Boston Scientific Announces Results For Second Quarter Ended June 30, 2014

MARLBOROUGH, Mass., July 24, 2014 / PRNewswire/ -- Boston Scientific Corporation (NYSE: BSX) generated sales of \$1.873 billion during the second quarter ended June 30, 2014, compared to the company's guidance range for the quarter of \$1.840 to \$1.890 billion. This represents 4 percent operational revenue growth (constant currency basis, excluding divested businesses) and 4 percent revenue growth on a reported basis, all compared to the prior year period. The company achieved adjusted earnings per share of \$0.21 for the period, compared to \$0.18 a year ago, and GAAP earnings of \$4 million, or approximately \$0.00 per share, compared to \$0.10 a year ago.

"We had a strong second quarter, delivering balanced growth across our divisions," statedMike Mahoney, president and chief executive officer, Boston Scientific Corporation. "In particular, we are pleased with the improvement in both our Interventional Cardiology and Cardiac Rhythm Management divisions. We remain confident in both our strategy and in our outlook for the year."

Second guarter financial results and recent developments:

- Achieved second quarter sales of \$1.873 billion, representing 4 percent operational revenue growth and 4 percent revenue growth on a
 reported basis, all compared to the prior year period.
- Delivered adjusted earnings per share of \$0.21 compared to the company's guidance range of \$0.18 to \$0.20, and GAAP income of \$0.00 per share compared to the company's guidance range of \$0.06 to \$0.08 per share.
- Achieved revenue growth of 7 percent in Rhythm Management, 5 percent in MedSurg, and 2 percent in Cardiovascular, all on a constant currency basis over the prior year period.
- Achieved revenue growth of 5 percent internationally over the prior year period, primarily driven by 7 percent growth in Europe and 14 percent growth in Emerging Markets, all on a constant currency basis. Emerging Markets revenues represented 10 percent of total company sales.
- · Generated strong operating cash flow of \$286 million.
- Announced a definitive agreement to acquire the Interventional Division of Bayer AG, which is expected to drive growth in peripheral atherectomy and thrombectomy categories.
- Launched the Promus PREMIER™ Everolimus-Eluting Platinum Chromium Coronary Stent System in Japan.
- Received CE Mark for the RANGER™ Paclitaxel-Coated PTA Balloon Catheter for the treatment of patients with peripheral artery disease (PAD), and began the European commercial launch in July.
- Received CE Mark for the 25 mm LOTUS™ Transcatheter Aortic Valve Implantation (TAVI) System, and began the European commercial launch.
- Received FDA approval of the <u>REBEL™ Platinum Chromium Coronary Stent System</u> a next generation bare-metal stent for the treatment of coronary artery disease (CAD).
- Received CE Mark for the AGENT™ Paclitaxel-Coated PTCA Balloon Catheter for the treatment of patients with in-stent restenosis (ISR) and de novo small vessel coronary disease.
- Began the full commercial launch of the POLARIS™ Imaging System, to support our portfolio of intravascular ultrasound (IVUS) catheters, including coronary, peripheral and intra-cardiac echo (ICE) products.

Worldwide sales for the second quarter:

		Three Mon June		ed					
in millions	20	014	20	013	As Reported Basis	Less: Impact of Foreign Currency			Constant Currency Basis
			(res	stated)					
Interventional Cardiology	\$	528	\$	520	2%	\$	1	1%	1%
Peripheral Interventions		211		204	3%		1	0%	3%
Cardiovascular	-	739		724	2%		2	0%	2%
Cardiac Rhythm Management		497		475	5%		3	1%	4%
Electrophysiology		56		36	55%		1	1%	54%
Rhythm Management		553		511	8%		4	1%	7%
Endoscopy		333		320	4%		(1)	0%	4%
Urology and Women's Health		133		124	7%		_	0%	7%

Neuromodulation	114	111	3%	_	0%)	3%
MedSurg	580	555	5%	(1)	0%	•	5%
Subtotal Core Businesses	 1,872	1,790	 5%	5	1%	•	4%
Divested Businesses	1	19	(93)%	_	0%	. (9	3)%
Worldwide Net Sales	\$ 1,873	\$ 1,809	 4%	\$ 5	0%)	4%

Growth rates are based on actual, non-rounded amounts and may not recalculate precisely.

The company restated worldwide sales for the three months ended June 30, 2013 to reflect the realignment of certain product lines from Endoscopy to Peripheral Interventions as of January 1, 2014.

Sales growth rates that exclude the impact of sales from divested businesses and/or changes in foreign currency exchange rates are not prepared in accordance with U.S. GAAP. An explanation of the company's use of these non-GAAP financial measures is included in the exhibits attached to this news release.

On a consolidated GAAP basis, net income for the second quarter of 2014 was\$4 million, or \$0.00 per share. These results included intangible asset impairment charges, acquisition- and divestiture-related net credits, litigation-, and restructuring-related net charges, discrete tax items, and amortization expense, of \$281 million (after-tax) or \$0.21 per share. Adjusted net income for the second quarter of 2014, excluding these net charges, was \$285 million, or \$0.21 per share.

On a consolidated GAAP basis, net income for the second quarter of 2013 was\$130 million, or \$0.10 per share. These results included intangible asset impairment charges, acquisition- and divestiture-related net credits, restructuring-related charges, and amortization expense, of \$117 million (after-tax) or \$0.08 per share. Adjusted net income for the second quarter of 2013, excluding these net charges, was\$247 million, or \$0.18 per share.

Guidance for Full Year and Third Quarter 2014

The company now estimates revenue for the full year 2014 to be in a range of \$7.325 to \$7.425 billion (compared to prior guidance of \$7.300 to \$7.500 billion), which represents growth in a range of 3 to 4 percent on a reported basis and 3 to 5 percent on an operational basis. The company now estimates income on a GAAP basis in a range of \$0.28 to \$0.32 per share (compared to prior guidance of \$0.36 to \$0.41), and adjusted earnings, excluding intangible asset impairment charges, acquisition- and divestiture-, litigation-, and restructuring-related charges and credits, discrete tax items, and amortization expense, in a range of \$0.79 to \$0.83 per share (compared to prior guidance of \$0.77 to \$0.82).

The company estimates sales for the third quarter of 2014 in a range of\$1.790 to \$1.840 billion. The company estimates earnings on a GAAP basis in a range of \$0.08 to \$0.10 per share. Adjusted earnings, excluding acquisition- and divestiture- and restructuring-related charges and amortization expense, are estimated in a range of \$0.18 to \$0.20 per share.

Conference Call Information

Boston Scientific management will be discussing these results with analysts on a conference call today at 8:00 a.m. (ET). The company will webcast the call to interested parties through its website: www.bostonscientific.com. Please see the website for details on how to access the webcast. The webcast will be available for approximately one year on the Boston Scientific website.

About Boston Scientific

Boston Scientific transforms lives through innovative medical solutions that improve the health of patients around the world. As a global medical technology leader for more than 30 years, we advance science for life by providing a broad range of high performance solutions that address unmet patient needs and reduce the cost of healthcare. For more information, visit www.bostonscientific.com and connect on Twitter and For more information, visit www.bostonscientific.com and connect on Twitter and For more information, visit www.bostonscientific.com and connect on Twitter and For more information, visit www.bostonscientific.com and connect on Twitter and www.bostonscientific.com and connect on Twitter and www.bostonscientific.com and connect on www.bostonscientific.com and connect on www.bostonscientific.com and <a href="https:/

Cautionary Statement Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1934 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may be identified by words like "anticipate," "expect," "project," "believe," "plan," "estimate," "intend" and similar words. These forward-looking statements are based on our beliefs, assumptions and estimates using information available to us at the time and are not intended to be guarantees of future events or performance. These forward-looking statements include, among other things, statements regarding our expected net sales, GAAP and operational revenue growth rates, GAAP earnings and adjusted earnings for the third quarter and full year 2014; our financial performance; clinical trials; product performance; our business plans; and our positioning for revenue and earnings growth. If our underlying assumptions turn out to be incorrect, or if certain risks or uncertainties materialize, actual results could vary materially from the expectations and projections expressed or implied by our forward-looking statements. These risks and uncertainties, in some cases, have affected and in the future could affect our ability to implement our business strategy and may cause actual results to differ materially from those contemplated by the statements expressed in this press release. As a result, readers are cautioned not to place undue reliance on any of our forward-looking statements.

Risks and uncertainties that may cause such differences include, among other things: future economic, political, competitive, reimbursement and regulatory conditions; new product introductions and the market acceptance of those products; markets for our products; expected pricing environment; expected procedural volumes; clinical trial results; demographic trends; intellectual property rights; litigation; financial market conditions; the execution and effect of our restructuring program; the execution and effect of our business strategy, including our cost-savings and growth initiatives; and future business decisions made by us and our competitors. New risks and uncertainties may arise from time to time and are difficult to predict. All of these factors are difficult or impossible to predict accurately and many of them are beyond our control. For a further list and description of these and other important risks and uncertainties that may affect our future operations, see Part I, Item IA - Risk Factors in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission, which we may update in Part II, Item 1A - Risk Factors in Quarterly Reports on Form 10-Q we have filed or will file hereafter. We disclaim any intention or obligation to publicly update or revise

any forward-looking statement to reflect any change in our expectations or in events, conditions, or circumstances on which those expectations may be based, or that may affect the likelihood that actual results will differ from those contained in the forward-looking statements. This cautionary statement is applicable to all forward-looking statements contained in this press release.

Use of Non-GAAP Financial Information

A reconciliation of the company's non-GAAP financial measures to the corresponding GAAP measures, and an explanation of the company's use of these non-GAAP financial measures, is included in the exhibits attached to this news release.

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BOSTON SCIENTIFIC CORPORATION CONDENSED CONSOLIDATED GAAP RESULTS OF OPERATIONS (Unaudited)

Three Months Ended Six Months Ended June 30. June 30. in millions, except per share data 2014 2013 2014 2013 1,873 1.809 \$ 3.647 \$ 3,570 Net sales \$ 530 Cost of products sold 563 1,100 1,108 Gross profit 1,310 1,279 2,547 2,462 Operating expenses: Selling, general and administrative expenses 743 661 1,409 1,292 Research and development expenses 206 223 397 427 Royalty expense 47 87 25 65 Amortization expense 109 101 218 204 Goodwill impairment charge 423 Intangible asset impairment charges 110 53 165 53 Contingent consideration (benefit) expense (96)(18)(118)(41)Restructuring charges 15 26 35 36 Divestiture-related (gains) charges (40)(34)(12)Litigation-related (credits) charges 267 260 130 1,379 1,059 2,419 2,571 Operating (loss) income (69)220 128 (109)Other (expense) income: Interest expense (53)(65)(108)(130)Other, net 18 (3)22 (3)42 Income (loss) before income taxes (104)152 (242)Income tax expense (benefit) (108)22 (95)(18)130 137 Net income (loss) \$ \$ \$ (224)4 Net income (loss) per common share - basic 0.00 \$ 0.10 \$ 0.10 (0.17)\$ \$ Net income (loss) per common share - assuming dilution 0.00 0.10 0.10 (0.17)Weighted-average shares outstanding 1,323.2 1.343.5 1,322.4 1.347.7 Basic Assuming dilution 1.345.0 1.358.6 1.347.1 1.347.7

		Α	s of	
			De	cember
	Ju	ne 30,		31,
in millions, except share data	2	2014		2013
·	(Un	audited)	-	
ASSETS				
Current assets:				
Cash and cash equivalents	\$	357	\$	217
Trade accounts receivable, net		1,287		1,307
Inventories		949		897
Deferred income taxes		320		288
Prepaid expenses and other current assets		301		302
Total current assets		3,214		3,011
Property, plant and equipment, net		1,534		1,546
Goodwill		5,735		5,693
Other intangible assets, net		5,659		5,950
Other long-term assets		335		371
3 · · · · · · · · · · · · · · · · · · ·	\$	16,477	\$	16,571
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:		_	_	
Current debt obligations	\$	3	\$	3
Accounts payable		241		246
Accrued expenses		1,277		1,348
Other current liabilities		252		227
Total current liabilities		1,773		1,824
Long-term debt		4,252		4,237
Deferred income taxes		1,302		1,402
Other long-term liabilities		2,606		2,569
Commitments and contingencies				
Stockholders' equity				
Preferred stock, \$.01 par value - authorized 50,000,000				
shares, none issued and outstanding				
Common stock, \$.01 par value - authorized 2,000,000,000				
shares - issued 1,571,332,742 shares as of June 30,				
2014 and 1,560,302,634 shares as of December 31,				
2013		16		16
Treasury stock, at cost - 247,566,270 shares as of June 30,				
2014 and 238,006,570 shares as of December 31, 2013		(1,717)		(1,592)
Additional paid-in capital		16,635		16,579
Accumulated deficit		(8,432)		(8,570)
Accumulated deficit Accumulated other comprehensive income (loss), net of tax		42		106
Total stockholders' equity		6,544		6.539
• •	\$	16,477	\$	16,571

BOSTON SCIENTIFIC CORPORATION

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NON-GAAP NET INCOME AND NET INCOME PER COMMON SHARE RECONCILIATIONS (Unaudited)

			Thre	e Months	Ended J	une 30, 20)14	
in millions, except per share data	Tax Pre-Tax Impact (a) After-Tax						Impact per diluted share	
GAAP net income (loss)	\$	(104)	\$	108	\$	4	\$	0.00
Non-GAAP adjustments:								
Intangible impairment charges		110		(19)		91		0.07
Acquisition-related and divestiture-related net credits		(91)		(1)		(92)		(0.07)
Restructuring and restructuring-related net charges (b)		25		(6)		19		0.01
Discrete tax items		_		(2)		(2)		0.00
Litigation-related net charges		267		(100)		167		0.13
Amortization expense		109		(11)		98		0.07
Adjusted net income	\$	316	\$	(31)	\$	285	\$	0.21

Three Months Ended June 30, 2013

in millions, except per share data	Pro	e-Tax	-	ax act (a)	Afte	r-Tax	ct per d share
GAAP net income (loss)	\$	152	\$	(22)	\$	130	\$ 0.10
Non-GAAP adjustments:							
Intangible impairment charges		53		(8)		45	0.03
Acquisition-related and divestiture-related net credits		(44)		7		(37)	(0.03)
Restructuring and restructuring-related net charges (c)		31		(8)		23	0.02
Amortization expense		101		(15)		86	0.06
Adjusted net income	\$	293	\$	(46)	\$	247	\$ 0.18

- (a) Amounts are tax effected at the company's effective tax rate, unless the amount is a significant unusual or infrequently occurring item in accordance with FASB Accounting Standards Codification section 740-270-30, "General Methodology and Use of Estimated Annual Effective Tax Rate."
- (b) In the second quarter of 2014, pre-tax restructuring charges were \$15 million and pre-tax restructuring- related charges were \$10 million, of which \$4 million was recorded in cost of products sold and \$6 million was recorded in selling, general and administrative expenses.
- (c) In the second quarter of 2013, pre-tax restructuring charges were \$26 million and pre-tax restructuring- related charges were \$5 million recorded in selling, general and administrative expenses.

An explanation of the company's use of these non-GAAP financial measures is provided at the end of this document.

BOSTON SCIENTIFIC CORPORATION NON-GAAP NET INCOME AND NET INCOME PER COMMON SHARE RECONCILIATIONS (Unaudited)

	Six Months Ended June 30, 2014									
in millions, except per share data	Pro	e-Tax	-	ax act (a)	Afte	er-Tax	Impact per diluted share			
GAAP net income (loss)	\$	42	\$	95	\$	137	\$	0.10		
Non-GAAP adjustments:										
Intangible impairment charges		165		(25)		140		0.10		
Acquisition-related and divestiture-related net credits		(118)		(2)		(120)		(0.09)		
Restructuring and restructuring-related net charges (b)		53		(13)		40		0.03		
Discrete tax items		_		_		_		0.00		
Litigation-related net charges		260		(99)		161		0.12		
Amortization expense		218		(23)		195		0.15		
Adjusted net income	\$	620	\$	(67)	\$	553	\$	0.41		

AAP net income (loss) on-GAAP adjustments: Goodwill impairment charge Intangible impairment charges Acquisition-related and divestiture-related net credits Restructuring and restructuring-related net charges (c) Litigation-related credits	Six Months Ended June 30, 2013								
			Т	ax				act per	
Non-GAAP adjustments: Goodwill impairment charge Intangible impairment charges	Pr	e-Tax	Impa	act (a)	Aft	er-Tax	dilute	d share	
GAAP net income (loss)	\$	(242)	\$	18	\$	(224)	\$	(0.17)	
Non-GAAP adjustments:									
Goodwill impairment charge		423		(2)		421		0.31	*
Intangible impairment charges		53		(8)		45		0.03	*
Acquisition-related and divestiture-related net credits		(72)		10		(62)		(0.05)	*
Restructuring and restructuring-related net charges (c)		46		(12)		34		0.03	*
Litigation-related credits		130		(48)		82		0.06	*
Amortization expense		204		(29)		175		0.14	*
Adjusted net income	\$	542	\$	(71)	\$	471	\$	0.35	

- * Assumes dilution of 14.0 million shares for the six months ended June 30, 2013 for all or a portion of these non-GAAP adjustments.
- (a) Amounts are tax effected at the company's effective tax rate, unless the amount is a significant unusual or infrequently occurring item in accordance with FASB Accounting Standards Codification section 740-270-30, "General Methodology and Use of Estimated Annual Effective Tax Rate."
- (b) In the first half of 2014, pre-tax restructuring charges were \$35 million and pre-tax restructuring- related charges were \$18 million, of which \$6 million was recorded in cost of products sold and \$12 million was recorded in selling, general and administrative expenses.
- (c) In the first half of 2013, pre-tax restructuring charges were \$36 million and pre-tax restructuring- related charges were \$10 million recorded in selling, general and administrative expenses.

An explanation of the company's use of these non-GAAP financial measures is provided at the end of this document.

BOSTON SCIENTIFIC CORPORATION

SEGMENT INFORMATION (Unaudited)

SEGMENT NET SALES*		Th	ree Months End June 30,	led	S	ix Months Ende June 30,	d
in millions	20)14	2013	Change	2014	2013	Change
-			(restated)		-	(restated)	
Interventional Cardiology	\$	528	\$ 521	1%	\$ 1,029	\$ 1,019	1%
Peripheral Interventions		210	204	3%	414	397	4%
Cardiovascular		738	725	2%	1,443	1,416	2%
Cardiac Rhythm Management		495	476	4%	959	951	1%
Electrophysiology		55	36	54%	113	70	60%
Rhythm Management		550	512	7%	1,072	1,021	5%
Endoscopy		334	320	4%	650	620	5%
Urology and Women's Health		133	124	7%	259	241	8%
Neuromodulation		114	111	3%	223	200	12%
MedSurg		581	555	5%	1,132	1,061	7%
Subtotal Core Businesses		1,869	1,792	4%	3,647	3,498	4%
Divested Businesses		1	19	(93)%	3	55	(94)%
Foreign Currency		3	(2)	N/A	(3)	17	N/A
Worldwide Net Sales	\$	1,873	\$ 1,809	4%	\$ 3,647	\$ 3,570	2%

Growth rates are based on actual, non-rounded amounts and may not recalculate precisely.

SEGMENT OPERATING INCOME*	Т	hree Mon June	ths Er e 30,	nded	Six Months Ended June 30,			
in millions	2	2014 2013		2	2014	2	:013	
			(re:	stated)			(re	stated)
Segment operating income								
Cardiovascular	\$	193	\$	182	\$	364	\$	340
Rhythm Management		67		56		133		113
MedSurg		175		171		343		311
Operating income allocated to reportable segments		435		409		840		764
Corporate expenses and currency exchange		(64)		(48)		(115)		(89)
Goodwill and other intangible asset impairment								
charges; and acquisition-, divestiture-,								
restructuring-,								
and litigation-related charges and credits		(331)		(40)		(379)		(580)
Amortization expense		(109)		(101)		(218)		(204)
Operating income (loss)	\$	(69)	\$	220	\$	128	\$	(109)

^{*}The company measures and evaluates reportable segments based on segment net sales and operating income, excluding the impact of changes in foreign currency and sales from divested businesses. Sales generated from reportable segments and divested businesses, as well as operating results of reportable segments and corporate expenses, are based on internally-derived standard currency exchange rates, which may differ from year to year, and do not include intersegment profits. Excluded from segment operating income are certain corporate-related expenses and certain transactions or adjustments that the company's chief operating decision maker considers to be non-recurring and/or non-operational, such as amounts related to goodwill and other intangible asset impairment charges; acquisition- and divestiture-, restructuring- and litigation-related charges and credits; debt extinguishment charges; and amortization expense. Although these amounts are excluded from segment operating income, they are included in reported consolidated operating income (loss) and are included in the reconciliation above.

The company restated segment information for the prior period based on standard currency exchange rates used for the current period in order to remove the impact of foreign currency exchange fluctuation, and for the realignment of certain product lines from Endoscopy to Peripheral Interventions as of January 1, 2014.

An explanation of the company's use of these non-GAAP financial measures is provided at the end of this document.

BOSTON SCIENTIFIC CORPORATION PRIOR YEAR RESTATED SEGMENT INFORMATION (Unaudited)

SEGMENT NET SALES*

Three Months Ended

n millions	•	September 30, 2013			_	II Year 2013
	(res	tated)	(rest	ated)	(re	stated)
Interventional Cardiology	\$	474	\$	501	\$	1,994
Peripheral Interventions		200		208		805
Cardiovascular		674		709		2,799
Cardiac Rhythm Management		465		466		1,882
Electrophysiology		35		50		155
Rhythm Management		500		516		2,037
Endoscopy		319		338		1,277
Urology and Women's Health		131		133		505
Neuromodulation		116		138		454
MedSurg		566		609		2,236
Subtotal Core Businesses		1,740		1,834		7,072
Divested Businesses		2		2		59
Foreign Currency		(7)		2		12
Worldwide Net Sales	\$	1,735	\$	1,838	\$	7,143

SEGMENT OPERATING INCOME*						
· · · · · · · · · · · · · · · · · · ·	•	nber 30,		nber 31,		l Year
in millions		13		013		2013
	(rest	ated)	(rest	tated)	(res	stated)
Segment operating income						
Cardiovascular	\$	175	\$	150	\$	665
Rhythm Management		63		35		211
MedSurg		176		192		679
Operating income allocated to reportable segments		414		377		1,555
Corporate expenses and currency exchange		(78)		(34)		(203)
Goodwill and other intangible asset impairment charges; and						
acquisition-, divestiture-, restructuring-, and litigation-related						
charges and credits		(132)		(110)		(822)
Amortization expense		(101)		(106)		(410)
Operating income (loss)	\$	103	\$	127	\$	120

*The company measures and evaluates reportable segments based on segment net sales and operating income, excluding the impact of changes in foreign currency and sales from divested businesses. Sales generated from reportable segments and divested businesses, as well as operating results of reportable segments and corporate expenses, are based on internally-derived standard currency exchange rates, which may differ from year to year, and do not include intersegment profits. Excluded from segment operating income are certain corporate-related expenses and certain transactions or adjustments that the company's chief operating decision maker considers to be non-recurring and/or non-operational, such as amounts related to goodwill and other intangible asset impairment charges; acquisition- and divestiture-, restructuring- and litigation-related charges and credits; debt extinguishment charges; and amortization expense. Although these amounts are excluded from segment operating income, they are included in reported consolidated operating income (loss) and are included in the reconciliation above.

The company restated segment information for the prior period based on standard currency exchange rates used for the current period in order to remove the impact of foreign currency exchange fluctuation, and for the realignment of certain product lines from Endoscopy to Peripheral Interventions as of January 1, 2014.

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BOSTON SCIENTIFIC CORPORATION

WORLDWIDE CARDIAC RHYTHM MANAGEMENT (CRM) AND CORONARY STENT SYSTEM SALES (Unaudited)

Three Months Ended June 30

in millions									Worldwide Q2 2014 Q2 2013		
	Q2 2014	Q2	2013	Q2 2014 Q2 2013			2013	G	Q2 2014		2013
Defibrillator systems	\$ 223	\$	213	\$	132	\$	129	\$	355	\$	342
Pacemaker systems	67		69		75		64		142		133
Total CRM products	\$ 290	\$	282	\$	207	\$	193	\$	497	\$	475
in millions	U	.S.			Intern	ation	al		World	dwide	•
	Q2 2014	Q2	2013	Q	2 2014	Q2	2013	C	2 2014	Q2	2013

Drug-eluting stent systems Bare-metal stent systems	\$ 127 4	\$ 117 5	\$ 171 8	\$ 170 12	\$ 298 12	\$ 287 17
Total Coronary Stent Systems	\$ 131	\$ 122	\$ 179	\$ 182	\$ 310	\$ 304

Six Months Ended June 30

in millions	U.S.					Interna	ation	al	Worldwide				
	Y.	TD 2014	YTD	2013	Ϋ́	ΓD 2014	YTE	2013	Y	ΓD 2014	YTD	2013	
Defibrillator systems	\$	431	\$	434	\$	263	\$	258	\$	694	\$	692	
Pacemaker systems		130		132		139		130		269		262	
Total CRM products	\$	561	\$	566	\$	402	\$	388	\$	963	\$	954	
in millions	U.S.		International			Worldwide							
	Y.	TD 2014	YTD	2013	Ϋ́	ΓD 2014	YTE	2013	Y	ΓD 2014	YTD	2013	
Drug-eluting stent systems	\$	246	\$	234	\$	329	\$	345	\$	575	\$	579	
Bare-metal stent systems		8		10		17		25		25		35	

BOSTON SCIENTIFIC CORPORATION

INTERNATIONAL AND EMERGING MARKETS* NET SALES (Unaudited)

	As Reported Currency Basis	Constant Currency Basis	Estimated Impact of Foreign Currency
Percentage change in net			
sales	6%	5%	1%
Q2 2014 Eı	urope Net Sales as compared to (Q2 2013	
			Estimated
	As Reported	Constant	Impact of
	Currency	Currency	Foreign
	Basis	Basis	Currency
Percentage change in net			
sales	12%	7%	5%
O2 2014 Emergia	ng Markets Net Sales as compare	ed to Q2 2013	Estimated
QZ ZV14 EINCIGII	As Reported Currency Basis	Constant Currency Basis	Impact of Foreign Currency
	Currency	Currency	Foreign
Percentage change in net sales	Currency	Currency	Foreign Currency
Percentage change in net	Currency Basis	Currency Basis	Foreign

^{*}The company defines Emerging Markets as including certain developing countries that it believes have strong growth potential based on their economic conditions, healthcare sectors, and our global capabilities. Currently, the company includes 20 countries, in which it is seeking to expand its presence and strengthen relationships in order to grow net sales and market share.

An explanation of the company's use of these non-GAAP financial measures is provided at the end of this document.

BOSTON SCIENTIFIC CORPORATION

ESTIMATED NON-GAAP NET INCOME PER COMMON SHARE RECONCILIATIONS (Unaudited)

Q3 and Full Year 2014 EPS Guidance

	Q3 2014 Estimate				Full Year 2014 Estimate				Prior Full Year 2014 Estimate				
GAAP results	(Lo	(Low)		(High)		(Low)		(High)		(Low)		(High)	
	\$	80.0	\$	0.10	\$	0.28	\$	0.32	\$	0.36	\$	0.41	
Intangible asset impairment charges Estimated acquisition- and divestiture-		_		_		0.11		0.11		0.04		0.04	
related net charges (credits)		0.02		0.02		(0.06)		(0.06)		0.03		0.03	
Estimated restructuring-related charges		0.01		0.01		0.05		0.05		0.06		0.06	
Litigation-related charges (credits)		_		_		0.13		0.13		(0.00)		(0.00)	
Estimated amortization expense		0.07		0.07		0.28		0.28		0.28		0.28	
Discrete tax items		_		_		0.00		0.00		0.00		0.00	
Adjusted results	\$	0.18	\$	0.20	\$	0.79	\$	0.83	\$	0.77	\$	0.82	

An explanation of the company's use of these non-GAAP financial measures is provided at the end of this document.

Use of Non-GAAP Financial Measures

To supplement our unaudited condensed consolidated financial statements presented on a GAAP basis, we disclose certain non-GAAP financial measures, including adjusted net income and adjusted net income per share that exclude certain amounts, and revenue growth rates that exclude the impact of sales from divested businesses and/or changes in foreign currency exchange rates. These non-GAAP financial measures are not in accordance with generally accepted accounting principles in the United States.

The GAAP financial measure most directly comparable to adjusted net income is GAAP net income and the GAAP financial measure most directly comparable to adjusted net income per share is GAAP net income per share. To calculate revenue growth rates that exclude the impact of changes in foreign currency exchange rates, we convert actual net sales from local currency to U.S. dollars using constant foreign currency exchange rates in the current and prior period. The GAAP financial measure most directly comparable to this non-GAAP financial measure and the non-GAAP financial measure that excludes sales from divested businesses is growth rate percentages using net sales on a GAAP basis. Reconciliations of each of these non-GAAP financial measures to the corresponding GAAP financial measure are included in the accompanying schedules.

Management uses these supplemental non-GAAP financial measures to evaluate performance period over period, to analyze the underlying trends in our business, to assess our performance relative to our competitors, and to establish operational goals and forecasts that are used in allocating resources. In addition, management uses these non-GAAP financial measures to further its understanding of the performance of our operating segments. The adjustments excluded from our non-GAAP financial measures are consistent with those excluded from our operating segments' measures of net sales and profit or loss. These adjustments are excluded from the segment measures that are reported to our chief operating decision maker that are used to make operating decisions and assess performance.

We believe that presenting adjusted net income, adjusted net income per share, and revenue growth rates that exclude certain amounts, such as sales from divested businesses and/or the impact of changes in foreign currency exchange rates, in addition to the corresponding GAAP financial measures, provides investors greater transparency to the information used by management for its financial and operational decision-making and allows investors to see our results "through the eyes" of management. We further believe that providing this information assists our investors in understanding our operating performance and the methodology used by management to evaluate and measure such performance.

The following is an explanation of each of the adjustments that management excluded as part of these non-GAAP financial measures for the three and six months ended June 30, 2014 and 2013, and for the forecasted three month period endingSeptember 30, 2014 and full year ending December 31, 2014, as well as reasons for excluding each of these individual items:

Adjusted Net Income and Adjusted Net Income per Share:

Goodwill and other intangible asset impairment charges - This amount represents (a) non-cash write-downs of certain intangible asset balances in the second quarter of 2014; (b) non-cash write-downs of certain intangible asset balances in the first quarter of 2014; (c) non-cash write-downs of certain intangible asset balances in the second quarter of 2013; and (d) a non-cash write-down of our goodwill balance attributable to our global Cardiac Rhythm Management reporting unit in the first quarter of 2013. We remove the impact of non-cash impairment charges from our operating performance to assist in assessing our cash generated from operations. We believe this is a critical metric for us in measuring our ability to generate cash and invest in our growth. Therefore, these charges are excluded from management's assessment of operating performance and are also excluded for purposes of calculating these non-GAAP financial measures to facilitate an evaluation of our current operating performance and a comparison to our past operating performance, particularly in terms of liquidity.

Acquisition- and divestiture-related charges (credits) - These adjustments consist of (a) contingent consideration fair value adjustments; (b) due diligence, other fees and exit costs; and (c) separation costs and gains primarily associated with the sale of our Neurovascular business in January 2011. The contingent consideration adjustments represent accounting adjustments to state contingent consideration liabilities at their estimated fair value. These adjustments can be highly variable depending on the assessed likelihood and amount of future contingent consideration payments. Due diligence, other fees and exit costs include legal, tax, severance and other expenses associated with prior and potential future acquisitions and divestitures that can be highly variable and not representative of ongoing operations. Separation costs and gains on the sale of a business unit primarily represent those associated with the

Neurovascular divestiture and are not representative of on-going operations. Accordingly, management excluded these amounts for purposes of calculating these non-GAAP financial measures to facilitate an evaluation of our current operating performance and a comparison to our past operating performance.

Restructuring and restructuring-related costs (credits) - These adjustments represent primarily severance and other direct costs associated with our 2014 Restructuring program and 2011 Restructuring program. These costs are excluded by management in assessing our operating performance, as well as from our operating segments' measures of profit and loss used for making operating decisions and assessing performance. Accordingly, management excluded these costs for purposes of calculating these non-GAAP financial measures to facilitate an evaluation of our current operating performance and a comparison to our past operating performance.

<u>Litigation-related net charges (credits)</u> - These adjustments include certain significant product liability and other litigation-related charges and credits. These amounts are excluded by management in assessing our operating performance, as well as from our operating segments' measures of profit and loss used for making operating decisions and assessing performance. Accordingly, management excluded these amounts for purposes of calculating these non-GAAP financial measures to facilitate an evaluation of our current operating performance and a comparison to our past operating performance.

<u>Discrete tax items</u> - These items represent adjustments of certain tax positions, which were initially established in prior periods as a result of intangible asset impairment charges; acquisition-, divestiture-, restructuring- or litigation-related charges or credits. These adjustments do not reflect expected on-going operating results. Accordingly, management excluded these amounts for purposes of calculating these non-GAAP financial measures to facilitate an evaluation of our current operating performance and a comparison to our past operating performance.

Amortization expense - Amortization expense is a non-cash expense and does not impact our liquidity or compliance with the covenants included in our credit facility agreement. Management removes the impact of amortization from our operating performance to assist in assessing our cash generated from operations. We believe this is a critical metric for measuring our ability to generate cash and invest in our growth. Therefore, amortization expense is excluded from management's assessment of operating performance and is also excluded from our operating segments' measures of profit and loss used for making operating decisions and assessing performance. Accordingly, management has excluded amortization expense for purposes of calculating these non-GAAP financial measures to facilitate an evaluation of our current operating performance, particularly in terms of liquidity.

Revenue Growth Rates Excluding the Impact of Sales from Divested Businesses and/or Changes in Foreign Currency Exchange Rates

<u>Sales from divested businesses and/or changes in foreign currency exchange rates</u>- Sales from divested businesses are primarily associated with the Neurovascular divestiture and are not representative of on-going operations. The impact of changes in foreign currency exchange rates is highly variable and difficult to predict. Accordingly, management excludes the impact of sales from divested businesses and/or changes in foreign currency exchange rates for purposes of reviewing revenue growth rates to facilitate an evaluation of our current operating performance and a comparison to our past operating performance.

Adjusted net income, adjusted net income per share and revenue growth rates that exclude certain amounts, such as the sales from divested businesses and/or the impact of changes in foreign currency exchange rates, are not in accordance with U.S. GAAP and should not be considered in isolation from or as a replacement for the most directly comparable GAAP financial measures. Further, other companies may calculate these non-GAAP financial measures differently than we do, which may limit the usefulness of those measures for comparative purposes.

SOURCE Boston Scientific Corporation

https://news.bostonscientific.com/2014-07-24-Boston-Scientific-Announces-Results-For-Second-Quarter-Ended-June-30-2014