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PRESENTATION

Operator

Welcome, everyone, to today's second-quarter 2011 Greatbatch Incorporated conference call. Before we begin, I would like to read the Safe Harbor statement. This presentation and our press release contains forward-looking statements within the meaning of the Private Security Litigation Reform Act of 1995 and involves a number of risks and uncertainties. These risks and uncertainties are described in the Company's annual report on Form 10-K. The statements are based upon Greatbatch, Incorporated's current expectations and actual results could differ materially from those stated or implied. The Company assumes no obligation to update forward-looking information included in this conference call to reflect changed assumptions and occurrences of unanticipated events or changes in future operating results, financial conditions, or prospects.

I would now like to turn the call over to today's host, Corporate Controller and Treasurer, Mr. Marco Benedetti.

Marco Benedetti - *Greatbatch Inc - Corporate Controller*

Hello, everyone. And thank you for joining us for our 2011 second-quarter earnings call. With us today are Thomas J Hook, President and Chief Executive Officer; and Thomas J Mazza, Senior Vice President and Chief Financial Officer.

In terms of today's agenda, Tom Hook will start with some brief comments regarding our second quarter results and we will then provide an update on our strategic initiatives. After that, Tom Mazza will review our financial results and guidance for 2011. We will then open up the call to Q&A. As we have done in the past, we are including slide visuals that go along with this presentation which you can access on our website at www.greatbatch.com.

With that, let me now turn the call over to our President and CEO, Tom Hook.

Thomas Hook - *Greatbatch Inc - Pres, CEO*

Thank you, Marco, and welcome to all of you who are listening to our call today. I am pleased to report that we had another solid quarter. Revenue of $146.5 million was the third-highest quarter for our Company and represented a 4% increase over the prior year. On a constant currency basis, revenue was up 1%. This increase was led by our orthopedic product line which posted 8% growth on a constant currency basis.

During the quarter, we also saw continued strength from our vascular access and Electrochem product lines which had tough comparables versus the prior year. This quarter continue to demonstrate the benefits of our diversified revenue base, especially given the challenges we are facing on the contracting cardiac rhythm management market.

Similar to sales, our operating results were also strong during the quarter as our adjusted operating income increased 3% to $18.4 million or 12.6% of sales. This growth reflects the benefit of the higher revenue during the quarter which was partially offset by higher professional and consulting costs incurred in connection with our medical device initiatives.

As expected, during the quarter we continued to make significant investment in the development of complete medical devices for our customers as outlined during our Investor Day in March. I am pleased to report that these medical device programs continue to build momentum during the quarter, and we are encouraged by the progress made in our entire portfolio. I will provide further details on our accomplishments in just a few moments.

The net result for the quarter, is that we achieved GAAP earnings of $0.36 per share which was 9% above the prior year. On an adjusted basis, earnings were $0.43 a share or 8% above the prior year. Although we remain cautious regarding the second half of 2011 due to the headwinds facing our markets and in particular with our cardiac rhythm management product line, we are nonetheless revising our 2011 guidance ranges higher to reflect our current expectations. Tom Mazza will provide additional detail on our financial performance and outlook later in this call.

I would now like to devote the remainder of my prepared remarks to reviewing the highlights on the progress we are making in implementing our 3 strategic initiatives -- growing and diversifying our revenue base, driving operating performance, and delivering innovative solutions.

With regards to our first long-term strategic initiative of growing and diversifying our revenue base, this quarter provides a good example of the benefits of this strategy. Despite a 1% decrease in our cardiac rhythm management revenue which still accounts for over half of the business, we were able to report revenue growth as a direct result of our diversification strategy. More specifically, during the quarter, we began to see tangible benefits from the significant investments we have made in our orthopedic business. Over the past several years we have invested substantial resources to expand our capabilities, reduce lead times and improve quality and on- time delivery. These investments have allowed us to gain market share, which helped drive 8% organic growth during the quarter in a market that is growing at a low single-digit pace.

We intend to continue to invest in this business to further expand our capabilities and streamline operations. This includes the previously announced construction of a state-of-the-art manufacturing facility in Allen County, Indiana, which we broke ground on during the quarter. We expect this facility to be up and running by mid 2012.

Also with regards to diversification, as mentioned earlier, both our vascular access and Electrochem product lines provided strong revenue during the quarter. Despite being down slightly versus the prior year due to tough comparables, these product lines grew 11% and 8% respectively year-to-date for 2011. These product lines continue to diversify our revenue base away from the cardiac rhythm management market and provide other avenues from which to grow over the longer term. We continue to invest in these businesses and deepen relationships with our customers.

In particular our Electrochem segment is changing the way business is conducted in the commercial battery markets. They are doing this by not only leading the way in innovative technology, but also by entering into long-term supply agreements with customers in industries where this is not the norm. During 2011 Electrochem entered into long-term agreements with several larger OEM customers. This is meaningful in that it secures a meaningful in that it secures a significant portion of Electrochem's revenue and provides us with a measure of added visibility. Further, it demonstrates the close working relationship that Electrochem has with its customers and is a testament to their commitment to quality and reliability.

Finally, with regards to growing and diversifying our revenue base, during the quarter we continued to record incremental revenue from the sale of complete medical devices. These devices broaden our product portfolio as well as our customer base and further diversify and stabilize our revenue stream. Additionally, these initiatives expand and deepen our relationship with our existing customers. Instead of just simply selling discrete components to these OEM partners, we can now offer them complete medical devices, which oftentimes are to different business units within their company. Ultimately this provides us with further diversification as well as incremental growth.

Driving operating performance is our second strategic initiative and is also a critical part of our long-term plan to create shareholder value. During the quarter we adjusted operating income, benefited from the various lean initiatives put in place over the last year which helped to offset the pricing pressure we are seeing. Going forward, we expect these pricing pressures will continue and will work to offset their impact by further leveraging our existing infrastructure and by pursuing continuous facility optimization especially within our orthopedic operations. Additionally, as a result of the consolidation and cost control initiatives completed over the past 5 years, we have a significant amount of manufacturing capacity at our existing facilities to support incremental growth as well as the launch of our medical device products. More importantly, our operational and financial leverage is providing us with strong cash generation which is being used to pay down debt and to fund our medical device initiatives.

Our last key strategic initiative is to drive growth through delivering innovative solutions. In connection with this initiative, we formally reviewed our medical device strategy and provided specific details of our pipeline at our Investor Day in March. At this point we are encouraged by the development of our entire medical device portfolio which continues to track to our expectations and build momentum. We are currently in various stages of development on over a dozen medical devices either through partnerships with our OEM customers or independently. While we do not intend to discuss each of these projects individually each quarter, we will discuss significant milestones as they occur.

As an indication of our success, during the first half of 2011 we have generated over $1 million in incremental revenue related to our medical device projects. Although the absolute revenue is still modest, we are making strong progress on all initiatives and expect this amount to continue to build meaningfully over the next several years.

Also indicative of our progress is the incredible amount of intellectual property that is being generated by our Company which is not yet reflected in our financial statements. For example, in total we currently have 48 patent applications pending and have been granted 10 patents related to our medical devices. This intellectual property holds significant value, but due to the way these assets are accounted for this value is not reflected in our balance sheet. And until we commercialize these devices, it is only reflected as expense in our operating results.

Finally, during the second quarter we continued to submit new medical devices for regulatory approval and received expanded regulatory clearance for medical devices in different geographic areas around the world as we have highlighted on slide 8. As you can tell, we are very enthusiastic about the work going on it within our Company and more specifically within the QiG group. I am pleased with our progress to date and the tremendous energy created within our Company. I am also confident that we will be successful with our medical device initiatives which will lead to higher growth and profitability in the future.

With that, let me now turn the call over to Tom Mazza for more detail review of our second quarter financial results.

Thomas Mazza - *Greatbatch, Inc. - CFO and SVP*

Thanks, Tom, and good afternoon everyone. For the call today, I am pleased to review with you our results for the second quarter beginning on slide nine.

Consolidated second quarter 2011 sales grew 4% over the prior year period to $146.5 million. Excluding the $5 million benefit of foreign currency fluctuations, revenue growth was 1%, despite a slowdown in the CRM market, and tough comparisons for our vascular access and Electrochem product lines.

Our orthopedic product line reported strong organic revenue growth and was a significant contributor to our solid second quarter results. Compared to the prior year, orthopedic revenue growth was 24% or 8% on a constant currency basis. These results reflect the benefits of our diversified revenue base as well as the investments made over the last several years to add to our capabilities and to implement our medical device strategy.

I would like to point out that foreign currency exchange rate fluctuations only impact our orthopedic product line sales. Thus, for all other product lines, the sales growth rates I am about to discuss are the same on both the reported and a constant currency basis.

Looking at our CRM and neuromodulation product line, sales for the second quarter 2011 decreased 1% compared to the prior-year period and were consistent with the sequential 2011 first quarter. During the first two quarters of 2011, CRM revenue included the benefit of our customer inventory builds and product launches, which was offset by continued pricing pressures as well as the overall slowdown in the underlying CRM market. Currently, we believe that customer inventory builds are now complete, and will not reoccur in the second half of 2011. We are anticipating that this will add additional pressure on our CRM revenue for the second half of the year in addition to the marketing and pricing headwinds we are already facing.

Second quarter 2011 sales for the vascular access product line decreased 2% to $10.8 million compared to prior-year sales of $11 million. This year's quarter faced a difficult comparison due to the benefit we realized in the prior-year second quarter from our customer inventory restocking. In comparison to the sequential 2011 first quarter, sales increased 3%. As Tom mentioned, vascular access sales for the first half of 2011 include over $1 million of medical device related sales.

Orthopedic sales up $37.9 million for the second quarter of 2011, were 24% above the comparable 2010 period. Included approximately $5 million of favorable foreign currency exchange rate fluctuations. Excluding this benefit, sales increased 8% organically over the prior-year period despite slower than expected underlying market growth. This increase occurred across all of our orthopedic product lines which benefited from customer product launches as well as from market share gains during the quarter. As Tom discussed, these market share gains are a result of our investments made over the last several years to expand capabilities, shorten lead times, and improve quality and on-time delivery. We expect orthopedic revenue to continue to benefit from these factors for the remainder of 2011 which will be partially offset by seasonal slowdowns in the third quarter.

Second quarter 2011 sales for the Electrochem business segment decreased 2% to $20.1 million compared to $20.5 million in the second quarter of 2010 which included the benefit of customer inventory restocking. Electrochem revenues reflect continuous strength in the energy and environmental markets. We currently expect Electrochem revenue for the second half of 2011 will be below the run rate for the first two quarters of this year due to seasonality in the energy market and the timing of inventory pulls by our environmental customers.

As you can see on slide 10, gross profit was $46.6 million or 31.8% percent of sales in the second quarter of 2011 compared to $45.5 million or 32.3% of sales for the comparable 2010 period. This increase in gross profit primarily resulted from the higher sales volumes just discussed. The decrease in gross profit as a percentage of sales from the prior year was primarily due to an increase in performance-based compensation, price concessions made to our larger OEM customers near the end of 2010 as well as a higher mix of lower margin orthopedic revenue, partially offset by higher production volumes and our various productivity initiatives.

Selling, general and administrative expenses increased to $17.6 million or 12% of sales for the second quarter of 2011, compared to $16.5 million or 11.7% percent of sales for the same period of 2010. SG&A expenses for the quarter were consistent with our expectations, included higher professional and consulting costs incurred in connection with our medical device initiatives, as well as the negative impact from foreign currency rate fluctuations in comparison to the prior year. We estimate that the foreign currency exchange rate fluctuations added approximately $500,000 to SG&A costs during the current quarter in comparison to last year.

Net research, development and engineering costs for the 2011 second quarter were $11.3 million and were consistent with the prior year, as we continue to invest resources in developing complete medical devices for our OEM customers. During the second quarter of 2011, we incurred $5.6 million of RD&E expenses related to the development of medical devices, including $0.6 million of design verification testing costs related to the QiG development programs for our neuromodulation platform. As you will note in our GAAP to non-GAAP reconciliations, our adjusted operating income and adjusted EPS excludes these design verification testing expenses. As previously discussed, over the long-term we expect net RD&E to be around 8.5% to 9% of sales. Currently net RD&E for the first half of 2011 was 7.3% of sales.

GAAP operating income for the second quarter of 2011 was $18.3 million compared to $17.3 million for the 2010 second quarter, representing a 6% increase. Adjusted operating income was $18.4 million or 12.6% of sales in the second quarter of 2011 compared to $17.8 million or 12.7% of sales for the comparable 2010 period. I would like to refer you to the appendix of today's presentation for a reconciliation of the adjusted amounts to GAAP.

The 2011 second quarter GAAP and adjusted effective tax rates were 33% and 33.3% respectively, compared to 35% for the same periods of 2010. The 2011 rates include the benefit of the R&D tax credit which was reinstated in the fourth quarter of 2010 and extends throughout the end of 2011. The net result of the above is that GAAP and adjusted EPS -- diluted EPS for the second quarter of 2011 were $0.36 and $0.43 per share respectively, which represents increases of 9% and 8% respectively over the prior-year period. For adjusted diluted EPS, this growth over and above the 3% growth and adjusted operating income is due to our lower tax rate for the year, as well as lower interest expense resulting from the payments we have made on our long-term debt.

Cash flow from operations for the second quarter of 2011 were $13 million compared to $23 million in 2010 period. This decrease was primarily due to the timing of cash receipts from receivables. We currently expect the cash flow from operations will continue to be used to support research and development investment, capital expenditures and to further pay down debt.

During the second quarter of 2011 we repaid $20 million of long-term debt. Additionally during the second quarter we amended our revolving credit facility at what we think are favorable terms. In addition to extending the maturities date of our revolver five years to 2016, it has also increased our volume capacity to $400 million and allows for repayment of our convertible subordinated debentures which are due in June 2013. This new agreement combined with our continuing strong cash flow generation will provide us with the financial flexibility needed to deliver on our long-term growth objectives.

With regards to our guidance, as you can see from our release today, at this time we are revising our 2011 guidance ranges provided at the beginning of the year to reflect our current expectations. With that said, we remain cautious regarding the remaining second half of 2011 due to the headwinds facing our markets, particularly within our CRM product line.

It is important to note that foreign currency exchange rate fluctuations added approximately $6 million to revenue for the first 2 quarters of 2011, comparison to 2010. It is also important to note that foreign currency rate fluctuations do not materially impact our operating income as the benefit from higher revenue levels are naturally offset by a corresponding increase in production in SGA.

In summary, during the second quarter, we again delivered strong financial performance which is enabling us to continue to execute our long-term strategy. Our medical device initiatives continue to build momentum and will drive additional growth and profitability for our Company over the long term. We enter the second half of 2011 well positioned to achieve our guidance for the year but are mindful of the challenges that the current market dynamics will present.

With that, let me turn the call back over to the moderator to take questions.

QUESTIONS AND ANSWERS

Operator

Questions will be taken in the order received. And we'll wait one moment while questions compile. And the first question comes from the line of Tom Gunderson from Piper Jaffray.

Tom Gunderson - *Piper Jaffray - Analyst*

Hi, thank you. On orthopedics, again another good quarter. You've stepped up to a higher level from the average that we saw or even the fourth quarter in 2010.

Is it fair to assume that this is a new level that you can grow from or, other than the summer seasonality, is there anything that would push this back down?

Thomas Hook - *Greatbatch Inc - Pres, CEO*

Tom, this is Tom Hook.

As you know, from our prepared comments that we've made a lot of improvements to our operating performance in orthopedics and this is pre-consolidating in our orthopedics operations that will drive more improvements. So, this is more or less a lot of daily focus at improving service to customers to drive this increase. So, as you know from our guidance at the beginning of the year we are expecting to continue to grow faster than the market in orthopedics because of those operating improvements. And you do correctly point out that there is -- as we have a significant European operation, a bit of an effect in the summer months for the shutdowns that ensue there, but that more or less is an anomaly that occurs just for the one month in the summer. And we expect that to still be the seasonality trend year-to-year. We expect to be able to grow the orthopedics product line like we had indicated at the beginning of the year at a much higher rate than the market's growing.

Tom Gunderson - *Piper Jaffray - Analyst*

Got it. Thanks for that. And then you pointed out in both first and second quarter that gross margin is somewhat impacted by the higher mix of orthopedics. Could you remind me what the gross margin is relative to the legacy products on the vascular line?

Thomas Hook - *Greatbatch Inc - Pres, CEO*

I think it is -- just in general, we'll say that the mix in ortho is lower in terms of gross margins. We don't really provide much color beyond that just general comment. But, our expectations are, as we continue the operating investments in orthopedics, drive volume, and we kick off the kind of aggressive and consolidation and integration on the manufacturing side in ortho, that we're going to have gross margins increasing in that business. Effectively we're paying back our investments.

And we also expect, while vascular is very tightly consolidated now, our big play there is to drive volume through devices. And we also expect to drive positive margins there. Improvement as well.

Tom Gunderson - *Piper Jaffray - Analyst*

Great, and then one last question and I will get back in queue.

So that we can compute EBITDA, what was -- what was DA in the quarter?

Thomas Hook - *Greatbatch Inc - Pres, CEO*

It was about $23 million.

Tom Gunderson - *Piper Jaffray - Analyst*

Great, thank you, guys.

Thomas Hook - *Greatbatch Inc - Pres, CEO*

On a year-to-date basis, sorry.

Tom Gunderson - *Piper Jaffray - Analyst*

Year-to-date, that's fine.

Operator

The next question comes from the line of Jason Mills from Canaccord.

Jim Orismiel - *Canaccord Genuity - Analyst*

Hi, this is Jim Orismiel from -- for Jason.

My first question is on the price concession that you mentioned. Can you just give us more detail about what sector they're in and whether you've had to continue giving price concessions in 2011?

Thomas Hook - *Greatbatch Inc - Pres, CEO*

Jim, our -- pretty much our practice has always been is -- in the process of working with OEM customers and locking in long-term agreements with them, which would extend 3, 5, all the way up to 7 years.

We would provide what I will call a price profile that concedes them price in exchange for committed volume.

We are going to continue the practice of providing price incentives to drive the right engagement and partnerships with customers.

And then, in turn, because we have that committed volume, we have the ability to make investments to fund productivity programs that can deliver against those -- that price metrics for our key customers. That's a trend that we've done very well in cardiac rhythm management. We've had some success doing that. As you've noted in our prepared remarks in Electrochem, in vascular and orthopedics, we have a lot of work to do in that area. We have some long-term agreements but we don't have the comprehensiveness of coverage that we desire. So going forward, in those areas we still intend to provide those price incentives to customers to lock in longer-term agreements to deepen the partnerships. And then we have more certainty to fund productivity programs, consolidations and integration that are more longer run that match up with those price incentives.

That's been a winning strategy for us, historically, and we are going to still maintain that strategy with our current customers.

Jim Orismiel - *Canaccord Genuity - Analyst*

Okay, thanks a lot.

The next question is I understand you don't want to into granular detail on all of your product initiatives, but could you tell us if there's been any significant slips or improvements in the time lines that you gave in the beginning of the year?

Thomas Hook - *Greatbatch Inc - Pres, CEO*

There is no slips, and no major pull-ins from a product standpoint. We have generated some new projects. The current projects that we highlighted at our Investor Day are on schedule. We're particularly focused on the kind of end regulatory approval time lines we do. And have kind of phased in significant time lines for our customers and ourselves through FDA and other regulatory body reviews.

But we're acutely focused on that because given what appears to be a longer time lines for both 510K and PMA reviews at the FDA, we want to make sure those milestones for the programs occur on schedule because we think we're going to have to use the buffers that we've built into these projects for extended regulatory reviews.

So, while we are still on schedule, we're conscious of the risks ahead of us and the regulatory thresholds. And we're trying to go into those thresholds with a little bit of buffer to our plans today.

Jim Orismiel - *Canaccord Genuity - Analyst*

All right, thanks a lot.

Thomas Hook - *Greatbatch Inc - Pres, CEO*

Welcome.

Operator

And the next question comes from the line of Glenn Novarro from Royal Bank of Canada.

Unidentified Participant - - *Analyst*

Yes, hi -- thank you for taking my question. This is actually Brandon on for Glenn.

In orthopedics, maybe you can discuss how you are taking share? Is the share coming from -- penetrating further with existing customers or gaining new clients?

Thomas Hook - *Greatbatch Inc - Pres, CEO*

Brandon, this is Tom Hook again. Is, really, the way I think we're taking share is what I indicated a little bit earlier, but I'll give more granularity to it, is -- after the acquisition of the orthopedic businesses and product lines that we have, we recognize the need to dramatically improve our operating performance from a manufacturing floor level.

And the operating teams have spent several years making investments in equipment, personnel and business processes to deliver more reliably and hit cost targets for customers. With those investments that we've made at the plant floor level, we've been quoting faster, more compelling with customers and we've been delivering at the quality and reliability levels that we're going to be rewarded with more business.

In the early years, you have to build your reputation to get the next opportunity. Clearly the reason why we're growing in 2011 is because we've -- in prior years have demonstrated we can do more work and more complicated projects.

The victories that we've been winning to take market share here, with orthopedic customers, are really twofold. We have been winning with our current customers, working with them to sign more comprehensive agreements and do more work. We are also winning with customers that we have never done business with before, because as our performance has improved and we've built that reputation, and we've continued to make investments in the geographic areas that they are, like Indiana. We built the design center, we've refurbished our Indianapolis facility, we've broken ground on our Indiana Allen County facility for instruments. It's has opened up opportunities for us to compete on projects as well.

When you go to the Europe side of the equation, we haven't made facility decisions yet there, but we have made equipment capability and business process improvements both in France and Switzerland. It has added in plant projects in our implant business and instrument projects with new customers in our instrument business.

And all of those together have been delivering the higher growth rate in orthopedics. It's our intention to continue on in the orthopedics to not only do that current plant for delivered operating performance, it's now to add more the consolidation and start finishing up the facilities projects investments so we can consolidate the business tighter and ramp performance even more. And that should be able to give us the next kick-up in our ability to grow in orthopedics. We see a lot of opportunities in that market with existing and new customers.

Unidentified Participant - *- Analyst*

Okay, that's helpful.

And then the second question, maybe can you discuss the magnitude of the pricing pressure you're seeing for your overall book of business?

And maybe if you can quantify just the headwind on gross margins from this pricing pressure that's implied in your current 2011 guidance? Thanks.

Thomas Hook - *Greatbatch Inc - Pres, CEO*

I'll -- from a quantity perspective, I think I'd try to objectify that. As you're looking at 1% to 2% of pricing pressure. From a qualitative perspective, I would say that pricing pressure from customers is as acute as it's ever been since I've been in the Company. And again what we look to do is with our customers is partner with them to provide the price incentives by locking in longer stretches of business either in quantity, or time or both. And then we're below that, and funding consolidation, and other productivity programs that deliver against those gains.

As they're desirous for more pricing incentives, then we are looking for a broader more comprehensive agreement to be able to deliver up against those. I expect that trend to continue and it only deepens the relationship we have with our current customers so we view it as a good thing.

Unidentified Participant - *- Analyst*

Okay, thanks.

Operator

The next question comes from the line of Stan Main from Main Family Investments.

Stan Main - *Main Family Investments - Analyst*

Hi, gentlemen.

Thomas Hook - *Greatbatch Inc - Pres, CEO*

Hey, Stan.

Stan Main - *Main Family Investments - Analyst*

I've got several questions. One on use of cash.

I noticed that our receivables and inventories together are up close to $30 million in the quarter. Can you give us a little detail on why and how many receivables -- that's a major number of days of receivable up on the wrong side. Can you please explain what is going on?

Thomas Mazza - *Greatbatch, Inc. - CFO and SVP*

Yes, Stan -- this is Tom Mazza. Yes, the receivable side, we had a significant number of sales in June. And we don't see it as a permanent thing. It's clearly a timing issue on the receivable side.

The inventory side is got -- we did build some inventory. We do have it -- some of it related to some of the product launches and some of the bills and initiatives we're currently under. But it's also significant due to we had a 10% increase in the foreign currency rate on the overseas during the quarter which impacted debt to the tune of probably about $3 million to $5 million as well.

Stan Main - *Main Family Investments - Analyst*

Okay. You expect then the receivables to come back down to normal base?

Thomas Mazza - *Greatbatch, Inc. - CFO and SVP*

Yes.

Stan Main - *Main Family Investments - Analyst*

Okay, second question. It seems to me that the use of cash, I mean, you do run such a -- an efficient operation after you buy it.

I guess, my puzzlement is why you're not looking for some -- both on acquisitions -- to kind of use the skills of the management team. And, specifically I still don't see the return on investment of $11 million per quarter. That might be better used to buy a competitor or somebody that adds to your business either dimensionally, going outside of vascular to another specialty area, and it might be a more higher return on investment.

So, I know you use a lot of words and you're greatly enthusiastic. And since I've come out of R&D, sometimes we get carried away with new projects. I'd like you to explain, why not spending our cash on trying to do some bolt-on acquisitions rather than try to open up these new areas that seem to be very slow, very costly. And I question whether we're getting return on investment. Can you -- somebody feed back to me?

Thomas Hook - *Greatbatch Inc - Pres, CEO*

Certainly, Stan. This is Tom Hook.

I definitely understand your comments with regard to uses of cash as it relates to, as you say, bolt-on acquisitions. As you know, we have partially built Greatbatch in terms of its business by doing a series of acquisitions in 2007 and 2008 to do exactly that. As you also know, we're very obviously -- busy strategically finishing up the consolidations and integrations of those acquisitions. And as those integrations and consolidations have been winding down through the orthopedics business, our cardiac rhythm management --cardiovascular as well as Electrochem work is already done there.

We are evaluating other types of investments which could include acquisitions in our growth strategy. We're not ready to talk about it yet. We're only in the consideration stage of that. Clearly, we have more certainty in terms of the debt restructuring that we did that allows us to have the funding side of that. But, right now we're acutely focused on finishing the consolidations and driving profitability and cash flows. By finishing up the orthopedic projects before we just announce or start to earnestly look at doing deals.

And the second piece is -- as you pointed out, is the RD investments are very long run. But that is the nature, somewhat, of the medical device industry. And our strategy is to kind of leverage all the core discrete component technology, as well as our manufacturing prowess that we've just finished consolidating in our primary markets and to step up and move up the food chain with our customers. And recognize that the multiple years of heavy investment that we've spent here are extremely tough, given that we have no offsetting revenues. But we're very confident that we've produced a great deal of intellectual property that does have tangible value that's not reflected on the balance sheet today. But, as we start to commercialize these products, which has already started, although it's not material, it'll continue to grow momentum and will provide the ROIC that you're talking to in your question.

Stan Main - *Main Family Investments - Analyst*

You do understand that I'm complimenting your organizational ability in adding different businesses. So all I'm saying is it seems to me that the use of cash for continuing what you've done real well might be a more efficient use of capital.

My last question is, do you see any areas of the healthcare market that are acquire -- that you could add on in your vision?

And, B, that -- here, I think you brought Zimmer's manufact -- you seem to be a better manufacturer than the large medical manufacturer. But do you see in your vision the ability to do some more of what you've done, either on a new health -- new area of medical devices or taking somebody like Medtronic or somebody and taking their manufacturing and doing what you normally do super well, which is making it much more efficient at a low cost?

Thomas Hook - *Greatbatch Inc - Pres, CEO*

I think it's a very fair question, Stan. I would say in response to that that our current strategy is very focused on the businesses we're in today.

And if we were to entertain additional investments, either at the device or potentially adding on additional product lines, there would be -- within our current markets, there's enough opportunities that fit that envelope, that we do not have to go out into new market areas to obtain that growth. So, right now we're focused on concentrating in the areas we're currently invested in. And we're not focused on entering new market opportunities, because we think we are already have a robust enough strategy to deliver growth in the segments that we're in.

Stan Main - *Main Family Investments - Analyst*

It is possible in this kind of an environment with FDA extending their timelines that you could see something that requires an immediate action?

Thomas Hook - *Greatbatch Inc - Pres, CEO*

I'm not sure I completely understand the question, Stan.

But whether we're at the device or system level or at the discrete component level, the regulatory timelines will have an equal effect to us. But when we're at the device level, clearly we have more control over the system design and the submission to be able to keep that on a timeline. And that's been one of the significant reasons why we want to move up. And it's also a significant reason why we want to stay within our areas of discipline. Because we have the operating and engineering expertise to manage that regulatory timeline that the FDA review process goes through. And so that's one of the reasons why we don't want to venture outside of that is because we don't want to get clipped in terms of not having the capability that we would need to keep those timelines tight.

Stan Main - *Main Family Investments - Analyst*

Okay, thank you.

Operator

That concludes today's questions and answer session. I would now like to turn the call back over to Marco Benedetti for any closing remarks.

Marco Benedetti - *Greatbatch Inc - Corporate Controller*

Thank you. I would like to remind you that both the audio portion of this call and the slide visuals will be archived on our website at greatbatch.com and will be accessible for 30 days.

Thank you, everyone, for joining us.

Operator

Thank you for your participation. That concludes today's conference call. You may disconnect.