

Supplemental Non-GAAP Disclosures

	Quarter Ended		% Change
	3/31/2017	3/31/2016	
Adjusted EPS			
EPS, reported	0.21	0.15	N/A
Add: Non GAAP adjustments	0.08	0.13	
Adjusted EPS	0.29	0.28	3%
Less: Impact of foreign currency fluctuations	-0.02	N/A*	
Adjusted EPS, excluding foreign currency fluctuations	0.30	0.28	9%
Less: Impact of Lotus voluntary recall	-0.03	N/A	
Adjusted EPS, excluding foreign currency fluctuations & Lotus	0.33	0.28	18%

* The impact of FX is calculated on an incremental basis

	Quarter Ended	
	3/31/2017	3/31/2016
Adjusted Gross Margin		
Gross Margin, reported	69.9%	70.8%
Less: Non GAAP adjustments	-0.7%	-1.5%
Adjusted Gross Margin	70.6%	72.3%

	Quarter Ended		Basis Points Change
	3/31/2017	3/31/2016	
Adjusted SG&A Margin			
SG&A Margin, reported	36.8%	36.5%	
Less: Non GAAP adjustments	0.7%	1.0%	
Adjusted SG&A Margin	36.1%	35.5%	60

	Quarter Ended	
	3/31/2017	3/31/2016
Adjusted R&D Margin		
R&D Margin, reported	10.9%	10.7%
Less: Non GAAP adjustments	0.0%	0.0%
Adjusted R&D Margin	10.8%	10.7%

Numbers presented above may not foot due to rounding.

Growth rates are based on actual, non-rounded amounts and may not recalculate precisely.

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<i>in millions</i>	Quarter Ended 3/31/2017		Quarter Ended 3/31/2016		Basis Point Change
Segment Operating Income & Operating Margin	Adjusted Operating Income	Adjusted Operating Margin	Adjusted Operating Income	Adjusted Operating Margin	
Cardiovascular	\$245	28.2%	\$254	31.5%	-340
Rhythm Management	101	18.8%	67	13.5%	530
MedSurg	238	30.0%	214	30.9%	-90
Segment Operating Income	\$584		\$535		
Corporate expenses and currency	(88)		(41)		
Acquisition-related, restructuring- and restructuring-related, and litigation-related credits (charges)	11		(65)		
Amortization expense	(143)		(136)		
Operating Income (Loss)	\$364		\$293		

	Quarter Ended	
Adjusted Operating Margin	3/31/2017	3/31/2016
Operating Margin, reported	16.9%	14.9%
Less: Non GAAP adjustments	-6.1%	-10.2%
Adjusted Operating Margin	23.0%	25.1%
		-210

<i>in millions</i>	Quarter Ended	
Adjusted Free Cash Flow	3/31/2017	3/31/2016
Operating cash flow, reported	\$ 114	\$ 116
Add: Sale of PP&E		\$ 30
Less: Purchases of PP&E	112	60
Free Cash Flow, reported	2	86
Plus: Restructuring Payments	18	24
Plus: Earnouts	10	42
Plus: Special Tax Refunds/Credits	(34)	(3)
Plus: Legal Settlements	158	119
Plus: Other	17	(17)
Adjusted Free Cash Flow	\$ 171	\$ 250

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	Quarter Ended
Organic Revenue Growth - China	3/31/2017
Revenue growth, reported	17%
Less: Impact of foreign currency fluctuations	-7%
Operational Revenue Growth	24%
Less: Impact of EndoChoice acquisition	0%
Organic Revenue Growth	24%

	Quarter Ended
Urology & Pelvic Health - Emerging Markets Growth	3/31/2017
Revenue growth, reported	46%
Less: Impact of foreign currency fluctuations	6%
Operational Revenue Growth	40%

	Quarter Ended
Operational Revenue Growth - Interventional Cardiology	3/31/2016
Revenue growth, reported	11%
Less: Impact of foreign currency fluctuations	-2%
Operational Revenue Growth	13%

	Quarter Ended
Adjusted Tax Rate	3/31/2017
Tax Rate, reported	4.9%
Less: Non GAAP adjustments	-4.3%
Adjusted Tax Rate	9.2%

	Quarter Ended
Operational Revenue Growth - Brady	3/31/2017
Revenue growth, reported	21%
Less: Impact of foreign currency fluctuations	-1%
Operational Revenue Growth	22%

	Quarter Ended					
Operational Revenue Growth - Total BSC	3/31/2017	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/31/2015
Revenue growth, reported	10.0%	11%	12%	15%	11%	5%
Less: Impact of foreign currency fluctuations	-0.3%	0%	2%	0%	-2%	-5%
Operational Revenue Growth	10.3%	11%	10%	15%	13%	10%
Less: Impact of EndoChoice acquisition	0.9%					
Organic Revenue Growth - Total BSC	9.4%					

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Forward-Looking Non-GAAP Financial Measures



The following is an explanation of the adjustments that management excluded from GAAP measures to calculate the following forward-looking non-GAAP financial measures for the second quarter and full year 2017:

Adjusted Gross Margin: Excludes from GAAP gross margin the impacts of forecasted acquisition-related and restructuring-related charges or credits.

Adjusted SG&A: Excludes from GAAP SG&A the impacts of forecasted acquisition-related and restructuring-related charges or credits.

Adjusted R&D: Excludes from GAAP R&D the impacts of forecasted acquisition-related and restructuring-related charges or credits.

Adjusted Operating Margin: Excludes from GAAP operating margin the impacts of forecasted acquisition-related and restructuring- and restructuring-related charges or credits, and amortization expense.

Adjusted Tax Rate: Excludes from GAAP tax rate the tax impacts related to forecasted acquisition-related and restructuring- and restructuring-related charges or credits, and amortization expense.

Adjusted Free Cash Flow: Adjusts GAAP operating cash flow to include the impacts of forecasted capital expenditures and excludes the impact of estimated after-tax acquisition-, restructuring- and litigation-related payments.

Please refer to our Cautionary Statement Regarding Forward-Looking Statements within our Q1 2017 Earnings Release, filed in Form 8-K, in conjunction with any forward looking information presented within