# Boston Scientific Announces Results for Second Quarter Ended June 30, 2008

PRNewswire-FirstCall NATICK, Mass. (NYSE:BSX)

NATICK, Mass., July 21 <u>PRNewswire-FirstCall</u>/ -- Boston Scientific Corporation (NYSE: BSX) today announced financial results for the second quarter ended June 30, 2008, as well as guidance for net sales and earnings per share (EPS) for the third quarter of 2008.

Second quarter highlights:

- -- Achieved net sales of \$2.024 billion
- -- Reported adjusted EPS of \$0.20, an increase of 25 percent over prior year
- -- Increased Cardiac Rhythm Management (CRM) sales 10 percent
- -- Endosurgery sales growth of 12 percent
- -- Received FDA approval for COGNIS™ CRT-D and TELIGEN™ ICD
- -- Obtained US and European approval for ALTRUA™ family of pacemakers
- -- Paid down \$300 million of debt
- -- Reduced SG&A and R&D expenses by \$119 million below prior year

"We were pleased with the quarter, especially with our expense management and working capital initiatives, which resulted in excellent earnings leverage and improved cash flow," said Jim Tobin, President and Chief Executive Officer of Boston Scientific. "The performance of our CRM group was particularly impressive, with double-digit growth and a number of important product approvals, including FDA approval for the COGNIS CRT-D and the TELIGEN ICD, two breakthrough technologies. Our Neuromodulation and Endosurgery groups also posted double-digit increases. In addition, we have now received FDA approval of our PROMUS™ Everolimus-Eluting Coronary Stent System, making us the only company to offer two distinct drug platforms."

Net sales for the second quarter of 2008 were \$2.024 billion, including sales from divested businesses of \$19 million and a reduction of \$22 million in revenue as a result of recording an increase in our sales return reserve in anticipation of our new drug-eluting stent platforms, as compared to sales of \$2.071 billion for the second quarter of 2007, including sales from divested businesses of \$139 million.

Worldwide sales of the Company's drug-eluting coronary stent systems for the second quarter of 2008 were \$382 million, as compared to \$437 million for the second quarter of 2007. U.S. sales of these systems were \$175 million, as compared to \$249 million. International sales of these systems were \$207 million, as compared to \$188 million. Worldwide sales of coronary stent systems were \$440 million for the second quarter of 2008, as compared to \$498 million for the second quarter of 2007. U.S. sales of these systems were \$200 million, as compared to \$275 million. International sales of these systems were \$240 million, as compared to \$223 million.

Worldwide sales of the Company's CRM products for the second quarter of 2008 were \$578 million, which included \$420 million of implantable cardioverter defibrillator (ICD) sales, as compared to worldwide CRM sales of \$524 million for the second quarter of 2007, which included \$377 million of ICD sales. U.S. CRM product sales were \$364 million, which included \$276 million of ICD sales, as compared to \$332 million, which included \$253 million of ICD sales. International CRM sales were \$214 million, which included \$144 million of ICD sales, as compared to \$192 million, which included \$124 million of ICD sales.

Reported net income for the second quarter of 2008 was \$98 million, or \$0.07 per share. Reported results included acquisition, divestiture- and restructuring-related charges and amortization expense (after-tax) of \$206 million, or approximately \$0.13 per share, which consisted of the following:

- -- \$16 million of pre-tax charges (\$19 million after-tax) related to purchased research and development associated with the Company's acquisition of CryoCor, Inc.;
- -- \$96 million of pre-tax charges (\$64 million after-tax), attributable to losses in connection with the sale of the Company's non-strategic investments, which are expected to be partially offset by pre-tax gains of approximately \$30 million (\$20 million after-tax) when the transactions are completed in the second half of the year;
- -- \$21 million of pre-tax charges (\$15 million after-tax), associated with the Company's ongoing expense and head count reduction initiatives; and
- -- \$135 million of pre-tax amortization expense (\$108 million after-tax).

Adjusted net income for the quarter, excluding these amounts, was \$304 million, or \$0.20 per share.

Reported net income for the second quarter of 2007 was \$115 million, or \$0.08 per share. Reported results for the second quarter of 2007 included acquisition-related charges and amortization expense (after-tax) of \$127 million, or approximately \$0.08 per share. Adjusted net income for the second quarter of 2007, excluding these charges, was \$242 million, or \$0.16 per share.

#### Guidance for Third Quarter 2008

The Company estimates net sales for the third quarter of 2008 of between \$1.950 billion and \$2.060 billion. Adjusted net income, excluding acquisition-, divestiture-, litigation- and restructuring-related charges and amortization expense, is estimated to range between \$0.14 and \$0.19 per share. The Company estimates reported net income on a GAAP basis of between \$0.18 and \$0.23 per share. Included in the Company's estimated reported net income on a GAAP basis is approximately \$0.12 per share of gains associated with the receipt of an acquisition-related milestone payment, \$0.01 per share of expected gains related to the sale of the Company's non-strategic investments, \$0.02 per share of restructuring-related costs and \$0.07 per share of amortization expense.

Boston Scientific management will be discussing these results with analysts on a conference call at 8:30 a.m. (ET) Tuesday, July 22, 2008. The Company will webcast the call to all interested parties through its website: <a href="http://www.bostonscientific.com/">http://www.bostonscientific.com/</a>. Please see the website for details on how to access the webcast. The webcast will be available for one year on the Boston Scientific website.

Boston Scientific is a worldwide developer, manufacturer and marketer of medical devices whose products are used in a broad range of interventional medical specialties. For more information, please visit: <a href="http://www.bostonscientific.com/">http://www.bostonscientific.com/</a>.

# Cautionary Statement Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of 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 financial performance, our programs to increase shareholder value, new product approvals, acquisitions and divestitures, our growth strategy, market recovery and our market position. 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 factors, in some cases, have affected and in the future (together with other factors) 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.

Factors that may cause such differences include, among other things: future economic, competitive, reimbursement and regulatory conditions; new product introductions; demographic trends; intellectual property; litigation; financial market conditions; and, future business decisions made by us and our competitors. 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 thereafter. We disclaim any intention or obligation to publicly update or revise any forward-looking statements 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 document.

# 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 measures, is included in the exhibits attached to this press release.

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

Three Months Ended

June 30,

In millions, except per share data 2008 2007

 Net sales
 \$2,024
 \$2,071

 Cost of products sold
 604
 563

 Gross profit
 1,420
 1,508

Operating expenses

Selling, general and administrative expenses 655 752 Research and development expenses 253 275

Royalty expense 48 51
Amortization expense 135 158
Purchased research and development 16 (8)

Restructuring charges 10 1,117 1,228

Operating income 303 280

Other income (expense):

Interest expense (118) (146) Other, net (85) (8)

Income before income taxes 100 126 Income tax expense 2 11 Net income \$98 \$115

Net income per common share -

assuming dilution \$0.07 \$0.08

Weighted average shares outstanding -

assuming dilution 1,505.2 1,499.9

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

Three Months
Ended
June 30, 2008
Impact
per
Net diluted
Three Months
Ended
June 30, 2007
Impact
per
Per
Net diluted
Three Months
Ended
June 30, 2007
Impact
per
Net diluted

In millions, except per share data income share income share

GAAP results \$98 \$0.07 \$115 \$0.08

Non-GAAP adjustments:

Acquisition-related charges 19 0.01 2 - Divestiture-related losses 64 0.04

Divestiture-related losses 64 0.04 Restructuring-related charges 15 0.01

Amortization expense 108 0.07 125 0.08 Adjusted results \$304 \$0.20 \$242 \$0.16

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

#### **BOSTON SCIENTIFIC CORPORATION**

# NON-GAAP NET INCOME AND NET INCOME PER COMMON SHARE RECONCILIATIONS (CONT.)

(Unaudited)

Three Months Ended June 30, 2008 2007

Acquisition-related charges:

Purchased research and development \$16 \$(8) 12

Integration costs (a)

4

Income tax expense (benefit) (d) 3 (2)Acquisition-related charges, net of tax \$19 \$2

Divestiture-related losses:

Loss on sale of non-strategic

investments (b) \$96 Income tax benefit (d) (32)Divestiture-related losses, net of tax \$64

Restructuring-related charges:

Restructuring-related charges (c) \$21 Income tax benefit (d) Restructuring-related charges, net of tax \$15

Amortization expense:

Amortization expense \$135 \$158 Income tax benefit (d) (27)(33)Amortization expense, net of tax \$108 \$125

- (a) Recorded expenses of \$8 million to selling, general and administrative expenses, \$2 million to cost of products sold, and \$2 million to research and development expenses.
- (b) Recorded to other, net.
- (c) Recorded \$10 million to restructuring charges, \$6 million to selling, general and administrative expenses, \$3 million to cost of products sold, and \$2 million to research and development expenses.
- (d) 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 Interpretation No. 18, "Accounting for Income Taxes in Interim Periods."

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

Six Months Ended

June 30,

2008 2007 In millions, except per share data

Net sales \$4,071 \$4,157 Cost of products sold 1,185 1,131 Gross profit 2,886 3,026

Operating expenses

Selling, general and administrative

1,315 1.487 expenses 497

Research and development expenses 94 103 Royalty expense Amortization expense 279 312 Purchased research and development 29

39 Restructuring charges (250)Gain on divestitures

2,003 2,463 564

(3)

Operating income 883 563

Other income (expense):

(249)Interest expense (287)10 Other, net (72)

Income before income taxes 562 286 Income tax expense 142 51 Net income \$420 \$235

Net income per common share -

assuming dilution \$0.28 \$0.16

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

1,498.9

Six Months Ended Six Months Ended June 30, 2008 June 30, 2007 Impact Impact

per per

Net diluted Net diluted

In millions, except per share data income share income share

GAAP results \$420 \$0.28 \$235 \$0.16

Non-GAAP adjustments:

Acquisition-related charges 27 0.02 22 0.01

Divestiture-related gains (51) (0.04)
Restructuring-related charges 47 0.03

Amortization expense 218 0.15 247 0.17 Adjusted results \$661 \$0.44 \$504 \$0.34

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

#### **BOSTON SCIENTIFIC CORPORATION**

# NON-GAAP NET INCOME AND NET INCOME PER COMMON SHARE RECONCILIATIONS (CONT.)

(Unaudited)

Six Months Ended June 30.

29

2008 2007

Acquisition-related charges:

Purchased research and development \$29 \$(3)

29

Integration costs (a) 24

Fair-value adjustment for the sharing

of proceeds feature of the Abbott

stock purchase (b) 8

Income tax benefit (d) (2) (7)

Acquisition-related charges, net of tax \$27 \$22

Divestiture-related gains:

Gain on divestitures \$(250)

Loss on sale of non-strategic

investments (b) 96

Income tax expense (d) (154)

Divestiture-related gains, net of tax \$(51)

Restructuring-related charges:

Restructuring-related charges ( c ) \$65
Income tax benefit (d) (18)
Restructuring-related charges, net of tax \$47

Amortization expense:

Amortization expense \$279 \$312 Income tax benefit (d) (61) (65) Amortization expense, net of tax \$218 \$247

- (a) Recorded expenses of \$17 million to selling, general and administrative expenses, \$4 million to cost of products sold, and \$3 million to research and development expenses.
- (b) Recorded to other, net.
- (c) Recorded \$39 million to restructuring charges, \$15 million to selling, general and administrative expenses, \$7 million to cost of

(d) 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 Interpretation No. 18, "Accounting for Income Taxes in Interim Periods."

# BOSTON SCIENTIFIC CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS

June 30,	December 31,
2008	2007

(Unaudited)

Assets

In millions

Current assets:

Cash and cash equivalents \$1,616 \$1,452 Trade accounts receivable, net 1,416 1,502 Inventories 812 725 Deferred income taxes 931 679 1,099 Assets held for sale Other current assets 393 464 Total current assets 5,168 5,921

 Property, plant and equipment, net
 1,738
 1,735

 Investments
 122
 317

 Other assets
 113
 157

 Intangible assets, net
 22,760
 23,067

\$29,901 \$31,197

Liabilities and Stockholders' Equity

Current liabilities:

Borrowings due within one year \$256 2,421 2,680 Accounts payable and accrued expenses Liabilities associated with assets held for sale 39 Other current liabilities 343 275 Total current liabilities 3,035 3,250 Long-term debt 7.014 7.933 Deferred income taxes 2,252 2,284 Other long-term liabilities 1,965 2,633 Stockholders' equity 15,635 15,097

\$29,901

#### BOSTON SCIENTIFIC CORPORATION WORLDWIDE SALES (Unaudited)

Three Months Ended

June 30, Change
As Reported Constant
Currency Currency
2008 2007 Basis Basis

\$31,197

DOMESTIC \$1,088 \$1,118 (3%) (3%)

EMEA 531 457 16% 3%

 INTER-CONTINENTAL
 386
 357
 8%
 (3%)

 INTERNATIONAL
 917
 814
 13%
 0%

DIVESTED BUSINESSES 19 139 N/A N/A

WORLDWIDE \$2,024 \$2,071 (2%) (7%)

Three Months Ended
June 30, Change
As Reported Constant
Currency Currency
2008 2007 Basis Basis

In millions

In millions

| INTERVENTIONAL CARDIOLOGY | \$707 | \$741 | (5%) (11%) | PERIPHERAL INTERVENTION | 154 | 153 | 0% (4%) | (24%) (24

 NEUROVASCULAR
 92
 88
 4%
 (5%)

 PERIPHERAL EMBOLIZATION
 23
 25
 (2%)
 (8%)

 NEUROVASCULAR
 115
 113
 2%
 (5%)

 CARDIAC RHYTHM MANAGEMENT
 578
 524
 10%
 5%

 ELECTROPHYSIOLOGY
 38
 36
 5%
 1%

 CARDIAC RHYTHM MANAGEMENT
 616
 560
 10%
 5%

 ENDOSCOPY
 243
 214
 13%
 7%

 UROLOGY
 109
 100
 9%
 7%

 ENDOSURGERY
 352
 314
 12%
 7%

NEUROMODULATION 61 51 20% 19%

DIVESTED BUSINESSES 19 139 N/A N/A

WORLDWIDE \$2,024 \$2,071 (2%) (7%)

Growth rates are based on actual, non-rounded amounts.

#### BOSTON SCIENTIFIC CORPORATION WORLDWIDE SALES (Unaudited)

Six Months Ended

June 30, Change
As Reported Constant
Currency Currency
2008 2007 Basis Basis

In millions

DOMESTIC \$2,205 \$2,287 (4%) (4%)

 EMEA
 1,039
 926
 12%
 (1%)

 INTER-CONTINENTAL
 776
 670
 16%
 4%

 INTERNATIONAL
 1,815
 1,596
 14%
 1%

DIVESTED BUSINESSES 51 274 N/A N/A

WORLDWIDE \$4,071 \$4,157 (2%) (7%)

Six Months Ended
June 30, Change
As Reported Constant
Currency Currency

In millions 2008 2007 Basis Basis

 NEUROVASCULAR
 184
 179
 3%
 (5%)

 PERIPHERAL EMBOLIZATION
 46
 46
 0%
 (6%)

 NEUROVASCULAR
 230
 225
 2%
 (5%)

 CARDIAC RHYTHM MANAGEMENT
 1,143
 1,062
 8%
 3%

 ELECTROPHYSIOLOGY
 76
 73
 5%
 2%

 CARDIAC RHYTHM MANAGEMENT
 1,219
 1,135
 7%
 3%

ENDOSCOPY 472 420 12% 6% UROLOGY 209 195 7% 5% ENDOSURGERY 681 615 11% 6%

NEUROMODULATION 118 91 29% 28%

DIVESTED BUSINESSES 51 274 N/A N/A

WORLDWIDE \$4,071 \$4,157 (2%) (7%)

#### BOSTON SCIENTIFIC CORPORATION NON-GAAP CONSTANT CURRENCY NET SALES RECONCILIATIONS (Unaudited)

Q2 2008 Net Sales as compared to Q2 2007 Change Estimated As Reported Constant Impact of Currency Currency Foreign In millions Basis Basis Currency								
DOMESTIC	\$	(30)	\$(30)	\$-				
EMEA INTER-CONTINENT INTERNATIONAL	74 AL	12 29 103		41 103				
DIVESTED BUSINES	SES	(1	20) (1	22)	2			
WORLDWIDE		\$(47)	\$(152)	\$105				

Q2 2008 Net Sales as compared to Q2 2007

Change Estimated
In millions As Reported Constant Impact of
Currency Currency Foreign
Basis Basis Currency

			•		
INTERVENTIONAL CARDIOLOG PERIPHERAL INTERVENTIONS CARDIOVASCULAR		\$(34) 1 (83)	\$(77) (6) 50	7	\$43
NEUROVASCULAR PERIPHERAL EMBOLIZATION NEUROVASCULAR	4 2	(3) 2) (7)	7 (4) 9	2	
CARDIAC RHYTHM MANAGEM ELECTROPHYSIOLOGY CARDIAC RHYTHM MANAGEME	2	54 1 56	28 1 29		26 27
ENDOSCOPY UROLOGY ENDOSURGERY	29 9 6 38	15 3 21	14 17		
NEUROMODULATION	10	10	-		
DIVESTED BUSINESSES	(120)	) (12	22)	2	

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

\$(152)

\$105

\$(47)

#### BOSTON SCIENTIFIC CORPORATION NON-GAAP CONSTANT CURRENCY NET SALES RECONCILIATIONS (Unaudited)

Q2 2008 YTD Net Sales as compared to Q2 2007
Change Estimated
As Reported Constant Impact of
Currency Currency Foreign
Basis Basis Currency

DOMESTIC \$(82) \$(82) \$-

WORLDWIDE

In millions

EMEA 113 (4) 117 INTER-CONTINENTAL 106 23 83 INTERNATIONAL 219 19 200 DIVESTED BUSINESSES (223) (227)

WORLDWIDE \$(86) \$(290) \$204

Q2 2008 YTD Net Sales as compared to Q2 2007

Change Estimated
In millions As Reported Constant Impact of
Currency Currency Foreign
Basis Basis Currency

INTERVENTIONAL CARDIOLOGY \$(55) \$(137) \$82 PERIPHERAL INTERVENTIONS 10 (6)16 CARDIOVASCULAR (45)(143)98 **NEUROVASCULAR** 5 (9)14

PERIPHERAL EMBOLIZATION - (3) 3 NEUROVASCULAR 5 (12) 17

CARDIAC RHYTHM MANAGEMENT 81 30 51 ELECTROPHYSIOLOGY 3 1 2 CARDIAC RHYTHM MANAGEMENT 84 31 53

ENDOSCOPY 52 25 27 UROLOGY 14 9 5 ENDOSURGERY 66 34 32

NEUROMODULATION 27 27 -

DIVESTED BUSINESSES (223) (227) 4

WORLDWIDE \$(86) \$(290) \$204

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

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

Q3 2008 Estimate Q3 2008 Estimate

(Low) (High)
GAAP results \$0.18 \$0.23

Estimated acquisition-related gains (0.12) (0.12)
Estimated divestiture-related gains (0.01) (0.01)
Estimated restructuring-related charges 0.02 0.02
Estimated amortization expense 0.07 0.07

Adjusted results \$0.14 \$0.19

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

#### Use of Non-GAAP Financial Measures

To supplement Boston Scientific's condensed consolidated financial statements presented on a GAAP basis; the Company discloses certain non-GAAP measures that exclude certain amounts, including non-GAAP net income, non-GAAP net income per diluted share, and regional and divisional revenue growth rates that exclude the impact of foreign exchange. These non-GAAP measures are not in accordance with, or an alternative for, generally accepted accounting principles in the United States.

The GAAP measure most comparable to non-GAAP net income is GAAP net income and the GAAP measure most comparable to non-GAAP net income per diluted share is GAAP net income per diluted share. Reconciliations of each of these non-GAAP financial measures to the corresponding GAAP measure are included in the accompanying schedules.

To calculate regional and divisional revenue growth rates that exclude the impact of foreign exchange, the Company converts actual current-period net sales from local currency to U.S. dollars using constant foreign exchange rates. The GAAP measure most comparable to this non-GAAP measure is growth rate percentages based on GAAP revenue. A reconciliation of this non-

GAAP financial measure to the corresponding GAAP measure is included in the accompanying schedules.

Use and Economic Substance of Non-GAAP Financial Measures Used by Boston Scientific

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

The following is an explanation of each of the adjustments that management excluded as part of its non-GAAP measures for the three and six month periods ending June 30, 2008 and June 30, 2007 and for the forecasted three month period ending September 30, 2008, as well as reasons for excluding each of these individual items:

- -- Acquisition-related (gains) charges -- These adjustments consist of purchased research and development, integration costs associated with the Company's acquisition of Guidant, a fair value adjustment related to the sharing of proceeds feature of the Abbott stock purchase, and a gain associated with the receipt of an acquisition-related milestone. Purchased research and development is a highly variable charge based on valuation assumptions. Management removes the impact of purchased research and development from the Company's operating results to assist in assessing the Company's operating performance and cash generated from operations. The integration costs associated with the Company's acquisition of Guidant do not reflect expected on-going future operating expenses. The fair value adjustment related to the sharing of proceeds feature of the Abbott stock purchase is a non-cash adjustment and is not indicative of the Company's on-going operations. The gain on the acquisition-related milestone payment, recorded in the third quarter of 2008, is not indicative of future operating performance, and will not be used by management in assessing the Company's operating performance. Accordingly, management excluded these amounts for purposes of calculating these non-GAAP measures to facilitate an evaluation of the Company's current operating performance and a comparison to the Company's past operating performance.
- -- Divestiture-related (gains) losses -- These amounts represent gains and losses that the Company recognized related to the sale of non-strategic assets, including the sale of certain businesses, development programs and non-strategic investments. The sale and transfer of these non-strategic assets are expected to be substantially completed during 2008. These gains and losses are not indicative of future operating performance and are not used by management to assess operating performance. Accordingly, management excluded these amounts for purposes of calculating these non-GAAP measures to facilitate an evaluation of the Company's current operating performance and a comparison to the Company's past operating performance.
- -- Restructuring-related charges -- These adjustments primarily represent employee-related termination benefits, employee-related retention costs, asset write-downs and other costs associated with the Company's restructuring initiatives. These expenses are not indicative of the Company's on-going operating performance and are excluded by management in assessing the Company's operating performance, and are also excluded from the Company's operating segments' measures of profit and loss used for making operating decisions and assessing performance. Accordingly, management excluded these charges for purposes of calculating these non-GAAP measures to facilitate an evaluation of the Company's current operating performance and a comparison to the Company's past operating performance.
- -- Amortization expense -- Amortization expense is a non-cash charge and does not impact the Company's liquidity or compliance with the covenants included in its debt agreements. Following the Company's acquisition of Guidant, and the related increase in the Company's debt, management has heightened its focus on cash generation and debt pay down. Management removes the impact of amortization from the Company's operating performance to assist in assessing the Company's cash generated from operations. Management believes this is a critical metric for the Company in measuring the Company's ability to generate cash and pay down debt. Therefore, amortization expense is excluded from management's assessment of operating performance, including the Company's operating segments' measure of profit and loss, and is also excluded from the measures management uses to set employee compensation. Accordingly, management believes this may be useful information to users of its financial statements and therefore has excluded these charges for purposes of calculating these non-GAAP measures to facilitate an evaluation of the Company's current operating performance, particularly in terms of liquidity.
- -- Foreign exchange on net sales -- The impact of foreign exchange is highly variable and difficult to predict. Accordingly, management excludes the impact of foreign exchange for purposes of reviewing regional and divisional revenue growth rates to facilitate an evaluation of the Company's current operating performance and comparison to the Company's past operating performance.

Material Limitations Associated with the Use of Non-GAAP Financial Measures

Non-GAAP net income, non-GAAP net income per diluted share, and regional and divisional revenue growth rates that exclude the impact of foreign exchange may have limitations as analytical tools, and these non-GAAP measures should not be considered in isolation or as a replacement for GAAP financial measures. Some of the limitations associated with the use of these non-GAAP financial measures are:

- -- Items such as purchased research and development, divestiture-related gains and losses, and the fair value adjustment related to the sharing of proceeds feature of the Abbott stock purchase reflect economic costs to the Company and are not reflected in non-GAAP net income and non-GAAP net income per diluted share.
- -- Items such as Guidant integration costs and restructuring-related expenses that are excluded from non-GAAP net income and non-GAAP net income per diluted share can have a material impact on cash flows and GAAP net income and net income per diluted share.
- -- Items such as amortization of purchased intangible assets, though not directly affecting Boston Scientific's cash flow position, represent a reduction in value of intangible assets over time. The expense associated with this reduction in value is not included in Boston Scientific's non-GAAP net income or non-GAAP net income per diluted share and therefore these measures do not reflect the full economic effect of the reduction in value of those intangible assets.
- -- Revenue growth rates stated on a constant currency basis, by their nature, exclude the impact of foreign exchange, which may have a material impact on GAAP net sales.
- -- Other companies may calculate non-GAAP net income, non-GAAP net income per diluted share, or regional and divisional revenue growth rates that exclude the impact of foreign exchange differently than Boston Scientific does, limiting the usefulness of those measures for comparative purposes.

Compensation for Limitations Associated with Use of Non-GAAP Financial Measures

Boston Scientific compensates for the limitations on its non-GAAP financial measures by relying upon its GAAP results to gain a complete picture of the Company's performance. The non-GAAP numbers focus instead upon the core business of the Company, which is only a subset, albeit a critical one, of the Company's performance.

The Company provides detailed reconciliations of each non-GAAP financial measure to its most directly comparable GAAP measure in the accompanying schedules, and Boston Scientific encourages investors to review these reconciliations.

Usefulness of Non-GAAP Financial Measures to Investors

The Company believes that presenting non-GAAP net income, non-GAAP net income per share, and regional and divisional revenue growth rates that exclude the impact of foreign exchange in addition to the related GAAP measures provides investors greater transparency to the information used by Boston Scientific management for its financial and operational decision-making and allows investors to see Boston Scientific's results "through the eyes" of management. The Company further believes that providing this information better enables Boston Scientific's investors to understand the Company's operating performance and to evaluate the methodology used by management to assess and measure such performance.

SOURCE: Boston Scientific Corporation

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