GREATBATCH, INC.
Form 10-K/A
December 16, 2005

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For The Fiscal Year Ended December 31, 2004

Commission File Number 1-16137

GREATBATCH, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State of incorporation)

16-1531026
(I.R.S. employer identification no.)

9645 Wehrle Drive
Clarence, New York
14031
(Address of principal executive offices)

(716) 759-5600
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class:	Name of Each Exchange on Which Registered:
Common Stock, Par Value $.001 Per Share	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:
None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes [X] No [ ]

Aggregate market value of common stock of Wilson Greatbatch Technologies, Inc. held by nonaffiliates as of July 2, 2004, based on the last sale price of $27.13, as reported on the New York Stock Exchange: $580.0 million. Solely for the purpose of this calculation, shares held by directors and officers and 10 percent shareholders of the Registrant have been excluded. Such exclusion should not be deemed a determination by or an admission by the Registrant that these individuals are, in fact, affiliates of the Registrant.

Shares of common stock outstanding on March 11, 2005: 21,564,618

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the company's definitive Proxy Statement for its 2004 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

EXPLANATORY NOTE

Greatbatch, Inc. (the "Company") is filing this Amendment No. 1 on Form 10-K/A to amend its Form 10-K for the year ended December 31, 2004 as filed with the Securities and Exchange Commission on March 15, 2005 (the "Original Filing") to (i) revise Part I, Item 6, Item 7, Item 8, Item 9A and Part IV, Item 15 to reflect the restatement of its consolidated balance sheets as of December 31, 2004 and January 2, 2004 and its consolidated statements of cash flows for the years then ended to correct the classification of auction rate securities which were previously classified as cash and cash equivalents, to revise its consolidated statements of cash flows for the impact of changes in accounts payable related to the acquisition of property, plant and equipment and to account for a deferred tax asset related to net operating losses acquired in the Company's acquisition of NanoGram Devices Corporation in 2004 and (ii) present revised exhibits 23.1, 31.1, 31.2, 32.1 and 99.1.

Except for the amendments set forth in this Amendment No. 1, the Original Filing is not being modified or amended in any way, and the disclosures contained in the Original Filing are not being updated herein.

The Company officially changed its name to Greatbatch, Inc. from Wilson Greatbatch Technologies, Inc. during the second quarter of 2005. For purposes of this Amendment No. 1, the Company will continue be referred to as Wilson Greatbatch Technologies, Inc.

PART I

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following table provides selected financial data of our Company for the periods indicated. You should read the selected consolidated financial data set forth below in conjunction with Item 7, "Management's Discussion and Analysis of

Financial Condition and Results of Operations," and with our consolidated financial statements and related notes appearing elsewhere in this report. The consolidated statement of operations data and the consolidated balance sheet data for the periods indicated have been derived from our financial statements and related notes. The following financial information has been amended to reflect the restatements described in Note 2. Restatements to the consolidated financial statements in Item 8.

	December 31,(5)			
Years ended	2004 (4)	2003	2002 (3)	2001 (2)(6)
	(in thousands, except per share data)			
Consolidated Statement of Operations Data:				
Sales	$200,119	$216,365	$167,296	$135,575
Income (loss) before income taxes	$ 23,732	$ 33,316	$ 20,965	$ 13,778
Income (loss) per share				
Basic	$ 0.76	$ 1.10	$ 0.69	$ 0.44
Diluted	$ 0.75 (7)	$ 1.05 (7)	$ 0.68	$ 0.43
Consolidated Balance Sheet Data:				
Working capital	$134,399	$170,455	$ 40,204	$ 61,596
Total assets	$478,205	$438,243	$312,251	$283,520
Long-term obligations	$193,948	$178,994	$ 77,040	$ 61,397

(1) In August 2000, we acquired the capital stock of BEI. These amounts include the results of operations of BEI subsequent to its acquisition.

(2) In June 2001, we acquired substantially all of the assets and liabilities of Sierra. These amounts include the results of operations of Sierra subsequent to its acquisition.

(3) In July 2002, we acquired the capital stock of Globe. These amounts include the results of operations of Globe subsequent to its acquisition.

(4) In March 2004, we acquired the capital stock of NanoGram. These amounts include the results of operations of NanoGram subsequent to its acquisition.

(5) The Company's fiscal year ends on the Friday closest to December 31. For clarity of presentation, the Company describes all periods as if the year-end is December 31. Fiscal 2002 contained 53 weeks.

(6) We adopted Statement of Financial Accounting Standards (SFAS) No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB 13, and Technical Corrections, at the beginning of fiscal year 2003. Under SFAS No. 145, we are no longer allowed to classify debt extinguishments as extraordinary items in our consolidated financial statements, subject to limited exceptions. Accordingly, amounts previously classified as extraordinary related to debt extinguishments in fiscal

2001and 2000 have been reclassified as components of income (loss) before income taxes.

(7) We adopted Emerging Issues Task Force (EITF) Issue 04-08, The Effect of Contingently Convertible Instruments on Diluted Earnings Per Share, in the fourth quarter of 2004. Under EITF 04-08, we must include the effect of the conversion of our convertible subordinated notes in the calculation of diluted earnings per share using the if-converted method as long as the effect is dilutive. The impact on the full year 2003 was a $0.03 reduction in earnings per share from $1.08 to $1.05. There was no impact on the full year 2004. Diluted earnings per share for 2003 are restated to reflect the adoption of EITF 04-08.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

YOU SHOULD READ THE FOLLOWING DISCUSSION AND ANALYSIS OF OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS IN CONJUNCTION WITH OUR FINANCIAL STATEMENTS AND RELATED NOTES INCLUDED ELSEWHERE IN THIS REPORT.

The Company's consolidated financial statements have been restated as described in Note 2 -Restatements to the consolidated financial statements in Item 8, and the following discussion and analysis and related financial information contained herein have been revised to reflect the effects of the restatements.

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Our Business

We are a leading developer and manufacturer of batteries, capacitors, feedthroughs, enclosures, and other components used in implantable medical devices ("IMDs") through our Implantable Medical Components ("IMC") business. We offer technologically advanced, highly reliable and long lasting products for IMDs and enable our customers to introduce IMDs that are progressively smaller, longer lasting, more efficient and more functional. We also leverage our core

competencies in technology and manufacturing through our Electrochem Power Solutions ("EPS") business to develop and produce batteries and battery packs for commercial applications that demand high performance and reliability, including oil and gas exploration, oceanographic equipment and aerospace.

Most of the IMC products that we sell are utilized by customers in cardiac rhythm management ("CRM") devices. The CRM market comprises devices utilizing high-rate batteries and capacitors such as implantable cardioverter defibrillators ("ICDs") and cardiac resynchronization therapy with backup defibrillation devices ("CRT-D") and devices utilizing low or medium rate batteries but no capacitors (pacemakers and CRTs). All CRM devices utilize other components such as enclosures and feedthroughs, and certain CRM devices utilize electromagnetic interference ("EMI") filtering technology.

Our Customers

Our products are designed to provide reliable, long lasting solutions that meet the evolving requirements and needs of our customers and the end users of their products. Our medical customers include leading IMD manufacturers such as Guidant, St. Jude Medical, Medtronic, Biotronik, Cyberonics and the Sorin Group. A substantial part of our business is conducted with a limited number of customers. In 2004, Guidant, St. Jude Medical, and Medtronic collectively accounted for approximately 70% of our total sales. The nature and extent of our selling relationships with each CRM customer are different in terms of breadth of component products purchased, purchased product volumes, length of contractual commitment, ordering patterns, inventory management and selling prices. Our EPS customers are primarily companies involved in oil and gas exploration, military, oceanography and aerospace.

We have entered into long-term supply agreements with some of our customers. For each of our products, we recognize revenue when the products are shipped and title passes.

Our CEO's View

At the end of 2003 and the beginning of 2004, we gathered the relevant data and information on which to base our business forecast. Much of what constitutes the bulk of the forecasting process relates to communications with customers as well as our knowledge of historic and current industry trends. The forecasting process is inexact with some significant factors either unknown to us or out of our control. This was certainly the case in 2004 when the decision and sudden actions of a significant customer adversely affected our sales and our earnings. While a few isolated incidents did affect the 2004 results, it is also true that there were other more systemic contributing factors. Concentration of risk, with relatively few customers serving vertical markets, increased competition and price pressures all played a role and these factors are expected to continue into the future. This overview will detail our reactions to all of these influences and provide a summary of how we are addressing each one of these contributing factors.

Concentration of Risk - We will be launching new products in 2005, and will also be providing important new services to expand our business with existing customers. We are also nurturing opportunities to work with new

customers on development programs for components for totally new interventional cardiac rhythm therapies.

Increased Competition - We have been the premier supplier of CRM device power in the form of batteries and capacitors. We have expanded that business to also include components that make up the vast majority of those found in a typical pacemaker and defibrillator. Device feedthrough components, EMI filters, hybrid molded header assemblies and enclosures are all part of our product line. Our current product portfolio offers leading technology in power sources and tantalum capacitors, and provides the opportunity for "bundling" these products with our new assembly capabilities to provide "single source solutions."

Price Pressures - Technology leadership in a vacuum will not ensure success. Technology, no matter how advanced, must be priced to present the best value package to the customer. To that end we continue to implement sweeping changes in our facilities and processes. The execution of our Pre-Production Quality Assurance process ("PPQA"), with defined stage gates driven by strict adherence to Six-Sigma criteria ("Six Sigma" is a Motorola trademark), will speed the new product development process and add significant efficiencies to mature product production. Six Sigma is a quality methodology for eliminating defects in any process. The fundamental objective of the Six Sigma methodology is the implementation of a measurement-based strategy that focuses on process improvement and variation reduction. Along with these initiatives, we are excited to be commissioning two new manufacturing facilities that will provide enhanced capability for cost reduction. As part of our continuing efforts to improve our cost structure and manufacturing efficiencies, we will be undertaking two consolidation efforts in 2005. The first will be the consolidation of our capacitor and medical battery manufacturing operations into our newly constructed advanced power source manufacturing facility in Alden, NY. Also, we will be consolidating the work conducted at our Carson City, NV plant into the newly constructed Tijuana, Mexico value-add assembly facility. We believe we will then be well positioned to offer "best value" pricing to the market.

Foundation for the Future - It is important to recognize that these processes and initiatives were started over the past few years as part of our broader strategic plan. They are the drivers at the very core of our strategy, which is to be the supplier of the highest quality, most technologically advanced and cost effective solutions for the industries we serve. This will certainly raise the expectations of a vital and growing industry and at the same time raise the bar for our competition.

In the near term however, in reaction to the unexpected reduction in sales during 2004, we began the difficult process of reducing our workforce to align our costs with our anticipated revenue for the year. It is vital to understand that this realignment was totally motivated and implemented after careful consideration on how to best achieve our already established near and long-term strategic goals. The flip side to the disappointing news is confirmation that the vast majority of our customers not only met, but actually exceeded our internal projections for sales growth in 2004.

In 2004 (and continuing into 2005), we witnessed an unprecedented flow of new products through the pipeline. One near term catalyst for growth is the introduction of our Q-Series medical batteries. Initially they will be available

in two configurations - QHR (High Rate) and QMR (Medium Rate). These batteries hold the promise of unparalleled performance in a wide range of implantable device and neurostimulation applications and allow our customers to incorporate advanced power-hungry features into these devices. While companies typically announce new products that have modest improvements in form and/or function regularly, the Q-Series firmly establishes a new industry standard. It delivers advanced performance criteria to an industry that historically embraces new products. We believe the Q-Series will represent a major breakthrough by combining a smaller size with greater energy density (more power).

New products, as well as enhancements to existing products, were a big part of our story in 2004, and will continue to gain momentum and have positive impact in 2005 and beyond. In addition, 2004 was witness to still another watershed event that marks a unique achievement in our corporate history. In 2004 we entered into an agreement with Medtronic to provide device sub-assembly services. It allows us to add value beyond our traditional role as a provider of discrete components, while providing opportunities for cross-selling and "bundling" products and services. While at present we are working with Medtronic in this arena and are focused on CRM and neurostimulator assemblies, we feel confident in and are aggressively pursuing our options for similar agreements with other customers and products.

Our work with nanotechnology driven products demonstrates real potential for generating still more "milestone products" serving the CRM device market. The investment WGT made in acquiring proprietary nanotechnology in 2004 is expected to provide a springboard for the next major design/manufacturing/performance revolution in batteries and related products. As the word implies, "nano" unlocks the promise of smaller size, but just as significant it offers potential for enhanced product performance and manufacturability. Additionally, nano applications are not limited to batteries.

Our Critical Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States ("GAAP") requires management to make estimates and assumptions that affect reported amounts and related disclosures. The methods, estimates and judgments we use in applying our accounting policies have a significant impact on the results we report in our financial statements. Management considers an accounting estimate to be critical if:

- It requires assumptions to be made that were uncertain at the time the estimate was made; and

- Changes in the estimate or different estimates that could have been selected could have a material impact on our consolidated results of operations, financial position, or cash flows.

Our most critical accounting estimates are described below. We also have other policies that we consider key accounting policies, such as our policies for revenue recognition; however, these policies do not meet the definition of critical accounting estimates, because they do not generally require us to make estimates or judgments that are difficult or subjective.

Balance Sheet Caption / Nature of Critical Estimate Item	Assumptions / Approach Used	Effec Assum
Inventories Inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.	Inventory standard costing requires complex calculations that include assumptions for overhead absorption, scrap and sample calculations, manufacturing yield estimates and the determination of which costs are capitalizable. The valuation of inventory requires us to estimate obsolete or excess inventory as well as inventory that is not of saleable quality.	Varia mater our d produ deman manuf could addit would gross
Goodwill and other indefinite lived lived assets Goodwill is initially recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. Other indefinite lived assets such as trademark & names are considered unamortizing intangible assets as they are expected to generate cash flows indefinitely. These assets are subject to the estimation risks related to the purchase price allocation conducted at acquisition.	We perform an annual review, or more frequently if indicators of potential impairment exist, to determine if the recorded goodwill and other indefinite lived assets are impaired. We assess these assets for impairment by comparing the fair value of the reporting units to their carrying value to determine if there is potential impairment. If the fair value of a reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the implied fair value of the goodwill within the reporting unit is less than its carrying value. Fair values for goodwill are determined based on discounted cash flows, market multiples or appraised values as appropriate.	We ma assum deter cash indef estim sales capit indic Signi estim creat eithe
Long-lived assets Property, plant and equipment, definite-lived intangible assets, and other long-lived assets are carried at cost. This cost is charged to depreciation or amortization expense over the estimated life of the operating assets primarily using straight-line rates. Long-lived assets acquired through acquisition are subject to the estimation risks related to the initial purchase price allocation.	We assess the impairment of long-lived assets when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Factors that we consider in deciding when to perform an impairment review include significant under-performance of a business or product line in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in our use of the assets. Recoverability potential is measured by comparing the carrying amount of the asset to the related total future undiscounted cash flows. If an asset's carrying value is not recoverable through related cash flows, the asset is considered to be impaired. Impairment is future sales. Also, as we make measured by comparing the asset's carrying amount manufacturing process conversions and to its fair value, based	Estim asset signi Event in ca affec relat chang could assum reali in op amoun charg

	on the best information other factory planning decisions, we available, including market prices or discounted must make subjective judgments cash flow analysis. When it is determined that regarding the remaining useful lives useful lives of assets are shorter than originally of assets, primarily manufacturing estimated, and there are sufficient cash flows to equipment and building improvements. support the carrying value of the assets, we accelerate the rate of depreciation in order to fully depreciate the assets over their new shorter useful lives.	

Balance Sheet Caption / Nature of Critical Estimate Item	Assumptions / Approach Used	Effec Assum
Provision for Income Taxes In accordance with the liability method of accounting for income taxes specified in Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, the provision for income taxes is the sum of income taxes both currently payable and deferred. The changes in deferred tax assets and liabilities are determined based upon the changes in differences between the basis of assets and liabilities for financial reporting purposes and the basis of assets and liabilities as measured by the enacted tax rates that management estimates will be in effect when the differences reverse.	In relation to recording the provision for income taxes, management must estimate the future tax rates applicable to the reversal of tax differences, make certain assumptions regarding whether tax differences are permanent or temporary and the related time of expected reversal. Also, estimates are made as to whether taxable operating income in future periods will be sufficient to fully recognize any gross deferred tax assets. If recovery is not likely, we must increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be recoverable. Alternatively, we may make estimates about the potential usage of deferred tax assets that decrease our valuation allowances. As of December 31, 2004, the Company has recorded a valuation allowance of $2.7 million against potential non-utilizable deferred tax assets. In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes will be due. If we ultimately determine that payment of these amounts is unnecessary, we reverse	Chang mater assum taxes and t valua liabi incom signi incom reali asset $3.6 on ou in th incre by $2 earni share 2004.

the liability and recognize a tax benefit during the period in which we determine that the liability is no longer necessary. We record an additional charge in our provision for taxes in the period in which we determine that the recorded tax liability is less than we expect the ultimate assessment to be.

Our Financial Results

RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The commentary that follows should be read in conjunction with our consolidated financial statements and related notes.

We utilize a fifty-two, fifty-three week fiscal year ending on the Friday nearest December 31st. For clarity of presentation, the Company describes all periods as if the year-end is December 31st. Fiscal 2002 included 53 weeks.

Results of Operations In thousands, except per share data	Year ended December 31, 2004	 2003	 2002	2004 - 2003 $Change	 % Change	200 $Chang
IMC						
ICD batteries	$35,646	$41,494	$28,518	$(5,848)	-14%	$12,97
Pacemaker and other batteries	19,494	24,578	21,692	(5,084)	-21%	2,88
ICD capacitors	21,981	31,668	24,679	(9,687)	-31%	6,98
Feedthroughs	47,387	48,257	36,378	(870)	-2%	11,87
Enclosures	21,709	24,742	10,845	(3,033)	-12%	13,89
Other	26,438	19,482	19,789	6,956	36%	(30
Total IMC	172,655	190,221	141,901	(17,566)	-9%	48,32
EPS	27,464	26,144	25,395	1,320	5%	74
Total sales	200,119	216,365	167,296	(16,246)	-8%	49,06
Cost of sales	119,397	126,537	96,398	(7,140)	-6%	30,13
Gross profit	80,722	89,828	70,898	(9,106)	-10%	18,93
Gross margin	40.3%	41.5%	42.4%		-1.2%	
Selling, general, and administrative expenses ("SG&A")	26,719	30,384	24,369	(3,665)	-12%	6,01
SG&A as a % of sales	13.4%	14.0%	14.6%		-0.7%	
Research, development and engineering costs, net ("RD&E")	18,476	16,991	14,440	1,485	9%	2,55
RD&E as a % of sales	9.2%	7.9%	8.6%		1.4%	
Intangible amortization	4,002	3,217	3,702	785	24%	(48
Other operating expense	4,585	1,036	2,481	3,549	343%	(1,44

Operating income	26,940	38,200	25,906	(11,260)	-29%	12,29
Operating margin	13.5%	17.7%	15.5%		-4.2%	
Interest expense	4,535	4,101	3,752	434	11%	34
Interest income	(1,235)	(702)	(442)	(533)	76%	(26
Other (income) expense, net	(92)	1,485	1,631	(1,577)	-106%	(14
Provision for income taxes	7,475	10,028	6,604	(2,553)	-25%	3,42
Effective tax rate	31.5%	30.1%	31.5%		1.4%	
Net income	$16,257	$23,288	$14,361	$(7,031)	-30%	$ 8,92
Net margin	8.1%	10.8%	8.6%		-2.6%	
Diluted earnings per share	$ 0.75	$ 1.05	$ 0.68	$ (0.30)	-29%	$ 0.3

FISCAL 2004 COMPARED WITH FISCAL 2003

Sales

IMC. The nature and extent of our selling relationship with each CRM customer is different in terms of component products purchased, selling prices, product volumes, ordering patterns and inventory management. We have pricing arrangements with our customers that many times do not specify minimum order quantities. Our visibility to customer ordering patterns is over a relatively short period of time. Our customers may have inventory management programs and alternate supply arrangements of which we are unaware. Additionally, the relative market share among the CRM device manufacturers changes periodically. Consequently, these and other factors can significantly impact our sales in any given period.

Volume accounted for approximately 7% of the 9% decrease in IMC sales, primarily due to lower demand by a major customer for wet tantalum capacitors. Total sales to this customer declined by $27.0 million in comparison to 2003. Sales to other customers increased by 11% over 2003. The balance of the decrease (2%) was attributable to lower selling prices. We believe that pricing pressures will continue into the near future. The decrease in volume of batteries and capacitors was partially offset by increased volume of other IMC products, primarily coated components. The overall markets for CRM and Neuro are expected to experience double-digit growth for the next three to five years.

EPS. Similar to IMC customers, we have pricing arrangements with our customers that many times do not specify minimum quantities. Our visibility to customer ordering patterns is over a relatively short period of time. The 5% increase in EPS sales is due to volume, resulting from increased demand in the oil and gas market both domestically and internationally.

Gross profit

The 120 basis point decrease in gross margin was primarily due to the following factors:

a. Lower IMC selling prices: 200 basis points; and
b. Increased period costs resulting from excess capacity at our wet tantalum capacitor manufacturing plant: 100 basis points.
c. Savings instituted during the year: (180) basis points, primarily scrap reductions.

SG&A expenses

The realignment of management resources resulted in a $3.4 million reduction in allocated costs to SG&A. Expenses also decreased as a result of cost savings initiatives instituted mid-year including incentive compensation reductions of approximately $1.0 million. These savings were partially offset by costs of approximately $1.0 million associated with Sarbanes-Oxley compliance. The remaining $0.3 million of expenses were comprised of individually insignificant items.

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RD&E expenses

Expenses prior to reimbursements increased by $4.4 million. The main causes of this increase include additional costs related to the Chief Technology Officer position ($.9 million), additional development project expenses ($1.3 million) and the balance was primarily due to the acquisition of NanoGram in March 2004. These costs were offset by an increase in development efforts for projects where the company is reimbursed for achieving certain development milestones. The increase in reimbursements amounted to approximately $3.0 million. We expect to maintain our spending on RD&E at a level that will support the new technologies demanded by the customers we serve.

Amortization expense

The increase primarily reflects the impact of the additional intangible amortization resulting from the NanoGram acquisition. The amortization of the NanoGram intangibles amounts to approximately $1.1 million in 2004. There was also a $0.2 million reduction in expense as certain definite lived intangibles were fully amortized during 2003.

Other operating expense

The 2004 amount comprised the following:

a. $2.0 million associated with patents acquired in the second quarter. These patents cover how capacitors are used in an ICD. Although management believes the patents could have been successfully challenged in court proceedings, a decision was made to acquire the patents and remove this as a potential obstacle for existing customers to more fully adopt wet tantalum technology and for potential customers to initially adopt the technology;
b. $0.8 million related to severance cost from a 7% mid-year reduction in workforce;
c. $0.9 million related to costs associated with the start-up of Tijuana facility; and
d. $0.8 million primarily related to various asset disposals.

Interest expense and interest income

Interest expense increased due to the addition of $90.0 million in interest-bearing debt in May of 2003 resulting from the issuance of the convertible subordinated notes.

Interest income increased as the issuance of the convertible subordinated notes provided additional funds that are being invested on a short-term basis.

Provision for income taxes

Our effective tax rate increased primarily due to the recording of a valuation allowance against certain New York State deferred tax assets. Based on managements' review, after considering both the positive and negative support, it was determined that certain tax assets primarily investment tax credits and employees incentive credits were not considered to be more likely than not to be realized. The tax provision increase related to the valuation allowance was $2.2 million.

Our effective tax rate is below the United States statutory rate primarily as a result of federal and state tax credits (3.3%), and the Extraterritorial Income Exclusion ("ETI") for 2004 of (4.2%). The American Jobs Creation Act of 2004 (P.L. 108-357) ("the Act") signed into law on October 22, 2004 repeals the ETI after December 31, 2004, and creates new tax incentives for a broad spectrum of taxpayers. We have not completed a full assessment on how this law change will impact the Company due to the potential changes in our manufacturing locations.

FISCAL 2003 COMPARED WITH FISCAL 2002

The increase in total sales for 2003 included a full year of sales of Globe, which we acquired in July 2002. The Globe acquisition added $14.0 million, $3.7 million, and $1.8 million to sales, gross profit, and operating expenses respectively in 2003 compared to 2002.

Sales

IMC. The sales growth for IMC was led by sales of ICD batteries reflecting the strength of this market. In addition, capacitor and components sales increased substantially over last year. Substantially all of the sales changes during 2003 were attributable to volume and sales mix. Looking at our overall sales mix, CRM product sales increased over 2002 and represented 83% of our overall product mix, up from 80% in 2002.

EPS. Commercial sales increased modestly from a slight rise in volume of orders from oil and gas customers.

Gross profit

The following factors contributed to an approximately a 310 basis point decline in the gross margin between 2003 and 2002:

a. Consolidation of EPS plants: 50 basis points;
b. Start-up costs from lean manufacturing: 50 basis points;
c. Inclusion of enclosure products: 100 basis points;
d. Hiring of new plant management personnel: 40 basis points; and
e. Changes in selling prices for certain medical components: 70 basis points.

SG&A expenses

Expenses increased in absolute dollars, but declined as a percent of sales due to improved operating leverage. The $6.0 million increase in SG&A was comprised of the following factors:

a. Incentive compensation and profit sharing expense: $1.0 million;
b. Incremental senior management related expenses: $2.0 million;
c. Corporate spending for information technology: $2.0 million; and
d. All other SG&A comprised of individually insignificant items: $1.0 million.

RD&E expenses

Expenses increased in absolute dollars, but decreased as a percent of sales as sales growth outpaced spending. The increase in RD&E was comprised primarily of the $1.8 million of expenses for the development of our QHR high rate battery product.

Amortization expense

The reduction in intangible amortization reflects the impact of the sale of certain intangible assets of the ceramic capacitor product line that was part of the Sierra-KD components acquisition in 2003. In addition, one of the patent licenses for wet tantalum capacitors was fully amortized during 2002.

Other operating expense

The 2003 amount is primarily attributable to the write-down of a manufacturing facility that became available for sale as the result of a decision to purchase an additional manufacturing facility in New York.

Interest expense and interest income

Interest expense was lower and interest income was higher primarily due to the issuance of the $170.0 million convertible subordinated notes in May 2003. These securities allowed for the outstanding line of credit to be fully replaced at a lower rate of interest and additional funds to be invested on a short-term basis.

Provision for income taxes

Our effective tax rate declined primarily as a result of increased research and development credits, as well as the benefits of state tax planning strategies. The impact of the lower effective tax rate during 2003 was approximately $0.5 million.

The ETI provided approximately $1.0 million of tax benefit in 2003.

Liquidity and Capital Resources

Our principal sources of liquidity are our operating cash flow combined with our working capital of $134.4 million at December 31, 2004 and our unused $20 million credit line with our lending syndicate. Historically we have generated cash from operations sufficient to meet our capital expenditure and debt service needs, other than for acquisitions. At December 31, 2004, our current ratio was 5.8:1, so short-term liquidity is not a concern to management at this time.

The Company regularly engages in discussions relating to potential acquisitions and may announce an acquisition transaction at any time. However, no active negotiations are presently being conducted.

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Operating activities

In all years presented significant positive cash flows from operating activities were achieved. Net cash provided by operating activities exceeded the combination of net income, depreciation and amortization due to the favorable cash flow impact of deferred taxes. Over the three-year period, changes in operating assets and liabilities amounted to a net use of cash of approximately

$6.4 million.

Investing activities

Capital spending of $36.7 million in 2004 was significantly higher than historical expenditure levels. The majority of the current year spending was for the following:

a. New medical power manufacturing plant in Alden, NY ($20.4 million);
b. Oracle ERP system ($5.0 million); and
c. New assembly plant in Tijuana, Mexico ($4.6 million).

In comparison, we spent $12.5 million in 2003, which was primarily related to normal maintenance capital.

In March 2004, we purchased NanoGram for approximately $45.7 million. The most significant elements of the purchase price allocation were to patented and unpatented technology and goodwill. NanoGram has a strong intellectual property position around the laser pyrolysis process and accordingly a significant allocation was made to these assets. The cost will be amortized over the remaining estimated useful life of 11.5 years. For 2004 the amortization expense was approximately $0.1 million per month. The residual amount of the allocation of $33.4 million went to goodwill, which is not amortized but rather subject to periodic testing for impairment. Pursuant to the valuation we obtained, the status of the NanoGram technology was sufficiently advanced such that technical feasibility requirements were met at the acquisition date; consequently, no in-process R&D charge was recorded. The Company determined that it could utilize $5.0 of gross carryforward net operating losses that were acquired as part of the acquisition but were not recorded on the opening balance sheet. The Company's consolidated balance sheet has been restated to reflect the additional $1.7 million deferred tax asset.

NanoGram was a materials research and development company focused on developing nanoscale materials for use in various battery and potentially other medical device applications. The primary purpose of this acquisition is to provide us with additional intellectual property as well as additional research and development capabilities. NanoGram is now referred to as our Advanced Research Laboratory. Since the primary function of this operation is research and development, all costs are appropriately classified in that category. No sales revenue was attributable to this acquisition in 2004.

In 2002, approximately $47.1 million was spent related to the acquisition of Globe. Globe was a manufacturer of precision titanium enclosures for IMDs. Globe was acquired to further broaden our product offerings to include enclosures.

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Approximately $50.0 million of short-term investments were converted to cash during the year, net of purchases.

Financing activities

During 2003, we successfully completed a $170.0 million convertible subordinated notes offering. The proceeds of this offering were utilized to repay $85.0 million in long-term debt that was previously outstanding.

Capital Structure

At December 31, 2004, our capital structure consisted primarily of $170.0 million of convertible subordinated notes and our 21.4 million shares of common stock outstanding. We have in excess of $92.0 million in cash, cash equivalents and short-term investments and are in a position to facilitate future acquisitions if necessary. We are also authorized to issue 100 million shares of common stock and 100 million shares of preferred stock. The market value of our outstanding common stock since our IPO has exceeded our book value and the average daily trading volume of our common stock has also increased; accordingly, we believe that if needed we can access public markets to sell additional common or preferred stock assuming conditions are appropriate.

Our capital structure allows us to support our internal growth and provides liquidity for corporate development initiatives. The current expectation for 2005 is that capital spending is expected to be in the range of $30.0 million to $35.0 million, primarily due to the build-out of the advanced manufacturing facility ($11.0 million), our value-add assembly plant ($10.0 million), and normal maintenance capital expenditures.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements within the meaning of Item 303(a)(4) of Regulation S-K.

Litigation

We are a party to various legal actions arising in the normal course of business. While we do not believe that the ultimate resolution of any such pending activities will have a material adverse effect on our consolidated results of operations, financial position, or cash flows, litigation is subject to inherent uncertainties. If an unfavorable ruling were to occur, there exists the possibility of a material adverse impact in the period in which the ruling occurs.

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Contractual Obligations

The following table summarizes our significant contractual obligations at December 31, 2004, and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

CONTRACTUAL OBLIGATIONS	Total	Less than 1 year	1-3 years	3-5 years	Mor 5
Long-Term Debt Obligations (a):					
Convertible Debentures	$ 170,000	$ -	$ -	$ -	$ 1
Capital Lease Obligations	1,652	1,000	652	-	
Operating Lease Obligations (b)	11,466	2,350	3,651	2,652	
Purchase Obligations (c)	10,051	10,051	-	-	
Total	$ 193,169	$ 13,401	$ 4,303	$ 2,652	$ 1

(a) The current portion of these liabilities is included. Amounts do not include imputed interest. The annual interest expense on the convertible debentures is 2.25%, or $3.8 million. See Note 10 - Debt of the Notes to the Consolidated Financial Statements in this Form 10-K/A for additional information about our long-term obligations.

(b) See Note 17 - Commitments and Contingencies of the Notes to the

Consolidated Financial Statements in this Form 10-K/A for additional information about our operating lease obligations.

(c) Purchase orders or contracts for the purchase of raw materials and other goods and services are not included in the table above. For the purposes of this table, contractual obligations for purchase of goods or services are defined as agreements that are enforceable and legally binding on the Company and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Our purchase orders are normally based on our current manufacturing needs and are fulfilled by our vendors within short time horizons. We enter into blanket orders with vendors that have preferred pricing and terms, however these orders are normally cancelable by us without penalty. We do not have significant agreements for the purchase of raw materials or other goods specifying minimum quantities or set prices that exceed our expected requirements in the short-term. We also enter into contracts for outsourced services; however, the obligations under these contracts were not significant and the contracts generally contain clauses allowing for cancellation without significant penalty. During 2004, the Company commenced the build out of its medical battery and capacitor manufacturing facility in Alden, NY and its value-add manufacturing facility in Tijuana, Mexico. These facilities will enable the Company to further consolidate its operations and implement state of the art manufacturing capabilities at both locations. The contractual obligations for construction of these facilities are $10.0 million and will be financed by existing, or internally generated cash.

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Inflation

We do not believe that inflation has had a significant effect on our operations.

Impact of Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), Share-Based Payment (SFAS No. 123(R). This statement is a revision of SFAS 123, Accounting for Stock-Based Compensation, and supercedes APB Opinion No. 25, Accounting for Stock Issued to Employees. SFAS 123(R) requires the measurement of the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost will be recognized over the period during which an employee is required to provide service in exchange for the award, or over the period that a performance measure is expected to be met. We will adopt SFAS 123(R) on July 2, 2005, requiring compensation cost to be recorded as expense for the portion of the outstanding unvested awards, based on the grant-date fair value of those awards calculated using the Black-Scholes option pricing model currently used under SFAS 123 for proforma disclosures. Based on unvested options currently outstanding, the effect of adopting SFAS 123(R) will reduce our net income by approximately $1.4 million in the second half of 2005.

In November 2004, the FASB issued SFAS No. 151, Inventory Costs, an amendment of ARB No. 43, Chapter 4 (SFAS No. 151). SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, handling costs and wasted material (spoilage). Among other provisions, the new rule requires that such items be recognized as current-period charges, regardless of whether they meet the criterion of "so abnormal" as stated in ARB No. 43. SFAS No. 151 is effective for fiscal years beginning after June 15, 2005. We do not expect that adoption of SFAS No. 151 will have a material effect on its consolidated financial position, consolidated results of operations, or liquidity.

Subsequent Events

On February 23, 2005 we announced our intent to consolidate our medical capacitor manufacturing operations, currently in Cheektowaga, NY, and the implantable medical battery manufacturing operations, currently in Clarence, NY, into the advanced power source manufacturing facility in Alden, NY. We will also consolidate the capacitor research, development and engineering operations from the Cheektowaga, NY, facility into the existing implantable medical battery research, development, and engineering operations in Clarence, NY.

The total cost estimated for these consolidation efforts is anticipated to be between $3.5 and $4.0 million. We expect to incur this additional expense over the next four fiscal quarters. The major categories of costs to be incurred, which will primarily be cash expenditures, include the following:

- Production inefficiencies and revalidation - $1.5 to $1.7 million;

- Training - $0.6 to $0.7 million;
- Moving and facility closures - $0.9 million to $1.0 million; and
- Infrastructure - $0.5 to $0.6 million

On March 7, 2005 we announced our intent to close the Carson City, NV facility and consolidate the work performed at Carson City into the Tijuana, Mexico facility.

The total estimated cost for this facility consolidation plan is anticipated to be between $4.5 million and $5.4 million. We expect to incur this additional cost over the next four fiscal quarters. The major categories of costs to be incurred include the following:

- Costs related to the shut-down of the Carson City facility:
  a. Severance and retention - $1.4 to $1.6 million;
  b. Accelerated depreciation - $0.5 to $0.6 million; and
  c. Other - $0.6 to $0.7 million

- Costs related to the move and consolidation of work into Tijuana:
  a. Production inefficiencies and revalidation - $0.4 to $0.5 million;
  b. Relocation and moving expenses - $0.3 to $0.5 million;
  c. Personnel costs (including travel, training and duplicate wages) - $1.0 to $1.1 million; and
  d. Other - $0.3 to $0.4 million

All categories of costs are considered to be future cash expenditures, except accelerated depreciation.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk.

Under our existing line of credit any borrowings bear interest at fluctuating market rates. At December 31, 2004, we did not have any borrowings outstanding under our line of credit and thus no interest rate sensitive financial instruments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements of our Company and report of independent registered public accounting firm thereon are set forth below.

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheet as of December 31, 2004 and 2003 (As restated).

Consolidated Statement of Operations for the years ended December 31, 2004, 2003 and 2002.

Consolidated Statement of Cash Flows for the years ended December 31, 2004, 2003 and 2002 (As restated).

Consolidated Statement of Stockholders' Equity for the years ended December 31, 2004, 2003 and 2002.

Notes to Consolidated Financial Statements (As restated).

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Greatbatch, Inc. (formerly named Wilson Greatbatch Technologies, Inc.)
Clarence, NY

We have audited the accompanying consolidated balance sheet of Greatbatch, Inc., formerly named Wilson Greatbatch Technologies, Inc., and subsidiaries (the "Company") as of December 31, 2004 and January 2, 2004, and the related consolidated statement of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. Our audits also included the financial statement schedule listed in the Index at Item 15(a) (2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and January 2, 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2005 (December 16, 2005 as to the effect of the material weakness described in Management's Report on Internal Control Over Financial Reporting (as revised)) expresses an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an adverse opinion on the effectiveness of the Company's internal control over financial reporting.

As discussed in Note 2, the accompanying consolidated financial statements have been restated.

/s/ DELOITTE & TOUCHE LLP

Buffalo, NY

March 15, 2005
(December 16, 2005 as to the effects of the restatement discussed in Note 2)

WILSON GREATBATCH TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEET
(In thousands)

ASSETS	December 31, 2004 (1)	December 31, 2003 (1)
Current assets:		
Cash and cash equivalents	$ 34,795	$ 23,960
Short-term investments	57,437	107,085
Accounts receivable, net	24,288	23,726
Inventories	34,027	28,598
Prepaid expenses and other current assets	1,037	3,591
Refundable income taxes	3,673	583
Deferred income taxes	3,622	3,163
Asset available for sale	3,600	3,658
Total current assets	162,479	194,364
Property, plant, and equipment, net	92,210	63,735
Intangible assets, net	63,984	51,441
Goodwill	155,039	119,521
Deferred income taxes	-	2,896
Other assets	4,493	6,286
Total assets	$478,205	$438,243
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 8,971	$ 4,091

Accrued expenses and other current liabilities	18,109	18,968
Current portion of long-term debt	1,000	850
Total current liabilities	28,080	23,909
Long-term debt, net of current portion	652	928
Convertible subordinated notes	170,000	170,000
Deferred income taxes	23,296	7,251
Other long-term liabilities	-	815
Total liabilities	222,028	202,903
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Preferred stock	-	-
Common stock	21	21
Additional paid-in capital	212,131	207,969
Deferred stock-based compensation	(833)	(1,185)
Treasury stock, at cost	(95)	(179)
Retained earnings	44,971	28,714
Accumulated other comprehensive income	(18)	-
Total stockholders' equity	256,177	235,340
Total liabilities and stockholders' equity	$478,205	$438,243

(1) As restated, see Note 2.

The accompanying notes are an integral part of these consolidated financial statements

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WILSON GREATBATCH TECHNOLOGIES, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands except per share amounts)

	Year Ended December 31, 2004	2003	2002
Sales	$200,119	$216,365	$167,296
Cost of sales	119,397	126,537	96,398
Gross profit	80,722	89,828	70,898
Selling, general and administrative expenses	26,719	30,384	24,369
Research, development and engineering costs, net	18,476	16,991	14,440
Amortization of intangible assets	4,002	3,217	3,702
Other operating expense, net	4,585	1,036	2,481
Operating income	26,940	38,200	25,906
Interest expense	4,535	4,101	3,752
Interest income	(1,235)	(702)	(442)
Other (income) expense, net	(92)	1,485	1,631
Income before income taxes	23,732	33,316	20,965
Provision for income taxes	7,475	10,028	6,604

Net income	$ 16,257	$ 23,288	$ 14,361
Earnings per share:			
Basic	$ 0.76	$ 1.10	$ 0.69
Diluted	$ 0.75	$ 1.05	$ 0.68
Weighted average shares outstanding:			
Basic	21,358	21,149	20,941
Diluted	25,759	24,026	21,227

The accompanying notes are an integral part of these consolidated financial statements

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WILSON GREATBATCH TECHNOLOGIES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2004 (1)	2003 (1)	2002 (1)
Cash flows from operating activities:			
Net income	$16,257	$23,288	$14,361
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	14,835	13,179	12,100
Stock-based compensation	3,312	3,306	3,667
Early extinguishment of debt	-	1,487	-
Write-off of noncompete agreement	-	-	1,723
Write-off of investment in unrelated company	-	-	1,547
Deferred income taxes	12,203	4,578	3,765
Loss on disposal of assets	1,177	1,036	758
Changes in operating assets and liabilities:			
Accounts receivable	(563)	(4,416)	(379)
Inventories	(5,429)	5,822	(2,752)
Prepaid expenses and other current assets	2,780	2,335	(1,450)
Accounts payable	3,057	(1,064)	(2,118)
Accrued expenses and other current liabilities	(1,149)	5,797	(2,972)
Income taxes	(3,020)	24	(873)
Net cash provided by operating activities	43,460	55,372	27,377
Cash flows from investing activities:			
Short-term investments			
Purchases	(175,089)	(190,730)	-
Proceeds from dispositions	224,737	83,645	-
Acquisition of property, plant and equipment	(36,738)	(12,496)	(20,068)
Proceeds from sale of property, plant and equipment and other assets	67	2,734	14
Decrease (increase) in other assets	282	107	(1,459)
Acquisition of subsidiary, net	(45,716)	-	(47,124)
Net cash used in investing activities	(32,457)	(116,740)	(68,637)

Cash flows from financing activities:			
Proceeds from issuance of long-term debt	-	170,000	32,000
Principal payments of long-term debt	-	(85,000)	(29,880)
Principal payments of capital lease obligations	(1,278)	(434)	-
Payment of debt issue costs	-	(4,535)	-
Issuance of common stock	1,205	868	476
Net repurchase of treasury stock	(95)	(179)	-
Net cash (used in) provided by financing activities	(168)	80,720	2,596
Net increase (decrease) in cash and cash equivalents	10,835	19,352	(38,664)
Cash and cash equivalents, beginning of year	23,960	4,608	43,272
Cash and cash equivalents, end of year	$34,795	$23,960	$ 4,608

(1) As restated, see Note 2.

The accompanying notes are an integral part of these condensed consolidated financial statements

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WILSON GREATBATCH TECHNOLOGIES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Deferred Stock Based Compensation	Treasury Stock Shares	Treasury Stock Amount	Retained Earnings (Accumulated Deficit)	Acc Com I
Balance, December 31, 2001	20,983	21	200,880	-	195	(3,122)	(8,935)	
Exercise of stock options	67	-	519	-	-	-	-	
Shares contributed to ESOP	-	-	761	-	(140)	2,254	-	
Common stock issuance expenses	-	-	(39)	-	-	-	-	
Reissuance of treasury stock	-	-	9	-	(1)	5	-	
Tax benefit of stock option exercises	-	-	149	-	-	-	-	
Net income	-	-	-	-	-	-	14,361	
Balance, December 31, 2002	21,050	21	202,279	-	54	(863)	5,426	

Shares contributed to ESOP	90	-	2,804	-	(54)	863	-
Exercise of stock options	77	-	868	-	-	-	-
Stock-based compensation	14	-	-	583	-	-	-
Restricted stock issued	-	-	1,768	(1,768)	-	-	-
Tax benefit of stock option exercises	-	-	250	-	-	-	-
Purchase of treasury stock	-	-	-	-	5	(179)	-
Net income	-	-	-	-	-	-	23,288
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Balance, December 31, 2003	21,231	21	207,969	(1,185)	5	(179)	28,714
Exercise of stock options	100	-	1,200	-	-	-	-
Shares contributed to ESOP	66	-	2,571	-	(4)	152	-
Restricted stock issued	-	-	349	(349)	-	-	-
Tax benefit of stock option exercises	-	-	123	-	-	-	-
Restricted stock forfeitures	-	-	(85)	85	-	-	-
Stock-based compensation	14	-	4	616	(1)	27	-
Purchase of treasury stock	-	-	-	-	5	(95)	-
Net income	-	-	-	-	-	-	16,257
Unrealized losses on available-for-sale securities	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-
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Balance, December 31, 2004	21,411	21	212,131	(833)	5	(95)	44,971
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The accompanying notes are an integral part of these consolidated financial statements.

WILSON GREATBATCH TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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1. DESCRIPTION OF BUSINESS

The Company - The consolidated financial statements include the accounts of Wilson Greatbatch Technologies, Inc. and its wholly owned subsidiaries (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of Operations - The Company operates in two reportable segments-Implantable Medical Components ("IMC") and Electrochem Power Solutions ("EPS"). The IMC segment designs and manufactures batteries, capacitors, filtered feedthroughs, engineered components and enclosures used in IMDs. The EPS segment designs and manufactures high performance batteries and battery packs for use in oil and gas exploration, oceanographic equipment and aerospace.

2. RESTATEMENTS

Subsequent to the original filing of the Company's 2004 Form 10-K, the Company concluded that its consolidated financial statements should be restated to change the classification of auction rate securities from cash and cash equivalents to short-term investments. Auction rate securities are securities that have stated maturities beyond three months, but are priced and traded as short-term investments due to the liquidity provided through the auction mechanism that generally resets interest rates every 7 to 35 days. Although management had determined the risk of failure of an auction process to be remote, the definition of a cash equivalent in Statement of Financial Accounting Standard (SFAS) No. 95, Statement of Cash Flows, requires reclassification to short-term investments. The consolidated balance sheets as of December 31, 2004 and 2003, and consolidated statements of cash flows for the years ended December 31, 2004, and 2003, have been restated in order to conform to this change in classification. Due to the short term nature of the interest rate resets, the fair market value of the auction rate securities approximates their recorded value.

The Company has also restated its consolidated statement of cash flows for the years ended December 31, 2004, 2003 and 2002 to reflect the impact of changes in accounts payable related to the acquisition of property, plant and equipment as a non-cash item as required under SFAS No. 95.

In addition, the Company determined that it had not accounted for a deferred tax asset in purchase accounting related to net operating losses acquired in the Company's acquisition of NanoGram Devices Corporation in 2004. The recording of the deferred tax asset decreased long-term deferred income tax liabilities and correspondingly decreased goodwill.

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The restatements have been made to the Consolidated Balance Sheet and Consolidated Statement of Cash Flows as follows:

Consolidated Balance Sheet as of

December 31, 2004

	As previously reported	Adjustment	As restated
Current assets:			
Cash and cash equivalents	$ 89,473	$(54,678)	$ 34,795
Short-term investments	$ 2,759	$ 54,678	$ 57,437
Goodwill	$156,772	$ (1,733)	$155,039
Total assets	$479,938	$ (1,733)	$478,205
Long term liabilities			
Deferred income taxes	$ 25,029	$ (1,733)	$ 23,296

Total liabilities	$223,761	$ (1,733)	$222,028
Total liabilities and stockholders' equity	$479,938	$ (1,733)	$478,205

Consolidated Balance Sheet as of

December 31, 2003

	As previously reported	Adjustment	As restated
Current assets:			
Cash and cash equivalents	$119,486	$(95,526)	$ 23,960
Short-term investments	$ 11,559	$ 95,526	$107,085

Consolidated Statement of Cash Flows for the year ended

December 31, 2004

	As previously reported	Adjustment	As restated
Cash flows from operating activities:			
Net cash provided by operating activities	$ 45,166	$ (1,706)	$ 43,460
Cash flows from investing activities:			
Net cash used in investing activities	$(75,011)	$ 42,554	$(32,457)
Net increase (decrease) in cash and cash equivalents	$(30,013)	$ 40,848	$ 10,835
Cash and cash equivalents, beginning of year	$119,486	$(95,526)	$ 23,960
Cash and cash equivalents, end of year	$ 89,473	$(54,678)	$ 34,795

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Consolidated Statement of Cash Flows for the year ended

December 31, 2003

	As previously reported	Adjustment	As restated
Cash flows from operating activities:			
Net cash provided by operating activities	$ 54,801	$ 571	$55,372
Cash flows from investing activities:			
Net cash used in investing activities	$(20,643)	$(96,097)	$(116,740)
Net increase (decrease) in cash and cash equivalents	$114,878	$(95,526)	$19,352
Cash and cash equivalents, end of period	$119,486	$(95,526)	$23,960

Consolidated Statement of Cash Flows for the year ended

December 31, 2002

	As previously reported	Adjustment	As restated
Cash flows from operating activities:			
Net cash provided by operating activities	$ 27,810	$ (433)	$27,377
Cash flows from investing activities:			
Net cash used in investing activities	$(69,070)	$ 433	$(68,637)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Year End - The Company utilizes a fifty-two, fifty-three week fiscal year ending on the Friday nearest December 31st. Fiscal 2004, 2003, and 2002 ended on December 31, 2004, January 2, 2004 and January 3, 2003. For clarity of presentation, the Company describes all periods as if the year-end is December 31st. Fiscal 2002 included 53 weeks.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash and highly liquid, short-term investments with maturities at the time of purchase of three months or less.

Short-term Investments - Short-term investments are comprised of municipal bonds acquired with maturities that exceed three months and are less than one year at the time of acquisition, auction rate securities and equity securities classified as available-for-sale. Available-for-sale securities are carried at fair value with the unrealized gain or loss, net of tax, reported in accumulated other comprehensive income as a separate component of stockholder's equity. Realized gains and losses and investment income are included in current earnings. Due to the short term nature of the interest rate resets, the fair market value of the auction rate securities approximates their recorded value. Securities that the Company has the ability and positive intent to hold to maturity are accounted for as held-to-maturity securities and are carried at amortized cost. The cost of securities sold is based on the specific identification method. Unrealized losses considered to be other than temporary during the period are recognized in current earnings.

Fair Value of Financial Instruments - The carrying amount of financial instruments, including cash and cash equivalents, trade receivables and accounts payable, approximated their fair value as of December 31, 2004 and 2003 because of the relatively short maturity of these instruments.

Inventories - Inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Assets Available for Sale - Assets available for sale are accounted for at the lower of the carrying amount or each asset's estimated fair value less costs to sell. Fair value is determined at prevailing market conditions or appraisals as needed. At December 31, 2003, the Company classified its Amherst, NY facility as held for sale. The Company recorded impairment for $0.06 million for the year ended December 31, 2004. The Company continues to pursue disposition of its held for sale asset, however there can be no assurance if or when a sale will be completed or whether such sale will be completed on terms that will enable the Company to realize the full carrying value of the asset.

Property, Plant and Equipment - Property, plant and equipment is carried at cost. Depreciation is computed primarily by the straight-line method over the estimated useful lives of the assets, which are as follows: buildings and building improvements 7-40 years; machinery and equipment 3-10 years; office equipment 3-10 years; and leasehold improvements over the remaining lives of the improvements or the lease term, if less.

The cost of repairs and maintenance is charged to expense as incurred; renewals and betterments are capitalized. Upon retirement or sale of an asset, its cost and related accumulated depreciation or amortization are removed from the accounts and any gain or loss is recorded in income or expense.

Intangible Assets - Acquired intangible assets apart from goodwill and trademark and names consist primarily of patented and unpatented technology. The Company continues to amortize its definite-lived assets on a straight-line basis over their estimated useful lives as follows: patented technology, 8-17 years; unpatented technology, 5-15 years; and other intangible assets, 3-10 years.

Impairment of Long-lived Assets - The Company assesses the impairment of long-lived assets when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Factors that are considered in deciding when to perform an impairment review include significant under-performance of a business or product line in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in the use of the assets. Recoverability potential is measured by comparing the carrying amount of the asset to the related total future undiscounted cash flows. If an asset's carrying value is not recoverable through related cash flows, the asset is considered to be impaired. Impairment is measured by comparing the asset's carrying amount to its fair value, based on the best information available, including market prices or discounted cash flow analysis. When it is determined that useful lives of assets are shorter than originally

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estimated, and there are sufficient cash flows to support the carrying value of the assets, the rate of depreciation is accelerated in order to fully depreciate the assets over their new shorter useful lives. There was no impairment of long-lived assets in 2002, 2003 or 2004.

Goodwill - Goodwill and trademark and names are not amortized but are periodically tested for impairment.

The Company assesses goodwill for impairment by comparing the fair value of the reporting units to their carrying amounts on an annual basis, or more frequently if certain events occur or circumstances change, to determine if there is potential impairment. If the fair value of a reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the implied fair value of the goodwill within the reporting unit is less than its carrying value. Fair values for goodwill are determined based on discounted cash flows, market multiples or appraised values as appropriate. The Company has determined that, based on the goodwill impairment test, no impairment of goodwill and other indefinite-lived intangible assets has occurred. Note 18 - Business Segment information contains an analysis of goodwill by segment.

Concentration of Credit Risk - Financial instruments that potentially subject the Company to concentration of credit risk consist principally of trade receivables. A significant portion of the Company's sales are to three customers, all in the medical device industry, and, as such, the Company is directly affected by the condition of those customers and that industry. However, the credit risk associated with trade receivables is minimal due to the Company's stable customer base. The Company maintains cash deposits with major banks, which from time to time may exceed federally insured limits. Note 18 - Business Segment information contains an analysis of sales and accounts receivable for the Company's significant customers.

Allowance for Doubtful Accounts - The Company provides credit, in the normal course of business, to its customers. The Company also maintains an allowance for doubtful customer accounts and charges actual losses against this allowance when incurred.

Income Taxes - The Company provides for income taxes using the liability method whereby deferred tax liabilities and assets are recognized for changes in deferred tax assets and liabilities determined based upon the changes in differences between the basis of assets and liabilities for financial reporting purposes and the basis of assets and liabilities as measured by the enacted tax rates that management estimates will be in effect when the differences reverse. A valuation allowance is provided on deferred tax assets if it is determined that it is more likely than not that the asset will not be realized.

Revenue Recognition - Revenue from the sale of products is recognized at the time product is shipped to customers and title passes. The Company allows customers to return defective or damaged products for credit, replacement, or exchange. Revenue is recognized as the net amount to be received after deducting estimated amounts for product returns and allowances. The Company includes shipping and handling fees billed to customers in Sales. Shipping and handling costs associated with inbound freight are generally recorded in Cost of Goods Sold.

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Product Warranties - The Company generally warrants that its products will meet customer specifications and will be free from defects in materials and workmanship. The Company accrues its estimated exposure to warranty claims based upon recent historical experience and other specific information as it becomes available.

Research and Development - Research and development costs are expensed as incurred.

Engineering Costs - Engineering expenses are expensed as incurred. Cost reimbursements for engineering services from customers for whom the Company designs products are recorded as an offset to engineering costs upon achieving development milestones specified in the contracts.

Net research, development and engineering costs are as follows (in thousands):

	Year Ended December 31, 2004	2003	2002
Research and development costs	$15,760	$ 9,446	$ 7,156
Engineering costs	6,729	8,649	8,882
Less cost reimbursements	(4,013)	(1,104)	(1,598)

Engineering costs, net	2,716	7,545	7,284
Total research and development and engineering costs, net	$18,476	$16,991	$14,440

Stock-Based Compensation - The Company accounts for stock-based compensation in accordance with Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS No. 123"). As permitted in that standard, the Company has chosen to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board No. 25, Accounting for Stock Issued to Employees, and related interpretations.

The Company has determined the pro forma information as if the Company had accounted for stock options granted under the fair value method of SFAS No. 123. The Black-Scholes option pricing model was used with the following weighted average assumptions. These pro forma calculations assume the common stock is freely tradable for all years presented and, as such, the impact is not necessarily indicative of the effects on reported net income of future years.

The Company's net income and earnings per share as if the fair value based method had been applied to all outstanding and unvested awards in each year is as follows (in thousands except per share data):

	Year Ended December 31,		
	2004	2003	2002
Risk-free interest rate	3.62%	2.75%	3.79%
Expected volatility	52%	55%	55%
Expected life (in years)	5	5	5
Expected dividend yield	0%	0%	0%

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The Company's net income and earnings per share as if the fair value based method had been applied to all outstanding and unvested awards in each year is as follows (in thousands except per share data):

	Year Ended December 31,		
	2004	2003	2002
Net income as reported	$ 16,257	$23,288	$14,36
Stock based employee compensation cost included in net income as reported	$ 2,250	$ 2,311	$ 2,51
Stock-based employee compensation cost determined using the fair value based method, net of related tax effects	$ 4,635	$ 4,054	$ 2,97
Pro forma net income	$13,872	$21,545	$13,90
Net earnings per share:			
Basic - as reported	$ 0.76	$ 1.10	$ 0.6
Basic - pro forma	$ 0.65	$ 1.02	$ 0.6
Diluted - as reported	$ 0.75	$ 1.05	$ 0.6
Diluted - pro forma	$ 0.66	$ 0.98	$ 0.6

Earnings Per Share - Basic earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated by adjusting for common stock equivalents, which consist of stock options and unvested restricted stock. Holders of our convertible notes may convert them into shares of the Company's common stock under certain circumstances (see Note 10 - Debt for a description of our convertible subordinated notes).

The Company adopted Emerging Issues Task Force ("EITF") Issue 04-08, The Effect of Contingently Convertible Instruments on Diluted Earnings Per Share, in the fourth quarter of 2004. Under EITF 04-08, we must include the effect of the conversion of our convertible subordinated notes in the calculation of diluted earnings per share using the if-converted method as long as the effect is dilutive. For computation of earnings per share under conversion conditions, the number of diluted shares outstanding increases by the amount of shares that are potentially convertible during that period. Also, net income is adjusted for the calculation to add back interest expense on the convertible notes as well as deferred financing fees amortization recorded during the period.

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The following table reflects the calculation of basic and diluted earnings per share (in thousands, except per share amounts):

	2004	2003	2002
Numerator for basic earnings per share:			
Income from continuing operations	$16,257	$23,288	$14,361
Effect of dilutive securities:			
Interest expense on convertible notes and related deferred financing fees, net of tax	3,027	1,881	-
Numerator for diluted earnings per share	$19,284	$25,169	$14,361
Denominator for basic earnings per share:			
Weighted average shares outstanding	21,358	21,149	20,941
Effect of dilutive securities:			
Convertible notes	4,219	2,492	-
Stock options and unvested restricted stock	182	385	286
Dilutive potential common shares	4,401	2,877	286
Denominator for diluted earnings per share	25,759	24,026	21,227
Basic earnings per share	$ 0.76	$ 1.10	$ 0.69
Diluted earnings per share	$ 0.75	$ 1.05	$ 0.68

Comprehensive Income - Comprehensive income includes all changes in stockholders' equity during a period except those resulting from investments by owners and distribution to owners. For 2003 and 2002, the Company's only component of comprehensive income is its net income. For 2004, the Company's comprehensive income includes net income and unrealized losses on available-for-sale securities.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of sales and expenses during the reporting period. Actual results could differ materially from those estimates.

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Supplemental Cash Flow Information (in thousands):

	Year Ended December 31,		
	2004	2003	2002
Cash paid during the year for:			
Interest	$ 4,586	$3,740	$ 3,092
Income taxes	318	5,674	6,055
Noncash investing and financing activities:			
Acquisition of property utilizing capitalized leases	$1,159	$2,212	$ -
Common stock contributed to ESOP	2,723	3,667	3,019
Property plant and equipment purchases included in accounts payable	2,230	524	1,095

Recent Accounting Pronouncements -- In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), Share-Based Payment ("SFAS No. 123(R)"). This statement is a revision of SFAS 123, Accounting for Stock-Based Compensation, and supercedes APB Opinion No. 25, Accounting for Stock Issued to Employees. SFAS 123(R) requires the measurement of the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost will be recognized over the period during which an employee is required to provide service in exchange for the award, or over the period that a performance measure is expected to be met. The Company will adopt SFAS 123(R) on July 2, 2005, requiring compensation cost to be recorded as expense for the portion of the outstanding unvested awards, based on the grant-date fair value of those awards calculated using the Black-Scholes option pricing model currently used under SFAS 123 for proforma disclosures. Based on unvested options currently outstanding, the effect of adopting SFAS 123(R) will reduce the Company's net income by approximately $1.4 million in the second half of 2005.

In November 2004, the FASB issued SFAS No. 151, Inventory Costs, an amendment of ARB No. 43, Chapter 4 ("SFAS No. 151"). SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, handling costs and wasted material (spoilage). Among other provisions, the new rule requires that such items be recognized as current-period charges, regardless of whether they meet the criterion of "so abnormal" as stated in ARB No. 43. SFAS No. 151 is effective for fiscal years beginning after June 15, 2005. The company does not expect that adoption of SFAS No. 151 will have a material effect on its consolidated financial position, consolidated results of operations, or liquidity.

4. ACQUISITIONS

During 2002 and 2004, the Company completed two acquisitions as follows:

- Globe Tool and Manufacturing Company, Inc. ("Globe"), a manufacturer of precision titanium enclosures for implantable medical devices. Globe was acquired to further broaden our product offering to include enclosures.

- NanoGram Devices Corporation ("NanoGram"), a materials research and development company focused on developing nanoscale materials for implantable medical devices. NanoGram was acquired to further broaden our materials science expertise. NanoGram utilizes nanomaterials synthesis technology in the development of battery and medical device applications.

These acquisitions have been accounted for using the purchase method of accounting and accordingly, the results of the operations of these acquisitions have been included in the consolidated financial statements from the date of acquisition.

Acquisition information (in thousands):

	Acquired Company	
	Globe	NanoGram
Acquisition date	July 9, 2002	March 16, 2004
Purchase price:		
Cash paid	$ 46,637	$ 45,000
Transaction costs	487	716
Total purchase price	$ 47,124	$ 45,716
Purchase price allocation:		
Assets:		
Cash	$ 923	$ -
Accounts receivable	1,558	-
Refundable income tax	2,427	-
Inventories	3,130	-
Property and equipment	8,490	562
Other assets	263	168
Trademark and names	1,760	-
Patented and unpatented technology	7,392	16,500

Noncompete/employment agreements	1,177	-
Goodwill	35,384	33,363
Liabilities:		
Accounts payable	858	117
Accrued payroll and related expenses	3,036	-
Other current liabilities	-	718
Deferred income taxes	1,356	4,042
Other liabilities	10,130	-
Total purchase price	$ 47,124	$ 45,716

Amounts disclosed for Globe as part of the purchase price allocation table have been expanded from prior year presentation to provide more information related to the significant assets and liabilities included in the acquisition.

The NanoGram patented and unpatented technology is being amortized over 11.5 years. The goodwill is not deductible for tax purposes.

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The following unaudited pro forma summary presents the Company's consolidated results of operations for 2004 and 2003 as if the NanoGram acquisition had been consummated at January 1, 2003. The pro forma consolidated results of operations include certain pro forma adjustments, including the amortization of intangible assets and adjusted interest income.

	December 31,	
In thousands except per share amounts:	2004	2003
Revenues	$200,119	$216,365
Net income	$ 15,195	$ 19,344
Net income per diluted share:	$ 0.71	$ 0.89

The proforma results are not necessarily indicative of those that would have actually occurred had the acquisitions taken place at the beginning of the periods presented.

5. SHORT-TERM INVESTMENTS

Short-term investments at December 31, 2004 and 2003 consist of the following (in thousands):

	As of December 31, 2004			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Available-for-sale:				
Equity Securities	$ 276	$ -	$ (18)	$ 258
Auction Rate Securities	54,678	-	-	54,678

Total available for sale securities	54,954	-	(18)	54,936
Held-to-maturity:				
Municipal Bonds	2,501	1	-	2,502
Short-term investments	$ 57,455	$ 1	$ (18)	$57,438

	As of December 31, 2003			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Available-for-sale:				
Auction Rate Securities	95,526	-	-	95,526
Held-to-maturity:				
Municipal Bonds	11,559	-	(1)	11,558
Short-term investments	$ 107,085	$ -	$ (1)	$107,084

The municipal bonds have maturity dates ranging from January 2005 to April 2005.

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6. INVENTORIES

Inventories comprised the following (in thousands):

	December 31, 2004	December 31, 2003
Raw material	14,053	11,688
Work-in-process	11,275	10,421
Finished goods	8,699	6,489
Total	34,027	28,598

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprised the following (in thousands):

	December 31, 2004	December 31, 2003
Manufacturing machinery and equipment	$57,781	$53,313
Buildings and building improvements	16,285	15,380
Information technology hardware and software	8,950	7,384
Leasehold improvements	8,782	5,440
Land and land improvements	4,659	4,659
Property under capital leases	3,370	-
Furniture and fixtures	2,766	2,631
Construction work in process	32,129	8,595
Other	147	148

	134,869	97,550
Less accumulated depreciation	(42,659)	(33,815)
Total	$92,210	$63,735

Depreciation expense for property and equipment, including property under capital leases, during 2004, 2003 and 2002 was approximately $10.1 million, $9.3 million, and $7.6 million, respectively.

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8. INTANGIBLE ASSETS

Intangible assets comprised the following (in thousands):

	As of December 31, 2004		
	Gross carrying amount	Accumulated amortization	Net carrying Amount
Amortizing intangible assets:			
Patented technology	$21,462	$(10,137)	$11,325
Unpatented technology	30,886	(6,525)	24,361
Other	1,340	(1,294)	46
	53,688	(17,956)	35,732
Unamortizing intangible assets:			
Trademark and names	31,420	(3,168)	28,252
Total intangible assets	$85,108	$(21,124)	$63,984

	As of December 31, 2003		
	Gross carrying amount	Accumulated amortization	Net carrying Amount
Amortizing intangible assets:			
Patented technology	$21,462	$(8,536)	$12,926
Unpatented technology	15,335	(5,549)	9,786
Other	1,340	(863)	477
	38,137	(14,948)	23,189
Unamortizing intangible assets:			
Trademark and names	31,420	(3,168)	28,252
Total intangible assets	$69,557	$(18,116)	$51,441

Annual amortization expense is estimated to be $3.8 million for 2005 to 2008, and $3.2 million for 2009.

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities comprised the following (in thousands):

	December 31, 2004	2003
Salaries and benefits	$5,805	$5,170
Profit sharing and bonuses	6,796	9,589

Other	5,508	4,209
Total	$18,109	$18,968

10. DEBT

Long-term debt comprised the following (in thousands):

	December 31, 2004	2003
2.25% convertible subordinated notes, due 2013	$170,000	$170,000
Capital lease obligations	1,652	1,778
	171,652	171,778
Less current portion	(1,000)	(850)
Total long-term debt	$170,652	$170,928

Convertible Subordinated Notes

In May 2003, the Company completed a private placement of contingent convertible subordinated notes totaling $170.0 million, due 2013. In November 2003 the Company had a Registration Statement with the Securities and Exchange Commission declared effective with respect to these notes and the underlying common stock. The notes bear interest at 2.25 percent per annum, payable semiannually. Beginning with the six-month interest period commencing June 15, 2010, the Company will pay additional contingent interest during any six-month interest period if the trading price of the notes for each of the five trading days immediately preceding the first d