

Financial Disclaimers and Non-GAAP Reconciliations

Financial Disclaimers

Amounts reported in millions throughout are computed based on the amounts in thousands. As a result, the sum of the components reported in millions may not equal the total amount reported in millions due to rounding. Certain columns and rows within tables may not add due to the use of rounded numbers. Percentages presented are calculated from the underlying numbers in dollars. Prior year numbers for the years ended December 31, 2016 and 2015 were subject to rounding.

Use of Non-GAAP Financial Measures

To supplement our unaudited condensed consolidated financial statements presented on a GAAP basis, we disclose certain non-GAAP financial measures, including adjusted net income (earnings) and adjusted net income (earnings) per share that exclude certain amounts, operational net sales, which exclude the impact of foreign currency fluctuations and organic net sales, which exclude the impact of foreign currency fluctuations and the impact of recent aforementioned acquisitions and divestitures. These non-GAAP financial measures are not in accordance with generally accepted accounting principles in the United States and should not be considered in isolation from or as a replacement for the most directly comparable GAAP financial measures. Further, other companies may calculate these non-GAAP financial measures differently than we do, which may limit the usefulness of those measures for comparative purposes.

To calculate adjusted net income (earnings) and adjusted net income (earnings) per share we exclude certain charges (credits) from GAAP net income. Amounts are presented after-tax at the Company's effective tax rate, unless the amount is a significant unusual or infrequently occurring item in accordance with FASB Accounting Standards Codification section 740-270-30, "General Methodology and Use of Estimated Annual Effective Tax Rate." Please refer to Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our most recent Annual Report filed on Form 10-K filed with the Securities and Exchange Commission for an explanation of each of these adjustments and the reasons for excluding each item.

The GAAP financial measures most directly comparable to adjusted net income and adjusted net income per share are GAAP net income and GAAP net income per share.

To calculate operational net sales growth rates, which exclude the impact of foreign currency fluctuations, we convert actual net sales from local currency to U.S. dollars using constant foreign currency exchange rates in the current and prior period. To calculate organic net sales growth rates, we remove the impact of recent aforementioned acquisitions with no prior period related net sales from operational net sales. In addition, to calculate organic net sales growth rates, we remove from prior year, sales from product lines that we divested. The GAAP financial measure most directly comparable to operational net sales and organic net sales is net sales on a GAAP basis.

Management uses these supplemental non-GAAP financial measures to evaluate performance period over period, to analyze the underlying trends in our business, to assess our performance relative to our competitors and to establish operational goals and forecasts that are used in allocating resources. In addition, management uses these non-GAAP financial measures to further its understanding of the performance of our operating segments. With the exception of the impact of the recent aforementioned acquisitions and divestitures, the adjustments excluded from our non-GAAP financial measures are consistent with those excluded from our operating segments' measures of net sales and profit or loss. These adjustments are excluded from the segment measures reported to our chief operating decision maker that are used to make operating decisions and assess performance.

We believe that presenting adjusted net income and adjusted net income per share, operational net sales and organic net sales, in addition to the corresponding GAAP financial measures, provides investors greater transparency to the information used by management for its operational decision-making and allows investors to see our results "through the eyes" of management. We further believe that providing this information assists our investors in understanding our operating performance and the methodology used by management to evaluate and measure such performance.

Reconciliations of each of these non-GAAP financial measures to the corresponding GAAP financial measure are outlined below:

FY 2019 Divisional Revenue Growth compared to FY 2018	Reported Basis	Less: Impact of Foreign Currency Fluctuations	Operational Basis	Less: Impact of Recent Acquisitions / Divestitures	Organic Basis
Endoscopy	8%	-2%	9%	0%	9%
Urology & Pelvic Health	13%	-1%	15%	6%	8%
MedSurg	10%	-2%	11%	3%	9%
Cardiac Rhythm Management	-1%	-2%	1%	0%	1%
Electrophysiology	6%	-2%	7%	0%	7%
Neuromodulation	12%	-1%	13%	6%	7%
Rhythm and Neuro	3%	-2%	5%	2%	3%
Interventional Cardiology	9%	-2%	11%	1%	10%
Peripheral Interventions	17%	-2%	19%	11%	8%
Cardiovascular	11%	-2%	14%	4%	9%
Medical Devices	8%	-2%	10%	3%	7%
Specialty Pharmaceuticals	n/a	n/a	n/a	n/a	n/a
Net Sales	9%	-2%	11%	4%	7%

FY 2019 Regional Revenue Growth compared to FY 2018	Reported Basis	Less: Impact of Foreign Currency Fluctuations	Operational Basis
U.S.	10%	0%	10%
EMEA (Europe, Middle East and Africa)	4%	-5%	9%
APAC (Asia-Pacific)	10%	-2%	12%
LACA (Latin America and Canada)	3%	-4%	7%
International	6%	-4%	10%
Medical Devices (a)	8%	-2%	10%
Specialty Pharmaceuticals (b)	n/a	n/a	n/a
Net Sales	9%	-2%	11%
Emerging Markets	14%	-5%	19%

(a) We have three historical reportable segments comprised of Medical Surgical (MedSurg), Rhythm and Neuro, and Cardiovascular, which represent an aggregation of our operating segments that generates revenues from the sale of medical devices (Medical Devices). As part of our acquisition of BTG on August 19, 2019, we acquired an Interventional Medicine business, which is now included in our Peripheral Interventions operating segment's 2019 revenues from August 19, 2019 through December 31, 2019.

(b) As part of our acquisition of BTG on August 19, 2019, we acquired a specialty pharmaceuticals business (Specialty Pharmaceuticals). Subsequent to acquisition, Specialty Pharmaceuticals is now a stand-alone operating segment presented alongside our Medical Device reportable segments. Specialty Pharmaceuticals net sales are substantially U.S. based. Our chief operating decision maker (CODM) reviews financial information of our globally managed Specialty Pharmaceuticals operating segment at the worldwide level without further disaggregation into regional results. As such, Specialty Pharmaceuticals net sales are presented globally, and our Medical Devices reportable segments regional net sales results do not include Specialty Pharmaceuticals.

FY 2019 Revenue Growth compared to FY 2018	Reported Basis	Less: Impact of Foreign Currency Fluctuations	Operational Basis
Rhythm Management (CRM & EP)		0%	-2%
			2%

Revenue Growth	2019	2018	2017	2016	2015
Revenue growth, as reported	9%	9%	8%	12%	1%
Less: Impact of foreign currency fluctuations	-2%	1%	0%	0%	-7%
Operational Revenue Growth	11%	8%	8%	12%	8%
Less: Impact of certain acquisitions and divestitures	4%	1%	1%	2%	3%
Organic Revenue Growth	7%	7%	7%	10%	5%

Adjusted Operating Margin	2019	2018	2017	2016	2015
Operating Margin, as reported	14.1%	15.3%	14.2%	5.3%	-3.8%
Less: Non-GAAP adjustments	-12.0%	-10.2%	-10.8%	-18.8%	-26.1%
Adjusted Operating Margin	26.1%	25.5%	25.0%	24.1%	22.3%

Growth in basis points (bps) year over year (2015-2019)

380

Adjusted operating margin, adjusted earnings per share and their related growth rates are non-GAAP measures that exclude the impacts of certain charges (credits) which may include medical device regulation charges, amortization expense, goodwill and intangible asset impairment charges, acquisition/divestiture-related net charges and credits, restructuring and restructuring-related net charges and credits, litigation related net charges and credits, pension termination charges, certain debt extinguishment net charges and credits, certain investment impairment charges, certain tax restructuring transaction net charges and credits and/or certain discrete tax items.

Earnings Per Diluted Share	2019	2018	2017	2016	2015
GAAP net income (loss) per share	3.33	\$ 1.19	\$ 0.08	\$ 0.25	\$ (0.18)
Non-GAAP adjustments	(1.76)	0.28	1.18	0.86	1.11 (a)
Adjusted net income (loss) per share	\$ 1.58	\$ 1.47	\$ 1.26	\$ 1.11	\$ 0.93
Adjusted net income (loss) per share		\$ 1.47			
Less: Impact of 2018 net tax benefit		0.07			
Adjusted net income (loss) per share, excluding 2018 net tax benefit		\$ 1.40			

2019 Adjusted EPS growth from prior year, excluding 2018 net tax benefit

13%

Adjusted EPS growth from prior year

17%

13%

20%

11%

(a) Assumes dilution of 21.5 million shares for the year ended December 31, 2015.

Adjusted Free Cash Flow (in billions)	2019
Operating cash flow, reported	\$ 1.8
Less: Purchases of property, plant and equipment	0.5
Add: Proceed on disposals of property, plant and equipment	0.0
Free Cash Flow, as reported	\$ 1.4
Plus: Special Adjustments	0.6
Adjusted Free Cash Flow	\$ 2.0

Adjusted free cash flow and its related growth rate are non-GAAP measures that exclude from free cash flow the cash component of certain charges (credits) that are also excluded from adjusted net income as well as any cash tax benefits of such charges. In addition, we exclude tax settlements payments and refunds that relate to prior periods. Free cash flow is a non-GAAP measure that excludes net purchases of property, plant and equipment from cash provided by (used for) operating activities on a GAAP basis. The GAAP measure that is most directly comparable to adjusted free cash flow and free cash flow is cash provided by (used for) operating activities on a GAAP basis.