

Dear Shareholder,

As I complete my third year as CEO of Medtronic, we have made measurable progress in the areas that were identified as the most pressing priorities for the company in May 2011: improving execution, accelerating globalization, and improving productivity. Furthermore, we have established a consistent and realistic strategy for the future that appeals to customers, investors, and employees. The key elements of this strategy are:

- Delivering consistent **operational execution**
- Expanding market leadership through **therapy innovation**
- Increasing access to existing therapies through **globalization**, especially in emerging markets
- Leading the transformation to a value-based healthcare company, leveraging the **economic value** of our products and services
- Enhancing **shareholder value** through best-in-class financial performance

FY14 Results

In FY14 we delivered solid results, while facing many challenges. Overall, we met investor expectations, finishing in the middle of our guidance range. There were some significant accomplishments during the year, which have created a growth platform for FY15 and beyond.

In our Diabetes business, the MiniMed® 530G with Enlite® CGM sensor gained considerable momentum as the first and only system that automatically stops insulin delivery if glucose levels fall below a predetermined threshold. Both Bone Morphogenetic Protein (BMP) and Balloon Kyphoplasty (BKP) in our Spine business, which have had declining sales, have shown sequential stability over multiple quarters. Our Surgical Technologies business continued its growth momentum, delivering 12 consecutive quarters of double-digit growth.

We launched the Reveal LINQ™ insertable cardiac monitor that is 87 percent smaller than our previous device and has been accepted enthusiastically by the marketplace. Our U.S. launch of the self-expanding transcatheter CoreValve® System, brought to market a differentiated therapy for severe aortic stenosis patients who are too ill or frail to have their aortic valves replaced through traditional open-heart surgery. Most importantly, the results of landmark clinical trials with our transcatheter aortic valve and drug coated balloon products yielded groundbreaking results and are on the verge of creating major \$1 billion markets.

We continue to be excited about future opportunities around new therapies, including our strong R&D investment in more than 200 projects that will lead to a cadence of product launches and innovations across the breadth of our businesses. We estimate this investment will generate more than \$30 billion in incremental revenue over the next five years.

In globalization, we continue to make progress with emerging markets contributing 13 percent of our total revenue by the end of FY14. There were several highlights in the past year: Middle East and Africa delivered noticeable results, growing 24 percent on a constant currency basis* (17 percent as reported); we converted to direct sales in Turkey, one of our major markets in the region and have a solid multi-year plan for extending direct sales capability virtually across the entire region; and China grew 13 percent on a constant currency basis* (15 percent as reported), outperforming the broader medtech market.

We recognize, however, that emerging markets are still performing short of their potential. We remain confident about our long-term outlook and are building a robust growth platform for the future. This is based on aggressive investment in field resources, building direct distribution capabilities, and structuring major provider and government partnerships. Examples include our Healthy Heart for All program, which has built patient awareness and referral chains to improve patient access to cardiac therapies. The program combines market development and business model innovation through private hospital partnerships.

Another highlight was the announcement of our hemodialysis product development in India, a product that will improve treatment quality, lower costs, and dramatically increase access. For the latter, we are working closely with Apollo Hospitals, and the program represents our first therapy to be developed and launched in the emerging markets. A good example of our efforts to reach underserved populations in India is our Shruti program, which is an innovative business model addressing the problem of disabling hearing loss. This program educates community health workers to detect and treat hearing conditions, and gives them simple, innovative mobile technology to help diagnose ear problems.

* See reconciliation of non-GAAP financial measures following this Shareholder Letter.

We also sharpened our focus on the economic value of our offerings, translating our efforts into new value-based business models, which promise to be the catalyst for large, new growth markets. We believe the shift to value-based healthcare is one of the most fundamental changes in Medtronic and one of the most pivotal moves we are making as a leader in healthcare. We also know this is something that we cannot do alone. We must work with physicians, hospital administrators, payers, and patients as we help to recognize the value that comes from optimal long-term management of patients, including clinical and financial outcomes.

In the U.S., we are seeing health systems looking at patient populations over a longer period of time, spanning multiple years. The focus therefore turns to patient outcomes and how to best manage the patient over the long term. We are starting to deliver broader value, not only at the time of the procedure, but through care coordination from the hospital to the patient's home. Our acquisition of Cardiacom was a significant step forward, as this uniquely distinguishes Medtronic with a proprietary patient management technology platform.

We are also focused on increasing hospital operational efficiency – providing meaningful clinical and economic improvements for customers, reducing costs associated with readmissions and post-acute care, and helping the system more effectively manage populations of chronically ill patients. In Europe, through our unique cath lab managed services offering, we enter into long-term contracts with hospitals to upgrade and more effectively manage their cath lab and hybrid operating rooms. The hospital sees an improvement in cath lab efficiency and profitability, and physicians get access to the latest technology that can lead to better patient outcomes. Medtronic benefits not only through the increased use of our technology, but also through incremental service revenue, reduced pricing pressure, better inventory management, and more efficient use of our service personnel. We have signed several long-term contracts with hospitals, and are in discussions with over 90 more hospitals in Europe.

Finally in FY14, I was pleased with the way our team worked together to deliver results in-line with our financial commitment of mid-single digit revenue growth, 200 basis points of EPS leverage (after adjustments for currency and other one-time events) and returning 50 percent of our free cash flow to shareholders. We are beginning to build a track record of consistency, but are still early in our journey. I am particularly excited about our position as we enter FY15, having stabilized or mitigated major recent issues and our readiness to leverage the strong growth platforms we are building in new therapies, emerging markets, and value-based healthcare.

Achieving these results ultimately reflects the dedication and passion of more than 49,000 Medtronic employees living our Mission every day, collaborating with our partners to deliver therapies and services to millions of people around the globe.

Transformation of Healthcare

As we move forward in our journey to lead the transformation of healthcare, our planned acquisition of Covidien is one of our most exciting opportunities. This is a highly strategic and compelling acquisition, fully aligned with our Mission of alleviating pain, restoring health, and extending life for patients around the world. It accelerates all three of our growth strategies – therapy innovation, globalization, and economic value – and bolsters the long-term sustainability and consistency of our mid-single digit revenue growth expectations. Combined, we can accelerate our common goal of addressing the universal healthcare needs of improving clinical outcomes, expanding access, and optimizing cost and efficiency, thereby improving healthcare systems around the world.

In therapy innovation, Covidien's impressive array of industry-leading products enhances our existing portfolio, offers greater breadth across clinical areas, and creates exciting entry points into new therapies. We also believe that Medtronic's deep clinical, regulatory, reimbursement, and market development expertise will help accelerate both their introduction, as well as their rapid adoption, in markets around the world.

Our globalization strategy will benefit from the power of our combined companies. From a financial perspective, we will now have a \$3.8 billion emerging markets business that we are confident can sustain double-digit growth over an extended period of time. Covidien has extensive emerging market R&D and manufacturing, while Medtronic has well-established clinical expertise. These capabilities, applied across a much broader product offering, will significantly increase the number of attractive solutions we can offer.

Finally, this transaction enhances Medtronic's ability to deliver economic value to a broader range of stakeholders. The value proposition of Covidien's technologies primarily deliver hospital efficiency, while the value of Medtronic's chronic disease therapies are generally realized in post-acute settings. When combined, these complementary solutions will create a robust and unmatched Integrated Health franchise. Our two organizations have a common philosophy around value-based healthcare and we believe our industry-leading products, clinical and economic expertise, global footprint, and financial strength will position us to be the preferred partner for physicians, hospital systems, patients, payers, and governments around the world.

While the transaction continues to make us more of a global company, it also gives us the capacity to both return additional capital to our shareholders and to invest much more aggressively in U.S. innovation to drive long-term growth. In fact, we are committed to investing an incremental \$10 billion in U.S. technology over the next decade, which will result in global growth and increased U.S. exports. This helps preserve U.S. global leadership in medical technology innovation, and ultimately will lead to better healthcare systems in the U.S. and around the world.

We are extremely excited about this acquisition, and believe that the combination of Covidien with Medtronic gives us an even better platform to deliver reliable performance and generate sustainable, long-term value for our shareholders.

There remains significant opportunity in healthcare. People's desire to live longer, healthier, more productive and pain free lives will always exist. This is not going to stop in 2015 – there will always be a need for what we do.

We have made tremendous progress as a company and healthcare community around the globe. Yet, we have so much more to do. We can make our therapies and services more valuable and integral to healthcare; we can treat more people in more ways; and we can do this in ways that the individual and the system can afford. These are the objectives we seek to address, and I could not be more excited about the role that Medtronic can play in making this a reality.

Thank you for your ownership of and trust in our company as we continue on our journey to pursue our Mission – to alleviate pain, restore health, and extend life for patients around the world.



Omar Ishrak
Chairman and Chief Executive Officer



Reconciliation of Non-GAAP Financial Measures

The Shareholder Letter set forth in this Annual Report includes financial measures that are not prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). Management believes that such non-GAAP financial measures provide useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations. Investors should consider non-GAAP measures set forth in the Shareholder Letter to be in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, such non-GAAP financial measures may not be the same as, or similar to, measures presented by other companies.

RECONCILIATION OF REVENUE GROWTH TO CONSTANT CURRENCY GROWTH (Unaudited) (In millions)

	Fiscal year ended		Reported Growth	Currency Impact on Growth		Constant Currency Growth
	April 25, 2014	April 26, 2013		Dollar	Percentage	
Middle East and Africa revenue	\$ 423	\$ 361	17%	\$ (23)	(7)%	24%
China revenue	\$ 824	\$ 715	15%	\$ 16	2%	13%