

■ PARTICIPANTS

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■ MANAGEMENT DISCUSSION SECTION

Warren Watson, VP, CRM Core Product Development

Driving Innovation in Cardiac Rhythm Management

- Many of you know that Medtronic first began applying high technology innovation to meet unmet medical needs when Earl Bakken invented the first battery-operated portable pacemaker over 40 years ago now
 - And we continue that heritage today as we continue to innovate, developing cutting edge technology that meets real unmet medical needs
- So I would like to take a few minutes to provide you with a very brief summary of where we've been
 - And then to provide you with very brief summary also on where we're heading for the future with CRM product innovation

Innovation History at Medtronic CRM

- Let me start with a sprint through the past 30 years of innovation history at Medtronic CRM

Mid '70s

- In the mid '70s, dual-chamber pacing was in its infancy, and the primary barrier to market growth was the implant of an atrial lead that would not dislodge
 - Medtronic answered this need by inventing leads with tines, or small barbs at the tip
 - Our invention of tined leads led to a significant drop in the atrial lead dislodgement rate from nearly 15% to well under 1%
 - Dual-chamber pacing became a reality for countless patients, thanks to these tined leads

Early '80s

- In the early '80s, postoperative loss of capture became a problem due to rising pacing thresholds that immediately followed lead implant
 - Medtronic was the first company to successfully address this need by introducing leads with steroid in the tip
 - With this feature, pacing thresholds remained stable at a safe chronic level
- Today, Steroid-Eluting Leads are the gold standard in the industry, again, thanks to the innovation by Medtronic

- So allow me to comment on a few additional innovations from the past before we jump into the future

Mid '80s

- In the mid '80s, dual chamber pacemakers were successfully treating patients who had heart blocks between the atrium and the ventricle, but it really could not be optimally treated for the patients with abnormal sinus rhythms, which was the majority of the pacing patients
 - Medtronic designed a system to treat patients at a rate commensurate with their levels of activity

Activitrax and PCD System Pace

- We introduced Activitrax in the mid '80s and redefined the standard of care in the pacing industry
 - And we did it again, when Medtronic introduced the first staged therapy device to treat all types of tachyarrhythmias, or fast heart rates, in the early 1990s
- Prior to our introduction of the PCD, the only device available was a relatively primitive shock box that delivered a painful high-energy shock
 - The Medtronic PCD System pace terminated many of these fast rhythms, thereby avoiding the painful shocks patients would receive with the shock-only devices

1990s

- By the late 1990s, there was a growing incidence of ICDs treating patients who were in fast but physiologically appropriate rhythms
 - You know, for example, patients who were physically active and whose hearts normally increased during exercise
- Medtronic introduced an enhanced detection algorithm called PR Logic in the GEM series of ICDs in the late 1990s, which resulted in meaningful reductions in the incidence of inappropriate shocks
 - PR Logic redefined the standard by which detection algorithms are compared in this industry and has led to a significant market share gain in the dual-chamber ICD segment for Medtronic

Future Update

- Now let's look into the future
- PR Logic, it turns out, was just the beginning of Medtronic innovation aimed at optimizing therapy for all patients

Intrinsic Defibrillator with MVP

- Last September, Medtronic introduced the Intrinsic Defibrillator with the MVP, or Managed Ventricular Pacing feature, that assures patients will not receive unnecessary ventricular pacing
 - You are all familiar with the importance of this based on the DAVID trial results
- Despite carrying a premium price, the Intrinsic ICD family has exceeded our highest expectations
 - In fact, we believe that innovative products that add value can and should command premium prices in the market and our experience with Intrinsic has reinforced this belief

- We will continue the MVP feature into the next generation of both pacemakers and defibrillators

EnRhythm and EnTrust

- The EnRhythm family of premium pacemakers and the EnTrust next generation family of defibrillators are both planned for market release in H1 CY2005
 - The EnTrust device takes optimal therapy one step further with the ability to deliver anti-tachy pacing, or ATP, while device is charging
- In our studies, the patients with this feature in their devices experienced 70% fewer shocks than those without this feature
 - This is another huge step in the Medtronic commitment to optimize therapy for the patients

EnPulse and Therapy Advisor

- Medtronic is also meeting the needs of customers and their patients by introducing devices that are remarkable easy to use
- We introduced EnPulse, the first pacemaker with both atrial and ventricular AutoCapture, so that the patient's pacing needs can be assured while minimizing the follow-up burden on our customers
 - We also introduced a feature called Therapy Advisor in the Vitatron line of pacemakers and we hope physicians optimize the pacemaker's settings based on the diagnostic data stored in the device
 - And since the Vitatron device is also the first fully digital pacing device in the industry, we are able to store more data and higher quality data without compromising device longevity
 - These innovations move pacemakers into a new era of automaticity and effectiveness that will become tomorrow's standard of care

MRI-safe Devices

- Finally, one critical element to device ease-of-use is the ability to subject a device patient to an MRI scan when needed without being concerned that the MRI fields will harm the device or the patient
 - The next CY Medtronic will introduce the first MRI-safe devices to address this critical need

New Standard of Innovation

- So, what happens next in the few years to come?
 - As you've heard from Steve Mahle in his report at the last investor meeting, we are rapidly moving into a new era where managing the chronic disease of our patients will become the new standard of innovation in all our therapy devices

InSync Sentry

- Last month we received early approval and began the limited release of the InSync Sentry, the world's first device designed to provide fluid status information to the physician managing patients with heart failure
 - The launch is doing extremely well
 - We are in just over 100 key accounts in the U.S. to date
 - We are very pleased with the enthusiasm expressed by both the EP and by the heart failure physician around the Sentry device

- Just like when we introduced activity-based pacing, this is an extremely intuitive sale for the physicians
 - The value of OptiVol actually increases with time, as the chronic nature of heart failure progresses in these patients
- Based on our early studies and the stories from our recent product release, we are highly encouraged about the long-term benefits of InSync Sentry

CareLink Patient Management System

- When you think Sentry is combined with the CareLink Patient Management System next month, there will be a complete solution to obtaining valuable diagnostic data and ensuring this information gets to the right physician at the right time
- Remember that Medtronic has been researching the OptiVol algorithm for over 5 years now
 - And we've invested over \$100mm in establishing the CareLink Patient Management Network
- Today, there are over 375 clinics on CareLink and over 21,000 patients enrolled
 - InSync Sentry and CareLink is a combination that has massive potential to make an enormous impact on the lives of patients and on the cost to care for these patients
 - It is a combination that will be tough for our competitors to follow

Valuable Patient-based Information

- Finally, in the future we see more valuable patient-based information being available, such as the intracardiac pressure information of our Chronicle system that is currently in clinical evaluation
 - We also see more seamless connectivity as we introduce wireless telemetry into these devices and into the network systems that support them
 - The real importance of wireless is not in the technology itself, but in the information that can be accessed and directed via the wireless network
- Medtronic devices will offer the very best in OptiVol therapy when needed and the most valuable patient information to help manage chronic disease in a clinically beneficial and cost-effective manner

Summary

- In conclusion, Medtronic has a long history of innovation in the CRM business
 - And we are firmly committed to continuing our leadership in the future
- That said, what is most important is that we are discovering ways to use innovation to more effectively partner with our customers to meet the unmet medical needs of their patients
 - When we do so, we create products and solutions that are highly valuable in the marketplace and that distance Medtronic from our competitors

Rachael Scherer, VP of Investor Relations & Corporate Strategy

Different Approach

- As I mentioned earlier, during the remainder of this call, we are going to move away from explicit quarterly guidance

- Instead, I am going to take a different approach and provide a Top 10 list, of sorts, of issues and/or events that investors may wish to consider when looking at Medtronic
- At the end of the call, I will update the guidance we gave on our November 17th earnings call
- We recognize that the trends may change as the quarter and years progress
 - Our Investor Relations team has identified the following events and issues as potentially impacting our business relative to expectations this quarter and longer term
 - It comes as no surprise they are also representative of the questions we field on a daily basis
- On balance, we remain committed to our long-term growth objectives

Top 10 List

Defib Systems

- And so now for our Top 10 list – and I warn you it's not intended to be as humorous as David Letterman's – but in no particular order, first, our largest business, defib systems, should continue to benefit from a full and, we believe superior, new product pipeline
- As Warren just mentioned, we began a limited launch of the InSync Sentry CRT-D device featuring our proprietary OptiVol technology last month
 - This highly anticipated product is but one of many in a very full CRM product pipeline
 - Furthermore, it enables us to better leverage our proprietary CareLink Remote Monitoring System
 - We continue to believe that 20% growth is a good sustainable estimate for this \$2.2B plus business

New England Journal of Medicine Article on SCD-HeFT

- We are also – number 2 – we are also cautiously optimistic that the New England Journal of Medicine article on the SCD-HeFT results will be published before month end with CMS reimbursement to follow shortly thereafter
 - We expect the article to be as positive and definitive as discussed previously
 - With the implied addition of more than 500,000 heart failure patients to the ICD candidate pool, this study gives us even greater confidence in our growth projections through FY2006

Medtronic Emergency Response Systems

- Point number 3
- Given the capital equipment nature of Medtronic Emergency Response Systems, formerly known as Physio-Control, it's historically been one of the most difficult businesses for us to predict
 - In Q2, MERS's revenues increased by more than 20%
- Today, I would like to tell you that we are similarly encouraged by the trends we have seen quarter to-date
 - And we are optimistic that growth this quarter will once again, top 15%

Japan

- Number 4

- We would like to talk about Japan
- In Japan, the approval and launch of the Driver Stent last fall is having a very favorable impact on our vascular business this quarter
 - Also in Japan, our return to the tissue valve market last spring after 2 years in exile continues to benefit our Cardiac Surgery Business
 - So Japan is doing quite well

Driver Stent

- Number 5
- Speaking of the Driver Stent, it is widely considered the most deliverable stent available
 - And we continue to believe that it will provide a very strong platform for our drug-eluting stent program in Europe
- We intend to announce the results of ENDEAVOR II at the American College of Cardiology meeting the week of March 7
 - We hope to see full commercialization and launch outside the U.S. shortly thereafter
- Also in Vascular, the Angiolink acquisition is expected to close this quarter, and will contribute to Vascular revenues over the long term
 - I expect that a number of you will have questions regarding ENDEAVOR in the Q&A

Diabetes

- Number 6
- In Diabetes, Bob Guezuraga has assumed his new position as President, and the launch of the Paradigm 515 and 715 Pumps are going well
 - We fully expect to see the growth rate in this business accelerate throughout H2
 - We continue to have high long-term expectations for this platform with multiple catalysts, including the STAR trial and our sensor-augmented pump therapy system coming later in CY 2005
- In conclusion, on Diabetes, we are very encouraged with what we have been seeing this quarter

Spine

- Point number 7, Spine
- The first artificial disc as you know was launched by one of our competitors in the U.S. market in December
 - And to date it's been difficult to predict what impact it will have on our Spine business
 - Keep in mind that our spinal business growth rate has exceeded our internal expectations ever since we acquired Sofamor Danek 5 years ago
- We expect that eventually spinal growth will moderate to the 20% level after its amazing run at the 25% plus rate for the past 11 quarters, and I would highlight the word "eventually."
 - Meanwhile INFUSE, MAS and a broad array of new products continue to drive market and market share growth
 - Longer term, we believe we have the broadest motion preservation product line in the industry and that will help us longer term

PRIALT

- Number 8

- Last week's FDA approval of Elan's non-opiate pain drug, PRIALT, could have a modest impact on our neuro drug delivery business
 - It's really too early to tell
 - PRIALT is the first new drug approved for use in our pump in over 10 years
- Longer term, therapy expansion and the introduction of our Restore rechargeable technology will drive growth in this business

Foreign Currency

- Number 9 – and now we are getting into more of the explicit financial detail
 - Foreign currency
- The foreign currency will be favorable to revenues this quarter
 - At today's rates, we estimate that currency will have a favorable impact on revenue of 50mm to 60mm in both the third and Q4s – and actually this quarter it looks like it's on the higher end of that range, nearer to 60mm
- We have a long-standing policy of protecting our bottom line from currency fluctuations with hedges, which tempers the impact on the bottom line
 - However, there is a flip side to this top line benefit, as our hedges do offset the FX gain in the Other Expense line
 - Combined with the discontinuation of royalties we formerly received from one of our CRM competitors, we predict Other Expense could exceed \$100mm this quarter
- On the other hand, rising interest rates and our growing cash position should result in higher interest income
 - These factors have been taken into account in our guidance

Balance Sheet

- And then the tenth item, the last item I'll mention, relates to our balance sheet
- We continued to generate cash of about \$450mm to \$500mm per quarter
 - And we continue to believe that the repurchase of our own shares represents one of the best uses of this cash
- This quarter to-date we've repurchased about \$265mm worth of Medtronic stock, the equivalent of approximately 5.5mm shares
 - YTD, we have repurchased 10.5mm shares, an investment of more than \$500mm
- In December, we announced an exchange offer for our contingent convertible debenture, which is expected to close later this month
 - If successful in the exchange, we have removed a potential negative that would have resulted from an accounting change due to go into effect next quarter
 - Most of the costs associated with this exchange will be capitalized and should not have a meaningful impact on our financials
- In summary, we remain enthusiastic about our new product pipeline and the progress we are making in bringing a broad array of new therapies to market

Financial Guidance

- Regarding financial guidance, I'd like to reiterate the guidance we provided on our November 17 earnings call

FY2005

- First, I will repeat the guidance we've given you for FY2005

- For the remainder of the FY, we expect earnings growth to outpace revenue growth, as certain investments and productivity and hedging decisions made last year should benefit Medtronic's bottom line this year
 - We believe that revenue growth for the year at the low end of the 12% to 14% range appears reasonable, given the extra week included in our FY2004 comparables
 - This implies total revenues of \$10B or more in FY2005
 - And we continue to target a long-term EPS growth rate of 15%
- Recognizing that our growth will not always be linear, last quarter we provided you with an estimate range of 14% to 16% EPS growth, which we continue to believe is reasonable for the FY

Q3

- Now regarding our Q3
- Assuming our Q3 is similar in complexion to our first and Q2s, where revenues increased 14% and 11% respectively, we believe a revenue growth range in low to mid-teens is reasonable
 - This includes the favorable impact of foreign currency on our top line
- We continue to target a 15% EPS growth rate
 - Recall that last year, our tax rate came down in Q3, which implies that we won't see the same degree of leverage top line to EPS that we saw in Q2
 - We should see that leverage when you get down to the pre-tax income line
 - Both revenue and EPS guidance are consistent with what we've seen as far as current consensus estimates and ranges

Closing Remarks

- In closing, Medtronic is a unique company with a long-term growth focus
- Since first articulating our objective of 15% growth over any 5-year period in the late 1980s, Medtronic has consistently met or exceeded this target
 - We've stated repeatedly that our growth will not be linear and that this is a long-term, not quarterly, objective
 - We believe that Medtronic is one of a very few companies that have been able to sustain a track record like this at a relatively high profit margin
- Again, on balance, we remain committed to our growth objectives

QUESTION AND ANSWER SECTION

Analyst: *Michael Weinstein - J.P. Morgan*

Question – Michael Weinstein: If, Rachael, if you could just clarify that the low to mid-teens, does that mean like 13%, 14%, 13%, 15% -- just to make sure everybody is clear?

Answer – Rachael Scherer: You know, we said, if you look at what we did in Q1, we rounded up to 14%, and Q2, 11%. We weren't really pleased with the 11% in Q2. I mean, it can mean anything from 11% to 16%. It covers the, it runs the gamut and the estimates that we've seen out there are all in that range.

Question – Michael Weinstein: And your commentary on the high power ICD business is that the 20% trend line looks like a good representation of what we will see in Q3?

Answer – Rachael Scherer: You know, that we are still, we are really trying to shift the focus on this to long-term sustainable growth rates, but, yes, there is no reason to believe that we are going to see, I mean, that that's not a good number for the quarter. I mean, again, we are two-thirds of the way through the quarter and January is a really important month this quarter. December is not the month that makes the quarter for us. And so, but with what we have seen so far, we don't have any reason to step away from that.

Question – Michael Weinstein: Okay, than last question, have you gotten any insight into the IDE approval for ENDEAVOR IV? Thanks.

Answer – Rachael Scherer: We actually have – what do we call it and Chris is here – contingent approval. We are still trying to get some of the details settled on the final ENDEAVOR IV trial before we start enrolling patients. And we are hoping to get that started. My guess right now, I would like to say by the end of this month, but I think it could fall into February.

Analyst: *Timothy Lee - Merrill Lynch*

Question – Timothy Lee: Since we've got Warren here on the line, if I can just address this to him, just looking at the brady pacemaker market, the growth in U.S. has been relatively modest, I mean, here in the last couple of quarters. What type of innovations do we have in the pipeline that can reinvigorate some of that growth?

Answer – Warren Watson: Yeah, hi Tim, thanks for the question. Yeah, definitely, I mean, we continue to see growth in the brady market, you know, being impacted by patients who would perhaps otherwise receive a brady device, but are now getting CRT defibrillators and so it is an issue of the marketplace. But there is plenty of innovation left, if you will, in terms of the ability to drive this market. I mentioned MRI devices in my comments and I think that that is a key issue in terms of an innovation that has real practical need and can meet and address lots of needs of the patients. And that's something that we believe is critically important. And the other aspect here is continuing to drive automation in brady devices, with the ability to really relieve the physicians from many of their duties, both at the time of implant, but even more importantly at the time of follow-up, so that they can go to following the patients and not having to follow the devices. And then I guess the third thing I would comment on is the clear opportunity to continue to provide more of this physiologic data, that real meaningful diagnostic data, on out of brady devices, as we are today with InSync Sentry out of the tachy device. And you can expect that in the future brady devices will be able to monitor real data that can help treat the patients and manage the chronic disease and that that information will be available through wireless technology and into the CareLink System and available for all the physicians who have an interest. So I think from the brady perspective, we still have lots of ability to impact the therapy, but also lots of ability to impact the use of diagnostic data to help treat the chronic disease of the patients.

Question – Timothy Lee: Warren, if I can just push you one little bit on that, in terms of the timeline, is growth like 12 months away, 18 months away? How soon can we see a re-acceleration in that market?

Answer – Warren Watson: Well, I think that the SCD-HeFT results coming out, and prior to that MADIT II, that the indications that might be drawing patients out of the brady pool and into the CRT defibrillator are starting to mature and become essentially better utilized in the marketplace. So I

would expect, yeah, we would see a year from now that that impact on the marketplace should be normalized and that we could see the growth from that point on being really driven by technology and innovation.

Question – Timothy Lee: Great, thank you.

Answer – Warren Watson: Thanks, thanks for the question, Tim.

Answer – Rachael Scherer: That coincides – a year from now also coincides with what we're thinking as far as MRI compatible devices

Answer – Warren Watson: MRI compatible devices being released as well, yeah.

Analyst: *Tao Levy - Deutsche Bank*

Question – Tao Levy: Warren, just on the OptiVol algorithm. What are the next sort of milestones or data points we can expect in terms of conferences where you might talk about maybe increased correlation between the algorithm and what happens at the hospitals, as well as my understanding is that alarm currently isn't on and when that can be turned on? Also just a quick question for Rachael. Most of the FX impact that you expect, that comes from the pacemaker line, is that correct?

Answer – Rachael Scherer: We, our largest OUS product line is the pacemakers, yes.

Question – Tao Levy: Okay. Great.

Answer – Warren Watson: Yeah, Tao, this is Warren. Good question on OptiVol. My experience, and I was around when we introduced Activitrax, was that one of the real blessings of the medical community was that physicians took such an interest in it that we saw many, many publications that evolved shortly after the release of Activitrax as people began to evaluate different aspects of rate response to pacing and I'd expect the same thing on OptiVol. I think we are going to see lots of publications. I don't think you'll see them in the spring meetings. You'll probably see them coming in the fall meetings because people are really just now getting the experiences, but I think you can expect that a very similar pattern to what happened after Activitrax will happen with the InSync Sentry where physicians will find the OptiVol feature ripe for evaluation and lots of good papers I hope coming on how it helps them manage their patients. As it relates to the FDA approval on the alarm, we are still in negotiation with the FDA on the requirements for having the alarm, if you will, turned on. And the only thing that I would say about this is whatever we end up doing from that alarm perspective eventually, when we do have FDA approval for the alarm, we can turn it on in any of the patients who are receiving devices today. And so it's not something that physicians have to make a choice over today in terms of whether they will eventually have that ability in the devices they are implanting today. It's a matter of us being able to continue to negotiate with the FDA for the requirements for eventual approval.

Analyst: *Adam Galeon - Credit Suisse First Boston*

Question – Adam Galeon: First, quickly, can I just ask you for an update on the publishing of this SCD-HeFT data in the New England Journal and then after that I'd love to get you to talk a little bit more about Sentry and Intrinsic since these are two devices you guys mentioned would help you recapture some lost share and perhaps even win a little more. On Intrinsic, you said, it's exceeding your expectations, Warren, what were your expectations there? And on Sentry, you mentioned you are in 100 accounts. Maybe help us with what percent of CRT patients in those accounts are getting Sentry, what pricing looks like, and maybe also are heart failure docs aware enough of Sentry and/or appreciative enough of Sentry to actually refer patients and ask specifically for that device?

Answer – Rachael Scherer: You know, Adam, this is Rachael. Since most of your questions are relating to things that we have talked about in the past, commitments, et cetera, and as well as some of the modeling things that we have given you, I'll probably answer them. Warren might jump in a little bit. But, first of all, regarding the New England Journal of Medicine, we said in our prepared remarks that we are cautiously optimistic that we will see it published later this month and that's all we can really say at this point. When there is something more certain you know that will

be publicly available to you but right now the feedback we are getting is that later this month is as good a guess as any. Regarding our expectations for Intrinsic and Sentry, we have not disclosed exactly what our mix is. I think we will say that last quarter Intrinsic really pushed our dual-chamber market share in our non-CRT devices and that obviously took, it cannibalized some of our CRT-D market share, but in general, it pushed that and the most important thing to us was that we were able to maintain, sustain a premium price with that product. So even though we did not discount Intrinsic, we were able to really gain market share in most of our accounts. Regarding Sentry, the point we were trying to make is while it has been in a limited launch, it is in a very, very small number of accounts. So you can't expect that to show up really in our revenues in a meaningful way yet this quarter until we get it hooked up with CareLink, which will happen we hope in March. You know, we are proceeding cautiously, the feedback we have gotten, I think, and I will turn this over to Warren now, but the feedback both EP's and heart failure physicians has been positive in the accounts that we launched it into, our key accounts, that includes both heart failure and electrophysiology expertise.

Answer – Warren Watson: And maybe I'd just – good comments there, Rachael – I just would, Adam, I'd add this that, you know, the intuitive nature of the benefit that OptiVol has to offer is clear to the EP's but it's also clear to the heart failure docs. And all of them recognize that they are implanting a device that is going to offer real value to the patient over time and it's much unlike sort of therapies where you know when you implant a device with a new therapy you expect a benefit immediately from that therapy. One of the interesting characteristics of OptiVol is that, actually, the benefit of it increases with time as the patient's disease changes over time. And so both the heart failure docs as well as EP's really recognize this at a very intuitive level and we are very pleased with their reaction, but also as Rachael said, we are in a very limited number of accounts and we are just starting out at this point.

Question – Adam Galeon: Just one quick follow-up, Rachael. One of the highly debated topics is you know late loss for ENDEAVOR I moved from 4 to 12 months and how could we be comfortable that it's not still increasing? Are we going to see longer-term data, clinical data, on ENDEAVOR I this year?

Answer – Rachael Scherer: This CY or this FY? Actually this is your fourth question, Adam, I should mention that. You were supposed to ask only 2 questions, but I don't know the answer to that on ENDEAVOR I. I mean, we are in January. Are you talking about this CY?

Question – Adam Galeon: Any time. When can we expect to see something out?

Answer – Rachael Scherer: Chris can answer that.

Answer – Chris King: Two years is the next follow-up point for clinical results. There are no additional angiographic follow-up points in that trial, Adam. So there is potential of having some clinical information, so we'd see the restenosis or target vessel failure at the standard clinical endpoints, but we wouldn't see late loss measurements at any future time periods.

Analyst: Jason Wittes - Leerink Swann

Question – Jason Wittes: Two, I guess, follow-ups to your Top-10. First off on the New England Journal of Medicine article. Is your gut expectations on growth this quarter somewhat requisite on getting a January 1 or, sorry, by the end of January publication of that journal?

Answer – Rachael Scherer: No.

Question – Jason Wittes: And tied to that, do you expect a large acceleration once that article gets published? Is that what really starts the wheels moving?

Answer – Rachael Scherer: No, we are not betting on anything. I mean we think long term, this article, the publication and the reimbursement that goes along with it will be very positive in general for patients et cetera and actually, Warren, I know is just as eager to answer this question, but I will tell you that all the guidance we have given, none of it has been contingent on the publication of this or on new reimbursement in that market. I mean it's, nothing that we've said about this quarter is contingent on that. And Warren, what would you like to add?

Answer – Warren Watson: I just wanted to add, yeah, I was jumping up and down here just to add that, remember that this is the first publication, obviously, a seminal publication of the SCD-HeFT results, but behind it is a large body of data, the largest body of data ever gathered, around ICD

therapy and there will be many studies or many publications to follow this initial seminal publication. So, in terms of physician uptake on SCD-HeFT as an indication, clearly we need to get through this publication and the CMS approval but then I think we should all expect that there will be a continuation of visibility to SCD-HeFT as we go into the future and that will continue to help build the market.

Question – Jason Wittes: So you don't see a backlog building, waiting for CMS, et cetera?

Answer – Warren Watson: There could be at this point some backlog of people who are holding patients, but I don't think that it's a major step function, sort of, approach. I think this is going to advance, sort of, in a more measured fashion, if you will, as this publication comes out and again other publications follow it.

Question – Jason Wittes: Okay.

Answer – Rachael Scherer: On that point, though, Jason, remember, too, that in December because of the holidays, the period between Thanksgiving and New Year's, elective procedures just aren't done at the same rate. You know, people don't schedule as many elective procedures and to the extent that these are prophylactic implants, they may not have been scheduled anyway regardless of waiting for SCD-HeFT or not. So it's hard to say what impact the approval is going to have. And actually we'll have a much better feel for it if it comes at the end of this month, but until it's there we won't know.

Question – Jason Wittes: Okay, when you talk to the referrers, they seem to be waiting for it, that was my notion. But a quick follow-up also on artificial discs. Based on your comments, you are saying you are not sure what that impact is, but it sounds like right now you are not really feeling anything. Did I hear you correctly?

Answer – Rachael Scherer: No, I think it's too early to tell. Again, we can't judge what our growth rate is based on the month of December.

Question – Jason Wittes: I understand.

Answer – Rachael Scherer: And that's all we have as far as the amount of time and it's been in a limited launch. So, again the elective procedure dynamic in December. So it's just too early to tell.

Question – Jason Wittes: Okay.

Answer – Rachael Scherer: We have been saying for a long time that this growth rate can't continue at this high level, but we don't know when it's going to moderate and we have got it modeled into our expectations. So we haven't seen a lot that we can draw any conclusions from yet.

Analyst: Rick Wise - Bear Stearns

Question – Rick Wise: First, Rachael, last quarter you all talked about the St. Jude trialing impact on the ICD business in the U.S. Can you update us on whether you are seeing that impact continue and should that be a concern in the current quarter?

Answer – Rachael Scherer: I, you know, I have seen nothing in our numbers in November and December that would cause us any alarm. And we will have to wait and see what St. Jude's numbers look like I guess, but I mean the trialing that we saw, we I think indicated was more in St. Jude accounts and it pushed some of our business, moved from CRT-D where they might be trying the St. Jude device to non-CRT-D devices. Warren, do you have any insight into that? You haven't heard anything.

Answer – Warren Watson: No, I haven't seen anything coming through, any changes.

Answer – Rachael Scherer: No.

Answer: No.

Question – Rick Wise: On the MiniMed comments, you indicated that you expected to see a H2 acceleration, can you talk a little bit about Bob Guezuraga's initiatives? What's he doing there that is going to turn things around and maybe a little more detail on the timing of the new product launches and the impact and growth you expect?

Answer – Rachael Scherer: Well, some of that I can answer, Rick. You know Bob's been down in California for about a month and he is shaking, he is shaking things up and I think we're feeling pretty confident just looking at what we have seen so far. But as far as pure initiatives, that's going to take a while. I mean, that's going to be, the things Bob's doing are going to only be obvious to

those of us inside Medtronic regarding operations, et cetera. I don't know that it will have a direct impact on the top line or the results that you see for a while. As far as the new product launches, we have launched both the 515 and 715 and those are obviously having a positive impact as well. Plus if you recall back when MiniMed was an independent company, this was a case where December's usually a good month. There is a lot of year-end healthcare spending accounts that end up getting used up in the month of December. So for businesses like MiniMed, and maybe to a certain degree Physio-Control, Medtronic Emergency Response Systems, actually seasonally, December is a little bit stronger for them. So we have been seeing some good results quarter to date. Again we are trying to get away from a quarterly focus here. But we were I think all disappointed with the growth rate in Q2 and we feel pretty confident that we are going to see something higher this quarter.

Question – Rick Wise: And I'm going to sneak in one other on ENDEAVOR II. You said results at ACC and launch thereafter. I think it's the first time at least I've heard you be so definitive on the launch thereafter. Does that suggest to us that – should that suggest in any way that you all are more confident in the outcomes and are you actively preparing for an early March launch at this point?

Answer – Rachael Scherer: I think it's too early to say. We are still working through some questions. Last quarter, we told you on ENDEAVOR that in Europe we had finished all of our inspections and that we were basically awaiting CE Mark. So we've ramped up production, we are ready to go, I guess, shortly thereafter putting it in March. I think that's as good a conservative timeframe as any. I don't know that we are expecting it this month. I mean, I don't think we would put it into this quarter's numbers.

Question – Rick Wise: So it doesn't relate at all to the ENDEAVOR trial, good or bad, at this time?

Answer – Rachael Scherer: No, it really doesn't relate at all to the ENDEAVOR trial, good or bad.

Analyst: *Matthew Dodds - Smith Barney*

Question – Matthew Dodds: If you look at where you are going on the heart failure side, you start with Sentry, eventually move to Chronicle, Chronicle ICD as well. The data is going to get more robust for the heart failure specialist, cardiologists and a lot of the CareLinks are with the EPs right now. I am just wondering, if one of the ways here to gain share over time in the ICD market is to expand the use of CareLink and focus a lot more on getting that to the cardiologists and CHF specialists, the actual device.

Answer – Warren Watson: Yeah, thanks. For certain, it is an important partnership in terms of both Sentry and Chronicle between the electrophysiologist and the heart failure specialist, and we have, in plans, the ability to be able to provide the heart failure specialist in their clinic a device that will let them access information from Sentry. It would eventually let them access information, of course, from Chronicle down the road as well, so that the heart failure specialist in their clinic will have the ability to be able to access CareLink-based data. So, in that regard, both, and they are the cardiologists that you referred to, but both the EP and the heart failure specialist will have the access to the data from either one of the devices.

Question – Matthew Dodds: Okay, and then, just one follow-up on the Chronicle front. The Chronicle ICD, is that going to have a fourth lead if it's a CRT-D device, a special lead for the fluid sensing, or is that going to be incorporated into the shocking leads for the right ventricle?

Answer – Warren Watson: Yeah, over time we would incorporate a pressure sensor on the right ventricular lead, the defib lead as well. Initially, right now, the studies that we've been doing have been separate leads just because in effect that's the first generation of technology, but that will come together here in the near future.

Question – Matthew Dodds: And the placement of that extra lead is not more challenging for the EP is it? Into the right ventricle?

Answer – Warren Watson: No, it wouldn't be any different than what they are doing today.

Analyst: *Robert Hopkins - Lehman Brothers*

Question – Robert Hopkins: I have a quick question for Warren and 1 for Rachael. I'll start with Warren. Warren, I was just wondering if you could comment on the concept of a leadless ICD as some of your competitors have talked about. Are you developing anything like that? And, either way, could you just give us some of your thoughts on pros and cons of such a device?

Answer – Warren Watson: Yeah. Thanks for the question, Bob. I think as I have listened and we've talked about leadless ICDs, I mean, clearly what everyone is trying to do is be able to gain access to the patients who are going to benefit from protection, defibrillation protection, be they out of SCD-HeFT population or MADIT or whatever population for the primary prevention group. Leadless ICD has lots of challenges obviously to it and yet it's an idea that can't be ignored. One of the main limitations, I think, that we look at, and we view this ICD compared to a sort of an implantable device, is the inability of a leadless ICD to really take care of pacing and antitachycardiac pacing sort of needs both. As I said to you, one of the benefits of EnTrust, the next defib device that we going to be releasing, is that it has the ability to attempt to terminate a fast rhythm prior to having to shock the patients using advanced antitachy pacing or ATP. And that's something that wouldn't be available for these patients with a leadless ICDs. So pros and cons. Obviously, you know, everyone is looking at the entire spectrum, but I think we feel very good about the devices that we have today available for these patients. And I guess the other thing I would add to that is, remember that, you know, many of the primary prevention patients are going to have heart failure and are going to require chronic resynchronization therapy to really give them an optimal device both for the prevention of sudden cardiac arrest as well as for their treatment of the heart failure and again that is something that couldn't be available in a leadless ICD. So we are looking at really meeting the patient's needs with the device first and then we will figure out what specific sort of device is on the second.

Question – Robert Hopkins: Thanks very much. And then just a quick one for Rachael. Should I read into your comments that we basically should assign a zero probability to hearing anything on ENDEAVOR II, even just a top line peek, before the American College of Cardiology meeting?

Answer – Rachael Scherer: Well that's the safest assumption. I mean, we really don't have anything to say about it at this point. So, we've said, I think, for a long time now that we planned on releasing the results at the American College of Cardiology, very similar to what we did a year ago with SCD-HeFT. We saved it for the American College of Cardiology and to present it in that forum, it has to be new information. So at this point in time, I think that's a real safe assumption, Bob.

Question – Robert Hopkins: Okay.

Answer – Rachael Scherer: And if it changes, you will be the first to know.

Question – Robert Hopkins: And I am just curious also in terms of an update. At this point is it safe to assume that the senior executives at Medtronic have seen the underlying data at this point?

Answer – Rachael Scherer: No. It is not safe to assume that.

Analyst: Glenn Reicin - Morgan Stanley

Question – Glenn Reicin: One quite simple and the other, probably take a little bit more time. Just the simple one is, what is your best shot or best estimate right now for shares outstanding for Q3? You obviously are going to have options issuance that dilutes somewhat the impact of the share repurchase program. And a question on ICDs. The clinicians we had talked to about Sentry basically have stated that they will probably put in one or two devices, see how the patients do, before they would use them more frequently. And the issue really is the fact that I think to date there is only data on about 30, 35 patients. Correct me if I am wrong. So is that something that you all are seeing in terms of behavior and then what is the exact timetable in terms of getting more data out there and what are the sizes of the additional trials? Thanks.

Answer – Rachael Scherer: I am not sure how many of those questions we can actually answer, Glenn. I will let Warren state what he can. Again we have got it out in a limited launch, in a 100 clinics – over a 100 but not quite that much more than 100...

Answer – Warren Watson: Do you want me to do that and you do the share?

Answer – Rachael Scherer: Oh, I can do the -- the share count, first of all the share count, you know, we brought back as much stock this quarter to date as we have for H1 -- as we did in the

entire H1 the year. So I think you have to look at the overall share count going down by a few million shares, which would put it below, the fully diluted share calculation would put it below 1.22B. I am not sure if that's 1.219 or 1.218, but somewhere in that area, Glenn –

Question – Glenn Reicin: Okay.

Answer – Rachael Scherer: – would be my, it's my best guess and I haven't updated myself on what the actual number looks like. Warren, on Sentry, do you have any additional...

Answer – Warren Watson: Yeah, may just on a couple of quick comments. One is, there are to date that I know of 5 trials that either have been done or have just been started on OptiVol taking a look at essentially both the ability for OptiVol to help guide therapy for the patient and also the ability for OptiVol to be able to help keep patients out of the hospital in the future and there are going to be many more. And you know, I think, that they are going to come up very rapidly. One thing I would comment about, you know, it's too early for us to know if people will implant one or two and wait, or you know want to see some results or something of that nature. I will tell you this, when you think about the InSync Sentry device, it is therapeutically every bit the same as an InSync Maximo and which means that from a therapy perspective they can implant this device and there is no downside to them implanting the InSync Sentry device, I mean, they don't, if they don't wish to study the OptiVol aspect of the device at first, they don't have to and they still receive all the same benefits that they would have had they implanted the InSync Max device. And so, there really is no downside for them implanting the Sentry, even if they want to take some time before they turn, if you will, they turn the OptiVol feature on.

Question – Glenn Reicin: And price?

Answer – Rachael Scherer: Yeah, the issue becomes one more of pricing and whether they want to be in the premium product segment or the next one down. And we've been very, very encouraged about our ability to hold premium pricing with both Sentry and with Intrinsic.

Analyst: John Calcagnini - CIBC World Markets

Question – John Calcagnini: One, what do you expect Spine growth and brady growth for the quarter to be? It sounds like Spine you think 20% plus, but I didn't hear a brady number? The second question I had was, we haven't had a lot of information in the Michelson case in Memphis and I understand there was a hearing the other day where Dr. Michelson was attempting to take name attribution back as well as enjoin certain Medtronic products. I wonder if you could specifically go through what the impact might be or could be on your Spine business as a result of this case or on the overall company?

Answer – Rachael Scherer: John, I'll do my best. You are asking some questions that we actually had not intended to really address. As I said at the beginning of this call, we're really trying to get away from quarterly line item forecasting. We've been asked by our largest shareholders to stop doing that -- that it's focusing people too much on the short-term, and we've given you some good top line guidance and I think you can get back into that. So we're not providing quarterly forecasts on the Spine growth or on Brady growth this quarter. You know I think you can read into what I said. I think better than 20% is a safe option for Spine and for Brady, I just don't know at this point. We just can't tell this quarter to date what to look for there. So I'm just going to leave it at that. Regarding Michelson, we are not going to speculate about what could or couldn't happen depending on where Dr. Michelson goes. He's been making requests for the last 2 years of the court in a lot of different areas. I would refer you back to the Q where we've gone through in great detail what's going on with the Michelson case and it's all available in the court documents, but I can't speak specifically to any speculation as to what would happen if one thing or another transpires in the courts. I mean we would be speculating all year.

Question – John Calcagnini: Is it fair to say though that you know I mean that we're going to have to at some point build in additional royalty payments to Karlin Technology?

Answer – Rachael Scherer: I think we already have actually under the terms that were reached earlier, the royalty payments. We have never disclosed exactly what the royalties are, but they are in the overall guidance that we've given you and –

Question – John Calcagnini: I meant above and beyond that, because I think, for example, that he may even have potentially some rights to BMP and you haven't talked a lot about.

Answer – Rachael Scherer: John, you know what? I would encourage you, I know it's an onerous task, but go back and get all the court documents.

Question – John Calcagnini: We have them, Rachael.

Answer – Rachael Scherer: Okay, then you'll find that they ruled specifically that he had no rights to BMP.

Question – John Calcagnini: Well, but your own people have said in the past there maybe some royalty payment there. So, again, there is a void of information here. All I am trying to do, I am not trying to be a badger, I am just trying to get a clear understanding of what this is going to mean for the company going forward?

Answer – Rachael Scherer: I apologize, John, but I am not going to be able to answer that question. It is speculative at this point and I am not an attorney and we generally stay away from speculating regarding legal issues on this call. So, unfortunately there is nothing else I can do to help you. When there is something found specifically in the courts, we will look at it and we'll make a determination at that point.

Analyst: *David Zimbalist - Natexis Bleichroeder*

Question – David Zimbalist: A quick question on your, Warren, on the pacing side of the business. You'd mentioned SCD-HeFT having an additional relevance to the conversion from pacemakers to biventricular devices, ICDs. With the approval of SCD-HeFT, is it not reasonable to expect the challenges to the – or the swap from a pacemaker patient up to a CRT patient to actually accelerate for a stretch of time?

Answer – Warren Watson: Yeah, David, I don't know whether it's going to accelerate. I think the question was asked earlier, at what point in time do we think that that sort of the brady market, at least this aspect of the impact on the brady market matures, and that we could see a, sort of, return to growth. And I think we all said something in the neighborhood of about 12 months and when I said that I was anticipating that there will be an impact of SCD-HeFT on transferring patients out of the brady pool into a defib device. But exactly what impact that would actually have on the market is difficult to answer at this point. It is purely speculative.

Question – David Zimbalist: Okay, and then two sort of quick technical questions. The first, the ERS business, do you have a sense as to how the business has been going, U.S. vs. outside the U.S.?

Answer – Rachael Scherer: No.

Question – David Zimbalist: Okay, second is, the changes that you guys have made in your methods of, not managing, but, accounting for inventory where it's held internally. What kind of impact, given the bigger top line impact of currency, should we be expecting that to have in the quarter? In the past whenever currency had run aggressively during a quarter, or when the dollar had weakened during a quarter, you guys tend to have a negative impact on gross margin and I'm just curious to know if that's now something that we will see eliminated?

Answer – Rachael Scherer: You know, David, I have to acknowledge that I am a little bit ignorant on this subject. We are going to have to handle it off-line. I'll have to talk to our tax people, but I don't think there are any issues. We have got a lot of different tax strategies going on regarding FX and where our cash is and, you know, how the --

Question – David Zimbalist: This is more about the gross profit. In other words, as I understand it, you are now holding inventory on the U.S. books, so it's a dollar-based inventory, even though it's in Switzerland or wherever it had been at local currencies and there, you'd had issues with currency fluctuations and the gross profit margin over the past year. So I'm just wondering?

Answer – Rachael Scherer: David, I can't answer your question. I don't know the answer, so we can, I'll look into it and we can maybe get back to you on it, but I really can't answer that at this point.

Analyst: *Bruce Nudell - Sanford Bernstein*

Question – Bruce Nudell: Rachael, just to be the dumb bunny here and ask just to follow up with Rick. Your comments just to be absolutely clear regarding ENDEAVOR II did not reflect any or did it or did it not reflect any confidence with regards to European launch based on the Vascular group's, kind of, taking a quick peek at probably incomplete data set? And then the second question would be, could you give us any update on the launch of the vertebroplasty and maybe the kyphoplasty family of products and the launch of any initiatives you guys may have started with tibial BMP? Thanks a lot.

Answer – Rachael Scherer: Okay, well thanks for asking me questions that I can at least try to answer, Bruce. Regarding ENDEAVOR II, to be completely clear, nobody in senior management at Medtronic has seen the data – or the senior management team at Medtronic has not seen the data. The data set has not been closed and so there have been no decisions or determinations based on any peek regarding vascular data. The reality is we do not yet have CE Mark approval to sell in Europe. When we get CE Mark approval to sell in Europe, we will launch the product, and right now our best guess is that approval will be coming sometime in March. So nothing, none of our actions related to European launch should be construed to be any indication of anything we've seen or not seen on ENDEAVOR II – and to take that a step further, we really haven't seen anything to make that determination. Bruce, is that clear enough for you?

Question – Bruce Nudell: Yeah, yes, even for me. Thank you very much.

Answer – Rachael Scherer: Okay. Secondly, regarding vertebroplasty and/or kyphoplasty, I think the last thing that Michael DeMane has said to the investment community is that we will be able to update you and possibly see something around the American, the AAOS meeting, which I believe is in March. February, it's February, sorry. And I haven't heard anything updating us on what the plans are at that meeting, but I think that we were working towards that as being a possible date for a larger launch of either vertebroplasty and/or kyphoplasty like, for the Spacer-like product. And I don't think I have any update on the tibial BMP. I mean we are selling it. It's in a market that we haven't been in to a large degree in the past, and it's going to be small. It's not moving numbers.

Analyst: *Lawrence Keusch - Goldman Sachs*

Question – Lawrence Keusch: First, just following the announcement of the J&J-Guidant merger, can you just talk about any potential disruptions you've been seeing following that announcement on either the Vascular or the CRM side and what you might take advantage of if there is some of that out there? And then just 2 quick questions, InSync III Marquis, is that timing still early calendar 2005 and will we see a 30-day MACE data on ENDEAVOR III at ACC?

Answer – Rachael Scherer: Okay, first let's do the InSync III Marquis question. Warren, you think...

Answer – Warren Watson: Yeah, the approval on the V-to-V timing for CRT-D for us is going to be in Q1 to sometime in the first 4 or 5 months of 2005.

Answer – Rachael Scherer: Calendar 2005.

Answer – Warren Watson: Calendar 2005, yeah. So, in the spring.

Answer – Rachael Scherer: And that's already in several of our products. It just needs to be turned on.

Answer – Warren Watson: Yeah, one of the items there that we want to be clear on is, is that every device that gets implanted now including the InSync Sentry, once we gain FDA approval of V-to-V timing, we're just going to turn that on in the device. So again, the clinicians aren't making a choice as to whether or not to implant a device with V-to-V timing. When they implant a Medtronic, it will be available.

Answer – Rachael Scherer: As far as the J&J-Guidant merger, you know, Larry, right before this call I talked to Chris O'Connell a little bit with that same question and he really didn't see much. I think we are confident long-term that J&J is going to be good for the CRM market, that they bring certain market development expertise that will be beneficial to all of us as we grow this market and try and reach more patients and so we think they are going to be a good competitor. We have not seen, I mean, we are not, at least we are not acknowledging that we are seeing a lot of disruption. But, again, remember we are just coming out of December, where, we're just coming out of the month of December, which was guidance year end close and a lot of their compensation is

determined by how they do in that month and so I, we haven't seen a lot of change in the market. And, frankly if we had a lot of top secret plans as to how we are going to take advantage of it, I probably wouldn't be able to share them with you on this call and Chris has clearly not shared them with me. So, I don't know that I can go any further on that. And then I think you had one more on ENDEAVOR. Was it ENDEAVOR II MACE data?

Question – Lawrence Keusch: ENDEAVOR III, MACE, 30-day MACE at ACC?

Answer – Rachael Scherer: ENDEAVOR III MACE at ACC. Chris, do you know anything about ENDEAVOR III MACE at ACC?

Answer – Chris King: I don't know if it will be presented. Obviously the business is focusing on E2 data, more likely PCR would be the place we would expand the data set beyond E2.

Analyst: Alexander Arrow - Lazard

Question – Alexander Arrow: First Rachael, you mentioned, PRIALT, the Elan approval, as something that might drive pump usage. My question is, is that different enough than the existing pain medications that are being used in the pump that you would expect a meaningful effect on the pump or it would simply be something where patients that would be otherwise getting the pump with the other drug in it would now get the PRIALT pump? And then if I could ask my follow-up, it would be on the Diabetes section. You also mentioned the STAR Trial. Could you give us any guidance as to how far out the total artificial pancreas concept now looks since you have mentioned that in the past and you brought up the paradigm. You also opened the door to how much or how far out there would the total artificial pancreas project look now?

Answer – Rachael Scherer: I think I'll take the PRIALT. Alex, I don't, I think the advantage of PRIALT is that it works in patients where morphine does not work and so that in and of itself should expand the market. I mean these wouldn't be necessarily patients who were getting morphine; it's a non-opiate. And so we are looking at it as market expansion. But, again, it could be a very small number. The key here is that this is, I think, the last drug we had approved to go in our pump I think was in the early 1990s. So it's over 10 years ago that we had a new drug approved and anything, any new expansion, a new population is going to be positive for our drug delivery business. So, I don't think it's necessarily going to be a cannibalization issue. I think it's a new patient population. We just don't know how large that patient population is and if it will move the needle that much. But it's good news nonetheless. We've been waiting a long time for that approval. Regarding the STAR trial, I'll defer to Chris and Jeff and your thoughts on the artificial pancreas timing.

Answer: Yes, as we said we would expect here some time clearly H1 this year to begin enrollment in the STAR trial, which will be a significant body of clinical evidence to drive penetration as was highlighted at our Investor Conference. As far as the artificial pancreas, the sensor-augmented system is the first step in an artificial pancreas, because that links both the continuous glucose monitor and the pump system. And there'll be future iterations of that to bring it to a fully closed loop system over each of the next FY with an entirely closed loop system available in fiscal 2008. And that's on an external system, and it's on somewhat of a similar timeline for the implanted system as well.

Question – Alexander Arrow: So, for the fully closed loop system will there be another major trial with a new name for it that we'd be looking forward to or is it going to be sort of piecemeal adding on with each new component?

Answer: Yeah. The components essentially will be available. It becomes a regulatory approval process. The STAR trial is going to be the major body of clinical evidence to drive early utilization of pump technology, demonstrating more clearly the A1c level control and a reduction in that for diabetic patients. That's the design of that trial and highlighting the capabilities of pump therapy, in particular, the sensor-augmented system.

Analyst: Robert Goldman - Buckingham Research

Question – Robert Goldman: Two questions on the Neuro business. First on Activa Kinetra, one would think with greater reimbursement, you know a big patient population and an unmet need et cetera, that it would have at least made the Top 10 list, but it didn't. So it looks like it's been a bit disappointing relative to one's expectation, maybe you could speak to that? The other question on Neuro is it's a small product line for you, I know, but it's the collagen-based repair for the dura mater. You do have a product that's approved. Sales force is training; they are in the market. The question though really is strategically, what does that speak to on the Neuro business? Why are you really bothering with such a small market? What does that suggest do you want to do in the Neuro business?

Answer – Rachael Scherer: Okay, Bob, I'll try and address your questions. You know, I think the fact that Activa Kinetra didn't make my Top 10 list really doesn't speak at all to the importance of those products or those therapies. It more has to do with what are people looking for, what are expectations, and what are we seeing either quarterly or what do we think could move the business going forward over the next 12 months? And I guess if we didn't focus on them too much, it means that we are probably seeing kind of status quo – what you've seen in the last few quarters. And I think those last few quarters, we have talked about Activa Kinetra growth rates being something above 20%. It's also an indication that we really don't get any questions on those. I mean we tried to address those topics that people tend to call and ask us a lot of questions on and where there have been surprises in the past, like Physio-Control, or whatever from a predictive, on a predictive basis. So I wouldn't read much into it. I don't have a lot of update on Activa Kinetra. There is not a new approval there. You know, I mean we ended up getting better reimbursement last year. We have talked about it every quarter on our quarter-end call. Clearly it's important there. But for Top 10 issues, it doesn't really factor in to how you would look at the quarter or our financial performance going forward. And actually it's even more the case with this dura repair product, which is part of our Neurotechnologies business. As far as I can tell, the only importance that product has is to the small competitor who competes against it and that maybe where you are coming from looking at it. But strategically, Medtronic is in the business of trying to meet the, address unmet medical needs and this is a major unmet medical need and it was a clear addition to our bag in Neurotechnology. We are seeing the physicians that are treating these patients. We had technology that could help. It was an absolute natural thing for us to go into this market, and as you know we haven't talked about it. We haven't put out any press releases. So I think that's probably all you are going to hear about it, frankly, until it becomes hundreds of millions of dollars of revenue.

Analyst: *Timothy Nelson - Piper Jaffray*

Question – Timothy Nelson: Warren, if you could be a little more clear on the ICD product launch schedule for next year, that might be helpful. Did you put a date out there for the distance telemetry product or is that just a feature in interest?

Answer – Warren Watson: Yeah, Tim, I did not – first off, hi – I did not put a date out there for the distance telemetry. I think it's fair to say that we are working as hard as we can to be able to get that to happen. But important is to remember that we are working to provide distance telemetry with systems that has something frankly to provide of value, like the OptiVol capability. So, we are trying to combine the two of them. But it's a, it's probably a fiscal 2006 kind of a release more than it is any other time at this point, Tim, for wireless telemetry for the first initial device.

Question – Timothy Nelson: Will that be a separate device or will it be a feature of one of your other devices?

Answer – Warren Watson: It will be a continuation of previous devices, but not without some other additional benefits. So, if you will, an iteration.

Question – Timothy Nelson: Okay. As you think about your product mix in that 2006 timeframe, maybe toward the end of '06, when Intrinsic has been out there for a while and Sentry has been out there for a while and EnTrust is launched early in the year. What does that mix look like to you?

Answer – Rachael Scherer: You know, Tim, I think you are getting further out than we are comfortable talking at this point.

Question – Timothy Nelson: Okay. And then the last question would be for Warren. You haven't talked about left-heart leads, and there is a lot of discussion in the market about competitive advantage relative to left-heart leads. What's new there?

Answer – Warren Watson: Couple of things that we are now releasing, just now releasing in the U.S. subselection delivery system capabilities on left-heart leads, and that will give us the ability to really continue past coronary sinus and to be able to assist in that subselection process if that's where it needs to be in the lead over-the-wire. This study also continues for the 4195, which is the left-heart lead with the time fixation capabilities, and that study is looking well, and that is encouraging us as well, and as you know, Tim, we also just released the Bipolar 4194. So, the emphasis is on the delivery systems at a subselection level, and then secondly, at a lead, it's really looking at going, moving the product line towards that you know time or more fixation capabilities at an acute level.

Analyst: William Plovanic - First Albany

Question – William Plovanic: Rachael, just a question on the implantable drug pumps, you mentioned the approval of PRIALT. Do you still have any supply issues in regards to the pump itself?

Answer – Rachael Scherer: No, not that I am aware of.

Question – William Plovanic: Okay. And then secondly with, in the IPG market, you have 3 players out there right now. 2 question – well, a question on the approval of your rechargeable IPG. Is that still on track for something by the end of the second calendar this year? And is that a PMA or PMAS?

Answer – Rachael Scherer: Just a second, you are talking now, you are still in the narrow area, Bill?

Question – William Plovanic: Yes.

Answer – Rachael Scherer: Oh that's right. Okay, I'm sorry, the question? I missed the question. The question is you are looking at...

Question – William Plovanic: I am looking at the rechargeable IPG that you submitted a PMA for - trying to find it out is that a PMA or a PMAS? And then do you still expect approval within the next couple quarters?

Answer – Rachael Scherer: You know we are expecting, yeah, we've stuck with a spring approval of that product.

Question – William Plovanic: Okay, was that a PMA or PMAS?

Answer – Rachael Scherer: You know, I'm sorry we don't know that. I mean, we can find that out. I haven't paid attention to that. I just know that the approval is forthcoming.

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