



CEO ART COLLINS
HOLDS MEDTRONIC'S
INSYNC MARQUIS,
A NEXT-GENERATION
HEART-FAILURE DEVICE.

Life's Work

Medtronic Inc. (MDT) chairman and CEO Art Collins says the most important statistic you should know about the medical-device company doesn't involve revenues or cash flow—it's that every eight seconds a Medtronic product or therapy saves or improves a life. The Minneapolis-based company, which reports it has 28,000 employees doing business in 120 countries, manufactures and sells products and therapies for such ailments as heart failure, sudden cardiac arrest, diabetes, Parkinson's disease and spinal problems. Medtronic says that it produced the world's first wearable, battery-powered cardiac pacemaker in 1957, eight years after the company was founded in a garage by an electrical engineer and his brother-in-law.

Today, the company reports it spends a relatively large amount on R&D—about 10% of fiscal 2002 total sales of \$6.41 billion. Medtronic also says it has been active on the acquisition front, buying more than a dozen companies since 1998, most recently Spinal Dynamics Corp., the developer of an advanced artificial cervical disk. Collins says that Medtronic generally purchases only companies with a proven technology that it is interested in and considers marketable.

Collins, 54, came to Medtronic in 1992 after 14 years at **Abbott Laboratories (ABT)**. He was Medtronic's COO for seven years before succeeding CEO William George—who retired after 11 years of service, including 10 as CEO—in May 2001. The succession had been planned for years, making for a smooth transition, Collins says. *nyse magazine* spoke with Collins about the future of medical technology and saving lives.

WHAT MAJOR TRENDS DO YOU SEE IN MEDICAL TECHNOLOGY?

Medical technology has a fairly rapid pace of innovation when compared to other segments of the medical industry. About two-thirds of our revenues come from products that have been introduced within the past two years. New products will provide not only better medical outcomes but more cost-effective outcomes. Also, you'll likely see continuing convergence of medical technology, information technology and biotechnology.

WHAT'S AN EXAMPLE OF THIS CONVERGENCE AND ITS BENEFITS?

Medtronic's INFUSE is a growth [substance] used with one of our medical devices, a spinal cage used in surgery to create a fusion of the vertebrae. Previously you had to harvest bone from the patient's hip and place it inside this spinal cage. That surgery to obtain the patient's bone was costly and painful. With INFUSE, you get very good fusions with less trauma to the patient.

HOW DO YOU DETERMINE WHICH MEDICAL MARKETS TO ENTER?

We look for large markets that are underpenetrated. An example is congestive heart failure. More than 20 million people around the world suffer from congestive heart failure. We introduced a pacemaker that resynchronizes both sides of the heart, treating a sub-segment

of the heart-failure population. It allows patients in later-stage heart failure to improve their ability to walk, to exercise, to live life. Here was a market that was large and underpenetrated because there weren't any alternatives.

HOW HAS THE INTERNET CHANGED YOUR BUSINESS?

Some of our products are active devices that can be programmed at the time they are implanted and later remotely monitored. Information about the patient's physiological state can be sent to a secure server and then accessed by physicians using the Internet. Our CareLink system does this by using advanced telemetry. A little computer device placed near the patient gathers information downloaded from an implantable cardioverter defibrillator, which in essence is a very sophisticated computer inside the person's body.

HOW DOES IT FEEL TO MEET THE PEOPLE MEDTRONIC PRODUCTS HAVE HELPED?

During our holiday program each December, physicians and patients come to Minneapolis and talk to our employees about the difference our products have made in their lives. It's more important than the annual investors' conference, because employees get to hear firsthand about the difference our products and therapies make. It's very rewarding and really reinforces why we all work here. □