

2020 LETTER TO SHAREHOLDERS

Dear Shareholders,

Writing my first letter to you as CEO of Medtronic, I feel truly honored to be part of a long legacy of strong and inspiring leaders and am excited to take Medtronic into the next chapter of our company's journey.

Thanks to thoughtful succession planning, I had the opportunity throughout much of Fiscal Year 2020 (FY20) to work closely with our Executive Committee in my role as President – gaining even deeper insight into our products, therapies, customers, and end markets across our businesses.

However, I never imagined taking on the role of CEO during a pandemic. COVID-19 has presented all of us with a multitude of challenges, on both professional and personal levels. Throughout this time, we at Medtronic have been fortunate to have our Mission as a North Star.

For more than 60 years, tens of thousands of employees have helped Medtronic fulfill our Mission – to alleviate pain, restore health, and extend life. This simple and compelling Mission has guided our people to create some of the most meaningful innovations in the history of healthcare. And, it continues to serve as a strategic framework to inform our decision making. Throughout the pandemic, I have reminded myself that our co-founder Earl Bakken wrote the Mission at a time of financial crisis and uncertainty – inspiring our team to know and believe that great things can come from adversity. Medtronic has faced challenges and crises before, and we've always come out stronger. There is no doubt that we will emerge from the pandemic stronger and more resilient than we are today.

REFLECTING ON A FISCAL YEAR LIKE NO OTHER

Reflecting on a year that no one could predict, I want to say how proud I am of our more than 90,000 employees around the world who have not let the pandemic limit who we are as a company. Rather, we've used it as an opportunity to showcase our resilience and strength in an unprecedented time. From our colleagues in manufacturing and supply chain, to those who are on the front lines with physicians and providers, we have shown up in this crisis with courage and determination putting patients and healthcare first.

However, the impact of COVID-19, particularly in our fourth quarter ending April 24, 2020, weighed heavily on our FY20 financial results. We reported FY20 revenue of \$28.9 billion, a decrease of 5.4% as reported, or 4.2% on an organic basis. FY20 non-GAAP diluted earnings per share decreased 12.1%. These results – while understandable in the context of COVID-19 – were tough to report and speak to the deep impact of the pandemic on our customers and their patients.

Despite challenged financial performance due to COVID-19, Medtronic is in a strong financial position with ample liquidity. FY20 free cash flow was \$6.0 billion, an increase of 2.5% versus the prior year and free cash flow conversion from non-GAAP net earnings was 97%. At the end of FY20, Medtronic had \$10.9 billion of cash and investments and an undrawn \$3.5 billion credit facility. We differentially used our balance sheet during the depths of the pandemic to continue investing, including in our pipeline, to drive a strong recovery consistent with our long-term strategies. We also announced a 7% increase in our dividend in May, marking the 43rd consecutive year of dividend increases and maintaining our status as an S&P Dividend Aristocrat. Our current dividend yield of over 2% is in the upper quartile of S&P 500 Healthcare companies. In FY20, we returned \$3.6 billion to shareholders in the form of dividends and share repurchases.

We remain focused on investing in our business – both organically and inorganically through tuck-in acquisitions and minority investments – to keep our industry-leading pipeline of breakthrough innovations flowing. And we have increased our cadence of acquisitions. From January to August 2020, we announced three major transactions: Digital Surgery, Medcrea, and Companion Medical. With the acquisition of Digital Surgery, the leader in surgical artificial intelligence, we are positioning Medtronic to lead in data and analytics – the next big frontier in surgery. Likewise, our acquisition of Medcrea will incorporate artificial intelligence into surgical planning for Spine cases. Finally, in Diabetes, the acquisition of Companion Medical, and its smart pen technology, expands our ecosystem to include the multiple daily injection portion of the diabetes market. We will continue to use the strength of our balance sheet and financial position to supplement our internal, organic growth with key acquisitions to drive increased and sustained revenue growth in the future.

We're also increasing our level of R&D investment to bring inventive and disruptive technology to large healthcare opportunities, maximize product launches, and ensure our pipeline remains full. This includes using creative partnerships such as our agreement with Blackstone Life Sciences who will invest more than \$300 million over the next several years to help us accelerate specific pump and continuous glucose monitoring programs in Diabetes. Prioritizing investments in innovation where we see the best opportunities will position us for growth over the near and long term – a key win for our company, the patients we serve, and our shareholders.

At the macro level, we expect both our organic and inorganic investments to fuel revenue growth acceleration and strong earnings growth – supplemented by our growing dividend – to create double digit returns for our shareholders.

When we begin to look at the current fiscal year, we were pleased to report solid improvement in the first quarter of FY21 from FY20 Q4, which reflects a faster than expected recovery from the depths of the pandemic in April. Procedure volumes began to recover around

the world, and we're leveraging our pipeline of innovative products to drive share gains in a number of key markets. We're in a strong position as a partner of choice. This is in large part due to the trust we built with our customers throughout the pandemic – trust built by making critical products available, developing new remote monitoring offerings, not raising ventilator prices, and showing we were truly living our Mission and values.

GAINING CREDIBILITY AND BUILDING TRUST THROUGHOUT THE PANDEMIC

The strength of our financial position has enabled Medtronic to not only withstand the significant financial impact resulting from the pandemic, but importantly, maintain our focus on executing our long-term strategies while supporting our employees, customers, and communities. COVID-19 has rekindled the pioneering spirit that started this company, evoking qualities like rapid innovation and real-time decision making, and coming together with a singular focus to solve global and unpredictable problems. When the world demanded more ventilators, we mobilized. We rapidly increased our internal ventilator production fivefold: from pre-pandemic weekly production of less than 200 per week to 1,000 per week in June. When it became clear that one company alone could not meet the critical global supply need, we open-sourced design specifications for our portable, compact ventilator in March, allowing others around the world to join the fight. Since then, our design files have been accessed 200,000 times – with more than 90,000 downloads in the first week alone. The bold move resulted in collaborations with new partners, including Intel Corporation, Foxconn, SpaceX and others, working across industries on behalf of patients everywhere. Our teams also worked with the U.S. Food and Drug Administration to authorize emergency use of this ventilator in the United States.

Since the start of the pandemic, we mobilized our global resources to support patients and physicians in this time of need. We've hosted dozens of virtual physician forums and medical education programs to help clinicians navigate the challenges of COVID-19. We deployed existing remote monitoring solutions and quickly developed new remote monitoring solutions to reduce potential exposure to COVID-19 for Medtronic employees, customers, and patients. And between Medtronic and the Medtronic Foundation, we donated \$18.5 million in FY20 to COVID-19 relief efforts – part of a larger pledge of more than \$36 million.

I'm deeply grateful and inspired by the way our employees have persevered during this unprecedented time. Despite enduring personal hardships, they stepped up their support for our healthcare partners, so we stepped up our support for them by investing in COVID-19-related employee programs and benefits. This included protecting field employees from significant impacts to their incentive compensation, developing an Emergency Leave Pay Policy, and increasing contributions to our Emergency Employee Assistance Fund.

The results of all these efforts have been profound. We accelerated our ability to positively impact the lives of patients around the world and in so doing elevated our stature and respect with physicians and hospitals globally. Fortune Magazine named Medtronic among the top 15 companies for its 2020 "Change the World" list, recognizing Medtronic's swift efforts to mobilize our global supply of ventilators during the pandemic. This effort demonstrates the Mission-driven action that Medtronic employees continue to take every day to put patients first with bold leadership, inspiring innovation, and inventive partnerships.

I'm proud of all these results, and especially proud of the way Medtronic mobilized. We've been operating with a high sense of urgency as we created new capabilities and executed with speed. Work which would have taken months or years, we accomplished in days and weeks. We did this through rapid and urgent partnerships, whether on technology development or in supply chain relationships. We're working with regulators to ensure they have everything they need to streamline decision making. Medtronic has found a new gear, and we're going to carry this forward beyond the pandemic.

EVOLVING OUR BUSINESS STRATEGY & INTRODUCING A NEW OPERATING MODEL

Since becoming CEO in April, the Executive Committee and I have been focused on how we can build on Medtronic's strong foundation to unlock our full potential. Embracing our role as the undisputed healthcare technology leader will require us to evolve our business strategy, work differently, and reimagine our innovation to be nimbler, more competitive, and laser-focused in four key areas:

1. **Accelerating innovation-driven growth:** Our product pipeline is the best we've had in a long time, and to make our growth sustainable over the medium to long term, we need to put an even greater focus on scientific and technological advancement. By identifying large unmet clinical needs, freeing up financial resources, leveraging our technology platforms, and applying our deep expertise in the human body, we'll create and scale therapies that have not existed before.
2. **Expanding our technologies to emerging markets:** We have made tremendous progress in growing our presence across emerging markets around the world, but we still have a significant opportunity. This means supporting regional and local teams to enhance our competitive position, and quickly respond to the unique needs of their markets. Patients around the world deserve access to our life-saving products, and we will be driven to further globalize our business.
3. **Delivering better experiences for patients and customers:** Rather than define success internally, we'll view it from the outside-in – by our ability to meet the foremost needs of others. We'll listen to our patients, customers, and employees to better understand the challenges they face. From the patient journey, to creating agile partnerships that produce novel solutions, to making it easier for our customers to deploy our therapies – everything we do will be anchored in deep insight, and we'll create simpler, superior experiences for everyone.

4. **Turning data, artificial intelligence and automation into action:** In pursuit of efficiency and better outcomes for our customers and patients, we'll apply intelligent data, AI, and automation to tailor therapies in real-time, facilitating remote monitoring and care delivery that conveniently manages conditions. In addition, we'll double down on our commitment to bringing robotics into more surgical suites around the world.

In addition, we are introducing a new, simplified operating model in FY21 that will allow us to capitalize on the strength of the pipeline and the opportunities we see in our business. We recognize we need to be more customer-centric to win in the market and take share, and serve even more patients with our life-saving technologies. At the same time, we also need to leverage the scale of Medtronic where it creates unique value and competitive advantage for the business – advantages our competition cannot match.

At the very center of our new operating model will be 20 highly focused, empowered, and accountable Operating Units organized around specific markets, customers, and therapy areas. This structure and ownership mindset will allow us to be agile, decisive, and move fast, while enhancing accountability. Operational decisions previously made at the Group level will now be made by the Operating Units. Every other piece of the operating model – including Operations, new Technology Development Centers, our Regions, and Functions – will be oriented toward supporting their success in the market. At the same time, we will leverage our breadth and scale to deliver differentiated capabilities and realize greater efficiencies.

BUILDING A MORE COMPETITIVE & INCLUSIVE CULTURE

This past year has taught me we can move with speed, with clarity, and with impact when we're in a crisis. The walls of our organizational structures come down, the sense of urgency goes up, and our collaborative spirit takes over to solve problems for our customers. This needs to be our approach every day.

With our new operating model, we're not just changing our structure. We're clarifying decision rights, streamlining our processes, and aligning our incentives to reward innovation, revenue, and market share leadership. All of this will be supported by a reinvigorated culture focused on speed, accountability, and decisiveness. Our success will be built on our ability to serve more patients, more impactfully, in more places around the world. That is our Mission – and it is also the key driver to our financial success. This is truly a holistic effort.

Our strategy is built on our Mission. That means we will build on the progress we've made in inclusion and diversity and will not waver in our commitment to advancing racial equity for our colleagues and communities around the globe. This year we were honored with the coveted Catalyst Award, the most significant recognition an organization can receive in the gender equity space. And we will continue to be a company of the highest ethics and quality. These are non-negotiables deeply embedded in our Mission, which can never be compromised.

CARRYING THE MISSION FORWARD

Our priorities are clear, and I'm energized by what the future holds. I would be remiss if I did not thank Omar Ishrak for his leadership during this transition. For the last nine years, Omar has guided us, championed and operationalized our Mission, and re-established our leadership role in medical technology around the world. I am forever grateful for his ongoing counsel, friendship, and support.

Success is never guaranteed. We are committed to being the undisputed leader in healthcare technology, the employer of choice for the best and brightest talent in the world, and an active participant in the communities where we operate. In the coming months and years, we will deliver on our strong pipeline, make key strategic moves, invest significant resources, and act on our near-term and long-term goals to achieve a new culture, bring our strategy to life, and deliver value for stakeholders.

As I've shared with our employees, there is nothing more motivating to me than knowing our technologies improve and save lives. I'm proud to work at a company where we can have such a profound and lasting impact on others. And as the world transforms, we'll continue to do what Medtronic has always done: pioneer the trail ahead.



Geoff Martha

Chief Executive Officer

September 29, 2020