



Medtronic

This information is intended for media professionals and investors

Excerpts from 2011 Annual Shareholders Meeting

Omar Ishrak, Medtronic's Chairman and CEO
Annual Shareholders Meeting - 2011 Annual Meeting
Minneapolis, MN
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Some of the statements contained in today's program may be considered forward-looking statements which provide current expectations or forecasts of future results. These forward-looking statements generally relate to market and sales growth, financial results, use of free cash flow, product development and introduction, regulatory matters, restructuring initiatives, intellectual property rights, litigation and tax matters, mergers and acquisitions, accounting estimates, financing activities, working capital adequacy, ongoing contractual obligations, competitive strengths, and sales efforts. They are based on current assumptions and/or expectations that involve a number of uncertainties or risks. These uncertainties and risks include, but are not limited to, those outlined in Medtronic's Annual Report on Form 10-K for the year ended April 29, 2011 and other documents previously or subsequently filed with the U.S. Securities and Exchange Commission. Investors are advised to review any further disclosures which may be made in such reports filed periodically with the SEC. Forward-looking statements are made as of today's date, and the Company undertakes no duty to update them. In addition, non-GAAP to GAAP reconciliations are posted on our website.

Comments from Omar Ishrak, Medtronic's Chairman and Chief Executive Officer

Good morning and welcome to our shareholders and other special guests. I'm Omar Ishrak, and I'm thrilled to have recently joined Medtronic as chairman and chief executive officer.

I hope everyone enjoyed the opening video, which highlighted just a few of the more than 7 million patients we serve each year, and the impact Medtronic products have on their lives.

Now I would like to officially call to order the fifty-fifth Annual Shareholders Meeting. This meeting is being webcast on the Medtronic website, www-dot-medtronic-dot-com, so all shareholders can have access to the information discussed during the meeting.

Any GAAP to non-GAAP reconciliation can also be found on our website.

Finally, actual results may differ from any forward-looking statements made at today's meeting based on a variety of factors, including those mentioned in our Form 10-K for fiscal year 2011.

If you are here with us in person, you found copies of both the agenda and Rules of Conduct for today's proceedings on your chair, so please refer to these documents.

I encourage any shareholder who has not yet voted, or who wishes to revoke a proxy submitted prior to today, to get a ballot at the shareholder services table and vote now.

After attending to the general business of today's meeting, I'll spend some time sharing my initial insights about Medtronic, its opportunities and challenges, and our three primary imperatives to improve our growth rate.

But, before I go further, let me make a few brief introductions.

Here on stage with me are two of our officers; Gary Ellis, senior vice president and chief financial officer, and Cam Findlay, senior vice president, general counsel and corporate secretary.

In addition, I'd like to introduce two new members of our executive committee.

First, I'd like to recognize Geoff Martha, who will join Medtronic on August 29 as senior vice president of strategy and business development. Geoff comes to Medtronic from GE, where he most recently served as Managing Director of Business Development for GE Healthcare. Geoff will have responsibility for the global strategic plan, business development and acquisition integration.

Geoff's strong background in strategy, finance and business management make him an excellent fit for this role. Please join me in welcoming Geoff to Medtronic.

Next, although he could not be here today, I want to recognize Rob ten Hoedt, who has joined the executive committee as senior vice president of Western Europe and Canada. This move recognizes the significant contributions of Western Europe and Canada to our global portfolio. Rob has contributed 20 years of strong leadership to Medtronic during his tenure, and has been responsible for Western Europe since May 2009.

I'd like to acknowledge the rest of our executive committee as well. If you would all please stand up and be recognized.

Also with us today are members of Medtronic's Board of Directors:

- Richard Anderson - chief executive officer, Delta Air Lines;
- David Calhoun - chief executive officer and executive director, Nielsen Holdings;
- Dr. Victor Dzau - chancellor of Health Affairs at Duke University and president and CEO of the Duke University Health System;
- Dr. Shirley Ann Jackson - president of Rensselaer Polytechnic Institute;
- James Lenehan, financial consultant and retired vice chairman and president of Johnson & Johnson
- Denise O'Leary - private venture capital investor;
- Ken Powell - chairman and chief executive officer at General Mills. Ken is also our Lead Director.
- Robert Pozen - chairman, MFS Investment Management; and
- Jack Schuler - Lead Director of the board of Stericycle, and Co-Founder of Crabtree Partners.

I also want to acknowledge board member Jean-Pierre Rosso - chairman of the World Economic Forum, USA; who is not able to be with us today.

Next, it's an honor for me to introduce our co-founder, Dr. Earl Bakken. This is Earl's 17th year as director emeritus, and he has attended every Medtronic annual meeting since the company was founded 62 years ago.

I had the pleasure of meeting Earl and his wife, Doris, at their beautiful home in Hawaii in early June - and this was before I officially started in my role at Medtronic. Earl had prepared a two-page list of topics he wanted to discuss during our brief time together. It was a fascinating discussion - and I appreciated his wisdom, values, and customer-first approach to business.

He and I also discussed the Medtronic Mission which, as many of you know, Earl wrote more than 50 years ago. This resonated very deeply with me. It was a meeting I will never forget.

Welcome, Earl.

In addition, Tom Montminy is here representing PriceWaterhouse Coopers, our outside, independent auditing firm. He will be available to answer questions regarding PWC's audit services following today's proceedings.

Other special guests with us in the audience today include former Medtronic executives and board members.

A warm welcome to those who are here, including:

- Tom Holloran
- Ron Lund
- Gordon Sprenger
- Bobby Griffin

- and Jerry Simonson

Although Bill Hawkins was not able to join us here today, I also want to take a moment to acknowledge his many achievements over the course of his 10 year career at Medtronic, and thank him for his leadership.

Finally, I would like to introduce my wife, Helen, who is in the audience today. After 16 years in Milwaukee, my wife and I moved to the Twin Cities this summer when I accepted this opportunity. *This has been a great move for us personally, since our son Idris also lives in the Twin Cities and attends law school at the University of Minnesota....Although I'm not sure how happy he is about me joining Medtronic - especially after I told him his mother and I would be moving in with him!*

Now, I'd like to introduce the winners of this year's Star of Excellence awards - Medtronic's highest award for customer-focused quality and innovation. As many of you know, Medtronic places the highest emphasis on quality, for the innovative products and services we provide.

The Star of Excellence is our way of recognizing those who have successfully innovated and implemented ways to further raise our standard of excellence in these products.

This year's recipients of the Star of Excellence are listed on the back of today's agenda, and I'd like all of them to now stand up to receive a well-deserved round of applause for their many contributions to Medtronic.

Now, let's turn to the formal business of the meeting.

The company's corporate secretary duly caused notice of this meeting to be sent on July 15, 2011 to shareholders of record as of the close of business on June 27, 2011 the record date. Wells Fargo Bank, our stock registrar and transfer agent, has prepared and certified the shareholder list as of the record date.

The secretary has confirmed that a quorum of shares is represented at this meeting, and therefore we may transact business.

We have four business items on the meeting agenda today. These four items were discussed in the proxy materials made available to you.

First, we will vote to elect eleven directors for one-year terms, expiring at the annual meeting in 2012, or until their successors are qualified and elected.

These directors are:

- Richard Anderson;
- David Calhoun;
- Dr. Victor Dzau;
- Dr. Shirley Ann Jackson;
- James Lenehan;
- Denise O'Leary;
- Ken Powell;
- Robert Pozen;
- Jean-Pierre Rosso;
- Jack Schuler;
- and me, Omar Ishrak.

The Medtronic board recommends that you vote "for" each of the nominees.

Second, we will vote to ratify the appointment of PriceWaterhouse Coopers as Medtronic's independent registered public accounting firm for fiscal year 2012. The board recommends that you vote "for" ratification of PriceWaterhouse Coopers.

Third, we will hold a non-binding advisory vote on executive compensation, also known as a "Say-on-Pay" vote. The board recommends that you vote "for" the non-binding advisory vote on Say-on-Pay.

Fourth, we will also hold a non-binding advisory vote on the frequency of Say-on-Pay votes. The board recommends that you vote "for" a frequency of "1 Year."

At this time, we will be happy to answer any questions on the four business items on the agenda. If you have a question relating to the specific proposals to be voted upon, please stand up and be recognized. We have several people in our audience with microphones, so I'd encourage you to address the group so that everyone can hear your question. At this time, we will only address questions related to the four specific business items.

If you have questions related to other matters, please save them for our general question and answer period, which will come later in the meeting.

Are there any questions specific to the four proposed resolutions?

Hearing none, I hereby declare that the polls are now closed. Results of the voting will be tabulated, and we will have a preliminary result before we conclude the meeting today.

With the voting on the resolutions complete, I'd like to tell you a little more about why I believe coming to Medtronic was the opportunity of a lifetime for me, as well as where the leadership team and I will be focused in order to restore the company to stronger growth.

When I was approached about this role, I saw it as a tremendous opportunity for several reasons.

First, I was drawn to Medtronic because I felt the company had a clear and long-standing sense of purpose. Through the Medtronic Mission - to alleviate pain, restore health and extend life - we are unified and aligned behind a single goal. This sense of purpose motivates us to do our very best because we know millions of lives depend on it.

It also provides a sense of direction as we navigate new and uncharted territory. The fact that the Mission has endured for more than 50 years is a testament to its power and continued relevance. As the management team and I lead the company forward, we will look to the Mission as a guide and remain committed to its principles and practice.

In addition to Medtronic's sense of purpose, I was impressed with the company's singular focus on my personal area of passion.... healthcare...and more specifically, medical technology. Having spent my entire career in healthcare, I was excited about joining a company where healthcare is our sole focus.

Improving healthcare for people around the world has been my lifelong goal. As you'll hear me discuss in detail today, I believe we have an enormous business, societal, and humanitarian opportunity to improve the standard of care and reduce healthcare costs.

Finally, I came to Medtronic because I felt the skills and experience I have gained throughout my career are well-aligned with the needs of Medtronic in this phase of the company's growth and expansion. For example, my experience in driving innovation and helping GE Healthcare globalize its business are particularly relevant and important for Medtronic right now.

As I look at the challenges and opportunities ahead, I feel a tremendous sense of excitement and responsibility. Excitement, because the opportunity for what we do has never been greater. And responsibility, because I recognize that a lot of people are depending on me and my leadership team to help Medtronic reach our next level of growth and prosperity.

Over the last few months, I have been traveling around the world meeting with employees and customers, and I'm anxious to share some of my initial observations and insights. But before I do, I'd like to spend a few minutes reflecting on our performance in the last fiscal year, in addition to our recently completed first quarter.

As you know, fiscal year 2011 was a very difficult year for Medtronic and for our industry in general ... *and we know we need to do better*. Clearly we saw a slowdown in key markets, but we also experienced some of our own execution challenges, such as product launch delays and quality issues, which resulted in market share losses in some businesses. However, we've resolved many of these execution issues, and their impact will be less significant going forward.

To the team's credit, even in this environment, we were able to deliver operating leverage by streamlining costs and making critical restructuring decisions. This ultimately generated \$3.2 billion in free cash flow. We remain committed to returning a significant portion of this to shareholders in the form of share buybacks and dividends. In June, we increased our dividend for fiscal year 2012 by 8 percent, the thirty-fourth consecutive year of dividend increases. In fiscal year 2011, we also repurchased over \$1 billion in stock.

Unfortunately, we saw some of the same market challenges from fiscal year 2011 carry over into the first quarter of fiscal year 2012.

One of the primary challenges we face is that almost 40 percent of our business - represented by ICDs and Spinal - had negative growth, which is creating a drag on our overall performance. But despite the declines in these two markets, several areas of the company are growing well. In fact, this quarter, 60 percent of our overall business grew at a combined 8 percent, and in emerging markets, our growth rate was an impressive 25 percent.

At the business level, Diabetes, Surgical Technologies and our cardiovascular businesses each grew close to 10 percent in the first quarter. In addition, many of our regions continued to experience high growth, especially emerging markets, which currently comprises 10 percent of our total revenue, but remains our biggest growth opportunity.

Since our last shareholders meeting, there have been some key product advancements that we believe will help drive our growth going forward. For example, we were the first company to introduce a pacemaker designed for use in the MRI environment. We continue to make progress in "closing the loop" for diabetic patients, taking another step with our Veo pump and Enlite Sensor, which we recently introduced in Europe. We also launched a novel cryoballoon ablation catheter system for atrial fibrillation, and are gaining share in this important market. And our CoreValve transcatheter valves continued to drive growth in markets around the world.

In fact, transcatheter valves represent one of the most exciting opportunities in medical technology. While this technology is not yet approved for use in the U.S., I'd like to show you a video with one example of how this important therapy is being used in other parts of the world. Let's watch.

This video is just one example of how advancements in technology can create less-invasive solutions to address significant medical challenges.

Now, to wrap up the discussion on last year, I'd like to make a few comments on the stock. I know this has been an area of frustration for many of you, and it is for us as well. While I recognize our markets have been challenging, the value of our stock is largely a reflection of our performance. When we are able to demonstrate increased growth and improved performance, I am confident that the financial markets will reward us.

During tough times, the tendency is to want to focus on market issues, rather than our own execution. We need to resist the temptation to blame the markets, and use our considerable diversification, breadth and capabilities to adapt our strategies to win.

Because ultimately, our job is to deliver growth - despite what is happening in our markets.

So with fiscal year 2011 now officially behind us, I'd like to look ahead...to the future...

Around the world, the opportunities in this industry are enormous. We are on a continuous quest to improve the standard of care. People everywhere want better outcomes, fewer errors, quicker recoveries, fewer side effects - and the list goes on.

But, at the same time, there is continued pressure on global healthcare costs. Present trends are clearly unsustainable, given the demographics in the developed world. For example, U.S. healthcare spending is close to 20% of GDP, and with the aging of the population, this will only increase. It is therefore paramount that we develop solutions that not only improve healthcare, but do so while delivering better economic value.

And finally, the biggest long term opportunity will be our ability to meet the needs of the billions of people who today have no access to healthcare at all.

Central to addressing these opportunities will be a firm understanding of customer economics, which I will explain in more detail in a few minutes.

Clearly, we don't have all the answers yet, but I would like to share some initial insights on how to capitalize on these opportunities based on my first 60 days.

As I mentioned earlier, I have been meeting with many of our key stakeholders, including employees and customers, and have been both encouraged and inspired by the amount of passion...the level of engagement...and the intense commitment to the Mission that I have observed with everyone I've met. These discussions have reaffirmed my belief that Medtronic has great growth potential, and a solid foundation from which to build.

I have been impressed with the skill and depth of the talent I have observed throughout the organization. Whether I was engaging with scientists and engineers, policy experts, clinical specialists, sales reps, or functional leaders, I was struck by the depth and breadth of our capabilities around the world. Also, people seem to understand that in order to reach our full potential, we will need to make some fundamental changes to the way we do business, and most of them seem genuinely eager to embrace that change. In addition, I was pleasantly surprised at how robust our technology platforms are, and I saw a number of opportunities where we leverage our breadth and capabilities across adjacent businesses. Let me give you some examples of what I mean. Today, we can surround the spinal surgeon with technologies including imaging and navigation, nerve

monitoring, power instrumentation, and implants, all grouped into an integrated solution built around the specific needs of this customer. And our Cardiac Resynchronization Devices that employ left-heart leads were developed using technology from our coronary catheter business, paired with defibrillation technology from CRDM. Using our technologies across businesses to target significant unmet clinical needs is a strong competitive differentiator for Medtronic. And it is a sustainable and reproducible model by which we can - and are - creating new market opportunities.

And finally, we are financially strong, which allows us to make disciplined investments for future growth and maintain our commitments to our shareholders.

Although Medtronic possesses a number of strengths, including financial strength, it is clear that the macro-economic conditions in many developed countries have led to constrained healthcare budgets and increased pressure on utilization. There is a major shift underway in healthcare, whereby the economics of products and services have become a key decision point for customers and society as a whole. This directly affects the financial health of our customers.

Medtronic has traditionally operated with a business model where success was largely based on innovative new medical technology to provide unique clinical solutions. But today, demonstrating economic value is just as important, and sometimes, even more important, than demonstrating a product's clinical utility. In other words, even a clinically superior product is not always the product of choice. This is especially true if there aren't any significant and measurable changes in outcomes, using these products.

If we can show how customers can be profitable using our technology, then adoption will accelerate and these technologies will become the products of choice. This is what I call customer economics.

We need to think about customer economics in the broadest sense possible. For example, if we develop a product that allows customers to cut their procedure time, that product clearly delivers economic value to those customers even if it is more expensively priced. Or, if we offer a therapy that is so revolutionary that it changes the standard of care, it will create a competitive advantage for that customer and draw more patients to their facility - and that too, creates economic value for the customer.

And finally, there will be instances in which we have cost-advantaged products where we can lower the price for our customers and drive increased penetration. With some products and in some geographies, this too, will be part of the solution.

While Medtronic has world-class capabilities in clinical research and healthcare economics, we have not consistently translated them into meaningful and succinct financial value propositions directly for our customers. I believe that this single concept and shift in focus, when well-conceived and executed, has the ability to create a tremendous competitive advantage for us and has the potential to fundamentally change the delivery of healthcare around the world.

Our ultimate goal, however, is to improve growth at Medtronic. Let me pause for a moment to emphasize this point -- moving forward, returning the company to meaningful growth is our single biggest obligation.

While the systematic use of customer economics is a critical tool in this endeavor, I believe there are three key imperatives to deliver sustained growth:

- ...Improving execution -
- ...optimizing innovation -
- ...and accelerating globalization.

Let me address each of these areas one at a time.

First, I am focused on improving execution, since this has the greatest potential for immediate impact. Execution is something that every Medtronic employee is accountable for, and it begins with me and the leadership team.

Successful execution requires that we align the team around our shared goals and how we achieve them. I am taking steps to ensure that business units, geographies and functions have a clear understanding of their roles and responsibilities.

Further, we will implement systematic operating processes to increase consistency and accountability, and drive more operating rigor throughout the organization. I am taking a very hands-on approach to the way in which we run our business. When we do something well, I want to understand how we can replicate our performance across the business. If something goes wrong, I want to know why, how we intend to fix it, and how we can avoid making the same mistakes in other parts of the business in the future.

Improvements in these areas are critical to driving operating efficiencies and delivering better, more predictable and sustained business performance.

Next, let me discuss optimizing innovation, our second area of focus. Innovation has always been a strength for Medtronic. Indeed, our customers would say innovation is at the heart of our reputation as a leading medical technology company. Medtronic proudly boasts being the first company to introduce many important breakthroughs - from the first implantable pacemaker in 1960, to deep brain stimulation in 1987, to the first insulin pump with real-time glucose monitoring in 2006. These technologies, along with many others, have become the standard of care in the industry and are helping millions of patients live better, fuller lives.

However, if we look at our recent performance, including last year, we can see that the current innovation formula has to change. Last year, we invested more than \$1.5 billion in R&D, and we introduced 60 new products, more than any other prior year. Yet as a whole, the company only grew 2 percent.

So, what does this mean for our innovation process? It means we need to improve our overall R&D productivity. As I've just mentioned, the number of new products does not necessarily have a direct correlation with growth. Therefore, the most important area that needs improvement is our method of selecting and prioritizing our investments. Essential to the new process will be the broad incorporation of the customer economics concept that I mentioned earlier. During the selection process, we need to systematically consider how we will demonstrate that the use of our technologies will improve the profitability of our customers.

In addition to our focus on customer economics, we will look for ways to get additional growth from our existing therapies. Historically, Medtronic has concentrated on adding new, high-end therapies and incremental innovation to drive growth. While this has often worked in the past, in today's environment with longer regulatory cycles and more cost-sensitive buyers, we must look for new and creative ways to generate growth.

I want our businesses to significantly increase their focus on truly understanding how to expand penetration. We need to analyze, in granular detail, the barriers that prevent our products from becoming the standard of care.

We must do this for every product, in every major country - and prioritize these opportunities by their economic value, and by the degree of difficulty in developing the evidence necessary to prove that economic value.

In addition, I am challenging our businesses to think more broadly across the patient care continuum to look both upstream, at how targeted diagnostics can better select patients who need our therapies, and downstream, by developing new business models around connected care and chronic disease management for patients who have our devices.

Finally I would like to make a point about technology and healthcare. Traditionally advances in technology have had a positive impact on society. However, in healthcare, it is often viewed as the culprit that drives costs up. Using an integrated approach to the innovation process, including assessment of both clinical and economic value to make decisions about our portfolio, will enable us to shift this perception of our products from being part of the problem, to instead being part of the solution.

Now, let's look at the third major area of focus to help us drive increased growth - accelerating globalization. Providing access to the billions of people who are underserved is both our biggest opportunity and our biggest challenge.

Right now, 46% of our total revenue comes from geographies outside the United States. And while this may seem like a lot, consider the fact that:

- 95% of the world's population lives outside the U.S., and the opportunity for us to capture a greater percentage of the market is much higher.
- In addition, the population in emerging markets is tenfold of that in developed

countries, yet today emerging markets represent only 10 percent of our total revenues.

These statistics are further compounded by the fact that the growth rate of the U.S. market is basically flat, while the emerging world is growing much faster, at double-digit rates.

We have begun to explore some exciting pilot programs that look at new business models that may prove effective in emerging geographies. However, the number and size of these investments is nowhere near the scale it will need to be to capture the growth we are capable of in these markets.

Reaching the global middle class to increase access to our therapies opens up immediate opportunities for us beyond anything we have ever done before. And, in many ways, increasing global penetration is potentially a faster and less risky investment than our traditional tendency of relying on the addition of more new products for the U.S. market.

To illustrate the incredible need and opportunity that exists today, I want to share a video with you that helps explain the problem created by the global burden of chronic disease, and a few ways in which Medtronic is poised to help.

This video is a powerful demonstration of the need for what we do, and what is at stake if we don't accelerate globalization.

As I said earlier, historically, we have primarily focused on high-end products for the U.S. patient population. Clearly, the U.S. will continue to be an important region for us -- but we simply can no longer afford to think and act only in a U.S.-centric way.

We are taking initial steps to create a more optimal global structure to ensure we have deep engagement by our business teams. For example, earlier this month, we announced organizational changes that will help us accelerate globalization. Rather than having a U.S. and an international region, we will now have 8 regions around the world, with the U.S. being one of those regions, and operating in a manner consistent with the others. As a result of these changes, every business unit will have representatives from each of our eight regions on their leadership teams - creating one integrated team representing the world. To provide context, ten years from now, our market in China will exceed that of the U.S. - We must take action today so we can be leaders in this enormous change.

I'm also challenging our entire organization to generate fresh new ideas using our latest and most innovative technologies to create new and potentially disruptive business models specifically directed towards each of the major emerging markets.

Through this process we will significantly increase our investment in local R&D, manufacturing, and strategic partnerships in these regions. We will also be active in

helping to build healthcare infrastructure where needed. I'm confident that through these efforts, the underserved population around the world will rapidly gain access to Medtronic's technologies, thus unlocking enormous business opportunities.

In closing, I would like to come back to the Medtronic Mission. In my role as CEO, I have the privilege of being one of the executive officers who performs the Medtronic Mission and Medallion ceremony. This ceremony is a special time when new employees all over the world are invited to learn about the history of the Mission and receive their medallion - like the one I have here (hold up medallion), which Earl gave to me personally during my visit with him in Hawaii.

As I watched Earl lead the Mission and Medallion ceremony for a group of new Medtronic employees a few days ago, he talked about the development of the first pacemaker that literally... looked like a big box, but today is the size of a small pager. As I considered this incredible achievement, it made me think about my own childhood and the experiences I had growing up in a developing country.

As a result of growing up in Bangladesh, I am keenly aware of the way people live in poor countries, and how they are often deprived of the most basic human healthcare needs - a privilege many of us in the developed world often take for granted. Even something as simple as the technology inside that rather big box that Earl developed in the 1960s, that today is part of museums, is still not available to millions of people in the emerging world.

The Mission of Medtronic is not just about alleviating pain, restoring health and extending life for those from wealthy nations, it applies to all people. This.... is both our responsibility and our opportunity.

Our Mission and vision call on us to make sure that every patient who could benefit from our diagnostics and therapies will get them. Today, we improve the lives of more than 7 million people each year with our products and therapies. By 2020, we aspire to reach 25 million patients annually.

I am both inspired and humbled by this incredible opportunity. I hope you will all join me on our journey to greater growth and improved health.

I would like to thank Medtronic shareholders, customers and employees for everything you do to help ensure the people who could benefit from our technologies ultimately get access to them.

Thank you.

This concludes our formal 2011 annual shareholders meeting. I would like to again thank you for being here and now declare this meeting adjourned.

