Boston Scientific

# Boston Scientific Announces Results for Third Quarter Ended September 30, 2006

NATICK, Mass., Oct. 18 /PRNewswire-FirstCall/ -- Boston Scientific Corporation (NYSE: BSX) today announced financial results for the third quarter ended September 30, 2006.

Net sales for the third quarter of 2006 were $2.026 billion as compared to $1.511 billion for the third quarter of 2005, an increase of 34 percent. The increase was primarily attributable to the inclusion of $491 million of net sales from the Company's cardiac rhythm management (CRM) and cardiac surgery businesses.

Reported net income for the third quarter of 2006 was $76 million, or $0.05 per share, on approximately 1.5 billion weighted average shares outstanding. Reported results for the third quarter of 2006 included charges (after-tax) of $77 million, or approximately $0.05 per share, which consisted primarily of expenses resulting from purchase accounting and other charges related to the Guidant acquisition.

Reported net loss for the third quarter of 2005 was $269 million, or $0.33 per share, on approximately 820 million weighted average shares outstanding. Reported results for the third quarter of 2005 included charges (after-tax) of $616 million, or approximately $0.75 per share, which consisted primarily of a settlement agreement with Medinol Ltd.

Operating cash flow for the third quarter of 2006 approximated $480 million. Adjusted net income for the quarter, excluding net charges and amortization and stock compensation expense, was $291 million, or $0.20 per share. Adjusted net income for the third quarter of 2005, excluding net charges and amortization and stock compensation expense, was $379 million, or $0.46 per share.

Worldwide sales of TAXUS® paclitaxel-eluting coronary stent systems were $572 million for the third quarter of 2006 as compared to $601 million for the third quarter of 2005. U.S. sales of TAXUS coronary stent systems were $384 million for the third quarter of 2006 as compared to $404 million for the third quarter of 2005.

Worldwide CRM sales were $446 million, which included $315 million of worldwide implantable cardioverter defibrillator (ICD) sales and $131 million of worldwide pacemaker sales. U.S. CRM sales were $296 million, which included $221 million of U.S. ICD sales and $75 million of U.S. pacemaker sales.

"Despite the challenges in Q3, we were able to achieve results near the high end of our previously announced preliminary sales and earnings ranges," said Jim Tobin, President and Chief Executive Officer of Boston Scientific. "We look forward to providing an update on our business and our growth opportunities at our November 6 analyst meeting."

Boston Scientific officials will be discussing these and other issues with analysts on a conference call at 4:30 p.m. (ET) Wednesday, October 18, 2006. The Company will webcast the call to all interested parties through its website: http://www.bostonscientific.com/. 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: http://www.bostonscientific.com/.

This press release contains forward-looking statements. The Company wishes to caution the reader of this press release that actual results may differ from those discussed in the forward-looking statements and may be adversely affected by, among other things, risks associated with new product development and introduction, clinical trials, regulatory approvals, competitive offerings, intellectual property, litigation, integration of acquired companies, the Company's overall business strategy, and other factors described in the Company's filings with the Securities and Exchange Commission.

Non-GAAP Measures

The Company discloses non-GAAP measures that exclude certain charges. These supplemental measures exclude the impact of certain charges such as purchase accounting adjustments, costs associated with acquisitions and investment portfolio activity that are highly variable and difficult to predict. The Company's non-GAAP adjusted net income also excludes stock-based compensation expense that the Company started recording under FAS 123® in the first quarter of 2006. Management uses these supplemental measures to evaluate performance period over period, to analyze the underlying trends in the Company's business and to establish operational goals and forecasts that are used in allocating resources. Since management finds these measures to be useful, the Company believes that its investors benefit from seeing the Company's results through the eyes of management in addition to seeing its GAAP results.

The Company recognizes that these charges can have a material impact on the Company's cash flows and net income. Although the Company believes it is useful for investors to see its core performance free of certain charges, investors should understand that the excluded items are actual expenses that impact the cash available to the Company for other uses. To gain a complete picture of the Company's performance, management does (and investors should) rely upon the GAAP income

statement. 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.

Readers are therefore reminded that non-GAAP numbers are merely a supplement to, and not a replacement for, GAAP financial measures. It should be noted as well that the Company's non-GAAP information may be different from the non-GAAP information provided by other companies.

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BOSTON SCIENTIFIC CORPORATION
WORLDWIDE SALES
REGIONAL SUMMARY
(Unaudited)

| | Three Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | | | As Reported | Constant |
| In millions | | | Currency | Currency |
| | 2006 | 2005 | Basis | Basis |
| DOMESTIC | $ 1,273 | $ 926 | 37% | 37% |
| Europe | 402 | 274 | 47% | 41% |
| Japan | 148 | 140 | 6% | 9% |
| Inter-Continental | 203 | 171 | 19% | 18% |
| INTERNATIONAL | 753 | 585 | 29% | 26% |
| WORLDWIDE | $ 2,026 | $ 1,511 | 34% | 33% |

| | Nine Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | | | As Reported | Constant |
| In millions | | | Currency | Currency |
| | 2006 | 2005 | Basis | Basis |
| DOMESTIC | $ 3,579 | $ 2,924 | 22% | 22% |
| Europe | 1,147 | 871 | 32% | 33% |
| Japan | 431 | 440 | (2%) | 5% |
| Inter-Continental | 599 | 508 | 18% | 17% |
| INTERNATIONAL | 2,177 | 1,819 | 20% | 21% |
| WORLDWIDE | $ 5,756 | $ 4,743 | 21% | 22% |

BOSTON SCIENTIFIC CORPORATION
WORLDWIDE SALES
DIVISIONAL SUMMARY
(Unaudited)

| | Three Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | | | As Reported | Constant |
| In millions | | | Currency | Currency |
| | 2006 | 2005 | Basis | Basis |
| Interventional Cardiology | $ 868 | $ 892 | (3%) | (4%) |
| Peripheral Interventions/ Vascular Surgery | 154 | 176 | (13%) | (13%) |

| | | | | |
|---|---|---|---|---|
| Electrophysiology | 32 | 32 | 0% | 2% |
| Neurovascular | 81 | 67 | 21% | 19% |
| Cardiac Surgery | 45 | NA | NA | NA |
| Cardiac Rhythm Management | 446 | NA | NA | NA |
| CARDIOVASCULAR | 1,626 | 1,167 | 39% | 37% |
| | | | | |
| Oncology | 60 | 52 | 15% | 14% |
| Endoscopy | 187 | 172 | 9% | 9% |
| Urology | 93 | 85 | 9% | 9% |
| ENDOSURGERY | 340 | 309 | 10% | 10% |
| | | | | |
| NEUROMODULATION | 60 | 35 | 71% | 68% |
| | | | | |
| WORLDWIDE | $ 2,026 | $ 1,511 | 34% | 33% |

| | Nine Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | | | As Reported Currency | Constant Currency |
| In millions | 2006 | 2005 | Basis | Basis |
| Interventional Cardiology | $ 2,781 | $ 2,891 | (4%) | (3%) |
| Peripheral Interventions/ Vascular Surgery | 506 | 537 | (6%) | (5%) |
| Electrophysiology | 99 | 97 | 2% | 4% |
| Neurovascular | 243 | 206 | 18% | 19% |
| Cardiac Surgery | 83 | NA | NA | NA |
| Cardiac Rhythm Management | 882 | NA | NA | NA |
| CARDIOVASCULAR | 4,594 | 3,731 | 23% | 24% |
| | | | | |
| Oncology | 166 | 154 | 8% | 9% |
| Endoscopy | 556 | 519 | 7% | 8% |
| Urology | 273 | 238 | 15% | 15% |
| ENDOSURGERY | 995 | 911 | 9% | 10% |
| | | | | |
| NEUROMODULATION | 167 | 101 | 65% | 65% |
| | | | | |
| WORLDWIDE | $ 5,756 | $ 4,743 | 21% | 22% |

BOSTON SCIENTIFIC CORPORATION
GAAP RESULTS OF OPERATIONS
(Unaudited)

| | Three Months Ended September 30, | |
|---|---|---|
| In millions, except per share data | 2006 | 2005 |
| | | |
| Net sales | $ 2,026 | $ 1,511 |
| Cost of products sold | 630 | 343 |
| Gross profit | 1,396 | 1,168 |
| | | |
| Selling, general and administrative expenses | 719 | 444 |
| Research and development expenses | 272 | 181 |
| Royalty expense | 57 | 52 |
| Amortization expense | 153 | 47 |
| Litigation-related charges | | 780 |
| | 1,201 | 1,504 |
| Operating income/(loss) | 195 | (336) |
| | | |
| Other income/(expense): | | |
| Interest expense | (143) | (21) |
| Other, net | (1) | 5 |
| | | |
| Income/(loss) before income taxes | 51 | (352) |
| Income tax benefit | (25) | (83) |
| | | |
| Net income/(loss) | $ 76 | $ (269) |

| | | |
|---|---|---|
| Net income/(loss) per common share - assuming dilution | $ 0.05 | $ (0.33) |
| Weighted average shares outstanding - assuming dilution | 1,486.7 | 819.9 |

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

The Company discloses non-GAAP measures that exclude certain charges. These supplemental measures exclude the impact of certain charges such as purchase accounting adjustments, costs associated with acquisitions and investment portfolio activity that are highly variable and difficult to predict. The Company's non-GAAP adjusted net income also excludes stock-based compensation expense that the Company started recording under FAS 123® in the first quarter of 2006. Management uses these supplemental measures to evaluate performance period over period, to analyze the underlying trends in the Company's business and to establish operational goals and forecasts that are used in allocating resources. Since management finds these measures to be useful, the Company believes that its investors benefit from seeing the Company's results through the eyes of management in addition to seeing its GAAP results.

The Company recognizes that these charges can have a material impact on the Company's cash flows and net income. Although the Company believes it is useful for investors to see its core performance free of certain charges, investors should understand that the excluded items are actual expenses that impact the cash available to the Company for other uses. To gain a complete picture of the Company's performance, management does (and investors should) rely upon the GAAP income statement. 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.

Readers are therefore reminded that non-GAAP numbers are merely a supplement to, and not a replacement for, GAAP financial measures. It should be noted as well that the Company's non-GAAP information may be different from the non-GAAP information provided by other companies.

| | Three Months Ended September 30, 2006 | | Three Months Ended September 30, 2005 | |
|---|---|---|---|---|
| In millions, except per share data | Net income | Impact per diluted share | Net (loss) /income | Impact per diluted share |
| GAAP results | $ 76 | $ 0.05 | $ (269) | $ (0.33) |
| Non-GAAP adjustments: | | | | |
| Purchase accounting adjustments | 59 | 0.04 | | |
| Merger-related and other costs | 18 | 0.01 | 18 | 0.02 * |
| Litigation-related charges | | | 598 | 0.73 |
| Amortization and stock compensation expense | 138 | 0.10 | 32 | 0.04 * |
| Adjusted results | $ 291 | $ 0.20 | $ 379 | $ 0.46 * |

* Calculated by assuming dilution from stock equivalents of 10.9 million shares

| | Three Months Ended September 30, | |
|---|---|---|
| | 2006 | 2005 |
| Purchase accounting adjustments: | | |
| Step-up value of inventory sold(a) | $ 94 | |
| Income tax benefit | (35) | |
| Purchase accounting adjustments, net of tax | $ 59 | |
| | | |
| Merger-related and other costs: | | |
| Integration costs(b) | $9 | |
| Fair-value adjustment for the sharing of proceeds feature of the Abbott stock purchase(c) | 13 | |
| CRM technology offering charge(a) | 31 | |
| Business optimization charges(d) | | $ 28 |
| | 53 | 28 |
| Income tax benefit | (35) | (10) |
| Merger-related and other costs, net of tax | $ 18 | $ 18 |
| | | |
| Litigation-related charges: | | |
| Litigation-related charges | $ 780 | |
| Income tax benefit | (182) | |

| | |
|---|---|
| Litigation-related charges, net of tax | $ 598 |
| Amortization and stock compensation expense: | |
| Amortization expense | $ 153 $ 37 |
| Stock compensation expense(e) | 26 5 |
| | 179 42 |
| Income tax benefit | (41) (10) |
| Amortization and stock compensation expense, net of tax | $ 138 $ 32 |

(a) Recorded to cost of products sold
(b) Recorded $7 million to selling, general and administrative expenses and $2 million to research and development expenses
(c) Recorded to other, net
(d) Recorded $11 million to selling, general and administrative expenses, $7 million to research and development expenses and $10 million to amortization expense
(e) Recorded $16 million in 2006 to selling, general and administrative expenses, $6 million to research and development expenses and $4 million to cost of products sold; recorded $5 million in 2005 to selling, general and administrative expenses

BOSTON SCIENTIFIC CORPORATION
GAAP RESULTS OF OPERATIONS
(Unaudited)

| In millions, except per share data | Nine Months Ended September 30, 2006 | 2005 |
|---|---|---|
| Net sales | $ 5,756 | $ 4,743 |
| Cost of products sold | 1,681 | 1,044 |
| Gross profit | 4,075 | 3,699 |
| Selling, general and administrative expenses | 1,917 | 1,346 |
| Research and development expenses | 741 | 506 |
| Royalty expense | 177 | 174 |
| Amortization expense | 356 | 114 |
| Purchased research and development | 4,117 | 276 |
| Litigation-related charges | | 780 |
| | 7,308 | 3,196 |
| Operating (loss)/income | (3,233) | 503 |
| Other income/(expense): | | |
| Interest expense | (291) | (58) |
| Other, net | (180) | 8 |
| (Loss)/income before income taxes | (3,704) | 453 |
| Income tax expense | 150 | 159 |
| Net (loss)/income | $ (3,854) | $ 294 |
| Net (loss)/income per common share - assuming dilution | $ (3.19) | $ 0.35 |
| Weighted average shares outstanding - assuming dilution | 1,207.0 | 840.3 |

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

| In millions, except per share data | Nine Months Ended September 30, 2006 Net (loss)/ income | Impact per diluted share | Nine Months Ended September 30, 2005 Net income | Impact per diluted share |
|---|---|---|---|---|
| GAAP results | $ (3,854) | $(3.19) | $ 294 | $ 0.35 |
| Non-GAAP adjustments: | | | | |

| | | | | |
|---|---|---|---|---|
| Purchase accounting adjustments | 4,483 | 3.71 | 267 | 0.32 |
| Merger-related and other costs | 114 | 0.09 * | 23 | 0.03 |
| AAA program cancellation charges | (31) | (0.03)* | | |
| Investment portfolio activity | 81 | 0.07 * | | |
| Litigation-related charges | 598 | 0.71 | | |
| Amortization and stock compensation expense | 325 | 0.27 * | 89 | 0.10 |
| Adjusted results | $ 1,118 | $ 0.92 * | $ 1,271 | $ 1.51 |

* Calculated by assuming dilution from stock equivalents of 14.2 million shares

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2006 | 2005 |
| Purchase accounting adjustments: | | |
| Purchased research and development | $ 4,184 | $ 276 |
| Step-up value of inventory sold(a) | 279 | |
| | 4,463 | 276 |
| Income tax expense/(benefit) | 20 | (9) |
| Purchase accounting adjustments, net of tax | $ 4,483 | $ 267 |
| | | |
| Merger-related and other costs: | | |
| Integration costs(b) | $42 | |
| Fair-value adjustment for the sharing of proceeds feature of the Abbott stock purchase(c) | 100 | |
| Charitable donation(c) | 5 | |
| CRM technology offering charge(a) | 31 | |
| Certain retirement benefits(d) | | $ 17 |
| Business optimization charges(f) | | 28 |
| | 178 | 45 |
| Income tax benefit | (64) | (22) |
| Merger-related and other costs, net of tax | $ 114 | $ 23 |
| | | |
| AAA program cancellation charges: | | |
| Purchased research and development | $ (67) | |
| Facility costs and severance(e) | 31 | |
| Amortization expense | 23 | |
| | (13) | |
| Income tax benefit | (18) | |
| AAA program cancellation charges, net of tax | $ (31) | |
| | | |
| Investment portfolio activity: | | |
| Investment portfolio activity(c) | $ 105 | |
| Income tax benefit | (24) | |
| Investment portfolio activity, net of tax | $ 81 | |
| | | |
| Litigation-related charges: | | |
| Litigation-related charges | $ 780 | |
| Income tax benefit | (182) | |
| Litigation-related charges, net of tax | $ 598 | |
| | | |
| Amortization and stock compensation expense: | | |
| Amortization expense | $ 333 | $ 104 |
| Stock compensation expense(g) | 89 | 13 |
| | 422 | 117 |
| Income tax benefit | (97) | (28) |
| Amortization and stock compensation expense, net of tax | $ 325 | $ 89 |

(a) Recorded to cost of products sold
(b) Recorded $39 million to selling, general and administrative expenses and $3 million to research and development expenses
(c) Recorded to other, net
(d) Recorded to selling, general and administrative expenses
(e) Recorded to research and development expenses
(f) Recorded $11 million to selling, general and administrative expenses, $7 million to research and development expenses and $10 million to amortization expense

(g) Recorded $59 million in 2006 to selling, general and administrative expenses, $18 million to research and development expenses and $12 million to cost of products sold; recorded $13 million in 2005 to selling, general and administrative expenses

BOSTON SCIENTIFIC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

| In millions | September 30, 2006 | December 31, 2005 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash, cash equivalents and short-term investments | $ 1,541 | $ 848 |
| Trade accounts receivable, net | 1,460 | 932 |
| Inventories | 759 | 418 |
| Other current assets | 989 | 433 |
| Total current assets | 4,749 | 2,631 |
| Property, plant and equipment, net | 1,672 | 1,011 |
| Intangible assets, net | 23,743 | 3,735 |
| Investments | 568 | 594 |
| Other assets | 220 | 225 |
| | $ 30,952 | $ 8,196 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Borrowings due within one year | $ 5 | $ 156 |
| Accounts payable and accrued expenses | 1,815 | 1,229 |
| Other current liabilities | 830 | 94 |
| Total current liabilities | 2,650 | 1,479 |
| Long-term debt | 8,893 | 1,864 |
| Other long-term liabilities | 4,393 | 571 |
| Stockholders' equity | 15,016 | 4,282 |
| | $ 30,952 | $ 8,196 |

SOURCE: Boston Scientific Corporation

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Web site: http://www.bostonscientific.com/

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