

**CEO and COO Comments at the  
2006 Annual Shareholders Meeting  
August 24, 2006**

**Art Collins' Opening Comments**

Good morning everyone. I'm Art Collins, Chairman and CEO of Medtronic. It is my pleasure to welcome all of you to our World Headquarters, and to officially call to order the 50<sup>th</sup> Annual Meeting of Medtronic shareholders.

To begin, I'd like to focus for a moment on this year's Star of Excellence quality awards. Considering the products and services that Medtronic provides, uncompromised quality is fundamental to everything we do. Whether designing and manufacturing products, servicing the needs of physicians and patients, or collaborating with outside organizations, we continually raise our standard of performance. This year marks the 29<sup>th</sup> anniversary of the Star of Excellence, Medtronic's highest award for customer-focused quality. Yesterday, five individual awards and 14 team awards were presented. The recipients are listed on the back of today's agenda, and I'd like all of them to stand and receive a well-deserved round of applause for their great work.

As we update you on the state of Medtronic, I'll begin as I have in past meetings with a very important statistic. Today about every five seconds, a Medtronic product or therapy is used somewhere in the world to either save or substantially improve someone's life. While we track a number of quantitative measurements of our performance, that five second statistic is the most significant one for our employees, our customers and the patients we serve.

In preparing this year's Annual Report, SEC Form 10-K and Proxy Statement, we have taken a great deal of care to provide you, our shareholders, with expanded information on the important aspects of Medtronic's business and financial condition. We continue to work hard to present important information in a way that is easily understood, and you should consult these documents for more information regarding our financial statements and other subjects we may reference here today.

Medtronic strengthened its financial position with record operating results in fiscal year 2006. Revenue of \$11 billion 292 million increased 12 percent. For the first time in five years, the impact of foreign currency was negative, reducing reported revenue by \$118 million. Six of our seven businesses posted double-digit revenue growth, and constant currency revenue growth was 13 percent. Net earnings of \$2

billion 547 million and earnings-per-share of \$2.09 both increased by 41 percent over the prior year. However, after adjusting for special charges in both years to better reflect operating results, pro forma net earnings and earnings per share increased by 18 percent.

During the year, the company reached favorable agreements with the U.S. Internal Revenue Service involving fiscal years 1997 through 2002, resulting in the reversal of \$225 million in tax reserves. At the same time, a \$100 million donation was made to the Medtronic Foundation to support our longstanding commitment to community and charitable activities. In April, the company successfully completed a \$4.4 billion convertible debt issuance under very attractive terms. The proceeds of the debt offering are being used to repurchase company stock, prepare for the retirement of existing debt, and to fund ongoing operations. These actions are all being taken to improve our earnings per share. Currently, cash and cash equivalents of approximately \$7.1 billion compare to debt of about \$7.9 billion, and free cash flow generated from operations is averaging in excess of \$500 million per quarter. Medtronic continues to carry very favorable debt ratings and during the year we experienced improvements in both asset management metrics and in various financial rate of return ratios.

While delivering strong financial results last year, we also continued to invest heavily in our future. Our research and development expenditures in fiscal year 2006 increased 17 percent to over \$1.1 billion, or about 10 percent of revenue. We remain committed to significant R&D investments in the future in order to fuel organic growth. R&D investments have continued to pay off with a number of major new product introductions over the past year and many more planned during the next 12 to 18 months. Looking at R&D productivity another way, approximately two-thirds of our current revenue is generated by products or therapies introduced within the past two years. In fact, over 80 percent of Medtronic's growth over the past decade can be attributed to new product introductions and the expansion of therapies for new patient groups. A number of significant clinical trials concluded last year and more than 200 additional trials are currently underway across the company or expected to start very soon.

Before I discuss our fiscal year 2007 first quarter results, I want to make a few comments about our legal function. I have spoken in the past about some of the significant legal challenges facing the company. We live in the world's most litigious society, and we are the leading company in a field that is more prone to litigation than most. So, it is little wonder that we find ourselves involved in lawsuits.

I am pleased to report, though, that within the past year we have made real progress on resolving several significant legal matters. Last year, we settled our differences with Dr. Michelson in the spinal area, and obtained a significant portfolio of intellectual property. This intellectual property is being incorporated into Medtronic products and is being exerted against others who infringe our patents. Recently, we entered into an agreement to resolve the qui tam investigation in our spinal business that had been ongoing for three years. This practical resolution will put this litigation behind us and allow our spinal organization to move forward and devote more of its energies to better serving patients. We also have begun to take the offensive in exerting Medtronic intellectual property in the vascular arena, which is the most litigious segment of our industry. We recently won a significant arbitration with a major competitor and continue to explore ways to resolve ongoing disputes with several companies. Even though we're making progress on the legal front, it's unrealistic to think we'll ever be litigation-free. Sometimes we find Medtronic as the plaintiff and sometimes the defendant. In either case, we will continue to update you on the status of all major legal proceedings with our 10K, 10Q and other interim filings and press releases.

On Tuesday of this week, we released our financial results for the first quarter of fiscal year 2007. Quarterly revenues of \$2 billion 897 million increased eight percent over the first quarter a year ago. Reported earnings were \$599 million or \$0.51 a share, representing a growth over the same quarter last year of 87 percent and 96 percent, respectively. However, pro forma EPS of \$0.55 grew 15 percent after adjusting for special charges and including stock option expense in both years. Also, the pro forma \$0.55 EPS was within the \$0.53 to \$0.55 range that Gary Ellis provided to investors on August 2. Revenue during the first quarter came in below our expectations due to softness in the U.S. market for implantable cardioverter defibrillators (or ICDs). We believe the softness is temporary, and you will hear more about efforts we have underway to reaccelerate growth in this large, underpenetrated market and to continue to increase our market share position. In spite of the disappointing shortfall in ICDs, total corporate revenue came in only slightly below expectations, which is a testament to the strength of our broad and diversified business portfolio. And, even with the top-line challenges, we delivered strong EPS growth despite hefty spending to fund R&D, clinical trials, market development activities and expansions in our field force.

Now to a subject we are all very interested in, the stock price. As you know, the past few years have been difficult, with a particularly negative impact on the valuations of technology and health care companies, and a reduction in the P/E multiples of many large cap stocks. It is clear that the price of our stock recently and for the past few years has not mirrored Medtronic's strong financial

performance. I want you to know that I recognize the resulting frustration of many shareholders, and I take the stewardship of your investment in Medtronic very seriously. During calendar year 2005, the stock price actually appreciated 16 percent and closed at \$57.57 on Friday, December 30<sup>th</sup>. However, several factors have combined to put downward pressure on the stock and it closed at \$50.12 on the last day of the fiscal year 2006, and it traded at \$45.95 at 9:00am this morning.

The first factor negatively affecting the stock is the recent slowdown in growth of the medical technology industry. After running at about a 12% quarterly growth rate, the industry as a whole saw a deceleration to low single digit growth rates since the end of last calendar year. This has caused some investors to shift out of med tech industry stocks. Even though Medtronic has grown faster than the industry average, the industry slowdown and sector rotation has created selling pressure on our stock.

A second factor that we believe had a negative effect on our stock price until recently was related to a preliminary proposal issued in April from the Centers for Medicare and Medicaid Services that, if finalized, would have resulted in deep cuts in a number of medical devices including ICDs, pacemakers and coronary stents. If those deep cuts would have gone into effect, there was concern that we would have been under pressure from hospitals to reduce our prices, and there may have been some move to limit the number of procedures using medical devices with reduced reimbursement rates. Fortunately, the final rule that was issued earlier this month did not include the deep cuts originally proposed, and final rates by and large remained similar to the current reimbursement levels.

A third and very important factor is specific to Medtronic's largest product line, ICDs. Bill Hawkins will discuss this subject in more detail, but as I mentioned earlier, a confluence of events has resulted in slowdown in the U.S. ICD market, and this past quarter the market actually declined. Correspondingly, the three major ICD companies have seen declines in their stock price and our two major competitors have lost over a third of the value from their 12-month high. Needless to say, we are taking steps to reaccelerate growth in the ICD market as well as in other areas of our business.

While we can't control the stock market or the stock price, we are responsible for delivering strong operating performance and we are committed to do just that. We also make every attempt to ensure that analysts, investors and others in the financial community receive a balanced assessment of the current state of Medtronic, together with our best estimate of where the company is headed in the future. As a shareholder, and as one who has the vast majority of my net worth in Medtronic stock, I am confident that the intrinsic value of our company and the

hard work of our employees will be rewarded and reflected in the stock price in the future.

One of the reasons for our confidence in Medtronic's future performance is our numerous growth platforms. Most of our products and therapies address major chronic diseases and medical disorders that, unless adequately treated, often lead to more serious problems. Last year, we further improved our therapies for a number of widespread and serious medical conditions, including sudden cardiac arrest, congestive heart failure, coronary heart disease, diabetes, spinal disc deterioration, and a broad array of neuro degenerative, gastrointestinal and urological disorders. Today, Medtronic has more growth platforms than at any time in our history, and more than any other medical device company. The portfolio is also much better balanced than it was just a few years ago.

While the vast majority of our product lines are directed at treating major medical problems that afflict large numbers of people, most of these patient populations are very under-served. In many cases, less than half of the people indicated for our products and therapies have had access to them in the U.S., and outside the U.S. the markets are even more underserved. In other words, there are still millions of people who need, but have not yet received our products. Medtronic does business in over 120 countries around the world. While the prevalence of medical problems that our products address is greater outside the U.S., approximately two-thirds of our revenues are generated inside the U.S. As a result, we have a major effort underway to better address significant international market potential.

It's important to note that health care utilization is highest among the elderly. And, while total population growth is expected to be relatively slow in many developed countries, rapid growth is expected among people age 60 and older. Between now and 2025, the population over age 60 will nearly double. In fact, the number is expected to reach approximately 180 million people in the U.S., Germany, the U.K., France and Japan, alone. China is expected to add another 160 million during the same timeframe. These demographics support future growth of our business since many people over the age of 60 tend to have the greatest need for our products.

The Centers for Medicare and Medicaid Services which pays the government's bills for health care, is also responsible for projecting health care costs in the United States. In their most recent projection, CMS forecasts that by the time we reach the middle of the next decade, health care costs will be running at about \$4 trillion, or 20% of gross domestic product. This is not a U.S. phenomenon. While health care costs as a percentage of GDP and the percentage paid by governments versus the private sector vary around the world, health care costs are projected to

increase in every major country. Treatments for chronic diseases account for the vast majority of healthcare expenditures in most countries. In fact, in the United States it is estimated that between 70 and 80 percent of all physician visits, hospital admissions and healthcare expenditures are associated with chronic disease. And, as people reach age 60 and beyond, they are more likely to have one or more chronic diseases. In that regard, Medtronic is extremely well positioned to address some of the most significant chronic diseases that challenge our healthcare system.

As we develop new products, we're increasingly utilizing medical technology, biotechnology and information technology. Two rapidly growing products, our INFUSE™ bone graft and our Endeavor drug-eluting coronary stent, are good examples of how we are leveraging drug/device combinations to provide better medical outcomes and help deliver more cost-effective medical care. An important initiative utilizing advanced information and communication technology is the CareLink Patient Monitoring Network that is currently supporting over 80,000 patients. CareLink has been expanded to cover all Medtronic pacemakers and ICDs, and we have plans to apply remote patient monitoring to other Medtronic products in the future. Also, we have integrated Medtronic insulin pumps with our new continuous glucose monitoring systems, allowing individuals who are diabetic to maintain insulin levels within a much tighter range than they could with traditional methods.

We've changed our paradigm for success from "Time to Market" to "Time to Standard-of-Care". Even though continuing advances in medical technology will help expand and improve available therapies, the true benefits of medical technology can only be realized if the people who need our products actually receive them.

The first step in this process is active collaboration between clinicians and Medtronic scientists and engineers to speed the development of new products. Even though these activities have been and continue to be extremely important, they don't ensure people will automatically obtain access to our products and therapies. In the United States, we are engaging in constructive dialog with the U.S. Food and Drug Administration in order to help reduce the cycle time of new product reviews, while maintaining necessary oversight of product safety and efficacy. We also are working with the FDA to establish appropriate post-approval reporting guidelines. In this regard, we support the Heart Rhythm Society's efforts to further enhance product quality reporting and recognize that the vast majority of the draft guidelines recommendations have been standard practice at Medtronic for many years. We also have increased our interaction with regulatory officials in Europe, Japan and other regions outside the U.S. as new policies and procedures

are defined and then put into practice. In all cases, enhanced patient safety and improved medical outcomes are our primary and constant guides.

In addition to streamlining our efforts to develop and gain regulatory approval for new products, we are increasingly focused on obtaining fair levels of reimbursement for our products and therapies. As I mentioned earlier, there was a great deal of confusion and speculation over the last several months regarding the proposed in-patient hospital reimbursement rates that Centers for Medicare and Medicaid Services would establish for the new fiscal year beginning on October 1<sup>st</sup>. Medtronic led the industry effort to work constructively with CMS, hospitals, physicians and patient advocacy groups in order to ensure an outcome that was fair to all. Our efforts were clearly successful in this regard, and we look forward to continuing our work with CMS and other stakeholders on future reimbursement rules.

Once regulatory approval has been gained and adequate reimbursement rates have been established, the next step in moving a product or therapy to standard-of-care involves training and education. Not only do physicians who deliver the therapy need to be trained on the use of our products, other physicians must be made aware of our products so they can refer their patients to specialists delivering therapy. Also, the patient population and general public increasingly want to know more about the availability of medical technology. All of this has required that Medtronic increase its training and communication efforts inside and outside the United States.

For more specifics on our product lines and what we're doing to reach more patients around the world, let me introduce Bill Hawkins, who was named Medtronic's President and Chief Operating Officer in May of 2004, and who has responsibility for all of the company's worldwide product lines and geographic operating businesses.

### **Bill Hawkins' Comments**

Thank you Art, and good morning everyone. This is clearly an important and dynamic time for Medtronic and our industry. Throughout the company, we're working to develop new and better ways to serve our customers and patients, and to better address significant unmet medical needs. We are also making changes to reaccelerate growth in Medtronic's largest market, ICDs, as we leverage performance in other businesses and drive to increase market share in every product line. Even though I will discuss our major businesses individually, I want to reemphasize a point I made at last year's Annual Meeting. That is, our ongoing efforts to leverage Medtronic's company-wide capabilities. Whether capitalizing

on synergies in technology, manufacturing, marketing or sales, we continually focus on ways to better serve our customers so we can make the whole of Medtronic greater than the sum of the parts.

I'd like to begin the discussion today with our largest product line, ICDs. These small devices are like emergency rooms in the chest, shocking an abnormally fast and chaotic heartbeat back into normal rhythm. Every day, on average, about 1,000 people in the U.S. die of Sudden Cardiac Arrest. That's over 350,000 deaths each year which is roughly equivalent to the annual number of deaths from AIDS, lung cancer and breast cancer combined. Of course, the tragic fact is many of these deaths could be prevented with better access to defibrillation. Medtronic is the worldwide leader in both implantable and external defibrillator therapy. In this last fiscal year, we introduced several new products and features to treat patients at greatest risk of sudden cardiac arrest, as well as those suffering from heart failure.

During the year, we introduced the EnRhythm ICD which incorporates two significant Medtronic proprietary features. First, managed Ventricular Pacing, or MVP, that enhances patient safety by reducing pacing of the right ventricle by 99% to mitigate the risk of a patient developing heart failure. And, second, Antitachy Pacing, or ATP, while the ICD is charging, reduces the need for painful shocks by more than 70%. In April, we introduced in Europe the Virtuoso ICD, bringing distance telemetry and additional heart failure diagnostics to our ICD product line. These improvements allow physicians to more efficiently and effectively care for their patients. This product has just been introduced in the U.S. and customer response is very favorable.

While we continue to view the ICD market as a significant growth opportunity for Medtronic, the overall market declined approximately 7% last quarter. I must tell you that we were surprised and very disappointed in the first quarter revenues that came in below expectations due to the decline in the U.S. ICD market. It is also very clear to me that as the industry leader we need to take additional action to reach more patients who can benefit from this therapy, and thus accelerate growth and further improve our share of this very underpenetrated market. And we are doing just that. One of the key factors that affected the ICD market this last quarter was the uncertainty surrounding the reimbursement decision that was scheduled to be announced by CMS on August 1<sup>st</sup>. This, along with a general slowdown in ICD implants, impacted our ICD sales with hospitals. As Art told you, the CMS reimbursement issue has since been favorably resolved.

We know there are hundreds of thousands of people in the U.S., and more outside the U.S., who need an ICD and haven't yet received one. As the market leader, we have underway and we are taking additional action to increase awareness of the

risks of sudden cardiac death, and to restore confidence in the clinical and patient community that defibrillators are vital in saving lives. These actions include:

- First, communication of preliminary findings from our Improve HF study indicate that about two-thirds of the patients who have visited clinics and have been indicated for an ICD did not receive the device. This further confirms that the ICD market is very underpenetrated and that many patients are not receiving the life saving therapy they need.
- Second, development and distribution of new patient screening programs to enable physicians to better identify and then treat patients who are candidates for ICD therapy.
- Third, expansion of education programs with particular emphasis on the primary care physician and cardiologist referral channels.
- Fourth, initiation of additional clinical trials to expand ICD indications and to reinforce the benefits of ICD therapy that are measured in medical outcomes and cost-effectiveness.
- Fifth, a new program to accelerate already strong adoption of our industry leading CareLink patient monitoring system.
- Sixth, commencement of a multi-million dollar, multi-year national campaign aimed at physicians, patients and hospital administrators to create awareness of both the risk and prevalence of sudden cardiac death, reinforcing the effectiveness and reliability of ICD therapy.
- And, seventh, an expansion of our ICD field force, including therapy sales representatives, clinical specialists and sales representatives.

I am confident that these actions coupled with increased focus of our management team will produce measurable results this quarter and for the remainder of this year and beyond.

Heart failure, which is the progressive deterioration of the heart's pumping capability, afflicts more than 22 million people worldwide, including 5 million Americans, at an annual cost of more than \$40 billion. Our cardiac resynchronization devices, which have new diagnostic and monitoring capabilities, are designed to both improve clinical outcomes and reduce costs. Medtronic's CRT-D products combine resynchronization therapy to treat heart failure with ICD

backup that protects the patient in the event of sudden cardiac arrest. These products also continue Medtronic's tradition of innovative diagnostics.

Our newest diagnostic, OptiVol, detects changing lung fluid status and is incorporated into the recently released Concerto CRT-D device. Concerto combines OptiVol with Connexus, the industry's first wireless telemetry system meeting worldwide standards. This combination of improved diagnostics and telemetry, together with unique patient alerts, allows Concerto to automatically notify caregivers of a patient's condition, without requiring any patient interaction. Concerto introduces an era of true cardiac disease management and creates the foundation for Chronicle and Chronicle ICD, two unique Medtronic products that further expand our ability to diagnose and treat hundreds of thousands of new heart failure patients.

Earlier, Art mentioned our CareLink Network, which allows doctors to obtain secure data from patients' ICDs and pacemakers over the internet. This game-changing product improves the quality and efficiency of patient care, and also offers Medtronic a unique competitive advantage. Currently, more than 80,000 patients at approximately 1,000 clinics in the United States use this advanced monitoring system.

Each year, more than 2 million people suffering from coronary artery disease seek treatment to address this life-threatening condition. Medtronic offers multiple alternatives for restoring normal blood flow within the heart, including coronary angioplasty and stenting, as well as products used during arrested and beating-heart coronary bypass surgery. We're also applying many of these technologies to treat other vascular problems outside the heart.

Medtronic's Endeavor drug-eluting coronary stent is now commercially released in nearly 100 countries outside the U.S. In markets where the product has been fully commercialized, our market share averages about 20 percent. We also recently received key Endeavor regulatory approval in China and reimbursement approval in France. Data from two long-term studies show that Endeavor is continuing to provide significant and sustained efficacy and safety performance over time, and the feasibility study is underway for our next generation drug-eluting stent, the Resolute. Medtronic filed its first Pre-Market Approval module with the U.S. Food and Drug Administration for Endeavor last October, and we expect FDA approval in the middle part of calendar 2007. The U.S. launch of Endeavor represents a significant new opportunity as we begin to compete in this \$3.5 billion market.

Spinal disorders are the focus of a broad range of Medtronic products and therapies. Back pain is the second most cited reason for visits to a healthcare professional. Each year, nearly 20 million Americans experience back pain that is severe enough to cause them to seek medical attention, and 11 million experience significant impairment of activity. As the undisputed leader in products that support spinal surgery, Medtronic is committed to providing spine surgeons with the most advanced options for treating back pain and other spinal problems. In addition to continuously improving our core products, we are further expanding our leadership in the emerging fields of minimal access spine technologies, biologics, and motion therapies.

Within our MAST family of products, which is an acronym for minimal access surgical technology, two successful product launches this year included MetRXII and Sextent II, the latter being an upgrade in the technology used to insert rods and screws in a minimally invasive way. We launched the Mystique, a cervical plate inserted in the neck to provide stabilization during certain surgical procedures. This product dissolves within the body, so the patient is not left with a permanent plate. In the area of biologics, InFuse, our proprietary bone morphogenic protein used in spinal fusion, helps the body to grow its own bone. Acceptance of this product continues to grow and InFuse is well on its way to becoming the standard-of-care. In addition to spinal surgeries, practitioners have increasingly used InFuse for trauma indications, including open tibial fractures. New motion therapy treatment options also hold great promise in addressing degenerative disc disease while maintaining greater flexibility of the spine. Medtronic's family of artificial disc products, the BRYAN® and Prestige® cervical discs, and the Maverick™ disc for the lumbar spine, currently enjoys a leading position in international markets. We expect to enter the U.S. market with all three of these products in calendar year 2007.

Medtronic is the unquestioned leader in the emerging field of restorative neuroscience. Our neurostimulation and implantable infusion systems administer precise doses of electrical stimulation, pharmaceuticals and proteins to specific sites in the brain and spinal cord. These technologies treat an array of neurological problems, including movement disorders, chronic pain and spasticity caused by neurological injury, as well as cerebral palsy and multiple sclerosis.

Last year we launched the Restore neurostimulator for the treatment of chronic pain, which affects an estimated 75 million Americans. Indicated for patients with intractable chronic pain of the trunk or limbs, neurostimulation works by blocking pain signals traveling up the spinal cord – the pain pathway – to the brain. Restore is the most powerful and longest lasting rechargeable device of its kind on the

market. This year we also launched the RestorePRIME™ Neurostimulation System, the first and only 16-electrode, non-rechargeable neurostimulator.

In order to achieve more rapid acceptance by more of the mainstream medical community, we are initiating new clinical trials to establish higher levels of class one evidence for the therapy efficacy and cost effectiveness. We are focusing on current and promising indications, including:

- Spinal cord stimulation for the treatment of chronic back and leg pain;
- Intrathecal baclofen therapy for the treatment of severe spasticity from conditions such as stroke and cerebral palsy; and,
- Deep brain stimulation for the treatment of Parkinson’s disease, epilepsy, depression and obsessive compulsive disorders.

Diabetes afflicts more than 200 million people worldwide, including about 20 million in the U.S. It is the fifth leading cause of death, and the most costly chronic medical condition, with annual healthcare expenditures exceeding \$130 billion in the U.S. alone. Today, less than 25% of people with Type 1 diabetes in the U.S. are using insulin pump therapy. As the leader in insulin pump therapy, we continue to expand our product offerings in order to help people with diabetes better control their blood glucose levels.

In addition to insulin pump therapy, continuous glucose monitoring can help patients avoid potentially dangerous high and low blood sugar fluctuations. While the average diabetes patient takes about three fingerstick readings a day, our glucose sensors record 288 fingerstick readings a day, providing nearly 100 times more information for patients. Studies have shown that more frequent glucose monitoring is associated with better blood sugar control. Real-time information allows patients to intervene more quickly to reduce the frequency and severity of glucose fluctuations that lead to short and long-term complications. The three-phase trial program around outcomes on continuous glucose monitoring and insulin pump therapy continues. Both STAR I and STAR II have been completed, and we expect results of STAR I to be published later this year. STAR III is the first trial to compare sensor augmented pump therapy to multiple daily injections. We expect to begin enrollment this quarter and have initial results by summer 2008. In April we received FDA approval and launched the Paradigm REAL-time insulin pump with continuous glucose monitoring capability. This represents a major step in the development of a fully “closed loop” system.

In the interest of time, I haven’t covered a number of other Medtronic products that treat a host of significant medical problems, such as heart valve disease, peripheral and aortic vascular disease, atrial fibrillation, unexplained syncope, hydrocephalus,

gastroparesis, incontinence, benign prostatic hyperplasia, sinus and ear infections, and Meniere's disease. We also have several navigation systems that enhance the outcomes and cost-effectiveness of surgeries.

Even though there is understandably a tremendous amount of inside and outside attention now being placed on the ICD business, you can see that Medtronic is active in some of the most important areas of medicine today. As I look across the breadth of our businesses, I'm equally encouraged by the number of new products, therapies, and future opportunities that lay before us. I also have great confidence that our current and emerging product portfolio and renewed focus on patient access and market growth will sustain our strong record of growth and financial performance well into the future. I'll now turn the program back to Art.

### **Art Collins' Closing Comments**

Thanks Bill. As I have said many times, of all our competitive strengths, the most important is our global workforce. Around the world, our 36,000 employees share a common commitment to Medtronic's Mission. They are the key to our current and future success and remain Medtronic's most valued and valuable resource. I want to again thank every employee for helping to make Medtronic a company in which we can all take great pride. Our employees' efforts were recognized when Medtronic was again selected in 2006 by Fortune magazine as one of "America's Most Admired Companies" for the ninth consecutive time, and we were ranked at the top of our industry sector. Also, last year Hewitt Associates published a survey that again identified Medtronic as one of the top ten companies in America for developing leaders. While we appreciate this type of recognition, we recognize that our leadership position must be earned every day – and we are committed to do just that.

During this past year, we remained true to our Mission of good corporate citizenship by sharing our resources. In fiscal year 2006, corporate giving, product donations and Medtronic Foundation grants approached \$50 million. These donations were supplemented by active employee involvement in numerous civic and charitable activities. Here in the Twin Cities, we recently were the lead sponsor on the critically acclaimed Body Worlds exhibition at the Science Museum of Minnesota. We also are the lead sponsor of the newly renamed Medtronic Twin Cities Marathon. Marathon events were formally kicked off in April with the Medtronic Twin Cities One Mile Run, and ongoing community activities will conclude with the marathon run on October 1<sup>st</sup>.

Even though we are proud of the accomplishments achieved during this past fiscal year, we owe it to patients, physicians and shareholders to focus on the future, not

the past. There is no question that changes taking place today in the health care environment will have a profound impact on how medical services are provided and financed in the future. We believe these changes offer significant opportunities to those who can get ahead of and adapt to the rapidly evolving new environment. Be assured that Medtronic is well positioned and we are taking proactive steps in this regard. As a leader in the medical technology industry, we intend to stay at the forefront of efforts to help shape health care policy, and we remain a strong advocate for initiatives that provide lifesaving and life-enhancing therapies to all of the people who need them.

While we recognize the future is not without challenges, we remain optimistic and confident in our ability to grow and continue to deliver on Medtronic's Mission of alleviating pain, restoring health and extending life for an increasing number of people around the world. As you have heard today, we believe Medtronic's competitive position remains strong as we continue to invest in and lead some of the most attractive markets in the medical technology industry.

I'll conclude my prepared remarks this morning by repeating the comments I made at the close of the first quarter earnings release conference call we held Tuesday afternoon. At that time, I said as we pursue our strategy of applying medical technology to meet unmet medical needs in large, attractive markets:

- We're committed to aggressively funding highly productive research and development activities to deliver innovative products that not only improve patient care, but also reduce overall costs to the health care system.
- We're committed to further improving patient access while expanding markets through clinical trials that identify new patient populations and provide additional opportunities for growth.
- We're committed to growing in established geographic markets and extending our reach to emerging markets where the demand for medical technology will accelerate as per capita income rises.
- We're committed to allocating resources within our diversified portfolio so that slower growing, but highly profitable businesses provide the fuel to leverage our faster growing franchises.
- We're committed to providing the highest level of quality in every aspect of our business while improving operating efficiency and increasing financial leverage; and finally,

- We're committed to delivering reliably strong financial results that continue to sustain top tier industry performance and that translate into attractive returns for our shareholders.

In closing, we want to again acknowledge and express appreciation for the ongoing support of Medtronic's employees, customers and shareholders.

Thank you very much.