

Covidien plc  
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**INNOVATION NARRATIVE:**

**Innovation at the Center of the Medtech Industry**

**June 15, 2014**

**Leading in Innovation**

Medtronic works across borders, disciplines and industries to deliver innovative medical technology that helps improve healthcare. Our acquisition of Covidien will accelerate our ability to bring new products and solutions to patients and physicians around the world, and will advance our mission to alleviate pain, restore health and extend life.

We strongly believe that Medtronic's acquisition of Covidien offers a unique opportunity for us to build on an already strong legacy of innovation to the next level, and we are committing to spend \$10 billion in the U.S. over the next 10 years, above and beyond existing plans at each company, to build on our strong momentum.

Innovation at Medtronic is centered on our commitment to focus heavily on research and development; provide early stage venture capital to entrepreneurs and start-ups, acquire companies that will benefit from our experience and scale; and to attract, train and support a workforce of highly skilled, highly motivated engineers and scientists.

**A \$10 Billion Commitment to U.S. Technology Investment**

Medtronic's acquisition of Covidien and our \$10 billion of additional investment will do much to support these efforts and will position Medtronic as one of the preeminent investors in medical technology in the United States, benefitting patients across the globe and supporting job creation in the critical medical technology sector in the U.S.

With the acquisition of Covidien, Medtronic will have more than 10,400 scientists and engineers (Medtronic: 9,000; Covidien: 1,400), approximately 80% of whom reside in the United States.

**Medtech in the U.S. Fuels Innovation and Economic Growth**

The majority of the world's large-scale medical device companies are based in the United States, including Medtronic, Boston Scientific, Johnson & Johnson, Stryker, St. Jude, Edwards, Zimmer, and Abbott, as are hundreds of smaller

companies generating a steady stream of new ideas for technologies to address patients' needs. The US has long been the center of the medical device sector, and a net exporter of its products, for good reason. The talent pool, entrepreneurial spirit and an infrastructure that supports and rewards innovation offer great benefits to medical device companies operating here.

In turn, the industry makes strong contributions to the U.S. economy.

### *Highly-Skilled, High Paying Jobs*

As companies in the medical technology industry know well, our Mission can only be advanced by attracting, retaining and motivating a highly-skilled workforce that is well compensated. Every \$1 billion in advanced medical technology industry revenues in the U.S. generates an additional \$1.69 billion in national economic output, almost 13,000 jobs and \$778 million in personal income. The median annual compensation for a U.S.-based Medtronic employee, for example, is ~\$80,000, which is significantly above the U.S. median household income of \$52,000.

### *Funding and Scaling Technological Advancement*

The industry also invests heavily in individuals, start-ups and other businesses that drive medtech innovation and help the industry grow. In fact, growth of the medtech industry is fueled by U.S. venture investments in small, start-up companies, many of which are comprised of 100 people or less. Large cap medtech companies often acquire and scale the start-up technologies and products created by these companies on a global basis.

Medtronic's technology development and growth rely heavily on the multitude of small medical device companies that serve as a propellant for innovation. Our commitment to venture investments and acquisitions have often served as the catalyst for growth for these companies and brings their new, innovative life-saving and enhancing therapies to more people around the world.

### **Reviving a Decline in Investment**

Despite a long legacy of growth, the environment for medtech in the U.S. has changed. There has been a decline in U.S. medtech growth overall, and U.S. medtech R&D and venture capital spending has fallen since 2007. Growth in R&D spending has gone from an average annual growth rate of 17% in 2007 to an average annual growth rate of 7% in 2012.

This drop in R&D represents lost U.S. revenue of more than \$131 billion in the period of 2008–2012, and lost R&D spending of approximately \$12 billion during this same period. Venture capital medtech investments have gone from \$1.1 billion in 2009 to \$679 million in 2013. Additionally, aggregate investments in early stage medtech companies of more than \$2 million have declined 75% since 2008.

Medtronic wants to lead the way in changing this trend.

### **Building on Past Success**

Medtronic has consistently been the leading innovator in the U.S. medtech industry. Specifically, it has invested over \$11B in R&D—or a total of 84% of its total R&D spend—in the U.S. over the last 10 years. This is true despite the fact that it generates 46% of its revenue outside the U.S.

Medtronic has grown its U.S. headcount by 20% over the last 10 years. Not surprisingly, Medtronic invests heavily in teams that advance its innovative efforts. They include:

594 Regulatory professionals, 58% in the U.S., the largest in the medtech industry.

1,453 dedicated clinical research professionals (1,013 in the US), including 105 statisticians (90 in the US), the largest in the medtech industry.

Several senior clinical and regulatory leaders who participate in leadership and advisory roles with the Institute of Medicine (National Academy of Sciences), the Patient Centered Outcomes Research Institute (Affordable Care Act), and in several private-public partnerships and workgroups with the US FDA.

Likewise, Covidien has a strong history of committing to U.S.-based innovation. It has more than doubled its U.S. R&D centers from 7 to 15 since 2007 and its R&D spending has grown from \$180 million in 2007 to \$550 million in 2014, 90% of which is spent in the U.S. Covidien has been steadily moving into more R&D intensive segments of the medtech market that require more sophisticated clinical research expertise. While this level of clinical expertise is still an emerging capability within Covidien, it is one of Medtronic's core strengths.

Medtronic's acquisition of Covidien is structured to allow Medtronic the balance sheet flexibility to restore our track record of investing in technology in the U.S. It would represent a significant strategic advantage in the highly competitive, capital intensive medtech industry. By virtue of California, Minnesota and Massachusetts' leading presence in the medical technology and biotechnology areas, these states are likely to benefit most directly from these investments.

## **NO OFFER OR SOLICITATION**

This communication is not intended to and does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy or an invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the acquisition, the merger or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

## **IMPORTANT ADDITIONAL INFORMATION WILL BE FILED WITH THE SEC**

New Medtronic will file with the Securities and Exchange Commission (the SEC) a registration statement on Form S-4 that will include the Joint Proxy Statement of Medtronic and Covidien that also constitutes a Prospectus of New Medtronic. Medtronic and Covidien plan to mail to their respective shareholders the Joint Proxy Statement/Prospectus (including the Scheme) in connection with the transactions. **INVESTORS AND SHAREHOLDERS ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS (INCLUDING THE SCHEME) AND OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SEC CAREFULLY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT MEDTRONIC, COVIDIEN, NEW MEDTRONIC, THE TRANSACTIONS AND RELATED MATTERS.** Investors and security holders will be able to obtain free copies of the Joint Proxy Statement/Prospectus (including the Scheme) and other documents filed with the SEC by New Medtronic, Medtronic and Covidien through the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). In addition, investors and shareholders will be able to obtain free copies of the Joint Proxy Statement/Prospectus (including the Scheme) and other documents filed by Medtronic and New Medtronic with the SEC by contacting Medtronic Investor Relations at [investor.relations@medtronic.com](mailto:investor.relations@medtronic.com) or by calling 763-505-2696, and will be able to obtain free copies of the Joint Proxy Statement/Prospectus (including the Scheme) and other documents filed by Covidien by contacting Covidien Investor Relations at [investor.relations@covidien.com](mailto:investor.relations@covidien.com) or by calling 508-452-4650.

## **PARTICIPANTS IN THE SOLICITATION**

Medtronic, New Medtronic and Covidien and certain of their respective directors and executive officers and employees may be considered participants in the solicitation of proxies from the respective shareholders of Medtronic and Covidien in respect of the transactions contemplated by the Joint Proxy Statement/Prospectus. Information

regarding the persons who may, under the rules of the SEC, be deemed participants in the solicitation of the respective shareholders of Medtronic and Covidien in connection with the proposed transactions, including a description of their direct or indirect interests, by security holdings or otherwise, will be set forth in the Joint Proxy Statement/Prospectus when it is filed with the SEC. Information regarding Medtronic's directors and executive officers is contained in Medtronic's Annual Report on Form 10-K for the fiscal year ended April 26, 2013 and its Proxy Statement on Schedule 14A, dated July 12, 2013, which are filed with the SEC. Information regarding Covidien's directors and executive officers is contained in Covidien's Annual Report on Form 10-K for the fiscal year ended September 27, 2013 and its Proxy Statement on Schedule 14A, dated January 24, 2014, which are filed with the SEC.

### **Medtronic Cautionary Statement Regarding Forward-Looking Statements**

Statements contained in this communication that refer to New Medtronic's and/or Medtronic's estimated or anticipated future results, including estimated synergies, or other non-historical facts are forward-looking statements that reflect Medtronic's current perspective of existing trends and information as of the date of this communication. Forward looking statements generally will be accompanied by words such as anticipate, believe, plan, could, should, expect, forecast, outlook, guidance, intend, may, might, will, possible, potential, predict, words, phrases or expressions. It is important to note that Medtronic's goals and expectations are not predictions of actual performance. Actual results may differ materially from Medtronic's current expectations depending upon a number of factors affecting New Medtronic's business, Medtronic's business, Covidien's business and risks associated with the proposed transactions. These factors include, among others, the inherent uncertainty associated with financial projections; restructuring in connection with, and successful close of, the Covidien acquisition; subsequent integration of the Covidien acquisition and the ability to recognize the anticipated synergies and benefits of the Covidien acquisition; the risk that the required regulatory approvals for the proposed transactions are not obtained, are delayed or are subject to conditions that are not anticipated; the anticipated size of the markets and continued demand for Medtronic's and Covidien's products; the impact of competitive products and pricing; access to available financing (including financing for the acquisition or refinancing of Medtronic or Covidien debt) on a timely basis and on reasonable terms; the risks of fluctuations in foreign currency exchange rates; the risks and uncertainties normally incident to the medical device industry, including competition in the medical device industry; product liability claims; the difficulty of predicting the timing or outcome of pending or future litigation or government investigations; variability of trade buying patterns; the timing and success

of product launches; the difficulty of predicting the timing or outcome of product development efforts and regulatory agency approvals or actions, if any; potential for adverse pricing movement; costs and efforts to defend or enforce intellectual property rights; difficulties or delays in manufacturing; reduction or interruption in supply; product quality problems; the availability and pricing of third party sourced products and materials; risks associated with self-insurance and commercial insurance; successful compliance with governmental regulations applicable to New Medtronic s, Medtronic s and Covidien s facilities, products and/or businesses; changes in the laws and regulations, affecting among other things, pricing and reimbursement of pharmaceutical products; health care policy changes; risks associated with international operations; changes in tax laws or interpretations that could increase New Medtronic s or Medtronic s consolidated tax liabilities, including, if the transaction is consummated, changes in tax laws that would result in New Medtronic being treated as a domestic corporation for United States federal tax purposes; the loss of key senior management or scientific staff; and such other risks and uncertainties detailed in Medtronic s periodic public filings with the Securities and Exchange Commission, including but not limited to Medtronic s Annual Report on Form 10-K for the fiscal year ended April 26, 2013 and from time to time in Medtronic s other investor communications. Except as expressly required by law, each of New Medtronic and Medtronic disclaims any intent or obligation to update or revise these forward-looking statements.

### **Covidien Cautionary Statement Regarding Forward-Looking Statements**

Statements contained in this communication that refer to Covidien s estimated or anticipated future results, including estimated synergies, or other non-historical facts are forward-looking statements that reflect Covidien s current perspective of existing trends and information as of the date of this communication. Forward looking statements generally will be accompanied by words such as anticipate, believe, plan, could, should, estimate, expect, outlook, guidance, intend, may, might, will, possible, potential, predict, project, or other similar v expressions. It is important to note that Covidien s goals and expectations are not predictions of actual performance. Actual results may differ materially from Covidien s current expectations depending upon a number of factors affecting Covidien s business, Medtronic s business and risks associated with the proposed transactions. These factors include, among others, the inherent uncertainty associated with financial projections; the timing to consummate the proposed transactions; the risk that a condition to closing of the proposed transactions may not be satisfied; the risk that the required regulatory approvals for the proposed transactions are not obtained, are delayed or are subject to conditions that are not anticipated; New Medtronic s ability to achieve the synergies and value creation contemplated by the

proposed transactions; the anticipated size of the markets and continued demand for Medtronic's and Covidien's products; New Medtronic's ability to promptly and effectively integrate Medtronic's and Covidien's businesses; the diversion of management time on transaction-related issues; competitive factors and market conditions in the industry in which Covidien operates; Covidien's ability to obtain regulatory approval and customer acceptance of new products, and continued customer acceptance of Covidien's existing products; and the other risks identified in Covidien's periodic filings including its Annual Report on Form 10-K for the fiscal year ended September 27, 2013, and from time to time in Covidien's other investor communications. We caution you that the foregoing list of important factors is not exclusive. In addition, in light of these risks and uncertainties, the matters referred to in Covidien's forward-looking statements may not occur. Covidien undertakes no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as may be required by law.

#### **Statement Required by the Irish Takeover Rules**

The directors of Medtronic accept responsibility for the information contained in this announcement other than that relating to Covidien and the Covidien Group and the directors of Covidien and members of their immediate families, related trusts and persons connected with them. To the best of the knowledge and belief of the directors of Medtronic (who have taken all reasonable care to ensure that such is the case), the information contained in this announcement for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

The directors of Covidien accept responsibility for the information contained in this announcement relating to Covidien and the directors of Covidien and members of their immediate families, related trusts and persons connected with them. To the best of the knowledge and belief of the directors of Covidien (who have taken all reasonable care to ensure such is the case), the information contained in this announcement for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

Perella Weinberg Partners LP which is a registered broker dealer with the U.S. Securities and Exchange Commission, is acting for Medtronic and New Medtronic and no one else in connection with the Transaction and will not be responsible to anyone other than Medtronic and New Medtronic for providing the protections afforded to clients of Perella Weinberg Partners LP, or for giving advice in connection with the Transaction or any matter referred to herein.



Goldman Sachs, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting for Covidien and no one else in connection with the Transaction and will not be responsible to anyone other than Covidien for providing the protections afforded to clients of Goldman Sachs, or for giving advice in connection with the Transaction or any matter referred to herein.

### **Dealing Disclosure Requirements**

Under the provisions of Rule 8.3 of the Irish Takeover Panel Act, 1997, Takeover Rules 2013 (the Irish Takeover Rules ), if any person is, or becomes, interested (directly or indirectly) in, 1% or more of any class of relevant securities of Covidien or Medtronic, all dealings in any relevant securities of Covidien or Medtronic (including by means of an option in respect of, or a derivative referenced to, any such relevant securities ) must be publicly disclosed by not later than 3:30 pm (Irish time) on the business day following the date of the relevant transaction. This requirement will continue until the date on which the Scheme becomes effective or on which the offer period otherwise ends. If two or more persons co-operate on the basis of any agreement, either express or tacit, either oral or written, to acquire an interest in relevant securities of Covidien or Medtronic, they will be deemed to be a single person for the purpose of Rule 8.3 of the Irish Takeover Rules.

Under the provisions of Rule 8.1 of the Irish Takeover Rules, all dealings in relevant securities of Covidien by Medtronic or relevant securities of Medtronic by Covidien, or by any party acting in concert with either of them, must also be disclosed by no later than 12 noon (Irish time) on the business day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose relevant securities dealings should be disclosed, can be found on the Irish Takeover Panel's website at [www.irishtakeoverpanel.ie](http://www.irishtakeoverpanel.ie).

Interests in securities arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an interest by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotation marks are defined in the Irish Takeover Rules, which can also be found on the Irish Takeover Panel's website. If you are in any doubt as to whether or not you are required to disclose a dealing under Rule 8, please consult the Irish Takeover Panel's website at [www.irishtakeoverpanel.ie](http://www.irishtakeoverpanel.ie) or contact the Irish Takeover Panel on telephone number +353 1 678 9020 or fax number +353 1 678 9289.

### **No Profit Forecast / Asset Valuations**

No statement in this announcement is intended to constitute a profit forecast for any period, nor should any statements be interpreted to mean that earnings or earnings per share will necessarily be greater or lesser than those for the relevant preceding financial periods for Medtronic or Covidien or New Medtronic as appropriate. No statement in this announcement constitutes an asset valuation.

### **General**

This summary should be read in conjunction with the full text of the Rule 2.5 announcement. Appendix I to the Rule 2.5 announcement contains further details of the sources of information and bases of calculations set out in this announcement; Appendix II to the Rule 2.5 announcement contains definitions of certain expressions used in this announcement; Appendix III to the Rule 2.5 announcement contains the Conditions of the Acquisition and the Scheme; Appendix IV to the Rule 2.5 announcement sets out the report from PricewaterhouseCoopers in respect of certain merger benefit statements made in this announcement; Appendix V to the Rule 2.5 announcement contains the report from Perella Weinberg Partners LP, in respect of certain merger benefit statements made in this announcement and Appendix VI to the Rule 2.5 announcement sets out the Transaction Agreement.

The release, publication or distribution of this announcement in or into certain jurisdictions may be restricted by the laws of those jurisdictions. Accordingly, copies of this announcement and all other documents relating to the Acquisition are not being, and must not be, released, published, mailed or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction. Persons receiving such documents (including, without limitation, nominees, trustees and custodians) should observe these restrictions. Failure to do so may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies involved in the proposed Acquisition disclaim any responsibility or liability for the violations of any such restrictions by any person.

Any response in relation to the Acquisition should be made only on the basis of the information contained in the Scheme Circular or any document by which the Acquisition and the Scheme are made. Medtronic Shareholders and Covidien Shareholders are advised to read carefully the formal documentation in relation to the proposed Transaction once the Scheme Circular has been dispatched.

Pursuant to Rule 2.6(c) of the Irish Takeover Rules, this announcement will be available to Medtronic employees on Medtronic's website ([www.medtronic.com](http://www.medtronic.com)) and Covidien employees on Covidien's website ([www.covidien.com](http://www.covidien.com)).

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