

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," stated Mike 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 quarter 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 REBEL™ Platinum Chromium Coronary Stent System, 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 Months Ended June 30,		% Change			
	2014	2013 (restated)	As Reported Basis	Less: Impact of Foreign Currency	Constant Currency Basis	
<i>in millions</i>						
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%	(93)%
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 [Facebook](#).

Cautionary Statement Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 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 1A - 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)

<i>in millions, except per share data</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net sales	\$ 1,873	\$ 1,809	\$ 3,647	\$ 3,570
Cost of products sold	563	530	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	25	47	65	87
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	—	(34)	(12)	(40)
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)
Income (loss) before income taxes	(104)	152	42	(242)
Income tax expense (benefit)	(108)	22	(95)	(18)
Net income (loss)	\$ 4	\$ 130	\$ 137	\$ (224)
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				
Basic	1,323.2	1,343.5	1,322.4	1,347.7
Assuming dilution	1,345.0	1,358.6	1,347.1	1,347.7

BOSTON SCIENTIFIC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

<i>in millions, except share data</i>	As of	
	June 30, 2014	December 31, 2013
	(Unaudited)	
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
	\$ 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, \$0.01 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 other comprehensive income (loss), net of tax	42	106
Total stockholders' equity	<u>6,544</u>	<u>6,539</u>
	\$ 16,477	\$ 16,571

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

<i>in millions, except per share data</i>	Three Months Ended June 30, 2014			
	Pre-Tax	Tax Impact (a)	After-Tax	Impact per diluted share
GAAP net income (loss)	\$ (104)	\$ 108	\$ 4	\$ 0.00
<i>Non-GAAP adjustments:</i>				
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

<i>in millions, except per share data</i>	Three Months Ended June 30, 2013			
	Pre-Tax	Tax Impact (a)	After-Tax	Impact per diluted share
GAAP net income (loss)	\$ 152	\$ (22)	\$ 130	\$ 0.10
<i>Non-GAAP adjustments:</i>				
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)

<i>in millions, except per share data</i>	Six Months Ended June 30, 2014			
	Pre-Tax	Tax Impact (a)	After-Tax	Impact per diluted share
GAAP net income (loss)	\$ 42	\$ 95	\$ 137	\$ 0.10
<i>Non-GAAP adjustments:</i>				
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

<i>in millions, except per share data</i>	Six Months Ended June 30, 2013			
	Pre-Tax	Tax Impact (a)	After-Tax	Impact per diluted share
GAAP net income (loss)	\$ (242)	\$ 18	\$ (224)	\$ (0.17)
<i>Non-GAAP adjustments:</i>				

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* <i>in millions</i>	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013 (restated)	Change	2014	2013 (restated)	Change
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* <i>in millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013 (restated)	2014	2013 (restated)
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*

<i>in millions</i>	Three Months Ended		Full Year 2013
	September 30, 2013	December 31, 2013	
	(restated)	(restated)	(restated)
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*

<i>in millions</i>	Three Months Ended		Full Year 2013
	September 30, 2013	December 31, 2013	
	(restated)	(restated)	(restated)
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

<i>in millions</i>	U.S.		International		Worldwide	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 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

<i>in millions</i>	U.S.		International		Worldwide	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013

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

Six Months Ended June 30

<i>in millions</i>	U.S.		International		Worldwide	
	YTD 2014	YTD 2013	YTD 2014	YTD 2013	YTD 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

<i>in millions</i>	U.S.		International		Worldwide	
	YTD 2014	YTD 2013	YTD 2014	YTD 2013	YTD 2014	YTD 2013
Drug-eluting stent systems	\$ 246	\$ 234	\$ 329	\$ 345	\$ 575	\$ 579
Bare-metal stent systems	8	10	17	25	25	35
Total Coronary Stent Systems	\$ 254	\$ 244	\$ 346	\$ 370	\$ 600	\$ 614

BOSTON SCIENTIFIC CORPORATION INTERNATIONAL AND EMERGING MARKETS* NET SALES (Unaudited)

Q2 2014 International Net Sales as compared to Q2 2013

	As Reported Currency Basis	Constant Currency Basis	Estimated Impact of Foreign Currency
Percentage change in net sales	6%	5%	1%

Q2 2014 Europe Net Sales as compared to Q2 2013

	As Reported Currency Basis	Constant Currency Basis	Estimated Impact of Foreign Currency
Percentage change in net sales	12%	7%	5%

Q2 2014 Emerging Markets Net Sales as compared to Q2 2013

	As Reported Currency Basis	Constant Currency Basis	Estimated Impact of Foreign Currency
Percentage change in net sales	10%	14%	(4)%
Percentage of total company sales	10%	10%	0%

*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	
	(Low)	(High)	(Low)	(High)	(Low)	(High)
GAAP results	\$ 0.08	\$ 0.10	\$ 0.28	\$ 0.32	\$ 0.36	\$ 0.41
Intangible asset impairment charges	—	—	0.11	0.11	0.04	0.04
Estimated acquisition- and divestiture-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 ending September 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 on-going 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.

Litigation-related net charges (credits) - 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.

Discrete tax items - 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

Sales from divested businesses and/or changes in foreign currency exchange rates - 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>