Medtronic Reports Second Quarter Earnings

The Associated Press

Revenue of $4.1 Billion Grew 5% on a Constant Currency Basis; 2% as Reported

International Revenue Grew 8% on a Constant Currency Basis; 1% as Reported

Company Updates FY13 Revenue Outlook; Reiterates FY13 EPS Guidance

MINNEAPOLIS - November 20, 2012 - Medtronic, Inc. (NYSE: MDT) today announced financial results for its second quarter of fiscal year 2013, which ended October 26, 2012.

The Company reported worldwide second quarter revenue of $4.095 billion, an increase of 5 percent on a constant currency basis after adjusting for a $118 million unfavorable foreign currency impact, or a 2 percent increase as reported. Including a one-time, non-cash $245 million pre-tax charge related to certain litigation in our Structural Heart business, second quarter net earnings as reported were $646 million, or $0.63 per diluted share, a decrease of 26 percent and 23 percent, respectively, over the same period in the prior year. After adjusting for this charge and other items detailed in the attached table, second quarter net earnings and diluted earnings per share on a non-GAAP basis were $902 million and $0.88, flat and an increase of 5 percent, respectively, over the same period in the prior year.

Second quarter international revenue of $1.806 billion increased 8 percent on a constant currency basis or 1 percent as reported. International sales accounted for 44 percent of Medtronic's worldwide revenue in the quarter. Emerging market revenue of $464 million increased 18 percent on a constant currency basis or 14 percent as reported and represented 11 percent of Company revenue.

"Our second quarter performance reflects the results of our ongoing focus to deliver consistent and dependable growth in a changing healthcare environment," said Omar Ishrak, Medtronic chairman and chief executive officer. "Our growth was broad-based across several businesses and geographies, driven by continued stabilization of our end markets and the ongoing successful execution of new product launches."

Cardiac and Vascular Group The Cardiac and Vascular Group includes the Cardiac Rhythm Disease Management (CRDM), Coronary, Structural Heart, and Endovascular businesses. The Group had worldwide sales in the quarter of $2.137 billion, representing an increase of 6 percent on a constant currency basis or 2 percent as reported. Group revenue performance on a constant currency basis was driven by solid growth in Coronary, Endovascular, Structural Heart, and AF Solutions, partially offset by declines in Pacing. Group international sales of $1.168

billion increased 7 percent on a constant currency basis or were flat as reported.

CRDM revenue of $1.227 billion was flat on a constant currency basis or a decline of 3 percent as reported. Second quarter revenue from Implantable Cardioverter Defibrillators (ICDs) was $689 million, flat on a constant currency basis, while Pacing revenue was $480 million, a decline of 2 percent on a constant currency basis. Continued growth of the AF Solutions business partially offset weaker Pacing sales. The Company gained global share in ICDs, Pacing, and AF Solutions.

Coronary revenue of $429 million grew 19 percent on a constant currency basis or 14 percent as reported. Sales of drug-eluting stents increased 39 percent on a constant currency basis, driven by the continued success of the Resolute® Integrity® drug-eluting stent in the United States and a strong launch in the quarter of the product in Japan.

Structural Heart revenue of $271 million grew 6 percent on a constant currency basis or 2 percent as reported. Growth was driven by solid sales of the CoreValve® transcatheter aortic heart valves in international markets.

Endovascular revenue of $210 million grew 17 percent on a constant currency basis or 12 percent as reported. The Endurant® abdominal aortic stent continues to drive growth in Japan, along with the Endurant II in the U.S. and Europe. The peripheral stent portfolio, including the Complete® SE vascular stent, continued to drive global growth.

Restorative Therapies Group The Restorative Therapies Group includes the Spine, Neuromodulation, Diabetes, and Surgical Technologies businesses. The Group had worldwide sales in the quarter of $1.958 billion, representing an increase of 4 percent on a constant currency basis or 2 percent as reported. Group revenue was driven by growth in Surgical Technologies, Neuromodulation, and Diabetes, partially offset by declines in Spine. Group international sales of $638 million increased 9 percent on a constant currency basis or 3 percent as reported.

Spine revenue of $782 million declined 5 percent on a constant currency basis or 7 percent as reported. Core Spine revenue of $649 million decreased 2 percent on a constant currency basis. While the Core Spine business slightly declined year-over-year, the business modestly grew on a sequential basis. New products and therapies continue to gain broad surgeon acceptance. The Company continues to differentiate its Spine business through its focus on enabling technologies, including imaging, navigation, and powered surgical instruments. BMP revenue of $133 million declined 19 percent on a constant currency basis.

Surgical Technologies revenue of $344 million grew 17 percent on a constant currency basis or 15 percent as reported. After adjusting for the acquisitions of PEAK Surgical and Salient Surgical Technologies, organic revenue growth was 13 percent on a constant currency basis or 12 percent as reported. Surgical Technologies revenue growth was driven by strong capital equipment sales, including continued demand for navigated spine procedures using the StealthStation® S7® and O-Arm®.

Neuromodulation revenue of $454 million increased 10 percent on a constant currency basis or 8 percent as reported. Growth was driven by the RestoreSensor® spinal cord stimulator with its proprietary AdaptiveStim® technology, solid growth in the number of new implants of Activa® deep brain stimulation therapy systems, and strong sales of InterStim® Therapy for both urinary and bowel indications.

Diabetes revenue of $378 million grew 6 percent on a constant currency basis or 3 percent as reported. Growth in the quarter was driven by strong sales of continuous glucose monitoring (CGM) products. The Paradigm® Veo(TM) insulin pump with its low glucose suspend technology, together with the Enlite(TM) CGM sensor, had solid growth in international markets.

Revenue Outlook and Earnings per Share Guidance The Company today updated its revenue outlook and reiterated its diluted earnings per share (EPS) guidance. For fiscal year 2013, the Company expects revenue growth in the range of 3 to 4 percent on a constant currency basis, which implies revenue growth of 2 to 4 percent on a constant currency basis for the second half of fiscal year 2013. For fiscal year 2013, the Company continues to expect diluted EPS in the range of $3.62 to $3.70, which implies annual diluted EPS growth in the range of 5 to 7 percent.

In closing, Ishrak said, "We were encouraged by our balanced Q2 results, which outperformed the MedTech market. However, we remain focused on delivering this kind of performance consistently over an extended period of time. By implementing our growth strategies, we will position ourselves to be a leader in creating long-term value in healthcare."

Webcast Information Medtronic will host a webcast today, Nov. 20, 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.

Financial Schedules To view the second quarter financial schedules, click here or visit www.medtronic.com/newsroom.

About Medtronic

Medtronic, Inc., is the world's leading medical technology company -- alleviating pain, restoring health, and extending life for people with chronic disease.

This press release contains forward-looking statements related to product growth drivers, market position, 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.

Earnings per share 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 .

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 second quarter of fiscal year 2012.

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View FY13 Second Quarter Financial Schedules

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