619		3,727
Inventories		1,782		1,712
Tax assets Prepaid expenses and other current assets		618 700		539 744
Total current assets		20,386		17,852
Property, plant, and equipment		6,355		6,152
Accumulated depreciation		(3,947)		(3,662
Property, plant, and equipment, net		2,408		2,490
Goodwill		10,593		10,329
Other intangible assets, net		2,372		2,673
Long-term tax assets		237		232
Other assets		1,235		1,324
Total assets	\$	37,231	\$	34,900
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	\$	2,618	\$	910
Accounts payable		567		681
Accrued compensation		936		1,011
Accrued income taxes		235		88
Deferred tax liabilities		13		16
Other accrued expenses		1,263		1,244
Total current liabilities		5,632		3,950
Long-term debt		9,601		9,741
Long-term accrued compensation and retirement benefits		805		752
Long-term accrued income taxes		1,246		1,168
Long-term deferred tax liabilities		358		340
Other long-term liabilities		235		278
Total liabilities		17,877		16,229
Commitments and contingencies				
Shareholders' equity:				
Preferred stock— par value \$1.00		_		_
Common stock— par value \$0.10		100		102
Retained earnings		19,872		19,061
Accumulated other comprehensive loss		(618)		(492
Total shareholders' equity		19,354		18,671
Total liabilities and shareholders' equity	\$	37,231	\$	34,900

#### MEDTRONIC, INC. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

2		Nine mon		
		<b>January 24, 2014</b>		<b>January 25, 2013</b>
(in millions)				
Operating Activities:  Net earnings	¢	2,617	¢	2 409
e e e e e e e e e e e e e e e e e e e	\$	2,017	\$	2,498
Adjustments to reconcile net earnings to net cash provided by operating activities:		(25		610
Depreciation and amortization		635		610
Amortization of debt discount and issuance costs		6		69
Acquisition-related items		99		(67
Provision for doubtful accounts		34		34
Deferred income taxes		(61)		39
Stock-based compensation		108		119
Other, net		(17)		_
Change in operating assets and liabilities, net of effect of acquisitions:				
Accounts receivable, net		86		255
Inventories		(119)		(58)
Accounts payable and accrued liabilities		(301)		(51
Other operating assets and liabilities		523		70
Certain litigation charges, net		24		245
Certain litigation payments		(3)		(91
Net cash provided by operating activities		3,631		3,672
Investing Activities:				
Acquisitions, net of cash acquired		(369)		(820
Additions to property, plant, and equipment		(291)		(336
Purchases of investments		(7,992)		(9,517
Sales and maturities of investments		5,606		8,163
Other investing activities, net		(23)		(4
Net cash used in investing activities		(3,069)		(2,514
Financing Activities:				
Acquisition-related contingent consideration		(1)		(17
Change in short-term borrowings, net		935		(9
Repayment of short-term borrowings (maturities greater than 90 days)		(385)		(1,850
Proceeds from short-term borrowings (maturities greater than 90 days)		1,176		2,625
Payments on long-term debt		(10)		(10
Dividends to shareholders		(839)		(797
Issuance of common stock		1,056		158
Repurchase of common stock		(2,153)		(1,247
Other financing activities		20		(2
Net cash used in financing activities	<u> </u>	(201)		(1,149
Effect of exchange rate changes on cash and cash equivalents		24		11
Net change in cash and cash equivalents		385		20
•				
Cash and cash equivalents at beginning of period	¢	919	•	1,172
Cash and cash equivalents at end of period	\$	1,304	\$	1,192
Supplemental Cash Flow Information				
Cash paid for:	¢.	202	Ф	400
Income taxes	\$	382	\$	422
Interest		226		196