

Medtronic

Geoff Martha

Chairman & CEO

August 31, 2023

Dear Shareholders,

Alleviate pain. Restore health. Extend life. The core of the Medtronic Mission stands the test of time, remaining as significant today as when it was written in 1960. As we move forward into a world powered by artificial intelligence and data, more connected by technology than ever before, **the simple human essence of our enduring Mission remains paramount.** As I reflect on another dynamic year, I'm struck by our founders' prescience when they crafted the words that inspire, define, and guide this storied company. But a steadfast focus on the Mission isn't enough - we must be a company known for our purpose *and* for consistent, sustainable growth and performance.

FY23 brought its fair share of external and internal headwinds, which we're addressing or have addressed. As the year progressed, we rallied and narrowed our focus to the critical few strategies needed to deliver on our commitments - and ultimately, extend the impact of our Mission to reach more than 74 million patients with life-changing healthcare technologies.

We funneled resources and attention to our most impactful R&D programs and addressed crucial operational priorities to ensure durable growth, while also keeping a keen focus on execution. We took decisive action and changed the trajectory of our performance, making substantial progress throughout the year that will enable us to innovate, generate long-term sustainable growth and continue to deliver our Mission for many years, if not decades, to come.

Medtronic is a global company that makes an enormous positive impact on society. And as the world continues to change, our leadership team continues to adjust - driving needed change to better adapt to challenges and capitalize on opportunities. I'm encouraged by the momentum seen in the back half of FY23 - from growth acceleration and greater supply stability to important pipeline advancements. Ours is a story of steady recovery and immense opportunity. Our leadership team is

steadily driving the enterprise forward, but it is the dedication and hard work of our 95,000+ employees around the world who ultimately are delivering on our progress. I'm endlessly grateful for their shared commitment.

While we transform the enterprise to ensure durable growth, we are also looking to the future knowing our desire for longer, better lives will never go away. We are standing on the brink of a revolution that can personalize healthcare like never before. It's all due to our ever-increasing understanding of the human body, coupled with significant advances in technology - both traditional biomedical engineering as well as the emergence of data science, artificial intelligence (AI) and machine learning. Unlocking the full potential of technology - in all its forms - can mean patients no longer feel like patients, but as people living their best lives.

Financial performance in a tumultuous year

Challenges in our supply chain and markets resulted in fiscal year 2023 organic revenue growth just over 2%, below our expectations. In addition to lower revenue growth, our margins, earnings and resulting free cash flow were challenged by macro-economic factors like inflation and foreign exchange. While we were disappointed in our annual financial performance, I was pleased with the stronger finish to our fiscal year, delivering ahead of expectations in both the third and fourth quarter. Our accelerating revenue growth was broad-based and driven by procedure volume recovery, supply improvements, and innovative product introductions. We see our positive momentum continuing to build in the new year.

Returning capital to our shareholders, primarily through our strong and growing dividend, is an important component of our total shareholder return. In May, we announced another increase in our dividend, marking the 46th consecutive year of increases. Medtronic has a long history of dividend growth and we are proud to be a constituent of the S&P 500 Dividend Aristocrats Index. Medtronic also has a strong record of returning capital to our shareholders, including \$4 billion through dividends and share repurchases in FY23. We remain committed to returning a minimum of 50% of free cash flow to shareholders.

We're confident in our ability to deliver durable growth in the years ahead as we drive execution. To address our fundamentals and improve our performance, we created a Strategic Roadmap that guided our actions with a critical few strategies, including: executing with excellence and accountability, leveraging our scale with differentiating capabilities and managing our resources to accelerate innovation. These strategies will continue to chart our course for the future. By galvanizing leadership and aligning our employees to our commitments, we are harnessing the full power of the enterprise working together to advance the strategy.

A keen focus on execution

To execute with excellence and accountability, we are updating operating mechanisms and reporting tools at the enterprise level to bolster operating rigor. This will sharpen our operational model, strengthen business performance, and fuel innovation. Further, we launched a comprehensive and significant cost reduction effort to mitigate the impacts of inflation and foreign currency on our profitability, while also supporting increased investment in innovation. Our leadership was instrumental in these efforts, redesigning our teams and structures to gain more efficiency, while ensuring we invest in the highest-priority projects to pursue our greatest opportunities and set Medtronic up for success.

Making the most of our size and scale

We recognize there continues to be a significant opportunity to better leverage our size and scale to surround our customers with solutions and increase our competitiveness around the world. Over the last few years, we've focused on three areas: global operations and supply chain (GOSC), core technology, and commercial strategies with large, enterprise customers. Our GOSC organization has been undergoing a multi-year transformation. In FY23 we centralized the function, going from 13 separate organizations to one operations organization and one supply chain organization, and we improved internal and external planning systems. We've also partnered with our suppliers to address labor, capacity, quality, and reliability issues, and we're seeing signs of success in increasing supply at better terms, and significantly improving product availability. While we are still evolving this function, I'm confident that our redesigned supply chain will become a long-term competitive advantage.

With our Mission to improve lives, putting our patients first isn't just a priority – it is our greatest responsibility. Patient Safety and Quality are non-negotiables. Over the past year, we've added strong leadership with outside-in perspectives to accelerate execution of our Patient Safety and Quality Improvement Plan (PSQIP), where we're seeing improvements in both leading and lagging indicators. I'm confident that the PSQIP will drive the improved outcomes that we're looking for to be the unsurpassed standard of comparison in quality.

We're also making strategic investments in IT and digitization, while strengthening our focus on technology innovation. We appointed fresh leadership with deep expertise to lead the IT transformation and we're creating plans to improve these foundational capabilities to better serve the needs of our enterprise and our customers. Further, we created the new position of Chief Technology and Innovation Officer to ensure our technology platforms are leveraged effectively across multiple Operating Units, while also optimizing end-to-end approaches of ideation, design, and execution. Leveraging technologies like robotics and AI across the enterprise will lead to new, differentiated therapies for patients and better experiences for our customers.

And to leverage our scale with our largest customers across the world, we introduced a new Global Regions organization. By combining our Strategic and Enterprise account teams across the three super-regions, we are driving greater consistency, efficiency, and effectiveness in how we serve these large health systems. This change is leading to differentiated growth.

Relentlessly pursuing innovation-driven growth

In FY23, we made strong progress in prioritizing the markets and technologies where we see the highest growth and returns, and where we can leverage our differentiated capabilities. We spent \$2.7 billion on R&D and have undertaken a thorough review of needs by business, with a plan to invest even more in R&D in FY24. We've identified five specific, secular high-growth MedTech markets where we are directing disproportionate investment: Structural Heart, Surgical Robotics, Neurovascular, Diabetes, and Cardiac Ablation Solutions (CAS). These collectively accounted for 20% of revenue and an even greater percentage of R&D spend. In addition, our investments in innovation go beyond internal R&D, as we allocate capital to alternative channels including minority investments, strategic partnerships, and disciplined acquisitions.

We've evolved our portfolio strategy to drive category leadership in attractive MedTech segments that we believe will grow based on healthcare megatrends that leverage our scale and strengths. Take CAS, for example, where we've made focused, tuck-in acquisitions to complement our leading cryoablation portfolio and create scale for our business in this high-growth segment. We acquired innovative left-heart access technology from Acutus. We also acquired Affera and its differentiated mapping and ablation technology, including its Sphere-9™ pulsed field ablation catheter. Through these acquisitions, and our own internal development, we're poised to become a meaningful player in the emerging pulsed-field ablation (PFA) segment. In March, impressive clinical results from our PULSED AF pivotal trial of our PulseSelect™ PFA System were announced and published, and we also obtained CE Mark for Affera's mapping and ablation system.

Our Surgical Robotics team grew the Hugo™ RAS installed base across several regions around the world - including Asia, China, North America, South America, and Western Europe. We broadened the list of indications Hugo™ can address, adding General Surgery to the previously approved indications for Gynecology and Urology. And we kicked off the first phase of our U.S. Investigational Device Exemption study for Urology. Surgeon feedback has been positive, making it clear we have a strong platform on which to build. We expect Hugo™ to be a meaningful growth driver for us in the years ahead, given our leading position in minimally invasive surgery and the low penetration of robotic surgery around the world.

In Diabetes, the turnaround is real and underway. We realized several major milestones, including lifting of the Warning Letter and the FDA approval of the MiniMed™ 780G System in the United States. The 780G is already available in 95 countries around the world, and we continue to see very strong demand, leading to double-digit growth in the markets where we've fully launched. We're also seeing a shift from continuous glucose monitoring (CGM) only use to smart dosing systems which remain underpenetrated in the Type 1 and Type 2 diabetic insulin intensive population. We remain the only company offering a complete ecosystem of differentiated technology for people living with diabetes and I'm thrilled we'll now unlock even more opportunities.

A disciplined approach to portfolio management

In FY23, our weighted average market growth rate (WAMGR) remained between 4-5%. As we began to put supply challenges behind us, we drove growth rates above that WAMGR in the second half of the year. We expect Medtronic's WAMGR to increase further as we continue to focus on capital allocation and portfolio management. Our methodology for evaluating businesses for market attractiveness, strategic fit, and ability to win helped us identify both subtractions and additions. In addition to Affera, we completed our \$1.2 billion acquisition of Intersect ENT, with its innovative portfolio of sinus implants that are complementary to our ENT portfolio. In April, we successfully separated our Renal Care Solutions business into a joint venture with DaVita to create Mozarc Medical, further streamlining our portfolio while establishing a novel approach to renal care. We've also been focused on separating our Patient Monitoring and Respiratory Interventions businesses, which we expect to complete in the first half of fiscal year 2025. This will allow Medtronic to focus on opportunities better aligned with our long-term strategies.

We've strategically invested in new, transformative technologies to push innovation higher and strengthen durable growth. In total, we deployed \$126 million of venture investments into promising startups, opening the door to opportunities to widen our reach. Further, we continue to pursue unique third-party funding sources to complement our investments. And strategic collaborations are also fueling innovation in several of our portfolios, like our Gastrointestinal business' partnership with NVIDIA and Cosmo Pharmaceuticals to allow third-party developers to train and validate AI models that can eventually run as apps on the GI Genius™ platform, helping to strengthen our role as a key player in healthcare AI.

Data, AI, and machine learning are the opposite of "artificial" and dehumanizing. They're the key to democratizing healthcare, making it available to millions more people in more places and helping personalize care for each individual – at scale.

Becoming an "AND Company" to strengthen our culture

Our Mission-driven focus is what makes Medtronic great, but we don't expect to be evaluated on the merits of our Mission alone. This is what we mean by becoming an "AND company." We can be a

Mission-driven company AND be keenly focused on performance. We can be driven to engineer extraordinary technology advancements AND deliver on the expectations of customers, shareholders, and society.

We're strengthening our performance culture with fresh perspective from new leaders, and continuing to activate the Medtronic Mindset, including *acting boldly* and *moving with speed and decisiveness*. We're driving increased accountability and ownership from the top-down to more meaningfully recognize differentiated performance and develop high-performing, nimble teams. We've aligned incentives to be more performance-driven, incorporating modifiers based on business performance *and* individual performance. This means our compensation is more tightly tied with the value we create for our shareholders. When our performance doesn't meet our expectations, our incentive compensation is heavily impacted. It also means when employees contribute to differentiated performance, they are recognized for their important contributions.

Our Board composition has expanded to include strong digital and technology expertise to guide the company forward, and we further strengthened our governance practices.

We also made strides to demonstrate our leadership in sustainability and our role as a good corporate citizen. External organizations validated our standing as an employer of choice this year. We were named one of Forbes' World's Best Employers, one of the 2023 World's Most Ethical Companies® by Ethisphere, and we jumped up 8 spots on the top 10 list for DiversityInc's Top 50 Companies for Diversity, reaching the #2 spot in May 2023.

And Medtronic LABS, named a Fast Company "World Changing Idea," elevated Medtronic in the health equity space with a scalable, sustainable, and measurable approach. LABS's patient outcome measures are setting a new benchmark in non-communicable disease management, reporting more than 1.5 million health screenings and reaching more than 100,000 lives improved since its inception. To maximize our impact, we joined the Global Health Equity Network (GHEN), an initiative that brings private and public sectors together to prioritize action in driving health equity. As part of our GHEN membership, we signed the Zero Health Gaps Pledge to demonstrate how we'll drive progress within health equity by 2050.

The future we make

Medtronic has withstood the test of time because of our relentless pursuit of innovation. And we know what we're fighting for – a world where everyone can live their best, fullest life without having to center their focus on their disease, their medical condition, or their pain. As we look to a future that's more dynamic, more globalized, and more fast-paced than ever before, we are well-positioned to continue delivering life changing technologies that impact people's lives for the better.

From a financial perspective, FY23 was a difficult year. But I am confident we are taking the right steps with our comprehensive transformation to drive long-term, durable growth and create value for you, our shareholders. I am optimistic that we've cleared major hurdles that have slowed us down, which will allow us to deliver on our commitments and accelerate performance in FY24 and beyond. As it has for the past 60+ years, our enduring Mission will serve as our North Star, providing us with inspiration and guidance as we forge ahead to alleviate pain, restore health, and extend life for millions of people around the world.

Sincerely,

A handwritten signature in black ink, reading "Geoff Martha", with a long horizontal line extending to the right.

Geoff Martha
Chairman & CEO