



Guidant  
Today

GUIDANT

'94 2004 GUIDANT

Guidant at 10. Celebrating the Past, Leading the Future

GDT  
LISTED  
NYSE

GUIDANT ANNUAL REPORT 2004

GUIDANT

GUIDANT TODAY  
GUIDANT TOMORROW

# CONTINUING THE JOURNEY

## A New Decade

*The remarkable accomplishments of the company's first ten years are a platform for continued growth and innovation, fueled by the talent and resolve of 12,000 men and women dedicated to defeating cardiovascular disease worldwide. Because of their ongoing leadership and unfailing commitment, Guidant's lifesaving, life-enhancing cardiovascular therapies are used around the globe every 15 seconds to treat more than 2 million patients annually. That's a point of well-deserved pride and deep satisfaction today, but only a benchmark on a continuing journey—a journey soon to be enhanced by the pending combination of Guidant with Johnson & Johnson, one of the largest healthcare companies in the world. This collaboration, announced on December 15, 2004, will create an unprecedented breadth of capabilities and resources for the accelerated development of new therapies to save countless more lives. That's the vision and commitment shared by Guidant people everywhere. That's their passion; that's their strength. That's the spirit that drives continuous innovation in medical technology. That's Guidant—today and tomorrow.*

### TABLE OF CONTENTS

1	<i>Guidant Today</i>
10	<i>Guidant Tomorrow</i>
15	<i>Letter to Shareholders</i>
20	<i>A Remarkable Leader</i>
21	<i>Financial Summary</i>
26	<i>Board of Directors &amp; Executive Officers</i>
27	<i>Corporate Information</i>
28	<i>Leading the Future</i>

# 1994 2004

## 650,000 PATIENTS TREATED

*In the company's first year of operation, Guidant technology helped treat approximately 650,000 cardiovascular patients around the world.*

## 4,500 EMPLOYEE-OWNERS

*Guidant opened its doors ten years ago with 4,500 employee-owners.*

## \$131 MILLION INVESTED IN R&D

*Research and development was a major priority from the beginning.*

## DECK OF CARDS

*The VENTAK® PRx implantable defibrillator had a volume of 130cc and was larger than a deck of cards.*

## 250 WORKING DAYS

*In 1994, it took 250 working days to manufacture a defibrillator.*

## 10 STENTS PER DAY

*In 1994, Guidant could fabricate 10 stents per day.*

## BASIC PACING

*Early pacemaker models existed solely to monitor heart activity and deliver corrective therapy.*

## \$14.50 PER SHARE

*Guidant's Initial Public Offering (IPO) stock price was \$14.50 per share, or \$3.63 per share adjusted for subsequent stock splits.*

## MORE THAN 2 MILLION PATIENTS TREATED

*Guidant therapies are used globally to treat three times more patients annually than in 1994, a number that continues to grow.*

## 12,000 EMPLOYEE-OWNERS

*Today, Guidant develops and provides career opportunities for 12,000 dedicated professionals worldwide.*

## \$516 MILLION INVESTED IN R&D

*Guidant continues to invest more in research and development as a percentage of sales than any other comparable medical device company.*

## POCKET WATCH

*With a volume of 30cc, the VITALITY® DS implantable defibrillator is the size of a pocket watch and has significantly more computing power than the original Apollo spacecraft.*

## 20 WORKING DAYS

*Manufacturing efficiencies have reduced production time to just 20 working days.*

## 5,000 STENTS PER DAY

*Internally developed innovations have dramatically increased Guidant's manufacturing capacity to more than 5,000 stents per day.*

## TAILORED PACING SOLUTIONS

*Today's pacemakers mimic a normal heart, adapting quickly to changing individual patient needs by adjusting therapy based on activity levels.*

## \$76.00 PER SHARE (\$304.00 per share, split-adjusted)

*On December 15, 2004, Guidant and Johnson & Johnson announced a merger valued at \$76 per share—a twenty-fold increase.*



Designed to reduce the risk of stroke—which affects 700,000 Americans annually—Guidant's new carotid stent system is currently the only one of its kind available in the United States.



*Guidant  
Today*

Guidant is built upon a strong foundation of leadership, innovation and commitment.

# TODAY

*With a strong tradition of product innovation, public policy leadership and customer focus, Guidant is poised to lead the industry in today's most important therapies for cardiovascular disease.*



## A PIONEERING TRADITION

A pioneer in developing innovative technologies for cardiac rhythm management, Guidant was first in the world to introduce the automatic implantable cardioverter defibrillator, a device that restores a normal heartbeat for patients with abnormally fast and life-threatening heart rhythms that can lead to sudden cardiac death. Since then, the company has continued to significantly advance implantable defibrillator therapies, sponsoring landmark clinical trials and developing new and improved patient diagnostics. The knowledge gained from implantable defibrillator clinical trial results and product innovations was used to develop the world's first cardiac resynchronization therapy defibrillator (CRT-D) for heart failure, a gradual weakening of the heart muscle

and a life-threatening condition that affects more than 20 million people worldwide. Results from MADIT II<sup>1</sup> and COMPANION<sup>2</sup>, Guidant-sponsored landmark clinical trials, demonstrated substantially reduced mortality rates in patients who received an implantable defibrillator or CRT-D, respectively. This compelling scientific evidence supports broader patient access to these lifesaving therapies.

## A HISTORY OF

**INNOVATION** Guidant has been a global leader in stent technology since the international launch of its first coronary stent in 1997, and was first to launch an entire new class of coronary stents using a cobalt chromium alloy—the foundation of its drug eluting stent platform. The company's capa-

bilities and knowledge of pharmacokinetics, pharmacodynamics, drug formulation and polymer technology will be critical as it continues to develop future drug eluting stent systems. Through its strategic agreement with Cordis Corporation, a Johnson & Johnson Company, to co-promote its CYPHER<sup>®</sup> Sirolimus-eluting Coronary Stent in the United States, Guidant is deepening its understanding of this growing and dynamic market.

## EMERGING THERAPIES

By constantly pushing the limits of technology, Guidant has produced a steady flow of innovation, including the development of less-invasive alternatives for both coronary bypass surgery and the treatment of carotid artery disease. Designed to reduce the risk of stroke—which affects 700,000



(Top Photo) Keoni Sundseth, mechanical engineer; John Boylan, mechanical engineering fellow and Dan Heilbrunn, product manager advisor, are part of the team that developed the only carotid artery stent currently available in the United States.

(Bottom Photo) The company's continual dedication to research and development has resulted in a strong and deep intellectual property portfolio as evidenced by this patent hall in St. Paul, Minnesota.

<sup>1</sup> Multicenter Automatic Defibrillator Implantation Trial II

<sup>2</sup> Comparison of Medical Therapy, Pacing and Defibrillation in Chronic Heart Failure



## Meet the Hill Family

*Travis Hill, Mary Hill and Shalon Gardner | Collinsville, Illinois*

*They may look like the average all-American family, but in one very important respect, they're not "average" at all. They were identified as having a familial trait that could lead to a life-threatening arrhythmia and, perhaps, sudden cardiac death. Shalon Gardner was the first to be diagnosed after an unexpected atrial fibrillation during a routine surgery. When her mother and brother were subsequently tested, the same hereditary condition was found. On their physician's advice, all three received Guidant implantable defibrillators and are now living life to the fullest with an added sense of security.*

Americans annually—Guidant's new carotid stent system was the first to receive approval from the U.S. Food and Drug Administration (FDA) and is currently the only system of its kind available to U.S. physicians.

#### RESEARCH AND

#### DEVELOPMENT

Guidant is continually searching for innovative solutions to unmet clinical needs that help physicians improve the care of patients with cardiovascular disease. The company invests heavily in research and development—\$516 million in 2004 alone, or 14 percent of sales. Guidant invests more, as a percentage of sales, than any other comparable medical technology company, and this commitment has driven substantial organic growth, a constant stream of innovation and a remarkable velocity of new product development. Over the past five years, nearly 50 percent of sales revenue has been derived from products less than one year old.

#### OPERATING EFFICIENCIES

Substantial investments in research and development are

balanced by cost-effective manufacturing strategies, increasingly automated production processes and a relentless discipline in cost control. To further reduce costs and increase efficiencies, a Strategic Sourcing Team was created in 2004 to consolidate spending and ensure best practices across the entire global organization.

#### MARKET DEVELOPMENT

Although advanced technologies and clinical research provide the tools and information for the development of new solutions for cardiovascular disease, the ultimate delivery of these therapies to the patients who need them requires an ongoing effort in market development. At Guidant, this includes expert clinical and technical support from a highly qualified field organization, continuing education and hands-on training for physicians, substantial investments in clinical research and far-reaching awareness programs for consumers, healthcare professionals and health policy decision makers. These priorities, combined with a strong customer focus, have fueled a decade of significant



growth, and promise continued expansion in the years ahead.

#### SHAPING PUBLIC POLICY

Healthcare policy is the number one strategic issue at Guidant. The company is an advocate for public policies that promote timely patient access to medical technologies, support the financial viability of healthcare providers and foster continued private-sector investment in medical innovation. In the reimbursement area, a global strategy group directs Guidant's reimbursement policy. This group is supported by a customer-focused Health, Economics and Reimbursement team based in Guidant's Cardiac Rhythm Management Group that works to ensure appropriate reimbursement to hospitals and physicians for the application of innovative healthcare technologies.



*Achieving a CMS national coverage decision that expands lifesaving implantable defibrillator coverage to thousands of patients at risk of sudden cardiac death was a major milestone for Guidant Cardiac Rhythm Management's Health, Economics and Reimbursement team in 2004. Pictured left to right: Liz Monson, product manager; Joseph M. Smith, M.D., Ph.D., senior vice president and chief medical officer, Cardiac Rhythm Management and Matthew Gunderman, product manager.*

(Top Photo) In 2004, Guidant created a Strategic Sourcing Team, including Max Goralnick, manager, supplier development; Michael Dinkins, vice president, global control and reengineering and Lee Sparks, director, supplier development. The team has targeted \$50 million in annual savings through preferred vendor solutions.



## A Man with a Lifesaving Mission

**T.S. Kler, M.D., F.A.C.C., F.R.C.P. (U.K.) and Prakashwati, heart failure patient | New Delhi, India**

*An interventional cardiologist and electrophysiologist, Dr. T.S. Kler is committed to implantable defibrillator and cardiac resynchronization therapy for the people of India. The first in his country to implant these lifesaving devices, he established the nation's first electrophysiology department in New Delhi, helped set up cardiology departments and implantable defibrillator programs in nine other centers and trained more than 100 cardiologists in India, Bangladesh, Sri Lanka and Thailand to perform advanced surgical techniques. Dr. Kler is director of Cardiac Arrhythmia Services and the Catheterization Lab at Escorts Heart Institute and Research Center in New Delhi. For his contributions to cardiac care, he has received one of India's highest civilian honors, the Padma Bhushan.*



In 2004, Guidant opened the Institute for Therapy Advancement North America in St. Paul, Minnesota. The Institute offers an opportunity to learn and practice advanced procedures and techniques using virtual reality simulators and other state-of-the-art technologies. Pictured are class participants Tim Bailey, Lisa Becker and Nathan Quanbeck.



*Guidant  
Tomorrow*

The foundation built over the past ten years is a springboard for future technical solutions needed to save lives.



# TOMORROW

*Driven by a shared mission to defeat cardiovascular disease, the people of Guidant are building upon their experience and expertise in developing new therapies and new solutions for tomorrow's unmet clinical needs.*



(Above Photo) Rob Brock is one of Guidant's dedicated customer and technical service representatives, an important information source for patients and physicians.

## ONE GOAL, ONE MISSION

The men and women of Guidant are focused on a common goal: pioneering new therapies to improve or save millions of lives. They are committed to innovation in implantable defibrillator therapy to prevent sudden cardiac death, cardiac resynchronization, drug eluting stents and minimally invasive therapies that reduce the risk of stroke. In the treatment of heart failure, they are addressing the entire continuum of patient care—from the earliest stages through heart attack, heart damage and maximum severity—with proven therapies in cardiac rhythm management and vascular intervention, and less invasive technologies for cardiac surgery.

They continue to miniaturize Guidant's lifesaving products for greater comfort, while adding new features designed to improve efficacy, functionality and longevity. At the same time, they are developing new approaches to cardiac care through advanced patient management, biologics/cell therapies and the diagnosis and treatment of vulnerable plaque.

## VULNERABLE PLAQUE

The vast majority of heart attacks are triggered by the rupture of fatty deposits (vulnerable plaques) that develop in arteries, which conventional diagnostics cannot detect. Guidant has been working on diagnostic and treatment solutions for the past six years and, in 2004, launched PROSPECT<sup>1</sup>, a groundbreaking new study to help physicians recognize patients at risk. Utilizing novel intravascular imaging technology from Volcano Therapeutics, Inc. and molecular or cellular indicators, the study will collect critical new information about the role of vulnerable plaque in unexplained heart attacks and the natural progression of coronary artery disease. Guidant is also collaborating with Miravant Medical Technologies to develop photodynamic

therapy for cardiovascular applications, including potential treatments for vulnerable plaque.

## ADVANCED PATIENT

**MANAGEMENT** Through the Advanced Patient Management™ initiative, the company is developing new technologies to remotely monitor patient heart function in real time. Innovative information systems, such as the LATITUDE™ platform, can link patients and physicians through on-demand Internet access, and could decrease the need for routine follow-up physician visits, potentially reducing costs and improving clinical productivity, while enhancing patient convenience. This new approach has the potential to revolutionize clinical paradigms in the way physicians monitor status, predict clinical direction and manage the medical needs of their patients.



(Above Photo) With a mission to identify women potentially at risk of heart disease, Guidant Reaches Out to Women is an internal network that mobilizes employees to reach out to customers and patients at informational forums like this one in Guidant's Santa Clara, California, location.

<sup>1</sup> Providing Regional Observations to Study Predictors of Events in the Coronary Tree



## Searching for Solutions

**Barbara Stamberg (left), Principal R&D Technician, and Florencia Lim, Ph.D., Principal Engineer | Vascular Intervention | Santa Clara, California**

*New solutions for unmet clinical needs don't come quickly or easily. Innovative technology development is a long-term process, requiring consummate skill, uncommon tenacity and the level of commitment shared by Guidant engineers and scientists in every line of business. For Dr. Florencia Lim, it comes down to one simple question: "How can I develop new technology to improve the quality of life for patients?" Involved in early-stage development since joining the company in 1997, she is shown with Barbara Stamberg who has worked on key development projects throughout her 20-year Guidant career. Dr. Lim is currently evaluating biomaterials for vulnerable plaque applications, and she loves the challenge. "Discovering new technology and translating it into products for patients is my passion," she says. "That's what gets me going every single day."*

**EYE ON THE FUTURE**

Finding ways to expand Guidant's capacity to identify and explore emerging technologies as a supplement to ongoing research and development is the focus of the company's Compass Group, based in Silicon Valley. Because major advancements in medical technology are so often made by small firms and startups, the Compass team remains close to the entrepreneurs who will soon introduce the next therapy platform or future technology. The group provides these firms with access to capital and the industry expertise they need to bring important new therapies to market. The variety of Compass investments are all designed to stimulate a continuous stream of innovation for physicians and their patients.



of-the-art training facilities in Europe, Japan and the United States.

**PATIENT / PHYSICIAN**

**PARTNERSHIPS** In a patient-centric healthcare environment, Guidant is escalating its educational efforts for cardiovascular patients and their families through print and web-based communications and a variety of outreach programs to increase awareness and improve the diagnosis of heart disease. Support for the healthcare community—one of the company's traditional hallmarks—is always a priority. The breadth and depth of Guidant's customer relationships are continually enhanced by an experienced field organization with a strong customer focus for the clinicians they serve. Also critical is a corporate commitment to continuing education, illustrated by a wide range of highly targeted training initiatives and state-

**A SHARED COMMITMENT**

The talents and capabilities of Guidant's employee-owners are the cornerstone of the company's success and the primary driver of sustainable growth. Guidant recruits highly talented individuals in a continually expanding range of disciplines. The company provides a world-class environment where a diverse and dedicated work force share a core set of values—honesty and integrity, continuous learning, resilience and teamwork—and focus sharply on flawless execution and positive results. Their allegiance to the company and its mission was reflected by the recent selection of Guidant as one of FORTUNE's 100 Best Companies to Work For, for the fifth time. And it is their commitment that will be the growth engine for Guidant, and the wellspring of new therapies for cardiovascular disease.



*Focused on identifying new ideas and opportunities, revolutionary therapies and promising collaborations, the Compass team stimulates a continual stream of technological innovation through investments in medical startups. In this photo (left to right): Jill Wilson, manager, Business Development; Sami Hamade, vice president, Business Development and Greg Garfield, vice president and general counsel.*

(Top Photo) Dr. Roosevelt Gilliam and his sales representative, Helene Solimando, in front of the Guidant Institute for Therapy Advancement North America.



## Virtual Reality In Minnesota

**Roosevelt Gilliam, M.D. | Duke University | Durham, North Carolina**

The centerpiece of Guidant's Institute for Therapy Advancement North America is a multi-million dollar, fully functional cardiac catheterization laboratory and a virtual reality lab, where physicians experience in-depth, hands-on training on a simulator. "The concept is unbelievable," says Dr. Roosevelt Gilliam of Duke University Medical School, one of the first to receive training at this new facility and now a trainer himself. The virtual lab features real-time computer simulations, offering an opportunity to learn and practice a variety of procedures in an environment as close to the real patient setting as possible. Guidant's Institute for Therapy Advancement includes facilities in Brussels and Tokyo, and has trained more than 8,000 physicians worldwide since it opened its first facility in 2000.



Ronald W. Dollens  
President and CEO  
Guidant Corporation

# TO OUR

## Investors, Employee-Owners, Medical Partners and Patients:

*As Guidant begins its second decade, I have never been more proud of our capabilities, the dedication of our 12,000 employee-owners and the exciting opportunities ahead. We are strongly positioned for leadership in the most important therapies directed toward benefiting patients with cardiovascular disease.*

In 2004, we celebrated Guidant's tenth anniversary as a publicly owned corporation. This milestone marked ten years of outstanding achievement in innovative product development, unsurpassed customer focus, public policy leadership and continuous value creation for our shareholders.

In this year's annual report we proudly celebrate our past as a foundation for the future—a future that holds significant promise for patients, physicians, employees and shareholders as we aspire to our mission of defeating cardiovascular disease worldwide.

**A VISION FOR THE FUTURE** More than a decade ago, as part of Eli Lilly and Company, we took a visionary look at the future to determine what the healthcare environment would be in the coming years. Based on that determination and the belief that our team was well equipped to create sustainable success, we formed Guidant Corporation to address the challenges and opportunities we envisioned.

Now, almost exactly ten years later, we've taken another strategic and visionary look at the future. What we see ahead is a convergence of technologies, intensified healthcare consumerism, growing patient demographics, reimbursement and regulatory challenges and a tremendous number of unmet clinical needs. We undertook another in-depth review to determine how best to create value for patients, customers, employees



and shareholders against this environmental backdrop. It was management's unanimous decision that the best way to create sustainable leadership in the future was by aligning our corporation with the largest and most admired healthcare company in the world—Johnson & Johnson—and combining our complementary strengths, our common culture and the value system we share.

The same skills, talents and capabilities that created Guidant will play an exciting new and larger role in creating the world's largest cardiovascular company to deliver a wider array of therapies and products to even more patients.

**A FOUNDATION FOR FUTURE SUCCESS** Our product development velocity has been nothing short of extraordinary and, over the last five years, nearly 50 percent of our sales have come from products less than 12 months old.

(Above Photo) The Guidant Management Committee gathered at the New York Stock Exchange to celebrate the company's ten-year anniversary on December 14, 2004. Left to Right: Roger Marchetti, vice president, Human Resources; Guido J. Neels, chief operating officer and Keith E. Brauer, vice president, Finance and CFO.

Other milestones of recent years were the market positions achieved by our organizational commitment to customer support, training and service.

Additionally, we've built an organization fully committed to shaping public healthcare policies that allow for greater competition and choice in healthcare systems and to investing the necessary resources—in product development, clinical science and patient advocacy—to create an environment that assures patient access to advanced medical technologies. And the results speak for themselves: Guidant's lifesaving, life-enhancing cardiovascular therapies are now used every 15 seconds to treat more than 2 million patients worldwide every year.

That success has been driven by the skills and capabilities of Guidant's people. Their dedication, resolve and shared commitment have saved and improved the lives of millions and, in the process, driven both the continuous organic growth of our corporation and superior returns for our shareholders.

#### SUPERIOR SHAREHOLDER RETURNS

From 1994 through 2004, sales growth has been exceptional, climbing from just under \$900 million to \$3.8 billion, and averaging a 16 percent increase every year. Market capitalization escalated from \$1 billion to \$23 billion as of



(Above Photo) Ronald W. Dollens with Bernard E. Kury, vice president and general counsel, and Beverly H. Lorell, M.D., vice president and chief medical and technology officer.

December 31, 2004, and a \$100 investment in Guidant at the end of December 1994 was worth \$1,827 ten years later. As a result, FORTUNE magazine ranked Guidant 97th based on market value, and ranked the company 13th of 500 for total return to investors over the last ten years.

In 2004, we posted another record financial performance, with increased sales in all major geographies. We simultaneously broadened and deepened our product portfolio, and delivered on key long-term strategic initiatives, achieving major milestones in three different business groups.

#### PROVEN THERAPIES FOR SUDDEN

##### CARDIAC DEATH AND HEART FAILURE

Around the world, there are millions of people suffering from heart failure, the most rapidly growing cardiovascular disease, and severe cardiovascular disorders, which include cardiac arrhythmias, abnormally fast and life-threatening heart rhythms that can lead to sudden cardiac death.

In developing innovative therapies to combat these illnesses, Guidant has remained in the forefront, introducing the world's first automatic implantable cardioverter defibrillator to restore normal heart rhythm, the first programmable dual-chamber implantable defibrillator available in the United States and, most recently, the first cardiac resynchronization therapy defibrillator for heart failure patients.

Our Cardiac Rhythm Management business has consistently grown faster than the market, which increased 14 percent over the last decade. In 2004, Guidant's implantable defibrillator sales reached \$1.8 billion, an 18 percent year-over-year increase, fueled in large part by cardiac resynchronization therapy defibrillators for heart failure patients.



Heart failure is the leading cause of hospitalization in the United States for people over 65, and the leading source of hospital expenditures. Nearly 5 million Americans and 7 million Europeans suffer from the disease, and approximately 1 million new cases are diagnosed worldwide every year. Of these patients, about 50 percent are likely to die of lethal arrhythmias, or sudden cardiac death.

Guidant-sponsored clinical trials, like MADIT II, demonstrate the benefit of implantable defibrillator therapy in reducing mortality rates in patients at risk of sudden cardiac death. Guidant's landmark studies provide pivotal clinical science for extending implantable defibrillator therapy to broader segments of the patient population.

*Guidant employees marked a major milestone, celebrating the company's tenth anniversary with simultaneous bell-ringing events around the world as Ron Dollens and other members of the management team rang the closing bell at the New York Stock Exchange.*

In December 2004, based on the results of these and other clinical trials, the Centers for Medicare & Medicaid Services (CMS) significantly expanded implantable defibrillator coverage for patients at risk of sudden cardiac death. This decision increases the number of eligible Medicare beneficiaries by one-third and extends the potential of lifesaving implantable defibrillator therapy to tens of thousands of new patients every year.

Guidant's COMPANION clinical trial results, published in the May 20, 2004 issue of the *New England Journal of Medicine*, served as the impetus for an expanded indication by the U.S. Food and Drug Administration (FDA) in September, making Guidant's cardiac resynchronization therapy devices available to thousands more heart failure patients.

#### THE NEXT FRONTIER OF CORONARY

**MEDICINE** In the United States, Europe and Asia, coronary stenting is the primary therapy for coronary artery disease, which affects millions of people worldwide. Guidant has been a pioneer and recognized leader in the development of innovative stent platforms and delivery systems, a leader in metallic stents and the first to introduce a groundbreaking cobalt chromium stent platform, which has become an integral component of our internally developed drug eluting stent system.



(Top Photo) R. Frederick McCoy, Jr., president, Cardiac Rhythm Management and Dana G. Mead, Jr., president, Vascular Intervention.

“Guidant shareholders overwhelmingly approved the company’s proposed combination with Johnson & Johnson, which was announced on December 15, 2004.”

Clinical studies continue to show greater efficacy of drug eluting stents in reducing the restenosis (re-narrowing of the artery) associated with coronary stenting. The opportunity is truly historic, with growth projected from \$3.8 billion in 2004 to \$6.1 billion in 2007. During 2004 we gained immediate U.S. entry in February through a strategic agreement with Cordis Corporation, a Johnson & Johnson company. Under terms of the agreement, we are co-promoting Cordis’ CYPHER® Sirolimus-eluting Coronary Stent, which has consistently demonstrated excellent clinical results in a number of coronary stent applications.

At the same time, we are rapidly moving forward with our own internal drug eluting stent development program.

**THERAPIES OF THE FUTURE** A continuing focus on new therapies for carotid artery disease and less-invasive alternatives for coronary



(Above Photo) Ronald N. (Nicky) Spaulding, president, Europe, Middle East, Africa and Canada; Maria Degois-Sainz, president, Cardiac Surgery and Mark C. Bartell, president, U.S. Sales Operations.

bypass procedures brought solid results in 2004. Guidant’s emerging businesses showed strong growth, with sales climbing to \$292 million, a 42 percent year-over-year increase. A major driver was the U.S. launch of a new carotid artery stent system designed to reduce the risk of stroke.

Demand for this innovative system has exceeded expectations and some private insurers are already providing coverage. CMS provides coverage for select patient populations as well as reimbursement for high surgical risk patients enrolled in post-approval studies.

Guidant continues to support an aggressive internal research and development program. As part of this commitment, we announced in August of last year a collaboration with Columbia University and Stony Brook University to study a new gene therapy that may ultimately provide a better understanding of how genetically engineered cells can help pace the heart. The research will explore the development of a cell-based biological pacemaker, which may advance the treatment of heart disease.

Guidant also is working to accelerate the development of diagnostics and treatments for vulnerable plaques. Emerging research suggests that the majority of myocardial infarctions (heart attacks) occur when these plaques rupture.

Also, the company is at the forefront of patient management initiatives that are designed to improve patient outcomes and healthcare economics as well as developing new competencies in the site-specific delivery of therapeutic agents that have the potential to offer exciting new treatment alternatives for patients.

Underscoring its commitment to identifying treatments for atrial fibrillation, a large area of unmet clinical need in cardiac care, Guidant announced its acquisition of AFx inc. in early 2004. AFx is a pioneer in the field of microwave surgical cardiac ablation, a potential treatment for atrial fibrillation. Approximately 2.2 million patients suffer from atrial fibrillation in the United States today and its prevalence is expected to double over the next 40 years.

**A DECADE AHEAD** Guidant shareholders overwhelmingly approved the company's proposed combination with Johnson & Johnson, which was announced on December 15, 2004. Upon closing, the transaction will create one of the largest cardiovascular companies in the world.

We believe this exciting collaboration—in clinical science and product development excellence, operational expertise, consumer/patient awareness and public policy advocacy—will benefit our healthcare partners and their patients, our employee-owners and our shareholders. It offers an unprecedented breadth of capabilities and resources to accelerate the development of new therapies and technologies. It presents tremendous personal and professional growth opportunities for Guidant employees, as they utilize their skills, diverse backgrounds and capabilities to build a new industry-leading organization. And it promises to be a strong driver of long-term sustainable organic growth.

Going forward, great organizations must cost-effectively integrate medical devices, information



technology, pharmaceuticals, biologics and diagnostics to profoundly impact patient outcomes. All health systems are under substantial financial pressure, and we must be part of the solution. We believe our agreement with Johnson & Johnson creates an organization ideally suited to address these trends.

The foundation for our future success was laid over the past ten years, and my sincere appreciation goes to everyone who contributed to our remarkable growth and expansion, specifically our employees—past and present—whose commitment transitioned into capability. It has been a most rewarding time for me personally, and a great privilege to be part of an organization that offers so much to so many.

*Ronald W. Dollens*

Ronald W. Dollens  
*President and Chief Executive Officer*



## A REMARKABLE LEADER



The entire Guidant family extends warm appreciation and sincere thanks to Ronald W. Dollens, the company's first—and only—president and chief executive officer, who will retire in 2005, after 33 years of combined service with Guidant and Eli Lilly and Company. Under his capable leadership, Guidant has achieved outstanding growth and success, pioneering groundbreaking technologies that have saved or improved the lives of millions of cardiovascular patients every year. He has built an organization with exceptional intellectual and operational capabilities, and led a team possessing remarkable ability, energy and commitment. Throughout his tenure, he has played a pivotal role in communicating with Wall Street, influencing public policy on patient access and reimbursement issues and partnering with the company's healthcare customers.

News of his planned retirement brought an avalanche of reflections on his talent and dedication, and these few are only a sampling.

(Above Photos, Left to Right)  
James M. Cornelius,  
Ginger L. Graham,  
A. Jay Graf,  
Keith E. Brauer.

“Ron has always demonstrated a unique blend of inspirational leadership and a passion for the cardiovascular device business that is unmatched among the leadership of Corporate America.”

JAMES M. CORNELIUS, *Chairman of the Board (non-executive), Guidant Corporation*

“What attaches me to Ron more than anything else is his intense loyalty to people. I'd like to be as good as he is in a lot of ways: as a leader, as a spouse, as a parent, as a lot of things.”

GINGER L. GRAHAM, *former group chairman, Office of the President and member of the original Guidant Management Committee*

“The ability to make hard decisions may define a leader more than any other attribute. Some leaders will hesitate or defer; Ron will not.”

A. JAY GRAF, *former group chairman, Office of the President and member of the original Guidant Management Committee*

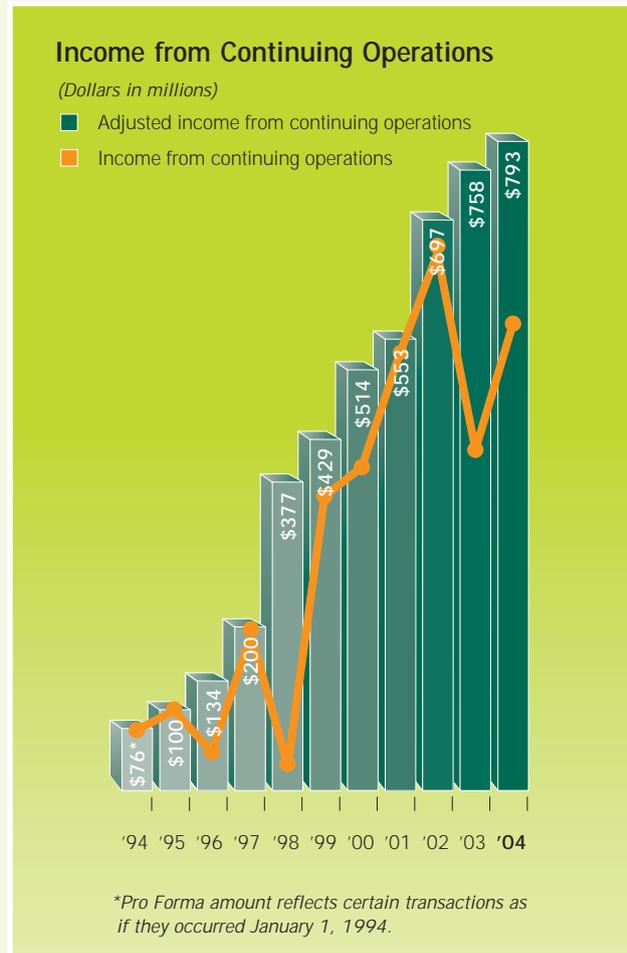
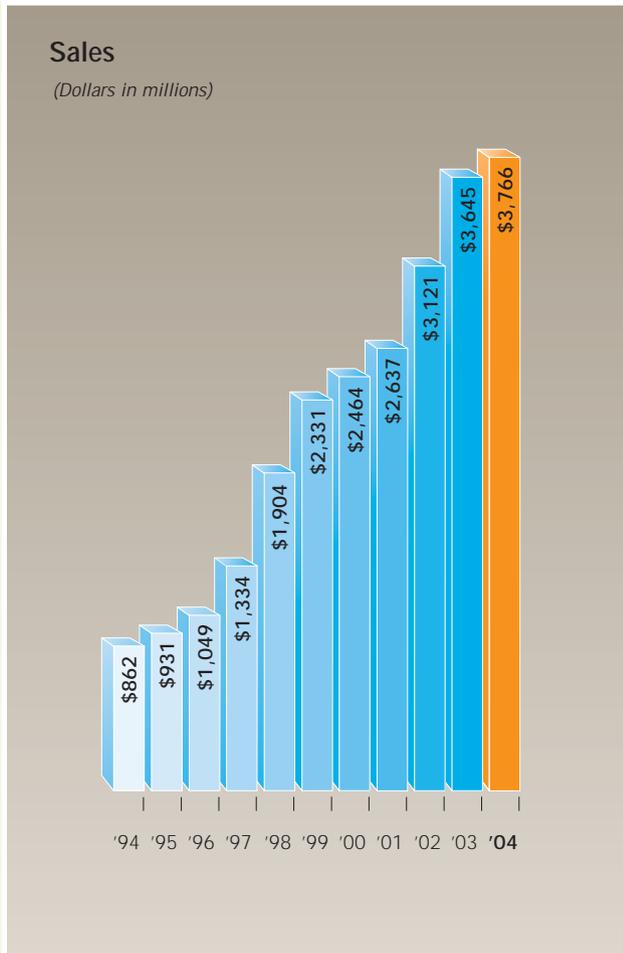
“Ron exudes boundless energy, a razor-sharp wit and unique insight into this industry. His enthusiasm for teaching and his gift for plain-spokenness is well received by all.”

KEITH E. BRAUER, *vice president, Finance, and Chief Financial Officer*

# FINANCIAL SUMMARY

Superior shareholder returns and continuous value creation have been primary goals at Guidant since it began as a publicly traded company in December 1994. Over the subsequent ten years, revenue grew by nearly \$3 billion.

Sales growth has been driven by a remarkable flow of new technologies. To maintain that velocity of product development, Guidant leads the industry in research and development investments, averaging 14 percent of sales revenue annually. Over the past decade, this ongoing commitment has created escalating value for shareholders and lifesaving therapies for millions of cardiovascular patients worldwide.



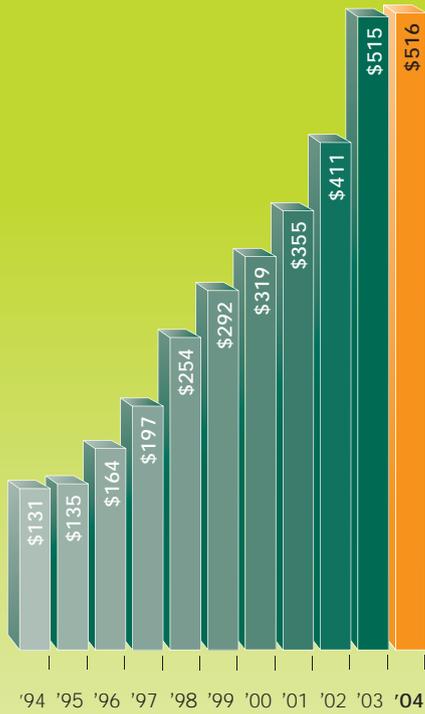
*Financial Summary*

**Sales:** Guidant's financial performance over the past ten years has reflected its mission statement—sustainable growth and superior returns. Sales growth from 1994 to 2004 represents nearly \$3 billion and an average annual growth of 16 percent.

**Income from Continuing Operations:** Growth in income from continuing operations and adjusted income from continuing operations have both exceeded sales growth with average annual growth rates of 22 percent and 26 percent, respectively, from 1994 to 2004.

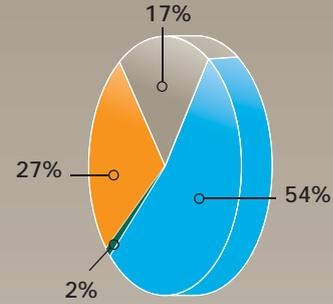
### Research & Development Expense

(Dollars in millions)

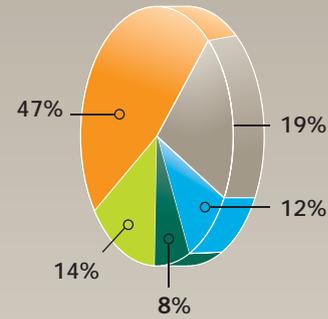


### Sales by Product

Year ended December 31, 1994

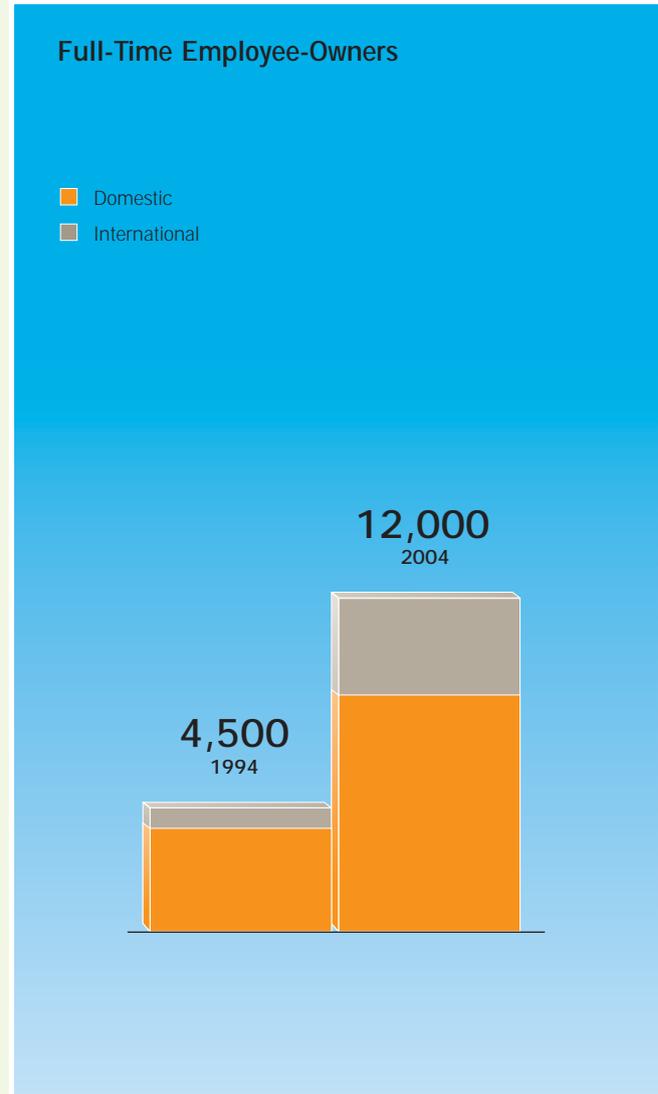
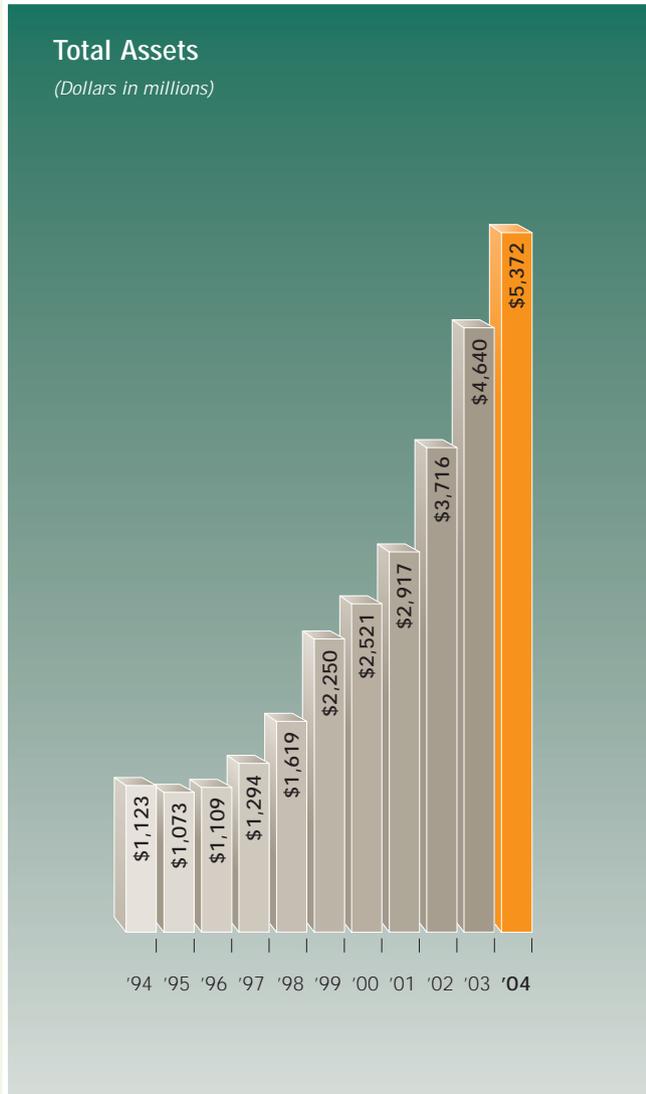


Year ended December 31, 2004



- Implantable Defibrillator Systems
- Pacemaker Systems
- Angioplasty Systems
- Cardiac Surgery, Biliary, Peripheral, Carotid Systems and other
- Coronary Stent Systems

**Research & Development Expense:** From 1994 to 2004, Guidant has spent approximately \$3.3 billion, or 14 percent of sales, in research and development to support the continuous innovation that has been a key driver to sales growth. In 1994, over 54 percent of Guidant revenues were from angioplasty systems prior to the launch of Guidant's first coronary stent. Today, 47 percent of Guidant revenues are from implantable defibrillators including cardiac resynchronization therapy devices. Notably, 8 percent of Guidant revenues in 2004 were from cardiac surgery, biliary, peripheral and carotid systems brought to market after 1994.



**Total Assets:** Strong income statement growth has also resulted in a strong balance sheet as total assets have grown from \$1.1 billion in 1994 to \$5.4 billion in 2004.

**Full-Time Employee-Owners:** The foundation of Guidant's growth and success is the skills and capabilities of Guidant's employee-owners. The company has nearly tripled its organizational talent since its formation in 1994.

### Summary Financial Highlights

(Dollars in millions, except per share amounts)

#### Year Ended December 31

##### OPERATIONS:

	2004	2003	2002	2001	2000
Net sales	\$ 3,765.6	\$ 3,644.8	\$ 3,120.9	\$ 2,636.8	\$ 2,464.3
Gross profit	2,844.0	2,767.4	2,378.9	2,023.9	1,894.0
Research & Development	516.0	515.0	410.5	355.2	318.7
Income from continuing operations	573.0	419.3	669.3	538.5	397.2
Adjustments, net of income taxes	220.1	338.2	27.5	14.2	117.2
Adjusted income from continuing operations	793.1	757.5	696.8	552.7	514.4
Earnings per share - diluted	\$ 1.78	\$ 1.34	\$ 2.19	\$ 1.76	\$ 1.28
Adjustments per share	\$ 0.69	\$ 1.08	\$ 0.09	\$ 0.04	\$ 0.38
Adjusted earnings per share - diluted	\$ 2.47	\$ 2.42	\$ 2.28	\$ 1.80	\$ 1.66

#### Year Ended December 31

##### FINANCIAL POSITION:

Working capital	\$ 2,679.2	\$ 2,017.5	\$ 1,437.4	\$ 759.2	\$ 453.1
Total assets	\$ 5,372.2	\$ 4,640.1	\$ 3,716.1	\$ 2,916.8	\$ 2,521.4
Book value per share	\$ 11.65	\$ 8.68	\$ 7.59	\$ 5.05	\$ 3.82
Full-time employee equivalents	14,491	13,578	12,540	12,076	10,452

Adjustments include the following pre-tax amounts:

2004 - In process research and development (IPRD) \$99.8, Litigation (\$20.0), Foundation contribution \$20.0, Restructuring \$66.0

2003 - IPRD \$83.7, Litigation \$422.8

2002 - IPRD \$54.9, Litigation (\$137.1), Foundation contribution \$40.0, Restructuring \$14.0, Cook charge \$60.6

2001 - IPRD \$15.0, Special product charge \$7.5

2000 - Impulse Dynamics charge \$127.0

### Market Value

(Dollars in billions)



\*Preliminary estimate of purchase value as of February 28, 2005.

### Net Cash\*

(Dollars in millions)



\*Net cash position is the sum of cash and cash equivalents and short-term investments less total debt.

**Market Value:** Sustainable growth has supported superior returns in Guidant's market value which has increased from a value approximately equal to annual sales in 1994, to just over six times annual sales in 2004.

1999	1998	1997	1996	1995	1994
\$ 2,330.5	\$ 1,903.5	\$ 1,334.3	\$ 1,048.6	\$ 931.3	\$ 862.4
1,770.6	1,480.2	1,010.6	733.3	647.9	591.5
292.2	254.1	196.6	163.5	135.2	130.9
362.1	33.0	200.1	50.0	100.1	76.2*
66.5	344.2	0.1	84.1	-	-
428.6	377.2	200.2	134.1	100.1	76.2*
\$ 1.16	\$ 0.11	\$ 0.66	\$ 0.17	\$ 0.34	\$ 0.31
\$ 0.22	\$ 1.12	\$ -	\$ 0.28	\$ -	\$ -
\$ 1.38	\$ 1.23	\$ 0.66	\$ 0.45	\$ 0.34	\$ 0.31
\$ 177.6	\$ 202.0	\$ 138.7	\$ 182.1	\$ 122.8	\$ 134.1
\$ 2,250.2	\$ 1,619.3	\$ 1,294.3	\$ 1,108.6	\$ 1,072.5	\$ 1,122.5
\$ 2.79	\$ 1.98	\$ 2.11	\$ 1.82	\$ 1.35	\$ 0.97
9,157	7,654	6,143	5,147	5,061	5,127

1999 - IPRD \$49.0, Foundation contribution \$20.2, Cost of products sold \$26.2, Research and development \$1.7, Sales, marketing and administrative \$3.2, Other, net (\$13.6), Merger related costs \$21.9

1998 - IPRD \$90.0, Litigation \$269.2, Restructuring \$0.7, Impairment charge \$40.0

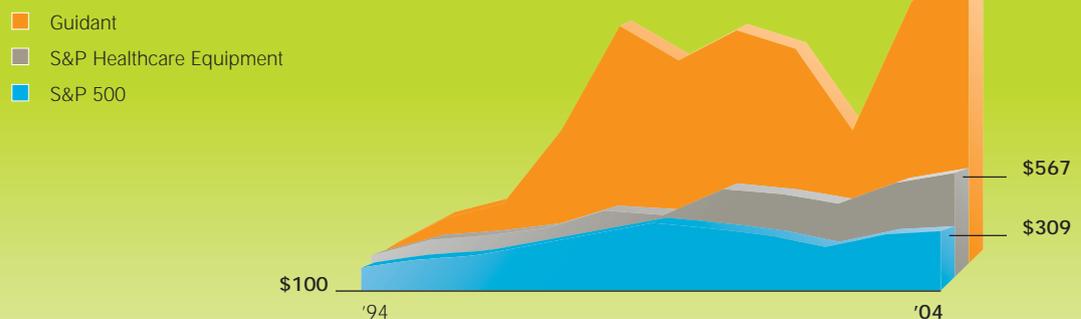
1997 - Foundation contribution \$11.5, Restructuring \$11.5, Other, net (\$23.2)

1996 - Cost of products sold \$28.8, Impairment charge \$66.9

\* Pro Forma amount reflects certain transactions as if they occurred January 1, 1994.

### Return to Shareholders vs. Select Indices

Value of \$100 invested on December 31, 1994\*



\*Assumes all dividends have been reinvested.

**Return to Shareholders vs. Select Indices:** Since 1994, stock appreciation consistently outperformed major indices. A \$100 investment in Guidant on December 31, 1994 was worth \$1,827 on December 31, 2004.

# Board of Directors & Executive Officers

## 2005 BOARD OF DIRECTORS

### James M. Cornelius

Chairman of the Board  
(non-executive),  
Guidant Corporation

### Maurice A. Cox, Jr. (1,3)

Retired President,  
Chief Executive Officer,  
The Ohio Partners, LLC

### Nancy-Ann Min DeParle (2,3,4)

Senior Advisor, JPMorgan  
Partners, LLC,  
Adjunct Professor,  
The Wharton School,  
University of Pennsylvania

### Ronald W. Dollens

President and Chief Executive  
Officer, Guidant Corporation

### Enrique C. Falla (1,5)

President, Falla, Smith &  
Associates, Inc.

### Michael Grobstein (1,3)

Retired Vice Chairman of Ernst  
& Young LLP and Vice  
Chairman of Ernst & Young  
International

### Kristina M. Johnson, Ph.D. (2,4)

Dean, Edmund T. Pratt, Jr.  
School of Engineering,  
Duke University

### J.B. King (4)

Counsel, Baker & Daniels

### J. Kevin Moore (1,2)

Vice President and Managing  
Partner, Arbor Group, LLC

### Mark Novitch, M.D. (2,4)

Retired Vice Chairman of the  
Board and Chief Compliance  
Officer, The Upjohn Company

### Jack A. Shaw (3,5)

Retired President and Chief  
Executive Officer and Director,  
Hughes Electronics Corporation

### Eugene L. Step (3,5)

Retired Director, Executive Vice  
President and President of the  
Pharmaceutical Division,  
Eli Lilly and Company

### Ruedi E. Wäger, Ph.D. (2,4)

Retired President and Chief  
Executive Officer,  
Aventis Behring LLC

### August M. Watanabe, M.D. (4,5)

Retired Director, Executive  
Vice President, Science and  
Technology, Eli Lilly and  
Company



## IN MEMORIAM

### Susan B. King

April 29, 1940—July 22, 2004

The directors and officers of Guidant were deeply saddened by the passing of Susan B. King, a director of the corporation since 1996. Her wise counsel and leadership, experience in government and industry, and strong commitment to women in business and workplace diversity were invaluable assets that enriched the company beyond measure. She will be greatly missed.

- 1 Audit Committee
- 2 Compliance Committee
- 3 Corporate Governance Committee
- 4 Science and Technology Strategy Committee
- 5 Management Development and Compensation Committee

**bold** denotes committee chair

## 2005 EXECUTIVE OFFICERS

### Ronald W. Dollens

President and Chief Executive  
Officer

### Guido J. Neels

Chief Operating Officer

### Mark C. Bartell

President, U.S. Sales Operations

### Keith E. Brauer

Vice President, Finance and  
Chief Financial Officer

### Maria Degois-Sainz

President, Cardiac Surgery

### Bernard E. Kury

Vice President and General  
Counsel

### Ronald K. Lattanze

President, Endovascular  
Solutions

### Beverly H. Lorell, M.D.

Vice President, Chief Medical  
and Technology Officer

### Cynthia L. Lucchese

Vice President, Treasurer

### Kathleen M. Lundberg

Vice President and Chief  
Compliance Officer

### Roger Marchetti

Vice President, Human  
Resources

### Peter J. Mariani

Vice President, Corporate  
Controller and Chief  
Accounting Officer

### William F. McConnell, Jr.

Vice President and Chief  
Information Officer

### R. Frederick McCoy, Jr.

President, Cardiac Rhythm  
Management

### Dana G. Mead, Jr.

President, Vascular  
Intervention

### Ronald N. Spaulding

President, Europe, Middle East,  
Africa and Canada

# Corporate Information

## Guidant World Headquarters

Guidant Corporation  
111 Monument Circle, #2900  
Indianapolis, IN 46204-5129  
www.guidant.com

## 10-K Report

A printed copy of the company's Annual Report to the Securities and Exchange Commission on Form 10-K is available and may be obtained without charge upon written request to the Company Secretary at the address shown below:

Guidant Corporation  
111 Monument Circle, #2900  
P.O. Box 44906  
Indianapolis, IN 46244-0906  
317-971-2000 Phone  
317-971-2040 Fax

The company's Form 10-K is also available online through www.guidant.com. The site also contains the latest company news and information.

## Stock Exchange Listing

New York Stock Exchange  
Symbol: GDT

## Shareholder Services

Registered shareholders (shares held in your own name) with questions regarding your account, such as change of address, lost certificates, or dividend checks, should contact our transfer agent at:

EquiServe Trust Company, N.A.  
P.O. Box 43069  
Providence, Rhode Island  
02940-3069

Private Courier/Registered Mail:  
EquiServe Trust Company, N.A.  
66 Brooks Drive  
Braintree, MA 02184  
Attn: Priority Processing  
888-756-3638 Phone  
800-952-9245 TDD  
www.equiserve.com

## Trademarks

CYPHER® Sirolimus-eluting Coronary Stent is made by Cordis Corporation pursuant to a license from Wyeth.

All other product names appearing in this document are trademarks owned by, or licensed to, Guidant Corporation or its subsidiaries.

## Forward-Looking Statements

*This Annual Report includes forward-looking statements concerning, among other things, the company's acquisition by Johnson & Johnson, product developments, and future performance that are based on assumptions about many important factors, including progress with respect to the acquisition, including satisfaction of conditions to the closing such as receipt of required regulatory approvals; market trends and competition; satisfactory clinical and regulatory progress; litigation developments; and the factors listed on exhibit 99 to the company's most recent filing on Form 10-K (available as noted above). As such, they involve risks that could cause actual results to differ materially. The company does not undertake to update its forward-looking statements.*

## Celebrating the Past

# LEADING THE FUTURE

Guidant develops the Code of Business Conduct.

Split-off from Eli Lilly and Company is effective on September 25.

Guidant announces its new business development unit: Compass.

Guidant is the first medical device company to file a regulatory submission electronically.

Guidant develops the first pacemakers that provide physicians with stored clinical information, such as electrocardiograms, allowing for more accurate programming and therapy delivery.

Guidant offers employee-owner stock option grants for the first time.

Guidant stock splits 2-for-1 for the first time.

After a remarkable 113-day rapid market approval from the FDA, Guidant launches the MULTI-LINK® Coronary Stent System in the U.S.

Guidant is the first company to provide a full product line of implantable devices for the treatment of heart failure.

Guidant employees invent stent laser manufacturing techniques that become the new industry standard.

*Fortune* names Guidant as one of the magazine's "100 Best Companies to Work for in America" for the first time.

1995

1997

1999



1994

NewCo becomes Guidant—a name derived from the word *guide*, meaning one who shows the way by leading.

Guidant Corporation makes its initial public offering (IPO) on December 14, 1994.

1996

MADIT results are published in the *New England Journal of Medicine*. It is the first study to demonstrate the benefit of implantable defibrillator therapy over conventional medicine.

The first Guidant-wide National Sales Meeting is conducted.

Guidant sales reach \$1 billion for the first time.

1998

Guidant announces acquisition of Sulzer Medica's electrophysiology business.

Guidant stock splits 2-for-1 for the second time.

Guidant purchases 155,000-square foot manufacturing facility in Clonmel, Ireland.

Guidant Japan establishes direct VI operations in Tokyo.

Guidant is named one of the 20 Best Employers in Puerto Rico for the second time.

Guidant establishes implantable defibrillator Market Development Team.

Guidant.com launches six European affiliate Web sites. Together, the sites serve an average of 2.9 million patient and physician visitors annually.

The Guidant Institute for Therapy Advancement expands to Japan.

*Fortune* names Guidant as one of the magazine's "100 Best Companies to Work for in America."

The 5,000th physician trains at the Guidant Institute for Therapy Advancement in Brussels.

The Centers for Medicare and Medicaid Services expands coverage for ICDs based on results of the MADIT II clinical trial.

Guidant Bioabsorbable Vascular Solutions is established.

## 2001

## 2003



## 2000

Guidant forms Japanese Advisory Board to advise on strategic medical, regulatory and business matters in that fast-growing region.

*Fortune* names Guidant as one of the magazine's "100 Best Companies to Work for in America."

The Guidant Institute for Therapy Advancement opens in Brussels with state-of-the-art technology and facilities that accommodate more than 1,000 physicians and other trainees per year.



## 2002

*Fortune* names Guidant as one of the magazine's "100 Best Companies to Work for in America."

U.S. FDA approves the CONTACT CD®/EASYTRAK® system for the treatment of heart failure.

MADIT II results are first published in the *New England Journal of Medicine*.

Guidant launches the GROW (Guidant Reaches Out to Women) initiative to increase awareness about heart disease among employees, customers and the community at large.

## 2004

Guidant named best place to work in Europe, Belgium, Germany, the United Kingdom, Italy and Ireland.

The ACCULINK™ Carotid Stent System is launched in the U.S. Designed to reduce the risk of stroke, it is the first to receive FDA approval.

COMPANION results are published in the *New England Journal of Medicine*. Guidant team begins public outreach program.

Guidant enters the U.S. drug eluting stent market through an agreement with Cordis to co-promote the CYPHER® Sirolimus-eluting Coronary Stent.

More than 14 million lives saved...

---

# GUIDANT

