# Medtronic Reports Third Quarter Earnings

The Associated Press

MINNEAPOLIS--(BUSINESS WIRE)--Feb 21, 2012-- Medtronic, Inc.

(NYSE:MDT) today announced financial results for its third quarter of fiscal year 2012, which ended January 27, 2012.

The company reported worldwide third quarter revenue of $3.918 billion, compared to the $3.857 billion reported in the third quarter of fiscal year 2011, an increase of 2 percent as reported or 1 percent on a constant currency basis after adjusting for a $13 million favorable foreign currency impact. Including revenue from the Physio-Control business, which is treated as discontinued operations, total company sales would have been $4.029 billion. As reported, third quarter net earnings were $935 million, or $0.88 per diluted share, an increase of 1 percent and 2 percent, respectively, over the same period in the prior year. As detailed in the attached table, third quarter net earnings and diluted earnings per share on a non-GAAP basis were $888 million and $0.84, a decrease of 4 percent and 2 percent, respectively, over the same period in the prior year. After adjusting for one-time tax benefits in the third quarter of fiscal year 2011, non-GAAP earnings and diluted earnings per share increased 8 percent and 9 percent, respectively.

International revenue of $1.773 billion increased 7 percent as reported or 6 percent on a constant currency basis. International sales accounted for 45 percent of Medtronic's worldwide revenue in the quarter. Emerging market revenue of $395 million increased 15 percent as reported or 16 percent on a constant currency basis.

"I am pleased that a majority of our business mix continued to report strong, consistent revenue growth in the upper single digits. However, this was masked by continued challenges in our U.S. ICD and Spine performance," said Omar Ishrak, Medtronic chairman and chief executive officer. "Stabilizing these businesses along with delivering on our key strategic imperatives of improving execution, optimizing innovation, and accelerating globalization should position us well to deliver long-term sustainable growth." Cardiac and Vascular Group The Cardiac and Vascular Group at Medtronic is comprised of Cardiac Rhythm Disease Management (CRDM) and CardioVascular. The group had worldwide sales in the quarter of $2.029 billion, representing an increase of 2 percent as reported or 1 percent on a constant currency basis. Cardiac and Vascular Group international sales of $1.152 billion increased 5 percent as reported and on a constant currency basis. Group revenue performance was driven by Endovascular and Peripheral, Structural Heart, AF Solutions, Renal Denervation, Pacing, and Coronary sales offset by declines in implantable cardioverter defibrillators (ICDs).

CRDM third quarter revenue of $1.192 billion decreased 2 percent as reported or 3 percent on a constant currency basis. Third quarter revenue from ICDs was $674

million, down 9 percent on a constant currency basis, while pacing revenue was $467 million, an increase of 3 percent on a constant currency basis. Weaker ICD sales, primarily due to declining procedure volumes in the U.S. market versus the prior year, were partially offset by continued growth of the AF Solutions and Pacing businesses.

CardioVascular revenue of $837 million grew 8 percent as reported and on a constant currency basis. The Coronary, Structural Heart, and Endovascular and Peripheral businesses grew worldwide revenue 3 percent, 10 percent, and 17 percent, respectively, on a constant currency basis. In Structural Heart, transcatheter valves continued to drive growth. Endovascular and Peripheral revenue growth was driven by the continued success of the Endurant(R) stent graft for the treatment of abdominal aortic aneurysms.

Restorative Therapies Group The Restorative Therapies Group at Medtronic is comprised of Spine, Neuromodulation, Diabetes, and Surgical Technologies. The group had worldwide sales in the quarter of $1.889 billion, representing an increase of 1 percent as reported and on a constant currency basis.

Restorative Therapies Group international sales of $621 million increased 11 percent as reported or 10 percent on a constant currency basis. Group revenue was driven by solid performances in Surgical Technologies, Diabetes and Neuromodulation, offset by continued challenges in U.S. Spine.

Spine revenue of $784 million declined 9 percent as reported or 10 percent on a constant currency basis. International sales for the Spine business increased 7 percent as reported or 4 percent on a constant currency basis. Core Spine revenue of $596 million, which includes core metal constructs, interspinous process decompression devices, and balloon kyphoplasty products, declined 6 percent on a constant currency basis. Biologics revenue of $188 million declined 20 percent on a constant currency basis, driven by declines in U.S. sales of INFUSE(R), partially offset by revenue growth in Other Biologics.

Neuromodulation revenue of $419 million increased 4 percent as reported and on a constant currency basis. Growth continues to be driven by strong sales of InterStim(R) Therapy. The RestoreSensor(TM) spinal cord stimulator with its proprietary AdaptiveStim(TM) technology continues to perform well in Europe, and was approved in the U.S. and Japan in the third quarter. The U.S. launch of this product was delayed for most of the quarter due to a supply disruption resulting from the flooding in Thailand, which has subsequently been resolved.

Diabetes revenue of $367 million grew 8 percent as reported and on a constant currency basis. Growth in the quarter was driven by strong sales of continuous glucose monitoring (CGM) products and consumables.

The Enlite(TM) CGM sensor had strong growth in Europe, and the company continues to make progress on its IDE study for U.S. approval of this next generation sensor.

Surgical Technologies revenue of $319 million grew 23 percent as reported or 22 percent on a constant currency basis. Excluding revenue from the Advanced Energy business, consisting of our Salient Surgical Technologies and PEAK Surgical acquisitions, Surgical Technologies revenue grew 10 percent on a constant currency basis. Revenue growth was well-balanced across the businesses' core platforms including Power, Navigation, Monitoring, Imaging, and Hydrocephalus Management.

Revenue Outlook and Earnings Per Share Guidance The Company today reiterated its revenue outlook and tightened its fiscal year 2012 diluted earnings per share guidance range to $3.44 to $3.47, which includes approximately $0.04 to $0.06 of dilution from the Ardian acquisition. After adjusting for Ardian dilution and 10 cents of one-time tax benefits received in fiscal year 2011, fiscal year 2012 diluted EPS growth is expected to be in the range of 7 to 8 percent.

EPS guidance excludes any unusual charges or gains that might occur during the fiscal year and the impact of the non-cash charge for convertible debt interest expense. The guidance provided only reflects information available to Medtronic at this time.

"While this was a challenging quarter from a revenue perspective, I was encouraged by the management team's ability to execute on delivering the bottom line. In addition, we have recently launched several new products including RestoreSensor(TM), Solera(TM) 5.5 and 6.0 Spinal Systems, and now Resolute Integrity(TM) which should contribute to improved revenue performance," said Ishrak. "We remain optimistic that long-term growth should improve as we dramatically expand our global footprint and focus on delivering economic value as well as clinical value to our customers." Webcast Information Medtronic will host a webcast today, February 21, at 8 a.m. EST (7 a.m. CST), to provide information about its businesses for the public, analysts, and news media. This quarterly webcast can be accessed by clicking on the Investors link on the Medtronic home page at www.medtronic.com and this earnings release will be archived at www.medtronic.com/newsroom. Within 24 hours, a replay of the webcast and a transcript of the company's prepared remarks will be available in the "Events & Presentations" section of the Investors portion of the Medtronic website.

About Medtronic Medtronic, Inc., headquartered in Minneapolis, is the world's leading medical technology company -- alleviating pain, restoring health, and extending life for people with chronic disease. Its Internet address is www.medtronic.com.

This press release contains forward-looking statements related to expected product introductions and regulatory approvals, the impact of business divestitures, anticipated benefits for recent acquisitions, product growth drivers, strategies for growth, and Medtronic's future results of operations, which are subject to risks and uncertainties, such as competitive factors, difficulties and delays inherent in the development, manufacturing, marketing and sale of medical products, government regulation and general economic conditions and other risks and uncertainties described in Medtronic's periodic reports on file with the Securities and Exchange Commission. Actual results may differ materially from anticipated results. Medtronic

does not undertake to update its forward-looking statements.

Unless otherwise noted, all comparisons made in this news release are on an "as reported basis," and not on a constant currency basis; references to quarterly figures increasing or decreasing are in comparison to the third quarter of fiscal year 2011.

MEDTRONIC, INC.

WORLD WIDE REVENUE (Unaudited) ($ millions)
FY11FY11FY11FY11FY11FY12FY12FY12FY12FY12 QTR 1 QTR 2 QTR 3 QTR 4 Total QTR 1 QTR 2 QTR 3 QTR 4 Total REPORTED REVENUE : CARDIAC RHYTHM DISEASE MANAGEMENT$1,226$1,248$1,221$1,315$5,010$1,253$1,268$1,192$-$3,712 Pacing Systems4734724505061,901508511467-1,485 Defibrillation Systems7227457357602,962697708674-2,078 AF & Other31313649147484951-149 CARDIOVASCULAR$717$738$774$879$3,109$850$830$837$-$2,518 Coronary3423503704041,466389376382-1,148 Structural Heart2242372412749772752662 65-806 Endovascular & Peripheral1511511632016661861881 90-564 CARDIAC & VASCULAR GROUP$1,943 $1,986 $1,995 $2,194 $8,119 $2,103 $2,098 $2,029 $- $6,230 SPINAL$829$850$861$875$3,414$825$839$784$-$2,448 Core Spinal6226346266482,530610631596-1,837 Biologics2072162352278842152081 88-611 NEUROMODULATION$370$388$401$432$1,592$397$421$419$-$1,237 DIABETES$312$326$341$368$1,347$355$367$367$-$1,089 SURGICAL TECHNOLOGIES$235 $244 $259 $298 $1,036 $266 $298 $319 $- $883 RESTORATIVE THERAPIES GROUP$1,746 $1,808 $1,862 $1,973 $7,389 $1,843 $1,925 $1,889 $- $5,657 TOTAL CONTINUING OPERATIONS$3,689 $3,794 $3,857 $4,167 $15,508 $3,946 $4,023 $3,918 $- $11,887 ADJUSTMENTS : CURRENCY IMPACT (1) $181 $120 $13 $- $313 COMPARABLE OPERATIONS (1)$3,689 $3,794 $3,857 $4,167 $15,508 $3,765 $3,903 $3,905 $- $11,574 (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.

(2) Physio Control has been excluded from the revenue summary above. FY12 Qtr3 revenue is $112M world wide.

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.

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