GREATBATCH, INC.

FORM 10-Q
(Quarterly Report)

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U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarter ended March 31, 2006

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)

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. Yes [X] No [ ]

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Exchange Act Rule 12b-2 (check one):

Large accelerated filer [ ]	Accelerated filer [X]	Non-accelerated filer [ ]

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

The number of shares outstanding of the Company's common stock, $.001 par value per share, as of May 5, 2006 was: 21,809,895 shares.

GREATBATCH, INC.

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AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2006

PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

GREATBATCH, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS - Unaudited
(In thousands except for share and per share data)

ASSETS	March 31, 2006	December 31, 2005
Current assets:		
Cash and cash equivalents	$ 38,888	$ 46,403
Short-term investments	66,018	65,746
Accounts receivable, net of allowance of $439 in 2006 and $450 in 2005	39,857	29,997
Inventories	48,200	45,184
Refundable income taxes	-	928
Deferred income taxes	6,257	6,257
Prepaid expenses and other current assets	1,601	1,488
Total current assets	200,821	196,003
Property, plant, and equipment, net	97,368	97,705
Intangible assets, net	30,933	31,891
Trademark and names	28,252	28,252
Goodwill	155,039	155,039
Other assets	4,399	4,021
Total assets	$516,812	$512,911
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 15,501	$ 13,678
Accrued expenses and other current liabilities	19,352	29,903
Current portion of long-term debt	165	464
Total current liabilities	35,018	44,045
Convertible subordinated notes	170,000	170,000
Deferred income taxes	31,969	30,261
Total liabilities	236,987	244,306
Stockholders' equity:		
Preferred stock, $.001 par value, authorized 100,000,000 shares; no shares issued or outstanding in 2006 or 2005	-	-
Common stock, $.001 par value, authorized 100,000,000 shares; 21,808,578 shares issued in 2006 and 21,658,134 shares issued in 2005	22	22
Additional paid-in capital	220,158	215,614
Retained earnings	59,689	53,039
Accumulated other comprehensive loss	(44)	(70)
Total stockholders' equity	279,825	268,605
Total liabilities and stockholders' equity	$516,812	$512,911

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

GREATBATCH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME - Unaudited
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Three months ended March 31,	
	2006	2005
Sales	$68,107	$56,358
Cost and expenses:		
Cost of sales - excluding amortization of intangible assets	39,515	35,571
Amortization of intangible assets - cost of sales	958	958
Selling, general and administrative expenses	9,015	6,766
Research, development and engineering costs, net	5,898	4,401
Other operating expense, net	2,669	2,388
Operating income	10,052	6,274
Interest expense	1,135	1,131
Interest income	(1,192)	(575)
Other (income) expense, net	(44)	-
Income before provision for income taxes	10,153	5,718
Provision for income taxes	3,503	1,715
Net income	$ 6,650	$ 4,003
Earnings per share:		
Basic	$ 0.31	$ 0.19
Diluted	$ 0.28	$ 0.19
Weighted average shares outstanding:		
Basic	21,738	21,473
Diluted	26,103	21,583
Comprehensive income:		
Net income	$ 6,650	$ 4,003
Net unrealized gain (loss) on available for sale securities, net of deferred income tax expense of $8 in the three month period in 2006 and income tax benefit of $23 in the three month period in 2005	26	(40)
Comprehensive income	$ 6,676	$ 3,963

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

GREATBATCH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - Unaudited
(IN THOUSANDS)

	Three months ended March 31,	
	2006	2005
Cash flows from operating activities:		
Net income	$ 6,650	$ 4,003
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,918	4,039
Stock-based compensation	2,207	795
Deferred income taxes	1,708	1,959
Loss on disposal of assets	3	512
Changes in operating assets and liabilities:		
Accounts receivable	(9,860)	(5,384)
Inventories	(3,016)	1,750
Prepaid expenses and other current assets	(113)	(1,830)
Accounts payable	2,069	(1,268)
Accrued expenses and other current liabilities	(9,954)	(1,345)
Income taxes	1,807	(297)
Net cash (used in) provided by operating activities	(3,581)	2,934
Cash flows from investing activities:		
Short-term investments:		
Purchases	(10,589)	(22,092)
Proceeds from dispositions	10,350	26,600
Acquisition of property, plant and equipment	(3,692)	(9,220)
Proceeds from sale of assets	-	23
(Increase) decrease in other assets	(38)	6
Net cash used in investing activities	(3,969)	(4,683)
Cash flows from financing activities:		
Principal payments of long-term debt	(299)	(354)
Issuance of common stock	334	115
Net cash provided by (used in) financing activities	35	(239)
Net decrease in cash and cash equivalents	(7,515)	(1,988)
Cash and cash equivalents, beginning of year	46,403	34,795
Cash and cash equivalents, end of period	$ 38,888	$ 32,807

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Unaudited

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. Operating results for interim periods are not necessarily indicative of results that may be expected for the fiscal year as a whole. In the opinion of management, the condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the results of Greatbatch, Inc. (the "Company") for the periods presented. 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, liabilities, sales, expenses, and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from these estimates. For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

The Company utilizes a fifty-two, fifty-three week fiscal year ending on the Friday nearest December 31st. For 52-week years, each quarter contains 13 weeks. For clarity of presentation, the Company describes all periods as if each quarter end is March 31st, June 30th and September 30th and as if the year-end is December 31st. The first quarter of 2006 and 2005 each contained 13 weeks.

2. STOCK-BASED COMPENSATION

Effective January 1, 2006, the Company adopted the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), Share-Based Payment ("SFAS No. 123(R)"), and related Securities and Exchange Commission rules included in Staff Accounting Bulletin No. 107, on a modified prospective basis. The incremental cost of expensing options under SFAS No. 123(R) was approximately $0.9 million ($0.6 million net of tax). Under this method, compensation cost recognized beginning January 1, 2006 will include costs related to 1) all share-based payments (stock options and restricted stock awards) granted prior to but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, Accounting for Stock-Based Compensation, and 2) all share-based payments (stock options and restricted stock awards) granted subsequent to December 31, 2005 based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). SFAS No. 123(R) also amends SFAS No. 95, Statement of Cash Flows, to require that excess tax benefits that had been reflected as cash flows from operating

activities be reflected as cash flows from financing activities. Compensation cost for nonqualified stock options is generally recognized ratably over a four-year vesting period. Compensation cost for incentive stock options is generally recognized ratably over a five to seven year vesting period. Compensation costs for restricted stock awards granted to employees are recognized ratably over the vesting period determined at the time of grant. The Company has continued to use the Black-Scholes option pricing model to estimate the fair value of stock options granted subsequent to the date of adoption of SFAS No. 123(R).

Compensation costs related to stock options and restricted stock for the quarter ended March 31, 2006 totaled $1.4 million, which includes approximately $0.3 million for accelerated vesting for certain retirement eligible employees. The stock-based compensation expense is included in the statement of earnings primarily in selling, general, and administrative expenses. The impact to earnings net of tax was $0.9 million ($0.03 per diluted share). Stock-based compensation included in the Condensed Consolidated Statement of Cash Flows includes stock options, restricted stock and the annual defined contribution to the employee 401(k) Plan.

Stock-based compensation expense is only recorded for those awards that are expected to vest. Forfeiture estimates for determining appropriate stock-based compensation expense are estimated at the time of grant based on historical experience and demographic characteristics. Revisions are made to those estimates in subsequent periods if actual forfeitures differ from estimated forfeitures. A 9% forfeiture estimate was used for the stock-based compensation expense recorded during the first quarter 2006.

Stock Options

Summary of Stock Option Plans

The Company has stock option plans that provide for the issuance of nonqualified and incentive stock options to employees of the Company. The Company's 1997 Stock Option Plan ("1997 Plan") authorizes the issuance of nonqualified and incentive stock options to purchase up to 480,000 shares of the Company's common stock, subject to the terms of the plan. The stock options granted under the 1997 Plan generally vest over a five-year period and may vary depending upon the achievement of earnings targets. The stock options expire 10 years from the date of the grant. Stock options are granted at exercise prices equal to or greater than the fair market value of the Company's common stock at the date of the grant.

The Company's 1998 Stock Option Plan ("1998 Plan") authorizes the issuance of nonqualified and incentive stock options to purchase up to 1,220,000 shares the Company's common stock, subject to the terms of the plan. The stock options granted under the 1998 Plan vest over a three to five year period and may vary depending upon the achievement of earnings targets. The stock options expire 10 years from the date of the grant. Stock options are granted at exercise prices equal to or greater than the fair value of the Company's common stock at the date of the grant.

The Company has a stock option plan that provides for the issuance of nonqualified stock options to Non-Employee Directors (the "Director Plan"). The Director Plan authorizes the issuance of nonqualified stock options to purchase up to 100,000 shares of the Company's common stock from its

treasury, subject to the terms of the plan. The stock options vest immediately. The stock options expire 10 years from the date of grant. Stock options are granted at exercise prices equal to or greater than the fair value of the Company's common stock at the date of the grant.

The Company's 2005 Stock Incentive Plan ("2005 Plan") authorizes the issuance of equity incentive awards including nonqualified and incentive stock options, for up to 1,000,000 shares of the Company's common stock, subject to the terms of the plan. The stock options granted under the 2005 Plan generally vest over a four year period and may vary depending upon the achievement of earnings targets and also upon the terms of each specific grant. The stock options expire 10 years from the date of the grant. Stock options are granted at exercise prices equal to or greater than the fair value of the Company's common stock at the date of the grant.

As of March 31, 2006, 852,365 shares were available for future grants of options under the plans, subject to an overall limit on awards imposed under the 2005 Plan.

Fair Value

The Company utilizes the Black-Scholes Option Pricing Model to determine the fair value of stock options under SFAS No. 123(R), consistent with that used for pro forma disclosures in prior years. Management is required to make certain assumptions with respect to selected model inputs, including anticipated changes in the underlying stock price (i.e., expected volatility) and option exercise activity (i.e., expected life). Expected volatility is based on the historical volatility of the Company's stock over the most recent period commensurate with the estimated expected life of the Company's stock options and other factors. The expected life of options granted, which represents the period of time that the options are expected to be outstanding, is based, primarily, on historical data. The expected dividend yield is based on the Company's history and expectation of dividend payouts. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for a period commensurate with the estimated expected life. If factors change and result in different assumptions in the application of SFAS No. 123 (R) in future periods, the stock option expense that the Company records for future grants may differ significantly from what the Company has recorded in the current period.

The weighted-average fair value of options granted during the quarter ended March 31, 2006 was $10.41 ($9.00 in 2005) based on the Black-Scholes Option Pricing model. The following weighted-average assumptions were used for grants in 2006 and 2005:

	Three months ended March 31,	
	2006	2005
Risk-free interest rate	4.63%	4.13%
Expected volatility	39.8%	52.0%
Expected life (in years)	4.99	5.00
Expected dividend yield	0%	0%

Stock Option Activity

The following table summarizes stock option activity related to the Company's plans for the three months ended March 31, 2006:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In years)	Aggregate Intrinsic Value (In millions)
Outstanding at December 31, 2005	1,397,160	$23.16		
Granted	245,069	25.23		
Exercised	(34,056)	9.81		
Forfeited or Expired	(12,596)	27.34		
Outstanding at March 31, 2006	1,595,577	$23.73	7.4	$3.4
Exercisable at March 31, 2006	875,583	$23.95	7.1	$2.6

We calculated intrinsic value for those options that had an exercise price lower than the market price of our common shares as of March 31, 2006. The aggregate intrinsic value of outstanding options as of March 31, 2006 is calculated as the difference between the exercise price of the underlying options and the market price of our common shares for the 488,607 options that were in-the-money at that date. The aggregate intrinsic value of exercisable options as of March 31, 2006 is calculated as the difference between the exercise price of the underlying options and the market price of our common shares for the 296,403 exercisable options that were in-the-money at that date. The Company's closing stock price was $21.91 as of March 31, 2006. The total intrinsic value of stock options exercised during the first quarter of 2006 was $0.4 million ($0.04 million for 2005).

Cash received from option exercises under all share-based payment arrangements for the quarter ended March 31, 2006 was $0.3 million. The actual tax benefit realized from stock option exercises totaled $0.04 million for the quarter ended March 31, 2006. Proceeds from the exercise of stock options under stock option plans are credited to common stock at par value and the excess is credited to additional paid-in capital.

As of March 31, 2006, $7.5 million of unrecognized compensation cost related to non-vested stock options is expected to be recognized over a weighted-average period of approximately 5 years.

In November 2005, the FASB issued FSP No. FAS 123(R)-3, Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards. This FSP provides an elective alternative simplified method for calculating the pool of excess tax benefits available to absorb tax deficiencies recognized subsequent to the adoption of SFAS No. 123(R) and reported in the Condensed Consolidated Statements of Cash Flows. Companies may take up to one year from the effective date of the FSP to evaluate the available transition alternatives and make a one-time election as to which method to

adopt. The Company is currently in the process of evaluating the alternative methods of calculating the pool of excess tax benefits.

Pro Forma Information under SFAS No. 123 for Periods Prior to 2006

Prior to the adoption of SFAS No. 123(R), we accounted for stock options to employees in accordance with Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees, and related interpretations. We also provided the disclosures required under SFAS No. 123, Accounting for Stock-Based Compensation (SFAS No. 123), as amended by SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosures. As a result, no expense was reflected in our net income for the period ended March 31, 2005 for stock options, as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. However, stock-based compensation expense was recognized for restricted stock awards.

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 for the three months ended March 31, 2005 is as follows (in thousands except per share data):

Net income as reported	$4,003
Add:	

Stock-based employee compensation cost included in net income as reported, net of related tax effects	$557
Deduct:	

Stock-based employee compensation cost determined using the fair value based method, net of related tax effects	$1,042
Pro forma net income	$3,518
Earnings per share:	
Basic - as reported	$0.19
Basic - pro forma	$0.17
Diluted - as reported	$0.19
Diluted - pro forma	$0.17

Restricted Stock

Summary of Restricted Stock Plans

The Company's 2002 Restricted Stock Plan authorizes the issuance of stock awards to employees. The number of shares that are reserved and may be issued under the plan cannot exceed 200,000. The Compensation and Organization Committee of the Company's Board of Directors determines the number of shares that may be granted under the plan. Restricted stock awards are either time-vested or performance-vested based on the terms of each individual award agreement. Time-vested restricted stock vests 50% on

the first anniversary of the date of the award and 50% on the second anniversary of the date of the award. Performance-vested restricted stock vests upon the achievement of certain annual diluted earnings per share targets by the company, or the seventh anniversary date of the award.

The Company's 2005 Plan authorizes the issuance of restricted stock, restricted stock units and stock bonuses of up to 400,000 shares, subject to the terms of the plan with an overall limit on awards of 1,000,000 shares. The restricted stock granted under the plan generally vests 50% on the second anniversary of the date of the award and 25% on the third and fourth anniversaries of the date of the award and vary depending upon the achievement of earnings targets and also upon the terms of each specific grant.

As of March 31, 2006, there were 536,955 available for future grants under the plans, subject to the overall limit imposed by the 2005 Plan.

Restricted Stock Activity

The following table summarizes restricted stock activity related to the Company's plans for the three months ended March 31, 2006:

	Restricted Stock Activity	Weighted Average Grant Date Fair Value
Unvested restricted stock outstanding at December 31, 2005	93,956	$22.46
Shares granted	44,247	25.22
Shares vested	-	-
Shares forfeited	(2,158)	21.58
Unvested restricted stock outstanding at March 31, 2006	136,045	$23.37

As of March 31, 2006, there was $2.2 million of total unrecognized compensation cost related to the restricted awards. That cost is expected to be recognized over a weighted-average period of 5 years.

3. SUPPLEMENTAL CASH FLOW INFORMATION

Three months ended March 31, 2006 2005 Noncash investing and financing activities (in thousands):

Common stock contributed to 401(k) Plan	$2,780	$2,729
Property, plant and equipment purchases included in accounts payable	$1,647	$1,533
Other asset purchases included in accrued expenses and other current liabilities	$530	$-

4. SHORT-TERM INVESTMENTS

Short-term investments at March 31, 2006 and December 31, 2005 consist of investments expected to be settled or reset within a twelve month period.

Short-term investments comprised the following (in thousands):

	As of March 31, 2006			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Available-for-sale:				
Equity Securities	$ 276	$ -	$ (41)	235
Auction Rate Securities	65,783	-	-	65,783
Short-term investments	$66,059	$ -	$ (41)	$66,018

	As of December 31, 2005			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Available-for-sale:				
Equity Securities	$ 276	$ -	$ (74)	$ 202
Auction Rate Securities	65,544	-	-	65,544
Total available-for-sale securities	$65,820	$ -	$ (74)	$65,746

5. INVENTORIES

Inventories comprised the following (in thousands):

	March 31, 2006	December 31, 2005
Raw materials	$24,832	$24,864
Work-in-process	11,798	11,266
Finished goods	11,570	9,054
Total	$48,200	$45,184

6. INTANGIBLE ASSETS

Intangible assets comprised the following (in thousands):

	As of March 31, 2006		
	Gross carrying amount	Accumulated amortization	Net carrying Amount
Amortizing intangible assets:			
Patented technology	$21,462	$(12,139)	$ 9,323
Unpatented technology	30,886	(9,306)	21,580
Other	1,340	(1,310)	30
	53,688	(22,755)	30,933

	As of December 31, 2005		
	Gross carrying amount	Accumulated amortization	Net carrying Amount
Amortizing intangible assets:			
Patented technology	$21,462	$(11,738)	$ 9,724
Unpatented technology	30,886	(8,750)	22,136
Other	1,340	(1,309)	31
	53,688	(21,797)	31,891

Aggregate amortization expense for first quarter 2006 and 2005 was $1.0 million. Annual amortization expense is estimated to be $2.9 million for the remainder of 2006, $3.8 million for 2007 to 2008, $3.2 million for 2009, $2.7 million for 2010 and $2.7 million for 2011.

7. DEBT

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

	March 31, 2006	December 31, 2005
2.25% convertible subordinated notes, due 2013	$170,000	$170,000
Capital lease obligations	165	464
	170,165	170,464
Less current portion	(165)	(464)
Total long-term debt	$170,000	$170,000

Revolving Line of Credit

On May 31, 2005, the Company amended its Senior Secured Credit Facility, which included changes to the underlying covenants. The amended facility replaced the old $20.0 million revolving credit facility with a new three-year $50.0 million Revolving Credit Facility ("new revolver"), which contains a $10.0 million sub-limit for the issuance of commercial or

standby letters of credit. The new revolver is secured by the Company's non-realty assets including cash, accounts and notes receivable, and inventories. The new revolver requires the Company to comply with two quarterly financial covenants, as defined. The first relates to the ratio of consolidated net earnings or loss before interest, taxes, depreciation, and amortization ("EBITDA") to Fixed Charges. The second is a Leverage ratio, which is calculated based on the ratio of Consolidated Funded Debt less Cash, Cash Equivalent Investments and Short-Term Investments to Consolidated EBITDA. Interest rates under the new revolver vary with the Company's leverage. The Company is required to pay a commitment fee of between .125% and .250% per annum on the unused portion of the new revolver based on the Company's leverage. As of March 31, 2006, the Company had no balance outstanding on the new revolver.

8. EARNINGS PER SHARE

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

	Three months ended March 31,	
	2006	2005
Numerator for basic earnings per share:		
Net income	$ 6,650	$ 4,003
Effect of dilutive securities:		
Interest expense on convertible notes and related deferred financing fees, net of tax	733	-
Numerator for diluted earnings per share	$ 7,383	$ 4,003
Denominator for basic earnings per share:		
Weighted average shares outstanding	21,738	21,473
Effect of dilutive securities:		
Convertible notes	4,219	-
Stock options and unvested restricted stock	146	110
Dilutive potential common shares	4,365	110
Denominator for diluted earnings per share	26,103	21,583
Basic earnings per share	$ 0.31	$ 0.19
Diluted earnings per share	$ 0.28	$ 0.19

For the three months ended March 31, 2005, the impact of the convertible notes was anti-dilutive.

9. COMPREHENSIVE INCOME

The Company's comprehensive income for the three month period ended March 31, 2006 includes net income and a net unrealized gain on available-for-sale securities. Comprehensive income for the three month period ended March 31, 2005 includes net income and a net unrealized loss on available-for-sale securities.

10. COMMITMENTS AND CONTINGENCIES

During 2002, a former non-medical customer commenced an action alleging that the Company had used proprietary information of the customer to develop certain products. We have meritorious defenses and are vigorously defending the matter. The potential risk of loss is between $0.0 and $1.7 million.

Product Warranties - The change in aggregate product warranty liability for the quarter ended March 31, 2006 is as follows (in thousands):

Beginning balance at December 31, 2005	$2,443
Additions to warranty reserve	167
Warranty claims paid	(717)
Ending balance at March 31, 2006	$1,893

Capital Expenditures - 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 are enabling the Company to further consolidate its operations and implement state of the art manufacturing capabilities at both locations. The total remaining contractual obligation for construction of these facilities at March 31, 2006 is $4.5 million and will be financed by existing cash, short-term investments, or cash generated from operations.

11. BUSINESS SEGMENT INFORMATION

The Company operates its business in two reportable segments: Implantable Medical Components ("IMC") and Electrochem Commercial Power ("ECP"). The IMC segment designs and manufactures critical components used in implantable medical devices. The principal components are batteries, capacitors, filtered feedthroughs, enclosures and precision components. The principal medical devices are pacemakers, defibrillators and neurostimulators. The ECP segment designs and manufactures high performance batteries and battery packs; principal markets for these products are for oil and gas exploration, oceanographic equipment, and aerospace.

The Company defines segment income from operations as sales less cost of sales including amortization and expenses attributable to segment-specific selling, general and administrative, research, development and engineering expenses and other operating expenses. Segment income also includes a

portion of non-segment specific selling, general and administrative, and research, development and engineering expenses based on allocations appropriate to the expense categories. The remaining unallocated operating expenses are primarily corporate headquarters and administrative function expenses. The unallocated operating expenses along with other income and expense are not allocated to reportable segments. Transactions between the two segments are not significant.

An analysis and reconciliation of the Company's business segment information to the respective information in the consolidated financial statements is as follows (in thousands):

	Three months ended March 31,	
Sales:	2006	2005
IMC		
ICD batteries	$12,679	$10,751
Pacemaker and other batteries	5,787	5,255
ICD Capacitors	3,568	4,297
Feedthroughs	16,288	13,682
Enclosures	6,340	6,547
Other	12,918	7,333
Total IMC	57,580	47,865
ECP	10,527	8,493
Total sales	$68,107	$56,358
Segment income from operations:		
IMC	$10,900	$ 7,877
ECP	2,843	1,880
Total segment income from operations	13,743	9,757
Unallocated operating expenses	(3,691)	(3,483)
Operating income as reported	10,052	6,274
Unallocated other income and expense	101	(556)
Income before provision for income taxes as reported	$10,153	$ 5,718

The carrying amount of goodwill at December 31, 2005 and March 31, 2006 is as follows:

IMC	ECP	Total
$152,473	$ 2,566	$155,039

12. OTHER OPERATING EXPENSE

During the first quarter ended March 31, 2006, the following charges were recorded in other operating expense in the Company's Condensed Consolidated Statement of Operations (in thousands).

Three months ended March 31, 2006 2005
(a) Alden facility consolidation $ 500 $ -
(b) Carson City facility shutdown and Tijuana Facility

	Consolidation No. 1	1,200	200
(c)	Columbia facility shutdown, Tijuana Facility consolidation No. 2 and RD&E consolidation	1,000	-
(d)	Tijuana start-up	-	200
(e)	Asset dispositions and other	-	500
(f)	Severance	-	1,500
		$2,700	$ 2,400

(a) Alden Facility Consolidation - On February 23, 2005, the Company announced its intent to consolidate the 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 ("Alden Facility"). The Company is also consolidating the capacitor research, development and engineering operations from the Cheektowaga, NY, facility into the Technology Center in Clarence, NY.

The total cost estimated for these consolidation efforts is anticipated to be between $3.5 and $4.0 million. The expenses for the Alden Facility consolidation are included in the IMC business segment. The Alden facility is substantially complete as of March 31, 2006 and we therefore do not expect to incur any additional significant expense. The major categories of costs, which will primarily be cash expenditures, include the following:

o Production inefficiencies and revalidation - $0.3 to $0.5 million;

o Training - $0.2 million;

o Moving and facility closures - $2.6 to $2.7 million; and

o Other - $0.4 to $0.6 million.

Accrued liabilities at March 31, 2006 related to the Alden Facility consolidation comprised the following (in thousands):

	Production inefficiencies and revalidation	Training	Moving and facility closures	Other	Total
Restructuring charges	$ 230	$23	$2,180	$373	$2,806
Cash payments	(230)	(23)	(1,144)	(373)	(1,770)
Accelerated depreciation/ asset write-offs	-	-	(838)	-	(838)
Balance, December 31, 2005	$ -	$ -	$ 198	$ -	$ 198
Restructuring charges	$38	$ -	$ 412	$ -	$ 450
Cash payments	(38)	-	(475)	-	(513)
Accelerated depreciation/ asset write-offs	-	-	-	-	-
Balance, March 31, 2006	$ -	$ -	$ 135	$ -	$ 135

(b) Carson City Facility shutdown and Tijuana Facility consolidation No. 1. On March 7, 2005, the Company announced its intent to close the Carson City, NV facility ("Carson City Facility") and consolidate the work performed at the Carson City Facility into the Tijuana, Mexico facility ("Tijuana Facility consolidation No. 1").

The total estimated cost for this facility consolidation plan is anticipated to be between $6.6 million and $6.8 million. The Company expects to incur and pay the remaining cost over the next two fiscal quarters through September 2006. The major categories of costs include the following:

o Costs related to the shutdown of the Carson City Facility:

a. Severance and retention - $3.0 million;
b. Accelerated depreciation - $0.6 million; and
c. Other - $0.3 million.

o Costs related to Tijuana Facility consolidation No. 1:

a. Production inefficiencies and revalidation - $0.4 to $0.5 million;
b. Relocation and moving - $0.3 million;
c. Personnel (including travel, training and duplicate wages) - $1.5 to $1.6 million; and
d. Other - $0.5 million.

All categories of costs are considered to be cash expenditures, except accelerated depreciation. Once the moves are completed, the Company anticipates annual cost savings in the range of $2.5 to $3.1 million. The expenses for the Carson City facility shutdown and the Tijuana Facility consolidation No. 1 are included in the IMC business segment.

Accrued liabilities at March 31, 2006 related to the Carson City Facility shutdown comprised the following (in thousands):

	Severance and retention	Accelerated Depreciation	Other	Total
Restructuring charges	$2,096	$ 595	$221	$2,912
Cash payments	-	-	(221)	(221)
Write-offs	-	(595)	-	(595)
Balance, December 31, 2005	$2,096	$ -	$ -	$2,096
Restructuring charges	616	-	1	617
Cash payments	-	-	(1)	(1)
Write-offs	-	-	-	-
Balance, March 31, 2006	$2,712	$ -	$ -	$2,712

Accrued liabilities at March 31, 2006 related to the Tijuana Facility consolidation No. 1 comprised the following (in thousands):

	Production inefficiencies and revalidation	Relocation and moving	Personnel	Other	Total
Restructuring charges	$ 5	$ 123	$ 1,050	$ 350	$ 1,528
Cash payments	(5)	(123)	(1,050)	(350)	(1,528)
Write-offs	-	-	-	-	-
Balance, December 31, 2005	$ -	$ -	$ -	$ -	$ -
Restructuring charges	118	52	336	105	611
Cash payments	(118)	(52)	(336)	(105)	(611)
Write-offs	-	-	-	-	-
Balance, March 31, 2006	$ -	$ -	$ -	$ -	$ -

(c) Columbia Facility shutdown, Tijuana Facility consolidation No. 2 and RD&E consolidation. On November 16, 2005, the Company announced its intent to close both the Columbia, MD facility ("Columbia Facility") and the Fremont, CA Advanced Research Laboratory ("ARL"). The manufacturing operations at the Columbia Facility will be moved into the Tijuana Facility ("Tijuana Facility consolidation No. 2"). The research, development and engineering ("RD&E") and product development functions at the Columbia Facility and at ARL will relocate to the Technology Center in Clarence, NY.

The total estimated cost for this facility consolidation plan is anticipated to be between $7.9 million and $8.3 million. The Company expects to incur and pay the remaining cost over the next five fiscal quarters through June 2007. The major categories of costs include the following:

o Costs related to the shutdown of the Columbia Facility and ARL and the move and consolidation of the RD&E functions to Clarence, NY:
a. Severance and retention - $2.7 to $2.8 million;
b. Personnel (including travel, training and duplicate wages) - $1.5 million
c. Accelerated depreciation/asset write-offs - $0.7 million; and
d. Other - $0.3 to $0.4 million.

o Costs related to Tijuana Facility consolidation No. 2:
a. Production inefficiencies and revalidation - $0.4 to $0.5 million;
b. Relocation and moving - $0.2 million;
c. Personnel (including travel, training and duplicate wages) - $2.0 to $2.1 million; and
d. Other (including asset write-offs) - $0.1 million.

All categories of costs are considered to be cash expenditures, except for accelerated depreciation and asset write-offs. Once the moves are completed, the Company anticipates annual cost savings in the range of $5.0 to $6.0 million. The expenses for the Columbia Facility and ARL shutdowns, the Tijuana Facility consolidation No. 2 and the RD&E consolidation are included in the IMC business segment.

Accrued liabilities at March 31, 2006 related to the Columbia Facility and ARL shutdowns and the RD&E consolidation comprised the following (in thousands):

	Severance and retention	Personnel	Accelerated depreciation / asset write-offs	Other	Total
Restructuring charges	$ 379	$ -	$ 435	$ 310	$ 1,124
Cash payments	-	-	-	-	-
Write-offs	-	-	(435)	-	(435)
Balance, December 31, 2005	$ 379	$ -	$ -	$ 310	$ 689
Restructuring charges	421	202	-	94	717
Cash payments	(137)	(202)	-	(393)	(732)
Write-offs	-	-	-	-	-
Balance, March 31, 2006	$ 663	$ -	$ -	$ 11	$ 674

Accrued liabilities at March 31, 2006 related to Tijuana Facility consolidation No. 2 comprised the following (in thousands):

	Production inefficiencies and revalidation	Relocation and moving	Personnel	Other	Total
Restructuring charges	$ -	$ -	$ 10	$ -	$ 10
Cash payments	-	-	(10)	-	(10)
Balance, December 31, 2005	$ -	$ -	$ -	$ -	$ -
Restructuring charges	-	-	242	13	255
Cash payments	-	-	(242)	(13)	(255)
Balance, March 31, 2006	$ -	$ -	$ -	$ -	$ -

(d) Tijuana start-up. Other Tijuana start-up expenses (not associated with the Carson City Facility or Columbia Facility consolidation) during the first quarter of 2005 amount to $0.2 million. These expenses are primarily related to the initial start-up of the value added assembly business.

(e) Asset dispositions. Expense is for property, plant, and equipment dispositions.

(f) Severance charges. During the first quarter of 2005, the Company implemented a 4% workforce reduction as a continuation of cost containment efforts initiated mid-year 2004, which resulted in a severance charge of $1.5 million, which was paid in 2005. Expense of $0.9 million was recorded in the IMC segment, $0.2 million in the ECP segment, and $0.4 was recorded in unallocated operating expenses under business segment information.

13. RECENTLY ADOPTED STANDARDS

In June 2005 the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 154, Accounting Changes and Error Corrections, ("SFAS 154") a replacement of APB Opinion No. 20, Accounting Changes, and Statement No. 3, Reporting Accounting Changes in Interim Financial Statements. SFAS 154 changes the requirements for the accounting for and the reporting of a change in accounting principle. Previously, most voluntary changes in accounting principles required recognition by recording a cumulative effect adjustment within net income in the period of change. SFAS 154 requires retrospective application to prior periods' financial statements, unless it is impracticable to determine either the specific period effects or the cumulative effect of the change. SFAS 154 is effective for accounting changes made in fiscal years beginning after December 15, 2005. SFAS 154 was effective for accounting changes and corrections of errors made after January 1, 2006.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment ("SFAS No. 123(R)"). This statement is a revision of SFAS No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. The Company adopted the provisions of SFAS No. 123(R) on January 1, 2006 using the modified prospective method. Note 2. - Stock-Based Compensation provides additional information related to the implementation of SFAS No. 123.

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 was effective January 1, 2006 and did not have a material effect on the Company's Condensed Consolidated Financial Statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 Commercial Power ("ECP") business (formerly "Electrochem Power Solutions") to develop and produce cells 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 ("CRT") 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 first quarter of 2006, 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 ECP 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.

Business Highlights

o We achieved record quarterly sales of $68.1 million, up 21% from $56.4 million in the first quarter of 2005.

o Implantable Medical Components sales were $57.6 million, up 20% from the first quarter, driven by strong sales of batteries, feedthroughs and assembly products.

o Electrochem Commercial Power sales of $10.5 million were up 24% from the first quarter, led by strong growth in the oil and gas, and oceanographic markets.

o Diluted earnings per share increased by 47% to $0.28, which included stock-based compensation expense of $0.02 per share related to the adoption of SFAS No. 123(R).

o Operating margin, including move-related expenses, severance costs and stock-based compensation, improved by 3.7% in the first quarter to 14.8%.

o We signed a new supply agreement with Sorin/ELA in March 2006. This new comprehensive agreement represents a significant incremental revenue opportunity over the 5-year term, as it includes provisions for all of our medical component technologies. The renewable agreement has an initial term ending on December 31, 2010.

o The facility moves of shield assembly, filtered feedthroughs, and feedthroughs to our Tijuana Facility are proceeding as planned. The filtered feedthrough move from our Carson City Facility is expected to be completed by the middle of 2006. The feedthrough move from our Columbia Facility is expected to be completed by the second quarter of 2007.

Our CEO's View

We are extremely pleased with our record sales results and the strong start to 2006. We delivered better than expected sales results across the breadth of our medical and commercial products. We experienced solid growth from both our domestic and international customer base, which reflects the strength of our position in these markets. The improving operating margins reflect greater operating leverage from the increased sales volume. In addition, the consolidation of our medical power manufacturing operations coupled with improved utilization at our Tijuana Facility, combined to increase our operating margins in the quarter to approximately 15%. We remain confident that the strategic initiatives we have put in place to expand our product offering and reduce our manufacturing costs will allow us to continue to advance our competitive position in the marketplace.

Product Development

Our strategy is to maintain technology leadership by providing a fresh pipeline of next generation core products. Currently, the company is developing a series of new products for customer applications in the CRM, Neurostimulation and Commercial markets.

Some of the key development milestones for 2006 are as follows:

1. Continue the evolution of our Q series high rate ICD batteries.
2. Complete the development of a high voltage capacitor system.
3. Develop Q series medium rate battery for neurostimulation and pacemaker applications.
4. Augment our existing rechargeable battery with a new rechargeable battery offering for use in neurostimulation applications.
5. Develop rechargeable battery packs for use in commercial applications.

6. Introduce new inductor slab filtered feedthrough technology and molded headers.
7. Continue development of the batteries and capacitors used in intravascular ICD devices.

IMC. As mentioned in our annual report (which is available on our website, www.greatbatch.com), our near term focus for growth in the medical battery market, a portion of our IMC business, is the introduction of our Q-Series 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, we believe 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).

ECP. ECP continues to develop new and innovative power solutions for the world's most demanding commercial applications. ECP has developed a new high energy lithium cell for a customer in the telematics market. Due to their exceptional high energy, two of these new cells are capable of providing power for the entire 10-year life of the telematics device. ECP developed a battery pack capable of withstanding the customer's harsh operating conditions such as high vibration, high shock, salt spray, high temperature, low temperature, and high humidity.

ECP developed a modular battery pack for a customer's fleet of underwater sonabuoys which measure water characteristics. The long life of ECP cells, coupled with their ability to withstand harsh conditions, make them ideally suited for buoys. The customer's expense of commissioning a ship to replace the batteries in each buoy is reduced when using ECP batteries due to their long life.

Cost savings and consolidation efforts

During 2005, we initiated several significant cost savings and consolidation efforts.

Alden Facility Consolidation. On February 23, 2005, we announced our intent to consolidate the 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 ("Alden Facility"). We are also consolidating the capacitor research, development and engineering operations from the Cheektowaga, NY, facility into the Technology Center in Clarence, NY.

The Alden Facility consolidation is substantially complete as of the end of the first quarter 2006, and we do not expect to incur any significant expense for the remainder of the year. Expenses of $2.8 million were incurred in 2005 and $0.5 million were incurred during the first quarter 2006 for a total cost of $3.3 million. Of these, $1.8 million were paid in cash and $0.9 million were for assets written-off in 2005. Approximately $0.5 million were paid in cash during the first quarter 2006. An additional $0.1 million remains to be paid.

Carson City Facility shutdown and Tijuana Facility consolidation No. 1. On March 7, 2005, we announced our intent to close the Carson City, NV facility ("Carson City Facility") and consolidate the work performed at the Carson City Facility into the Tijuana, Mexico facility ("Tijuana Facility consolidation No. 1").

The total estimated cost for this facility consolidation plan is anticipated to be between $6.6 million and $6.8 million, comprised of $3.9 million for the Carson City Facility shutdown and $2.7 million to $2.9 million for Tijuana Facility consolidation No. 1. We expect to incur the remaining costs over the next two fiscal quarters. All categories of costs are considered to be cash expenditures, except for accelerated depreciation.

Carson City Facility shutdown expenses of $3.5 million have been incurred to date, of which $2.9 million were incurred in 2005, and $0.6 million were incurred in the first quarter 2006. In 2005, $0.2 million were paid in cash and $0.6 million were recorded as accelerated depreciation. Of the $2.1 million remaining accrual balance at year-end, no amounts were paid during the first quarter 2006. Tijuana Facility consolidation No. 1 expenses of $1.5 million were incurred and paid in 2005, and $0.6 were incurred and paid in 2006.

Once the moves are completed, we anticipate annual cost savings in the range of $2.5 to $3.1 million. The expenses for the Carson City facility shutdown and the Tijuana Facility consolidation No. 1 are included in the IMC business segment.

Columbia Facility & ARL shutdown, Tijuana Facility consolidation No. 2, and RD&E Consolidation. On November 16, 2005, we announced our intent to close both the Columbia, MD facility ("Columbia Facility") and the Fremont, CA Advanced Research Laboratory ("ARL"). The manufacturing operations at the Columbia Facility will be moved into the Tijuana Facility ("Tijuana Facility consolidation No. 2"). The research, development and engineering ("RD&E") and product development functions at the Columbia Facility and at ARL have begun to relocate to the Technology Center in Clarence, NY.

The total estimated cost for this facility consolidation plan is anticipated to be between $7.9 million and $8.3 million. We expect to incur this additional cost over the next five fiscal quarters. All categories of costs are considered to be future cash expenditures, except for accelerated depreciation and asset write-offs.

Columbia Facility and ARL shutdown expenses of $1.8 million have been recorded to date. Approximately $1.1 million were incurred in 2005, and $0.7 million were incurred in first quarter 2006, of which $0.4 million were recorded for assets written-off. Approximately $0.7 million was paid in cash during the first quarter of 2006. The balance is expected to be paid by the end of the third quarter, 2006. Tijuana Facility consolidation plan No. 2 expenses of $0.3 million and $0.01 million were incurred and paid in cash in 2006 and 2005, respectively.

Once the moves are completed, the Company anticipates annual cost savings in the range of $5.0 to $6.0 million. The expenses for the Columbia Facility and ARL shutdowns, the Tijuana Facility consolidation No. 2 and the RD&E consolidation are included in the IMC business segment.

Severance charges. The Company implemented a 4% workforce reduction during the first quarter of 2005, which resulted in a severance charge of $1.5 million. All amounts were paid in 2005.

Our Financial Results

We utilize a fifty-two, fifty-three week fiscal year ending on the Friday nearest December 31st. For 52-week years, each quarter contains 13 weeks. For clarity of presentation, we describe all periods as if each quarter end is March 31st, June 30th and September 30th and as if the year-end is December 31st. The first quarter of 2006 and 2005 each contained 13 weeks.

The commentary that follows should be read in conjunction with our consolidated financial statements and related notes and with the Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Form 10-K for the fiscal year ended December 31, 2005.

Results of Operations	Three months ended March 31,		2005 - 2004	
In thousands, except per share data	2006	2005	$ Change	% Change
IMC				
ICD batteries	$12,679	$10,751	$ 1,928	18%
Pacemaker and other batteries	5,787	5,255	532	10%
ICD capacitors	3,568	4,297	(729)	-17%
Feedthroughs	16,288	13,682	2,606	19%
Enclosures	6,340	6,547	(207)	-3%
Other	12,918	7,333	5,585	76%
Total IMC	57,580	47,865	9,715	20%
ECP	10,527	8,493	2,034	24%
Total sales	68,107	56,358	11,749	21%
Cost of sales - excluding amortization of intangible assets	39,515	35,571	3,944	11%
Amortization of intangible assets - cost of sales	958	958	-	0%
Gross profit (1)	27,634	19,829	7,805	39%
Gross margin	40.6%	35.2%		5.4%
Selling, general, and administrative expenses ("SG&A")	9,015	6,766	2,249	33%
SG&A as a % of sales	13.2%	12.0%		1.2%
Research, development and engineering costs, net ("RD&E")	5,898	4,401	1,497	34%
RD&E as a % of sales	8.7%	7.8%		0.9%
Other operating expense	2,669	2,388	281	12%
Operating income	10,052	6,274	3,778	60%
Operating margin	14.8%	11.1%		3.7%
Interest expense	1,135	1,131	4	0%
Interest income	(1,192)	(575)	(617)	107%
Other (income) expense, net	(44)	-	(44)	N/A
Provision for income taxes	3,503	1,715	1,788	104%
Effective tax rate	34.5%	30.0%		4.5%
Net income	$ 6,650	$ 4,003	$ 2,647	66%
Net margin	9.8%	7.1%		2.7%
Diluted earnings per share	$ 0.28	$ 0.19	$ 0.09	47%

(1) Gross profit, which equals total sales minus cost of sales including amortization of intangible assets, has been revised from prior year.

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 at 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.

Our customers may initiate field actions with respect to market-released products. These actions may include product recalls or communications with a significant number of physicians about a product or labeling issue. The scope of such actions can range from very minor issues affecting a small number of units to more significant actions. There are a number of factors, both short-term and long-term related to these field actions that may impact our results. In the short-term, if product has to be replaced, or customer inventory levels have to be restored, this will result in increased component demand. Also, changing customer order patterns due to market share shifts or accelerated device replacements may also have a positive impact on our sales results in the near-term. These same factors may have longer-term implications as well. Customer inventory levels may ultimately have to be rebalanced to match demand.

We believe that the market continues to exhibit strong underlying growth fundamentals (as evidenced by the increased number of CRM device implants) and that we are well positioned to participate in this market growth.

The increase in IMC sales of 20% during the first quarter was primarily due to strong demand for ICD batteries, filtered feedthroughs, feedthroughs, and assembly products.

ECP. 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 ECP sales increases of 24% in the first quarter and have been driven by volume increases due to a number of factors.

First and foremost, we have expanded our commercial sales force. We are aggressively pursuing new business opportunities and have been successful on many of these fronts.

Second, we have significantly reduced our manufacturing lead times at our Canton, Massachusetts facility, which has allowed us to be more responsive to our customers needs. We will continue to expand on these efforts from various lean manufacturing initiatives that are underway in our Canton facility and throughout the Company.

The third factor that has contributed to our positive commercial results has been favorable market dynamics. The oil and gas exploration market remains

robust due to the increased demand for products used in pipeline inspections, pressure monitoring and measurement while drilling applications. In addition, we have seen an increase in demand for power sources used in wave monitoring and seismic recording, due to increased Tsunami related concerns, mainly in the international markets.

Cost of Sales

Lower cost of sales as a percentage of sales in the quarter was primarily due to the following factors:

	Three months ended March 31, 2006
Production efficiencies primarily associated with higher volumes (a)	-6.1%
Excess capacity at wet tantalum capacitor facility (b)	-1.0%
Excess capacity at Tijuana facility (c)	1.6%
Lower IMC selling prices (d)	0.9%
Other	-0.8%
Total percentage point impact on cost of sales as a percentage of sales	-5.4%

(a) This decrease in cost of sales is primarily due to the fact that as production volumes increase, fixed costs such as plant overhead and depreciation do not increase at the same rate.
(b) During 2005, the Capacitor facility was not being utilized to its full capacity. The cost associated with the excess capacity in first quarter 2005 was eliminated as capacitor manufacturing was consolidated into the Alden facility.
(c) The Tijuana facility was new in 2005 and its infrastructure and floor space were coming on line during the first quarter of 2005. In first quarter 2006, the underutilized infrastructure was fully operational and increased excess capacity costs.
(d) Sales prices for IMC are subject to pricing agreements with customers. Many times these agreements allow for changes in price due to customer specific levels of demand.

We expect cost of sales as a percentage of sales to decrease over the next several years as the result of the consolidation efforts and the elimination of excess capacity. Excess capacity for the Tijuana Facility is not expected to be eliminated until mid 2007 when the last announced consolidation effort is anticipated to be completed (see the "cost savings and consolidation efforts" section for additional information).

Amortization of intangible assets - cost of sales

Amortization expense for the first quarter of 2006 was comparable to the first quarter of 2005.

SG&A expenses

The increase in SG&A expenses for the first quarter 2006 is primarily due to the following factors (in millions):

SFAS No. 123(R) stock-based compensation expense	$ 0.8
Increased workforce	0.6
Directors' fees	0.3
Increased incentive compensation	0.1
Other	0.4
Net increase in SG&A	$ 2.2

The increase in stock-based compensation expense is expected to continue into the future.

RD&E expenses

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

	Three Months Ended March 31,	
	2006	2005
Research and development costs	$ 4.0	$ 3.8
Engineering costs	2.3	1.4
Less cost reimbursements	(0.4)	(0.8)
Engineering costs, net	1.9	0.6
Total research and development and engineering costs, net	$ 5.9	$ 4.4

The increase in RD&E expenses in the first quarter of 2006 is primarily due to increased personnel costs (headcount), coupled with decreased reimbursement of 50% on new product development projects in the current quarter compared to last year. In terms of the development costs billed, reimbursements were lower due to the timing of the achievement of revenue milestones. Reimbursements for achieving certain development milestones are netted against gross spending. We expect that RD&E costs will be within the range of 9% to 10% as a percentage of sales for the remainder of 2006 due to increased investment in future development programs.

Other operating expense

Other operating expense for 2006 and 2005 comprised the following costs (in millions):

	Three months ended March 31,	
	2006	2005
Carson City facility shutdown (a)	$ 1.2	$ 0.2
Columbia Facility and Advanced Research Laboratory shutdown (a)	1.0	-
Alden facility consolidation (a)	0.5	-
Tijuana start-up	-	0.2
Severance (a)	-	1.5
Asset dispositions and other (b)	-	0.5
	$ 2.7	$ 2.4

(a) Refer to "Cost savings and consolidation efforts" discussion for disclosure related to the timing and level of remaining expenditures for these items as of March 31, 2006.
(b) Expenditures in 2005 were for asset disposals.

Other operating expenses for the remainder of 2006 are expected to be in the range of $8.0 million and $10.0 million primarily related to plant consolidations and asset dispositions. In the future, other operating expenses are expected to be substantially reduced after the second quarter of 2007 when the last announced consolidation effort is anticipated to be completed.

Interest expense and interest income

Interest expense is consistent with the prior year's quarter, and is primarily related to the outstanding convertible notes.

Interest income increased in the first quarter 2006 in comparison to the first quarter of 2005 due to increased cash, cash equivalents and short-term investment balances coupled with higher interest rates on the invested cash.

Provision for income taxes

Our effective tax rate of 34.5% for the first quarter of 2006 is below the United States statutory rate primarily as a result of the allowable Extraterritorial Income Exclusion ("ETI") and the Qualified Production Activities Deduction. In comparison to the first quarter of 2005, the year to date effective tax rate is higher due to the expiration of the federal research and development tax credit and the reduction in 2006 of the level of allowable ETI benefits.

We estimate our effective tax rate to be approximately 34% for the full year 2006.

Liquidity and Capital Resources

(Dollars in millions)	March 31, 2006	December 31, 2005
Cash and cash equivalents and short-term investments (a)	$ 104.9	$ 112.1
Working capital (b)	$ 165.8	$ 152.0
Current ratio	5.7:1.0	4.5:1.0

(a) Short-term investments consist of investments acquired with maturities that exceed three months and are less than one year at the time of acquisition, equity securities classified as available-for-sale, and auction rate securities.
(b) Working capital increased by approximately $14.0 million. Net earnings of $6.7 million and company stock contributed to the 401(k) Plan of $2.8 million are the primary drivers of the increase.

Revolving Line of Credit

On May 31, 2005, we amended our Senior Secured Credit Facility, which included changes to the underlying covenants. The amended facility replaced the old $20.0 million revolving credit facility with a new three-year $50.0 million Revolving Credit Facility ("new revolver"), which contains a $10.0 million sub-limit for the issuance of commercial or standby letters of credit. The new revolver is secured by our non-realty assets including cash, accounts and notes receivable, and inventories. The new revolver requires us to comply with two quarterly financial covenants. The first relates to the ratio of consolidated net earnings or loss before interest, taxes, depreciation, and amortization ("EBITDA") to Fixed Charges. The second is a Leverage ratio, which is calculated based on the ratio of Consolidated Funded Debt less Cash, Cash Equivalent Investments and Short-Term Investments to Consolidated EBITDA. Interest rates under the new revolver vary with our leverage. We are required to pay a commitment fee of between .125% and .250% per annum on the unused portion of the new revolver based on our leverage. As of March 31, 2006, we had no balance outstanding on the new revolver.

Our principal sources of liquidity are our operating cash flow combined with our working capital of $165.8 million at March 31, 2006 and availability under the new revolver. Historically we have generated cash from operations sufficient to meet our capital expenditure and debt service needs, other than for acquisitions. At March 31, 2006, our current ratio was 5.7:1.

The Company regularly engages in discussions relating to potential acquisitions and may announce an acquisition transaction at any time.

Operating activities

Net cash flows used by operating activities for the three months ended March 31, 2006 decreased by approximately $6.5 million over the comparable period in 2005 primarily due to increased accounts receivable due to higher sales, and decreased accrued expenses due to the payment in 2006 of amounts accrued for 2005 incentive compensation and profit sharing programs.

Investing activities

The majority of the acquisition of property, plant and equipment for the first quarter of 2006 was related to the movement of operations from the Columbia Facility to the Tijuana Facility.

Short-term investments increased by approximately $0.3 million.

Financing activities

Payments on capital lease obligations and cash from non-qualified stock option exercises are the primary financing activities for the first quarter of 2006 and 2005.

Capital Structure

At March 31, 2006, our capital structure consisted primarily of $170.0 million of convertible subordinated notes and 21.8 million shares of common stock outstanding. We have approximately $105.0 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; 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. Our current expectation for 2006 is that capital spending will be in the range of $22.0 million to $27.0 million, of which $5.0 to $7.0 million is attributable to the Tijuana Facility build-out.

Off-Balance Sheet Arrangements

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

Inflation

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

Impact of Recently Adopted Accounting Standards

In June 2005 the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 154, Accounting Changes and Error Corrections, ("SFAS 154") a replacement of APB Opinion No. 20, Accounting Changes, and Statement No. 3, Reporting Accounting Changes in Interim Financial Statements. SFAS 154 changes the requirements for the accounting for and the reporting of a change in accounting principle. Previously, most voluntary changes in accounting principles required recognition by recording a cumulative effect adjustment within net income in the period of change. SFAS 154 requires retrospective application to prior periods' financial statements, unless it is impracticable to determine either the specific period effects or the cumulative effect of the change. SFAS 154 is effective for accounting changes made in fiscal years beginning after December 15, 2005. SFAS 154 was effective for accounting changes and corrections of errors made after January 1, 2006.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment ("SFAS No. 123(R)"). This statement is a revision of SFAS No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. We adopted the provisions of SFAS No. 123(R) on January 1, 2006 using the modified prospective method. See Note 2 - Stock-Based Compensation of the Notes to the Condensed Consolidated Financial Statements in this Form 10-Q and the "Application of Critical Accounting Estimates" section below for additional information related to the implementation of SFAS No. 123(R).

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 was effective January 1, 2006 and did not have a material effect on its Condensed Consolidated Financial Statements.

Application of Critical Accounting Estimates

Our unaudited condensed consolidated financial statements are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. We believe that some of the more critical estimates and related assumptions that affect our financial condition and results of operations are in the areas of inventories, goodwill and other indefinite lived intangible assets, long-lived assets income taxes, and stock-based compensation.

During the three months ended March 31, 2006, we did not change or adopt new accounting policies that had a material effect on our consolidated financial condition and results of operations other than stock-based compensation policies.

Effective January 1, 2006, we adopted the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), Share-Based Payment ("SFAS No. 123(R)"), and related Securities and Exchange Commission rules included in Staff Accounting Bulletin No. 107, on a modified prospective basis. Under this method, compensation cost recognized beginning January 1, 2006 includes costs related to 1) all share-based payments (stock options and restricted stock awards) granted prior to but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, Accounting for Stock-Based Compensation, and 2) all share-based payments (stock options and restricted stock awards) granted subsequent to December 31, 2005 based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). Compensation cost for nonqualified stock options is generally recognized ratably over a four-year vesting period. Compensation cost for incentive stock options is generally recognized ratably over a seven-year vesting period. Compensation costs for restricted stock awards granted to employees are recognized ratably over the vesting period determined at the time of grant. The Company has continued to use the Black-Scholes option pricing model to estimate the fair value of stock options granted subsequent to the date of adoption of SFAS No. 123(R).

Compensation costs related to stock options and restricted stock for the quarter ended March 31, 2006 totaled $1.4 million, and are included in the statement of earnings primarily in selling, general, and administrative expenses.

As of March 31, 2006, $7.5 million of unrecognized compensation cost related to non-vested stock options is expected to be recognized over a weighted-average period of approximately 5 years.

We utilize the Black-Scholes Options Pricing Model to determine the fair value of stock options under SFAS No. 123(R), consistent with that used for pro forma disclosures in prior years. We are required to make certain assumptions with respect to selected model inputs, including anticipated changes in the underlying stock price (i.e., expected volatility) and option exercise activity (i.e., expected life). Expected volatility is based on the historical volatility of the Company's stock over the most recent period commensurate with the estimated expected life of the Company's stock options and other factors. The expected life of options granted, which represents the period of time that the options are expected to be outstanding, is based, primarily, on historical data. The expected dividend yield is based on our Company's history and expectation of dividend payouts. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for a period commensurate with the estimated expected life. If factors change and result in different assumptions in the application of SFAS No. 123(R) in future periods, the stock option expense that we record for future grants may differ significantly from what we have recorded in the current period.

There is a high degree of subjectivity involved in selecting the option pricing model assumptions used to estimate share-based compensation expense under SFAS No. 123(R). Option pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions, are fully transferable and do not cause dilution. Because our share-based payments have characteristics significantly different from those of freely traded options, and because changes in the subjective input assumptions can materially affect our estimates of fair values, existing valuation models may not provide reliable measures of the fair values of our share-based compensation. Consequently, there is a risk that our estimates of the fair values of our share-based compensation awards on the grant dates may bear little resemblance to the actual values realized upon the exercise, expiration or forfeiture of those share-based payments in the future. Stock options may expire worthless or otherwise result in zero intrinsic value as compared to the fair values originally estimated on the grant date and reported in our condensed consolidated financial statements. Alternatively, value may be realized from these instruments that is significantly in excess of the fair values originally estimated on the grant date and reported in our condensed consolidated financial statements.

There are significant differences among valuation models. This may result in a lack of comparability with other companies that use different models, methods and assumptions. There is also a possibility that we will adopt a different valuation model in the future. This may result in a lack of consistency in future periods and may materially affect the fair value estimate of share-based payments.

Contractual Obligations

During 2004, we commenced the build out of our Alden Facility and our Tijuana Facility. These facilities will enable us to further consolidate our operations and implement state of the art manufacturing capabilities at both locations. The total remaining contractual obligation for construction of these facilities is $4.5 million and will be financed by existing cash, short term investments, and cash generated from operations.

Forward-Looking Statements

Some of the statements contained in this Quarterly Report on Form 10-Q and other written and oral statements made from time to time by us and our representatives, are not statements of historical or current fact. As such, they are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations, which are subject to known and unknown risks, uncertainties and assumptions. They include statements relating to:

o future sales, expenses and profitability;

o the future development and expected growth of our business and the implantable medical device industry;

o our ability to successfully execute our business model and our business strategy;

o our ability to identify trends within the implantable medical devices, medical components, and commercial power sources industries and to offer products and services that meet the changing needs of those markets;

o projected capital expenditures; and

o trends in government regulation.

You can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially from those suggested by these forward-looking statements. In evaluating these statements and our prospects generally, you should carefully consider the factors set forth below. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary factors and to others contained throughout this report. We are under no duty to update any of the forward-looking statements after the date of this report or to conform these statements to actual results.

Although it is not possible to create a comprehensive list of all factors that may cause actual results to differ from the results expressed or implied by our forward-looking statements or that may affect our future results, some of these factors include the following: dependence upon a limited number of customers, product obsolescence, inability to market current or future products, pricing pressure from customers, reliance on third party suppliers for raw materials, products and subcomponents, fluctuating operating results, inability to maintain high quality standards for our products, challenges to our intellectual property rights, product liability claims, inability to successfully consummate and integrate acquisitions, unsuccessful expansion into new markets, competition, inability to obtain licenses to key technology, regulatory changes or consolidation in the healthcare industry, and other risks and uncertainties that arise from time to time as described in the Company's Annual Report on Form 10-K and other periodic filings with the Securities and Exchange Commission.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

Under our line of credit any borrowings bear interest at fluctuating market rates. At March 31, 2006, we did not have any borrowings outstanding under our line of credit and thus no interest rate sensitive financial instruments other than short-term investments. We do not believe that the impact of fluctuations in interest rates on short-term investments will have a material effect on our condensed consolidated financial statements.

The company incurs certain expenses related to the Tijuana operations that are denominated in a foreign currency. We do not believe that the impact of foreign currency fluctuations will have a material effect on our consolidated financial statements.

ITEM 4. Controls and Procedures.

a. Evaluation of Disclosure Controls and Procedures. During the first quarter of 2006, our management, including the principal executive officer and principal financial officer, evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) related to the recording, processing, summarization and reporting of information in our reports that we file with the SEC. These disclosure controls and procedures have been designed to ensure that material information relating to us, including our subsidiaries, is made known to our management, including these officers, by other of our employees, and that this information is recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the SEC's rules and forms. Due to the inherent limitations of control systems, not all misstatements may be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. Our controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met.

Based on their evaluation, as of March 31, 2006, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective.

b. Changes in Internal Control Over Financial Reporting.

There have been no changes in our internal control over financial reporting that occurred during our last fiscal quarter to which this Quarterly Report on Form 10-Q relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings.

None.

ITEM 1A. Risk Factors.

No material changes from risk factors as previously disclosed in the Company's Form 10-K for the year ended December 31, 2005.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

ITEM 3. Defaults Upon Senior Securities.

None.

ITEM 4. Submission of Matters to a Vote of Security Holders.

None.

ITEM 5. Other Information.

None.

ITEM 6. Exhibits.

See the Exhibit Index for a list of those exhibits filed herewith.

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 10, 2006 *GREATBATCH, INC.*

By /s/ Edward F. Voboril

Edward F. Voboril
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

By /s/ Thomas J. Mazza

Thomas J. Mazza
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

By /s/ Marco F. Benedetti

Marco F. Benedetti
Corporate Controller
(Principal Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to our quarterly report on Form 10-Q ended July 1, 2005).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to our quarterly report on Form 10-Q ended March 29, 2002).
10.1+	Supply Agreement for medical device components dated March 31, 2006, between Greatbatch, Inc. and SORIN/ELA BIOMEDICA CRM and ELA MEDICAL SAS.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Portions of the exhibit marked "+" have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

Exhibit 10.1

THE CONFIDENTIAL PORTION OF THIS EXHIBIT, WHICH
HAVE BEEN REMOVED AND REPLACED WITH AN
ASTERISK, HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL
TREATMENT UNDER RULE 406 PROMULGATED UNDER THE SECURITIES ACT OF 1933 AND RULE 24b-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934.

SUPPLY AGREEMENT
SORIN/ELA AND GREATBATCH
2006 - 2010

Contents:

Supply Agreement

THIS AGREEMENT is effective 31 March 2006 and is by and between GREATBATCH, INC., a New York corporation located at 9645 Wehrle Drive, Clarence, New York, 14031, ("GB") and SORIN/ELA BIOMEDICA CRM and ELA MEDICAL SAS a company located at 13040 Saluggia (VC), Via Crescentino, Italy ("SORIN/ELA").

RECITALS: SORIN/ELA wishes to purchase Assembled Headers, Batteries, Capacitors, Cases, Coated Components, Feedthroughs, Filtered Feedthroughs, and miscellaneous machined or molded piece parts (hereinafter referred to as Products) for use in medical devices. GB agrees to manufacture and sell such Products to SORIN/ELA and/or their Affiliates in accordance with, and subject to, the specifications and other terms and conditions set forth in the Agreement.

NOW, THEREFORE, GB and SORIN/ELA hereby agree as follows:

1.0 DEFINITIONS. As used in this Agreement, the following defined terms shall have the meanings provided for in this Article 1:

1.1 "Affiliate" means:
1.1.1 "any other entity/person of which the securities or other

ownership interests representing 50% (fifty percent) or more of the equity or 50% (fifty percent) or more of the ordinary voting power or 50% (fifty percent)or more of the general partnership interests are, at the time of such determination, owned, controlled or held, directly or indirectly, by such entity/person, or

1.1.2 any other entity/person, which at the time of such determination, is controlling, controlled by or under common control with, such entity/person.

1.1.3 As used herein, the term "control," whether used as a noun or verb, refers to the possession, directly or indirectly, of the power to direct, or cause the direction of, the management or policies of a entity/person, whether through the ownership of voting securities, by contract or otherwise.

1.2 "Agreement" means this Agreement and all Exhibits hereto and any other attachments hereto.

1.3 "Assembled Headers" means a single piece molded device header assembly, including where the context requires all such Products manufactured by GB and sold to SORIN/ELA under this Agreement.

1.4 "Batteries" means lithium iodine low-rate batteries, lithium silver vanadium oxide high rate batteries, QHR silver vanadium oxide/carbon monofluoride high rate batteries and other power sources, including where the context requires all such Products manufactured by GB and sold to SORIN/ELA under this Agreement.

1.5 "Big Four CPA Firm" means Ernst & Young, Deloitte & Touche, PricewaterhouseCoopers and KPMG.

1.6 "Capacitors" means wet tantalum high voltage electrical capacitors, including where the context requires all such Products manufactured by GB and sold to SORIN/ELA under this Agreement.

1.7 "Cases" means drawn titanium or stainless steel enclosures used in a medical device, including where the context requires all such Products manufactured by GB and sold to SORIN/ELA under this Agreement.

1.8 "Change of Control" means the occurrence of any of the following events:

1.8.1 The acquisition by any person of beneficial ownership, directly or indirectly, of securities of GB representing fifty percent (50%) or more of the total voting power represented by GB's then outstanding voting securities;

1.8.2 A change in the composition of the Board of Directors of GB occurring within a one-year period, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (i) are directors of GB as of the date hereof, or (ii) are elected, or nominated for election, to the Board of Directors of GB with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual not otherwise an Incumbent Director whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to GB);

1.8.3 A merger or consolidation of GB with any other corporation, other than a merger or consolidation which would result in the voting securities of GB outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting securities of GB or such surviving entity outstanding immediately after such merger or consolidation, or the approval by the stockholders of GB of a plan of complete liquidation of GB or of an agreement for the sale or disposition by GB of all or substantially all GB's assets;

1.8.4 The sale or transfer of all or substantially all of the assets of GB relating to the manufacture of any Product; or

1.8.5 The complete liquidation or dissolution of GB.

1.9 "Coated Component" means low polarization electrode coatings, including where the context requires all such Products manufactured by GB and sold to SORIN/ELA under this Agreement.

1.10 "Confidential Information" means know-how, trade secrets, and unpublished information disclosed (whether before or during the term of this Agreement) by one of the parties (the "disclosing party") to the other party (the "receiving party"), and which is marked as proprietary or confidential as provided below.

All Confidential Information disclosed by one party to the other under this Agreement shall be in writing and bear a legend "Proprietary," "Confidential" or words of similar import or, if disclosed in any manner other than writing, shall be followed by confirmation that such information is confidential by the disclosing party within*. The following information communicated to GB by SORIN/ELA shall be considered Confidential Information of SORIN/ELA for purposes of, and subject to, Article 8 and the other provisions of this Agreement whether or not marked "Proprietary" or "Confidential":

1.10.1 Specifications;
1.10.2 Information regarding circuitry design or mechanical design;
1.10.3 Information regarding product or component qualification or verification; and

The following information communicated to SORIN/ELA by GB shall be considered Confidential Information of GB for purposes of, and subject to, Article 8 and the other provisions of this Agreement whether or not marked "Proprietary" or "Confidential":

1.10.4 information regarding delivery or production schedules;
1.10.5 information regarding GB delivery and production schedules or production capacity;
1.10.6 information regarding GB product or component qualification or verification;
1.10.7 information related to GB manufacturing processes;
1.10.8 information related to Product technology including GB designs and materials used for components and assemblies; and
1.10.9 information related to Product pricing.

1.11 "Contract Year" means each calendar year during the Term, provided that for clarification the initial Contract Year shall mean 2006.

1.12 "Effective Date" means the date this Agreement is signed by the parties hereto.

1.13 "Feedthrough" means a subassembly consisting of: (a) an outer electrically conductive member (usually referred to as a flange or ferrule), (b) an inner electrically conductive member or members (usually represented as a metallic wire or pin, or multiple wires or pins), and (c) a nonconductive material fused or brazed between the inner and outer members (usually a glass or ceramic material) such that

they are electrically insulated and hermetically sealed; including where the context requires all such Products manufactured by Seller and sold to Buyer under this Agreement.

1.14 "Filtered Feedthrough" means an assembly consisting of:
(a) Feedthrough and (b) feedthrough type capacitor composed of ground electrodes interleaved with conductive active electrodes, one for each active feedthrough pin; including where the context requires all such Products manufactured by Seller and sold to Buyer under this Agreement.

1.15 "Force Majeure" is defined in Article 9.

1.16 "Intellectual Property" means U.S. and foreign Patent Rights, trademarks, service marks and registrations thereof and applications therefore, copyrights and copyright registrations and applications, mask works and registrations thereof, Know-How, trade secrets, Inventions, discoveries, ideas, technology, data, information, processes, drawings, designs, licenses, computer programs and software, and technical information including but not limited to information embodied in material specifications, processing instructions, equipment specifications, product specifications, confidential data, electronic files, research notebooks, invention disclosures, research and development reports and the like related thereto, all amendments, modifications, and improvements to any of the foregoing.

1.17 "Miscellaneous Piece Parts" means machined and molded components used in the manufacturing of implantable medical devices, including, but not limited to,* and such items including where the context requires all such Products manufactured by GB and sold to SORIN/ELA under this Agreement.

1.18 "Product" means Assembled Headers, Batteries, Capacitors, Cases, Coated Components, Feedthroughs, Filtered Feedthroughs, and miscellaneous piece parts, in each case identified on Exhibits B, C, D, E and F, as modified from time to time by mutual written agreement.

1.19 "Qualification" means Product performance testing conducted according to an approved and controlled protocol to ensure that the Products meet Specifications. Products used to perform the qualification must be manufactured using validated equipment and processes per GB procedures.

1.20 "SORIN/ELA" means SORIN BIOMEDICA CRM and ELA MEDICAL SAS and their Affiliates.

1.21 "Specifications" means (i) with respect to Products listed on Exhibits B, C, D, E and F as of the date hereof, all applicable requirements and protocols provided to GB by SORIN/ELA prior to the date of this Agreement as provided hereunder, and approved by GB in writing, relative to the design, physical characteristics, function, performance, manufacture, packaging and quality of such Products, in each case as modified by Article 2.2. To the extent not superseded by the foregoing, Specifications will also include all specifications and protocols applicable to the Products published by GB.

1.22 "Term" means the period of time this Agreement is in effect as provided for in Article 6.1.

1.23 "GB" means Greatbatch, Inc. and its Affiliates.

2.0 PRODUCT PURCHASE AND SALE.

2.1 Manufacture and Supply. GB shall supply Products to SORIN/ELA in the quantities ordered by SORIN/ELA from time to time and in accordance with the Specifications agreed to by the parties and with the schedules for deliveries thereof established pursuant to this Agreement

2.2 Specifications. All Products supplied by GB to SORIN/ELA shall be in accordance with the Specifications and supplied after Qualification thereof. Any changes to Specifications for Products to be sold under this Agreement shall be agreed upon by both parties in writing.

2.3 Quality Control. GB agrees to follow strict quality control standards with respect to the production and transport of Products sold under this Agreement and consistent in all material respects with the standard of care and science applicable at the time of delivery. SORIN/ELA agrees to follow strict quality control standards with respect to the storage, preservation and use of Products purchased under this Agreement and consistent in all material respects with such guidelines as GB may from time to time deliver to SORIN/ELA.

2.4 GB / SORIN/ELA Supply Agreement and Extension. SORIN/ELA and GB desire to terminate (i) the original Purchase Agreement between GBL and Ela Medical S.A. signed on or about November 17, 2000 by ELA Medical; and
(ii) the Supply Agreement Pricing Amendment, signed on or about November 16, 2001 (the "Current Supply Agreement") by Sorin and Ela, and the Supply Agreement Extension executed on or about 19 January 2006, which is superseded by this Agreement; provided, however, that any financial and other obligations owing by one party to the other, and any such obligations which, by their terms survive termination of these Agreements, shall not be terminated by virtue of this Article 2.4.

2.5 Standard Forms Not Applicable. The general terms and conditions of sale for Products sold by GB to SORIN/ELA hereunder are exclusively set forth in this Agreement. The parties expressly agree that none of the terms and conditions of any written or electronic standard or other preprinted forms used by either GB or the SORIN/ELA in effectuating the purchase and sale transactions contemplated by this Agreement (including, but not limited to, purchase orders, acknowledgements and acceptance forms, invoices, labels and shipping documents) which are inconsistent with, or in addition to, those contained in this Agreement shall have any force or effect.

2.6 *: SORIN/ELA will provide GB the* SORIN/ELA with*.

3.0 PRICE.

3.1 Pricing. The initial prices for Products are set forth on Exhibits B, C, D, E and F.

3.2 *

3.3 Payment Terms. Payment terms are net* from date of invoice and terms are* or the location of such other* facility that manufactures the

Product ("FCA" per INCOTERMS 2000). Remittances are to be made per the following:

Please direct all Wire Transfer Payments to:
Account Name: * Account Number: * ABA: * Bank Name: * Swift Code (if needed): *

3.4 Price Adjustments for Significant Cost Impact. The price for any product may be adjusted up or down during the term of this agreement, by mutual consent, if there is significant impact to the final cost of the Product:

3.4.1 In the case of * the price of any Product is subject to *modification from time to time due to *. The reference price of * will be based upon the *

3.4.1.1 *shall be executed (reflecting revised SORIN/ELA pricing) on an agreed upon volume and timing basis. Specifically, GB agrees to *with SORIN/ELA's formal agreement on pricing, volume, and delivery requirements.

3.4.1.2 The cost of * used as the basis to establish pricing in Exhibit C of this Agreement was *.

3.4.2 In the case of *, the price of any Product is subject *modification from time to time due to *. The reference price of * will be based upon the * as reported by the * The cost of * used as the basis to establish pricing in Exhibits E, F and G of this Agreement was *

3.4.3 In the case of *, the price of any Product is subject to *modification from time to time due to *. The reference price of *will be based upon the "*" as reported by the *. The cost of *used as the basis to establish pricing in Exhibits E, F and G of this Agreement was *.

3.4.4 If GB determines that a price *under this Article is required or permissible, GB shall deliver written notice to SORIN/ELA setting forth the basis for such determination. The new price(s) shall be in effect * of GB's notification to SORIN/ELA.

3.5 Price Adjustments for *.

3.5.1 The price for a Product from time to time as set forth on Exhibits B, C, D, E and F is subject to * modification in the event that a redesign of a Product results in *of the Product.

3.5.2 If SORIN/ELA determines that it is necessary or desirable to make a change to the applicable Specifications for any Product, then SORIN/ELA will so notify GB in writing. GB will respond to SORIN/ELA in writing as soon as practicable, but in no event later than *, after the date of any such notice,

specifying (i) GB's suggestions, if any, for modifying SORIN/ELA'S Specifications change; (ii) the lead time necessary to implement such change; and
(iii) the amount and nature of any *, if any, estimated to result from implementing such change. The parties agree to negotiate in good faith after delivery of such notice with respect to an adjustment to the Specifications *. If the Specification changes requested by SORIN/ELA for a Product are agreed to by GB, SORIN/ELA will be responsible for all finished product, WIP raw components, and any non-cancelable purchase orders outstanding with GB's suppliers *requirements for the Product (as listed in Exhibit
G), that do not meet the revised Specifications.

3.6 Non-Recurring Charges. GB and SORIN/ELA agree to *, for Products that are developed by GB for SORIN/ELA, including, but not limited to, Products included in this Agreement in Exhibits B, C, D, E and F.

3.7 U.S. Funds. All amounts referenced in or to be paid under this Agreement shall be in U.S. funds.

3.8 *. During the Term of the Agreement, GB and SORIN/ELA agree to explore the opportunity for GB to *.

4.0 ORDERS AND FORECASTS.

4.1 Firm Purchase Orders for Products and Forecasts.

4.1.1 By *of each Contract Year, SORIN/ELA shall provide GB with a non-binding *forecast indicating SORIN/ELA'S forecasted purchases of Products from GB for the next Contract Year. The forecast for the months remaining in 2006 shall be provided within *of the effective date of this Agreement. The forecast shall be used for purposes of facilitating each party's planning and in order to meet the lead times required by certain of GB's suppliers. Such forecasts are not legally binding in any manner and may be revised from time to time by SORIN/ELA, as it deems appropriate, by providing notice to GB.

4.1.2 By the *day of every month, SORIN/ELA will submit to GB in writing the following information:

4.1.2.1 A rolling *forecast of anticipated needs. Such forecast shall not be binding on SORIN/ELA or GB. Only a firm purchase order that is accepted by GB shall create a binding commitment.

4.1.2.2 A firm purchase order for each of the immediately following *

4.1.3 Upon completion of any Specifications for and Qualification of new models of Products by the parties, SORIN/ELA agrees to provide GB with an

initial *forecast indicating SORIN/ELA'S forecast purchases of Products from GB during that period *

4.1.4 All Firm Purchase Orders shall set forth at a minimum: (i) an identification of Products ordered, (ii) quantities ordered, (iii) proposed delivery dates, and (iv) shipping instructions.

4.1.5 Items

4.1.5.1 GB shall cause Products to be delivered to SORIN/ELA'S facilities per SORIN/ELA'S delivery instructions;

4.1.5.2 unless SORIN/ELA gives GB written instructions as to the method of shipment and carrier, GB shall select the methods of shipment and the carrier for the respective purchase order, and GB shall prepay transportation and similar charges upon shipment (which payments shall be added to the invoice); and

4.1.5.3 title to all Products conforming to SORIN/ELA'S purchase order shall pass, free and clear of all encumbrances, at the FCA shipping point, which shall be *, and SORIN/ELA assumes and agrees to bear all risk of damage or loss to the goods after delivery by GB to the carrier at the FCA shipping point, and SORIN/ELA hereby releases GB from any and all claims and liability with respect to any such in-transit damages or losses to the goods. SORIN/ELA shall also be responsible for securing insurance coverage to cover shipments and deliveries thereunder.

4.2 Modification of Orders. No Firm Purchase Order by SORIN/ELA shall be modified or canceled except upon the written mutual agreement of the parties. Mutually agreed change orders shall be subject to all provisions of this Agreement, whether or not the change order so states. Notwithstanding the foregoing, *.

4.3 Order Limitations. In the event that:

4.3.1 Firm Purchase Orders placed by SORIN/ELA for any Product(s) for delivery within any *for such Product ordered by SORIN/ELA under the most recent prior period of *of SORIN/ELA Firm Purchase Orders by more than *, and

4.3.2 The Firm Purchase Orders *then GB shall not be obligated to supply any such excess above such *, however, GB shall use all reasonable commercial efforts to supply amounts requested for delivery which are in excess of such overage, it being understood that in the supply of any such excess beyond the permitted overage GB may take into account delivery commitments to other customers.

4.3.3 Should such order increases by SORIN/ELA result in * due to the need by *the right to make *for the product volume that * to account for *, not withstanding the terms of Articles 3.3 and 3.4.

4.4 Failure to Ship. Subject to Article 6.3 of this Agreement, if GB fails for any reason, other than Force Majeure or breach of this Agreement by SORIN/ELA, to ship to SORIN/ELA *of Products meeting SORIN/ELA'S * (as contemplated by Articles 4.1, 4.2 and 4.3), GB agrees to provide SORIN/ELA with *.

4.5 Standard Lead Time. Standard lead-time for the Products is listed in Exhibit G. GB will notify SORIN/ELA, in writing, of any changes to these standard lead times. In the event that SORIN/ELA cancels a firm purchase order inside agreed upon lead-time, SORIN/ELA *. SORIN/ELA will also be responsible for *. In the event that SORIN/ELA cancels a firm purchase order outside of agreed upon lead-time, SORIN/ELA and GB *.

4.6 Testing and Inspection.

4.6.1 GB shall perform testing to ensure that Products delivered to SORIN/ELA meet all applicable Specifications. SORIN/ELA inspection of incoming Products will rely upon GB testing and may consist of an examination of GB's testing documentation as well as independent testing by SORIN/ELA.

4.6.2 SORIN/ELA shall conduct any incoming inspection tests not later than * from the date of * Products. Products not rejected by SORIN/ELA by written notice to GB within such period shall be deemed accepted.

4.6.2.1 In the event of any shortage, damage or discrepancy in or to a shipment of Products or in the event any Products fail to comply with the then current specifications for Products, SORIN/ELA shall promptly report the same to GB and furnish such written evidence or other documentation as GB reasonably may deem appropriate.

4.6.2.2 If evidence indicates that such shortage, damage or discrepancy or nonconformity with specifications existed at the time of delivery of the Products at the FCA shipping point, SORIN/ELA may return the Products to GB at GB's expense, and at SORIN/ELA'S request, GB shall promptly deliver substitute Products to SORIN/ELA in accordance with delivery procedures set forth herein

4.6.2.3 Prior to returning any Product to GB, SORIN/ELA will first contact its GB customer service representative and obtain a return material authorization (RMA) number. SORIN/ELA will only return the items and quantities approved through the RMA.

4.6.3 If GB determines that it is necessary or desirable to make any change affecting the form, fit, function, or performance of any Product, GB will immediately notify SORIN/ELA in writing. GB shall not implement any such change without SORIN/ELA'S prior consent.

5.0 WARRANTY AND LIMITATION OF LIABILITY.

5.1 Warranty. GB warrants to SORIN/ELA that Products sold by GB to SORIN/ELA under this Agreement shall be in conformance with applicable Specifications and shall be free from defects in material and workmanship at the time of delivery of said Products.

5.2 Limited Warranty. THE WARRANTIES SET FORTH ABOVE ARE IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, WHICH ARE HEREBY DISCLAIMED AND EXCLUDED BY GB, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY, OF FITNESS FOR A PARTICULAR PURPOSE OR USE OR OF NONINFRINGEMENT.

5.3 Remedies for Breach of Warranty. In the event that any Product manufactured or sold by GB to SORIN/ELA under this Agreement fails to comply with the limited warranty provided for in this Article 5 and SORIN/ELA delivers notice of such noncompliance to GB, within * of the delivery of such Product to SORIN/ELA, GB will, upon substantiation that the Product has been stored, preserved and used in accordance with Article 2.3, correct such failure by suitable repair or replacement at its own expense. GB agrees that it will promptly inform SORIN/ELA in writing of any actual or potential problems of which GB becomes aware relating to the performance of any Product design manufactured for SORIN/ELA relative to the specifications for such design.

5.4 LIMITATION OF LIABILITY. THE REPAIR OR REPLACEMENT OF ANY EFFECTIVE PRODUCT OR ANY PRODUCT WHICH DOES NOT CONFORM WITH APPLICABLE SPECIFICATIONS AS PROVIDED FOR HEREIN, IN THE MANNER PROVIDED ABOVE, SHALL CONSTITUTE THE FULL EXTENT OF GB'S LIABILITY TO SORIN/ELA WITH RESPECT TO PRODUCTS SOLD HEREUNDER. IN NO EVENT SHALL GB BE LIABLE UNDER THIS AGREEMENT FOR INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, INCLUDING, BUT NOT LIMITED TO, LOSS OF SALES, PROFITS OR REVENUES OR COSTS OF ANY PARTIAL OR TOTAL RECALL OF DEVICES IN WHICH PRODUCTS MAY HAVE BEEN INCORPORATED, AND IN NO EVENT SHALL GB BE LIABLE IN AN AMOUNT IN EXCESS OF ITS PRODUCT LIABILITY INSURANCE AS PROVIDED FOR UNDER ARTICLE 5.6.1. THE PROVISIONS OF THIS ARTICLE 5 SHALL SURVIVE THE EXPIRATION OR TERMINATION OF THIS AGREEMENT.

5.5 Quality Management

5.5.1 Quality Management System. GB has established and maintains a certified Quality Management System in accordance with ISO 9001-2000 and other relevant quality management standards and legal provisions applicable to its business. GB represents and warrants that the actual production of the Product takes place under such Quality Management System. GB and SORIN/ELA acknowledge and agree that GB is not subject to *or *.

5.5.2 Audits and Inspections. SORIN/ELA shall have reasonable access to the portion of GB's premises in which Products are manufactured for SORIN/ELA, and its relevant documentation, during regular business hours in order to verify that the production and inspection of the Products occur and occurred under application of all relevant provisions of GB's certified Quality Management System and in compliance with the Product Specification. GB will also fully support and permit any inspection or audit by any conformity assessment body, which is legally entitled to inspect or audit SORIN/ELA, as the legal manufacturer of a medical device (which includes a Product), and GB, as the manufacturer of such Product.

5.5.3 Compliance Inspection. GB shall inspect and test Products prior to delivery to SORIN/ELA to ensure compliance with the Product Specification.

5.5.4 Traceability. In accordance with the relevant quality standards and internal GB procedures, traceability of critical or major components, processes, manufacturing and release inspection results will be maintained by GB, per GB documentation retention standards, to the individual Product identified by serial or lot number.

5.5.5 Compliance Notification. It is SORIN/ELA'S sole responsibility to file Medical Device Reports or Vigilance Reports to any legal authority for the medical devices which contain a Product in order to comply with the applicable laws and regulations.

5.5.6 Survival. The provisions of this Article 5.5 shall survive the termination of the Agreement.

5.6 Product Liability Insurance.

5.6.1 GB shall procure and maintain product liability insurance in such amounts as ordinary good business practice for its type of business would make advisable and shall provide SORIN/ELA with evidence of this coverage; provided, however, that in no case shall the limits of such coverage be less than the following (but subject to any deductible

or self-insured retention (SIR) which shall not exceed *):

5.6.1.1 Bodily Injury:

o* Each Occurrence

o* General Aggregate

5.6.1.2 Property Damage:

o* Each Occurrence

o* General Aggregate

GB shall provide SORIN/ELA with an insurance certificate on or before January 30th of each year concerning the year started specifying the amounts stated in this article including the SIR.

5.6.2 SORIN/ELA shall procure and maintain product liability insurance in such amounts as ordinary good business practice for its type of business would make advisable and shall provide GB with evidence of this coverage; provided, however, that in no case shall the limits of such coverage be less than the following (but subject to any deductible or self-insured retention (SIR) which shall not

exceed *):

5.6.2.1 Bodily Injury:

o* Each Occurrence

o* General Aggregate

5.6.2.2 Property Damage:

o* Each Occurrence

o* General Aggregate

SORIN/ELA shall provide GB with an insurance certificate on or before January 30th of each year concerning the year started specifying the amounts stated in this article including the SIR.

5.7 Indemnification.

5.7.1 SORIN/ELA hereby agrees to indemnify, defend and hold GB, its Affiliates and each of their officers, directors and employees harmless from any damage, costs or liabilities, including, without limitation, any reasonable costs or legal fees thereby incurred by GB and payable to third parties (collectively, "damages") arising out of any claim to the extent that such claim arises from or results out of the marketing, distribution or sale of medical devices by SORIN/ELA which contain a Product, including, without

limitation:

5.7.1.1 personal injury or death resulting from the use of a medical device containing a Product;

5.7.1.2 alleged defects of the medical devices containing a Product; and

5.7.1.3 any breach by SORIN/ELA of its covenants contained in this Agreement.

unless the damage is solely caused by GB's negligence, wilful misconduct or breach of this AGREEMENT.

5.7.2 Indemnification Procedure. GB shall give SORIN/ELA written notice of any claim *of its first knowledge thereof.

6.0 CONTRACT TERM

6.1 This Agreement shall commence on the Effective Date and have an initial term ending on December 31, 2010 ("Initial Term"). Pricing set forth in Exhibits B, C, D, E and F is in effect as of the Effective Date. This Agreement may be extended for renewal terms, the length of which to be set by mutual written agreement. In that regard, unless either party gives notice of termination not less than * prior to the expiration of the Initial Term or any such renewal term, the parties will meet prior to each such expiration to negotiate price or other changes to this Agreement. Unless the parties mutually agree in writing, however, this Agreement shall not be extended and shall expire by its terms at the end of the Initial Term or any such renewal term.

6.2 Termination. Notwithstanding the provisions of Article 6.1 above, this Agreement may be terminated in accordance with the following provisions:

6.2.1 A party may terminate this Agreement by giving notice in writing to the other party in the event the other party is in breach of any material representation, warranty or covenant of this Agreement and shall have failed to cure such breach within * of receipt of written notice thereof from the first party;

6.2.2 A party may terminate this Agreement at any time by giving notice in writing to the other party, which notice shall be effective upon dispatch, should the other party file a petition of any type as to its bankruptcy, be declared bankrupt, become insolvent, make an assignment for the benefit of creditors, go into liquidation or receivership; or

6.2.3 A party may terminate this Agreement by giving notice in writing to the other party should an event of Force Majeure continue for more than *as provided in Article 9.1 below.

6.3 Rights and Obligations on Termination. Termination of this Agreement shall not release either party from the obligation to make payment of all amounts previously due and payable, or which become due and payable due to termination of this Agreement. In addition,

6.3.1 In the event of early termination by SORIN/ELA, GB will * all Products up to the date the termination letter is received by GB.

SORIN/ELA will * to SORIN/ELA Product unless such termination was pursuant to Article 6.2.1 and such termination was due to a fundamental failure of GB to perform its obligation under this Agreement after notice thereof.

6.3.2 Upon expiration or termination of this Agreement for any reason whatsoever or if SORIN/ELA changes the model mix of, or discontinues, any Products which it requires, resulting in the cancellation of firm purchase orders inside the standard lead times, SORIN/ELA*. SORIN/ELA will *. In the event that SORIN/ELA cancels a firm purchase order outside of agreed upon lead-time, SORIN/ELA and GB *.

7.0 BUSINESS EXIT

7.1 GB must give SORIN/ELA *of any intent to discontinue supply of any Product to SORIN/ELA ("Article 7.0 Notice"), but GB *. If GB so informs SORIN/ELA of its intent to discontinue, SORIN/ELA shall have the right to * as set forth by GB in the Article7.0 Notice, which will be fulfilled by GB provided that (i) units of Product covered by *shall, for any Product, *the number of units of such Product delivered to SORIN/ELA in the *the date of this Article 7.0 Notice; and (ii) GB may deliver Product *.

8.0 CONFIDENTIALITY.

8.1 Confidential Information. The receiving party agrees to maintain the confidentiality of the Confidential Information of the disclosing party and agrees not to disclose or use (except as permitted or required for performance by the receiving party of its rights or duties hereunder) any Confidential Information of the disclosing party; provided, however, that a party shall not be so restricted from using or disclosing any information (that otherwise is covered under the Confidential Information) that:

8.1.1 was already in the possession of the receiving party prior to its receipt from the disclosing party (provided that the receiving party is able to provide the disclosing party with reasonable documentary proof thereof);

8.1.2 is or becomes part of the public domain by reason of acts not attributable to the receiving party;

8.1.3 is or becomes available to the receiving party from a source other than the disclosing party which source, to the best of the receiving party's knowledge, has rightfully obtained such information and has no obligation of nondisclosure or confidentiality to the disclosing party with respect thereto;

8.1.4 is made available by the disclosing party to a third party unaffiliated with the disclosing party on an unrestricted basis;

8.1.5 is independently developed by the receiving part completely without reference to any Confidential Information of the disclosing party, as evidenced by the receiving party's written records; or

8.1.6 has been or must be publicly disclosed by reason of legal, accounting or regulatory requirements beyond the reasonable control, and despite the reasonable efforts, of the receiving party.

The receiving party further agrees to take appropriate measures to prevent any such prohibited disclosure by its and its subsidiaries' present and future employees, officers, agents and consultants.

8.2 Public Statements. Notwithstanding anything to the contrary contained in this Agreement, neither party may initiate or make any public announcement or other disclosure concerning the terms and conditions or the subject matter of this agreement to any third party without the prior written approval of the other party except as may be required by law. In those circumstances where either party believes that any such disclosure is required by law, it shall (a) notify the other party on a timely basis in advance and (b) use its best efforts to seek confidential treatment of the material provisions of this agreement, to the greatest extent permitted by law.

9.0 FORCE MAJEURE.

9.1 "Force Majeure" shall mean storm, earthquake, embargoes, and acts of God, war and/or public enemy that prevents in whole or in material part the performance by one of the parties of its obligations hereunder.

9.2 Upon giving notice to the other party, a party affected by an event of Force Majeure shall be released without any liability on its part from the performance of its obligations under this Agreement, except for the obligations under Article 3 hereof and to pay any amounts due and owing hereunder, but only to the extent and only for the period that its performance of such obligations is prevented by the event of Force Majeure.

9.3 During the period that the performance by one of the parties of its obligations under this Agreement has been suspended by reason of an event of Force Majeure, the other party may likewise suspend the performance of all or part of its obligations hereunder to the extent that such suspension is commercially reasonable.

10.0 INTELLECTUAL PROPERTY.

10.1 Ownership of Product Technology.

10.1.1 All Product Technology is the sole property of GB. Nothing in this Agreement shall give SORIN/ELA any license, claim, right, title or interest in GB's Technology.

10.1.2 Any and all inventions, additions and/or improvements relating to the Products, their use in implantable medical devices or in respect of the Product Technology developed, conceived, or invented solely by GB during the term of this Agreement shall be the sole property of GB.

10.1.3 Any and all inventions, additions and/or improvements relating to the Products, their use in implantable medical devices or in respect of the Product Technology developed, conceived, or invented solely by SORIN/ELA during the term of this Agreement shall be the sole property of SORIN/ELA.

10.1.4 Any and all inventions, additions and/or improvements relating to the Products, their use in implantable medical devices or in respect of the Product Technology developed, conceived, or invented jointly by GB and SORIN/ELA during the term of this Agreement shall be *For purposes hereof, the sole standard for establishing whether or not any inventions, additions and/or improvements relating to the Products *will be that, if the all inventions, additions and/or improvements relating to the Products in question *.

10.1.5 *. However, SORIN/ELA is required to * regarding the Products should SORIN/ELA *.

10.1.6 *shall be subject to all of the terms and conditions of this Agreement.

11.0 MISCELLANEOUS.

11.1 Governing Law. This Agreement shall be interpreted, construed and governed by and in accordance with the laws of the State of New York. The parties expressly agree that the United Nations Convention on the International Sale of Goods shall not apply to this Agreement on any transaction pursuant hereto.

11.2 Assignment. Either party may assign this agreement to an entity that acquires, directly or indirectly, substantially all of the assets or merges with it. Except as set forth herein, neither this Agreement nor any rights here under, in whole or in part, shall be assignable or otherwise transferable by either party without the express written consent of the other party. Subject to the above, this Agreement shall be binding upon and inure to the benefit of the successors and assigns to the parties here to.

11.3 Integration. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all previous agreements or proposals, oral or written, and all negotiations, conversations or discussions heretofore had between the parties related to the subject matter of this Agreement, but excluding any confidentiality agreements between the parties or their Affiliates which shall remain in full force and effect.

11.4 Survival. All of the representations, warranties, and indemnifications made in this Agreement, and all terms and provisions hereof intended to be observed and performed by the parties after the termination hereof, shall survive such termination and continue thereafter in full force and effect, subject to applicable statute of limitations.

11.5 Amendment; Waiver. This Agreement may not be released, discharged, abandoned, changed or modified in any manner, except by an instrument in writing signed on behalf of each of the parties to this Agreement by their duly authorized representatives. The failure of either party to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of any such provision, nor in any way to affect the validity of this Agreement or any part of it or the right of either party after any such failure to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

11.6 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and become a binding agreement when one or more counterparts have been signed by each party and delivered to the other party.

11.7 Headings. The titles and headings to Articles herein are inserted for the convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. This Agreement shall be construed without regard to any presumption or other rule requiring construction hereof against the party causing this Agreement to be drafted. All references to Articles, Articles and Exhibits shall mean Articles and Sections of, and Exhibits to, this Agreement.

11.8 No Third Party Beneficiaries. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties to this Agreement and their Affiliates, or their respective successors or assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

11.9 Notices. Any notice or other communication hereunder must be given in writing and either (a) delivered in person, (b) transmitted by telex, facsimile or telecopy mechanism, provided that any notice so given is also mailed as provided in clause (c), or (c) mailed, postage prepaid, receipt requested as follows:

If to GB:	If to SORIN/ELA:
9645 Wehrle Drive	13040 Saluggia (VC)
Clarence, New York 14031	Via Crescentino, Italy

Facsimile: 716.759.5664 Facsimile: 39.0161.487874 Attention: President Attention: President CC: Legal Department

or to such other address or to such other person as either party shall have last designated by such notice to the other party. Each such notice or other communication shall be effective (i) if given by telecommunication, when transmitted to the applicable number so specified in (or pursuant to) this Article 11.9 and an appropriate receipt is received, (ii) if given by mail, three (3) days after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when actually received at such address.

11.10 Severability. If any provision of this Agreement is held invalid by a court of competent jurisdiction, the remaining provisions shall nonetheless be enforceable according to their terms. Further, if any provision is held to be overbroad as written, such provision shall be deemed amended to narrow its application to the extent necessary to make the provision enforceable according to applicable law and shall be enforced as amended.

11.11 Confidentiality. The parties agree that a violation of the confidentiality covenants set forth in Article 8 of the Agreement will cause damages to the other party that are significant, material and difficult or impossible to adequately measure and the injured party will be entitled to seek and obtain injunctive relief compelling compliance in terms of this Agreement.

11.12 Arbitration. Except as set forth in Article 11.11 above, all disputes and controversies arising out of or relating to this Agreement or any of the other documents to be delivered hereunder, or the performance, breach, validity, interpretation or enforcement thereof, will be resolved by binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association (the "Rules"), and judgement upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. A party may initiate arbitration by sending written notice of its intention to arbitrate the other parties and to the AAA office located in * (the "Arbitration Notice"). The Arbitration Notice will contain a description of the dispute and the remedy sought. The arbitration will be conducted at the offices of the AAA in *before three independent and impartial arbitrators experienced in legal matters related to the medical device industry.

Each party will be entitled to select one arbitrator, and the two (2) individuals so selected will select the third arbitrator. In no event may the demand for arbitration be made after the date when institutions of a legal or equitable proceeding based on such claim, dispute or other matter in question would be barred by New York law. The Arbitrators will deliver their decision in writing, together with the summary of the reasons for their decision, including citations to legal authority to the extent appropriate. The decision of the arbitrators will be final and binding on both parties and their successors and permitted assignees. The parties intend that this agreement to arbitrate be irrevocable. The parties agree that, notwithstanding anything to the contrary in this Article 11.12, any award made by the arbitrators will be consistent with the terms of the Agreement and that any award will be restricted to a remedy that would be available to a party under this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their authorized representatives.

SORIN/ELA BIOMEDICA CRM

By: ----------

Title: ----------

Date: ----------

ELA MEDICAL SAS

By: ----------

Title: ----------

Date: ----------

GREATBATCH, INC.

By: ----------

Title: ----------

Date: ----------

EXHIBIT A

GENERAL CONDITIONS

1.0 SORIN/ELA must purchase a Minimum Total Dollar Amount of *of Products from GB during the Initial Term of the Agreement. The Minimum Total Dollar Volumes targets on an annual basis are listed below (aggregate $USD):

2006 - *
2007 - *
2008 - *
2009 - *
2010 - *

1.1 SORIN/ELA will make every reasonable effort to achieve the Minimum total dollar volume targets, as established above, on an annual basis; however, the overall minimum total dollar amount for the individual periods listed below shall be met:

Period #1 - 01 January 2006 through 31 December 2007 - * Period #2 - 01 January 2008 through 31 December 2009 - * Period #3 - 01 January 2010 through 31 December 2010 - *

2.0 No later than *of any Contract Year, SORIN/ELA and GB will *, and remaining orders to *.

3.0 Should it become apparent that the minimum total dollar volumes for the periods identified in this Exhibit A 1.1 will not be met by SORIN/ELA, *. Upon the event of such * that may include, but will not be limited to *.

4.0 Audit

4.1 GB will require that SORIN/ELA *, including the Purchase Requirements specified in Exhibits B, C, D, E and F.

4.2 GB reserves the right to * specified in Exhibits B, C, D, E an F. The audit process is outlined in Exhibit H.

EXHIBIT B

PRICING FOR BATTERIES AND CAPACITORS

1.0 Batteries

1.1 Lithium Iodine Low-Rate Battery Pricing, Terms and Conditions, including Purchase Requirements

1.1.1 Lithium Iodine Low-Rate Battery Pricing

Li Iodine Batteries	
Year	Unit Price
2006	*
2007	*
2008	*
2009	*
2010	*

1.1.2 Purchase Requirements: * of SORIN/ELA'S bradycardia device battery demand to be purchased from GB
1.1.3 Pricing for *of *and *of Li Iodine batteries that are *
1.1.4 Price premiums to be applied based upon *

1.2 Lithium Silver Vanadium Oxide High-Rate Battery Pricing, Terms and Conditions, including Purchase Requirements

1.2.1 Lithium Silver Vanadium Oxide High-Rate Battery Pricing

SVO Batteries	
Year	Unit Price
2006	*
2007	*
2008	*
2009	*
2010	*

1.2.2 Purchase Requirements: * of SORIN/ELA'S tachycardia device battery demand to be purchased from GB
1.2.3 Pricing for *and *of Lithium Silver Vanadium Oxide High-Rate Batteries that *
1.2.4 Price premiums to be applied based upon *

1.3 QHR Silver Vanadium Oxide/Carbon Monofluoride High Rate Battery Pricing, Terms and Conditions, including Purchase Requirements

1.3.1 QHR Silver Vanadium Oxide/Carbon Monofluoride High Rate Battery Pricing

QHR Batteries	
Year	Unit Price
2006	*
2007	*
2008	*
2009	*
2010	*

1.3.2 Purchase Requirements: * of SORIN/ELA'S tachycardia device battery demand to be purchased from GB
1.3.3 Pricing for QHR Silver Vanadium Oxide/Carbon Monofluoride High Rate Batteries of *Cathode plate construction that are *
1.3.4 Price premiums to be applied based upon *

2.0 Capacitor Pricing, Terms and Conditions, including Purchase Requirements

2.1 Wet Tantalum Capacitor Pricing:

Capacitors	
Year	Unit Price
2006	*
2007	*
2008	*
2009	*
2010	*

2.2 Purchase Requirements: * of SORIN/ELA'S tachycardia device capacitor demand to be purchased from GB for SORIN/ELA device development platforms currently referred to as *, as well as *

2.3 Pricing for *of *

2.4 Price Premiums to be applied based upon *

EXHIBIT C

PRICING FOR FEEDTHROUGHS AND FILTERED FEEDTHROUGHS

1.0 Feedthrough Pricing, Terms and Conditions, including Purchase Requirements

1.1 Feedthrough Pricing

Feedthroughs						
		Unit Price				
Drawing	GB Item	2006	2007	2008	2009	2010
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*

1.2 Purchase Requirements: * of SORIN/ELA'S Feedthrough demand to be purchased from GB

1.3 Feedthrough pricing applies to the *of the */ items listed in the table above.

1.4 Price premiums to be applied for *and/or *

2.0 Filtered Feedthrough Pricing, Terms and Conditions, including Purchase Requirements

Filtered Feedthroughs

		Unit Price				
Drawing	GB Item	2006	2007	2008	2009	2010
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*

2.1.1 Filtered Feedthrough Pricing

2.2 Purchase Requirements:

2.2.1 Minimum * of SORIN/ELA'S Filtered Feedthrough demand to be purchased from GB in 2006
2.2.2 Minimum * of SORIN/ELA'S Filtered Feedthrough demand to be purchased from GB in 2007
2.2.3 *of SORIN/ELA'S Filtered Feedthrough demand to be purchased from GB in 2008 and through termination of this Agreement

2.3 Filtered Feedthrough pricing applies to the *of the *listed in the table above with the exception of SORIN/ELA drawings *. Pricing for SORIN/ELA drawings *assumes that these Filtered Feedthroughs will be redesigned and qualified by SORIN/ELA

2.4 Price premiums to be applied for *and/or *

EXHIBIT D

PRICING FOR ASSEMBLED HEADERS

1.0 Assembled Header Pricing, Terms and Conditions, including Purchase Requirements

PRICING PENDING SPECIFICATION CONCURRENCE.

2.0 Purchase Requirements: Minimum * of SORIN/ELA'S molded Assembled Header demand to be purchased from GB in 2007 and through termination of this Agreement
3.0 GB and SORIN/ELA mutually agree to *for the new Assembled Headers to be included in this Agreement
4.0 GB reserves the right to *for new models and modifications to existing models.
5.0 Price premiums to be applied for *and/or *

EXHIBIT E

PRICING FOR CASES

1.0 Case Pricing, Terms and Conditions, including Purchase Requirements

Cases

		Unit Price				
Drawing	GB Item	2006	2007	2008	2009	2010
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*

2.0 GB and SORIN/ELA mutually agree to *for the new Cases included in this Agreement
3.0 Case pricing applies only to the *of the */ items listed in the table above
4.0 Price premiums apply for *and/*
5.0 Should GB and SORIN/ELA agree to implement *that allow GB to *, the following price table *will apply.

5.1.1 *will be substantially equivalent to the items as shown in Exhibit I of this Agreement

CASE PRICING - SPECIFICATION CHANGE PER EXHIBIT I

		Unit Price				
Drawing	GB Item	2006	2007	2008	2009	2010
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*

EXHIBIT F

PRICING FOR MISCELLANEOUS PIECE PARTS

1.0 *

1.1 * Pricing, Terms and Conditions, including Purchase Requirements

*

		Unit Price				
Drawing	GB Item	2006	2007	2008	2009	2010
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*

1.2 *pricing applies only to the *of the */ items listed in the table above
1.3 Price premiums apply for *and/or *

2.0 Coated Components: SORIN/ELA agrees to *Coated Components. GB will * once SORIN/ELA'S * by GB.

3.0 Miscellaneous Piece Part Pricing, Terms and Conditions, including Purchase Requirements

3.1 Miscellaneous Piece Part pricing applies only to the *of the */ items listed in the Pricing Table above

3.2 Price premiums apply for *and/or *

Other Machined Components							
			Unit Price				
Drawing	GB Item	Type	2006	2007	2008	2009	2010
*	*	*	*	*	*	*	*
*	*	*	*	*	*	*	*
*	*	*	*	*	*	*	*
*	*	*	*	*	*	*	*
*	*	*	*	*	*	*	*

EXHIBIT G

STANDARD LEAD TIME

Standard Lead Time: The standard lead time for production quantities of fully qualified Products is *. GB will use *to meet SORIN/ELA'S delivery requirements. GB will notify SORIN/ELA, in writing, of any changes to these standard lead times.

EXHIBIT H

AUDIT PROCESS

Audit Process: GB reserves the right to audit SORIN/ELA'S records to validate SORIN/ELA'S compliance with the terms and conditions of this Agreement, including the Purchase Requirements specified in Exhibits B, C, D, E and F. The audit process is outlined below:

1.0 GB, upon notice to SORIN/ELA, will request that an independent CPA firm will audit SORIN/ELA'S information relative to volumes. The CPA firm will be one of the Big Four CPA firms that is not the external auditor of either GB or SORIN/ELA.
2.0 *, unless a discrepancy of greater than * exists between SORIN/ELA'S claimed volumes versus the volumes discovered through the audit process. In this case, *.
3.0 In the event that GB and SORIN/ELA can not agree regarding the results of the audit, another independent CPA firm will be requested to audit SORIN/ELA'S information relative to volumes.

EXHIBIT I

ENCLOSURE VISUAL INSPECTION CRITERIA

*

Exhibit 31.1

CERTIFICATION

I, Edward F. Voboril, certify that:

1. I have reviewed this report on Form 10-Q for the fiscal quarter ended March 31, 2006 of Greatbatch, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation;

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditor and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2006

/s/ Edward F. Voboril

Edward F. Voboril
Chairman of the Board and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Thomas J. Mazza, certify that:

1. I have reviewed this report on Form 10-Q for the fiscal quarter ended March 31, 2006 of Greatbatch, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation;

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditor and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2006

/s/ Thomas J. Mazza

Thomas J. Mazza
Senior Vice President and Chief Financial Officer

Exhibit 32

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Greatbatch, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 10, 2006

/s/ Edward F. Voboril

Edward F. Voboril
Chairman of the Board and Chief Executive Officer

Dated: May 10, 2006

/s/ Thomas J. Mazza

Thomas J. Mazza
Senior Vice President and Chief Financial Officer

This certification is being furnished solely to accompany this Form 10-Q pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of
Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise, and is not to be deemed incorporated by reference into any filing of the Company except to the extent the company specifically incorporates it by reference therein.