# Boston Scientific Announces Results for Third Quarter Ended September 30, 2009

PRNewswire NATICK, Mass. (NYSE:BSX)

NATICK, Mass., Oct. 19 <u>PRNewswire-FirstCall</u>/ -- Boston Scientific Corporation (NYSE: BSX) today announced financial results for the third quarter ended September 30, 2009, as well as guidance for net sales and earnings per share (EPS) for the fourth quarter and full year 2009.

### Third quarter highlights (Sales growth rates are constant currency):

- Increased sales three percent to \$2.025 billion and achieved adjusted EPS of \$0.19, both within the Company's guidance ranges
- Reported GAAP EPS of \$0.13, at the high end of the Company's range
- Maintained leadership position in the worldwide drug-eluting stent (DES) market with a 41 percent share, including a 49
  percent share of the U.S. market and a 47 percent share of the Japanese market
- Increased worldwide cardiac rhythm management (CRM) product sales eight percent
- · Increased worldwide Endosurgery sales eight percent, including a 10 percent increase in Endoscopy sales
- Increased worldwide Neuromodulation sales 21 percent
- · Prepaid \$225 million of term loan debt
- Settled 14 outstanding patent litigation matters with Johnson & Johnson

"So far this year, CRM market growth has not been as strong as expected, but our CRM business has continued to grow, and we have not seen the slowdown in hospital stocking described by St. Jude," said Ray Elliott, President and Chief Executive Officer of Boston Scientific. "In DES, we maintained our worldwide leadership position. A key component of that leadership has been our TAXUS franchise, which has been studied in more than 46,000 patients over the past nine years. The COMPARE data presented last month are inconsistent with the overall body of TAXUS evidence, and we expect that the results of future studies will be more in line with those of other TAXUS trials. Single-center, non-double blinded, underpowered studies, such as COMPARE, are not considered optimal trial protocol. Moreover, we have the industry's only two-drug platform and the finest sales and marketing team in the business, two important competitive advantages that should help ensure continued DES leadership."

Net sales for the third quarter of 2009 were \$2.025 billion, as compared to net sales of \$1.978 billion for the third quarter of 2008, which included sales from divested businesses of \$12 million. Excluding the impact of foreign currency and sales from divested businesses, net sales increased three percent over the prior period.

Worldwide CRM sales for the third quarter -- on a reported basis -- were as follows:

(in millions)	U.S.	Intern	ational	Wo	rldwide	
Q(	3 2009 Q3 2	2008 Q3	2009	Q3 2008	Q3 200	9 Q3 2008
ICD systems Pacemaker s		\$291 0 86	\$131 73	\$132 63	\$445 163	\$423 149
Electrophysic	404 377 ology 30	204 30	195 8	608	572 38 40	
Total CRM	\$434 ==== ===	\$407 ====	\$212 = ==	\$205 === ==	\$646 === ==	\$612 ==

Worldwide coronary stent system sales for the third quarter -- on a reported basis -- were as follows:

(in millions)	)	U.S.	International We		Worl	dwide		
	-							
	Q3 20	009 Q3	2008	Q3 2009	Q3	2008	Q3 20	09 Q3 2008
Drug-elutir Bare-meta	•	\$222 14	\$209 19	\$189 27	\$1 31	87 41	\$411 50	\$396
Total coron stent syste	,	\$236	\$228	\$21	6 \$2	218	\$452	\$446
==== ==== ==== ====								

Reported net income for the third quarter of 2009 was \$200 million, or \$0.13 per share. Reported results included litigation-related credits, restructuring and restructuring-related costs and amortization expense (after-tax) of \$91 million, or \$0.06 per share, which consisted of:

- a \$37 million (\$58 million pre-tax) credit associated with the reduction of previously recorded reserves associated with certain litigation-related matters;
- \$21 million (\$28 million pre-tax) of restructuring and restructuring-related costs associated with the Company's Plant Network Optimization program and 2007 restructuring plan; and
- \$107 million (\$126 million pre-tax) of amortization expense.

Adjusted net income for the third quarter of 2009, excluding these net charges, was \$291 million, or \$0.19 per share.

Reported net loss for the third quarter of 2008 was \$62 million, or \$0.04 per share. Reported results included intangible asset impairment charges; acquisition-, divestiture-, and litigation-related net charges; restructuring and restructuring-related costs and amortization expense (after-tax) of \$298 million, or \$0.20 per share. Adjusted net income for the third quarter of 2008,

excluding these charges, was \$236 million, or \$0.16 per share.
"The quarter was marked by significant clinical accomplishments," said Elliott. "We announced final results from the MADIT-CRT trial, which clearly demonstrated that CRT-D therapy slows the progression of heart failure, and we completed enrollment in the PLATINUM workhorse trial evaluating our next-generation PROMUS® Element™ Everolimus-Eluting Coronary Stent System. We also obtained key product approvals, including CE Mark for the LATITUDE Patient Management System and FDA approval of the TAXUS® Liberte® Long Paclitaxel-Eluting Coronary Stent System. These developments are further evidence of the strength and promise of our CRM and Cardiovascular businesses."
Guidance for Fourth Quarter and Full Year 2009
The Company estimates net sales for the fourth quarter of 2009 of between \$2.025 billion and \$2.125 billion. Adjusted earnings excluding acquisition-related credits, restructuring and restructuring-related costs, and amortization expense are estimated to range between \$0.17 and \$0.21 per share. The Company estimates net income on a GAAP basis of between \$0.20 and \$0.25 per share.
The Company has updated its net sales estimate for the full year of 2009 to between \$8.134 billion and \$8.234 billion. The Company now expects adjusted earnings for the full year excluding intangible asset impairment charges; acquisition-, divestiture-, and litigation-related net charges; restructuring and restructuring-related costs; discrete tax items; and amortization expense of between \$0.75 and \$0.79 per share. The Company expects net income on a GAAP basis of between \$0.43 and \$0.48 per share.
Boston Scientific officials will be discussing these results with analysts on a conference call at 8:00 a.m. (ET) Tuesday, October 20. The Company will webcast the call to all interested parties through its website: <a href="www.bostonscientific.com">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="https://www.bostonscientific.com">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 growth strategy, new product approvals, clinical trials, our market position, acquisitions and divestitures, restructuring activities and litigation matters. 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 hereafter. 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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	Sept	Months ember	s Ended 30,	I		e Mont mber (		nded
in millions, except per sha	200 re data	9	2008		2009	2	800	
Net sales Cost of product	\$2,	025 629	\$1,97	8 855	1,8	)9 867	\$6,04 1,8	18 39
Gross profit					4,242	2 4	,209	
Operating expe Selling, genera administrative Research and expenses Royalty expens Loss on progra termination	al and expensi develo se		5 252 5	1	778 149		1, '49 144	,925
Amortization expense		26	131		381	4	10	
Intangible asse	arges		15	55	10	)	155	
Purchased res	ent		(8)	)	17	2	21	
Acquisition-rela milestone Gain on divesti			(250)			(250) (250		
Restructuring of	charges	s 9	2	20	44	,	<sup>'</sup> 59	
Litigation-relate net (credits) cl	narges		33	34	22	9	334	
	 1,051		295		 611	3,297	7	
Operating incor	ne	345		 28	63	:1	912	2
Other Income ( Interest expense Other, net	se			2)	(28 (13)	5) (57)		)
Income (loss) b income taxes	efore	250	(68	5)	333		494	
Income tax expense (ben	efit)	50	(6	)	(12)	1	36	
Net income (los	,	\$200		62)		45	\$3	58
Net income (los common share Net income (los common share dilution	- basi s) per - assu	c \$0. <sup>-</sup> iming	=== 13	\$(0.04				\$0.24
Weighted-avera	-							
Basic Assuming dilution			1,500.9 1,5					

## BOSTON SCIENTIFIC CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS

September 30, December 31, 2009 2008 in millions, except share data \_\_\_\_\_ (Unaudited) ASSETS

Current assets:

Cash and cash equivalents \$1,381 \$1,641 1,431 Trade accounts receivable, net 1,402 942 Inventories 853

Deferred income taxes 825 911 Prepaid expenses and other current assets 383 645 Total current assets 4,962 5,452 Property, plant and equipment, net 1.731 1.728 Goodwill 12,432 12,421 7,244 Other intangible assets, net 6,855 Other long-term assets 249 294 \$26,229 \$27,139

#### LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Current debt obligations \$106 \$2 Accounts payable 225 239 Accrued expenses 2,137 2,612 Other current liabilities 264 380

Total current liabilities 2,732

Long-term debt 5,924 6,743 Deferred income taxes 2,133 2,262 Other long-term liabilities 1,849 1,727

### 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 and issued

1,510,249,821 shares as of September 30, 2009

and 1,501,635,679 shares as of December 31, 2008 15 15

Additional paid-in capital 16,056 15,944 Accumulated deficit (2,387)(2,732)Other stockholders' deficit (93)(53)

Total stockholders' equity 13,591 13,174

> \$26,229 \$27,139 ====== ======

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

3,233

Three Months Ended September 30,

2009 2008 Impact Impact per Net per

Net diluted (loss) diluted

in millions, except per share data income share income share

GAAP results \$200 \$0.13 \$(62) \$(0.04)

Non-GAAP adjustments:

Intangible asset impairment charges 129 0.09 \* Acquisition-related net (credits) charges (192) (0.13) \* Divestiture-related net gains (26) (0.02) \* 21 0.01 Restructuring-related charges 0.02 \* 25 Litigation-related net (credits) charges (37) (0.02) 266 0.18 \* Discrete tax items

0.06 \* Amortization expense 107 0.07 96

Adjusted results \$291 \$0.19 \$236 \$0.16

\_\_\_\_ \_\_\_\_

Nine Months	Ended	September	30
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2009 2008 Impact Impact per per

Net diluted Net diluted

in millions, except per share data income share income share

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\$0.24 GAAP results \$345 \$0.23 \$358

Non-GAAP adjustments:

Intangible asset impairment charges 0.01 129 0.09

Acquisition-related net (credits) charges

17 0.01 (164) (0.11) Divestiture-related net gains (2) (0.00) (78) (0.06) 72 0.05 69 0.05

Restructuring-related charges

Litigation-related net (credits) charges 203 0.13 266 0.18

Discrete tax items (74) (0.05)

Amortization expense 312 0.20 314

Adjusted results \$878 \$0.58 \$897 \$0.60

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 Nine Months

Ended Ended

(in millions) September 30, September 30, -----

> 2009 2008 2009 2008

Intangible asset impairment charges:

Intangible asset impairment charges \$155 \$10 \$155

(2) Income tax benefit (a) (26)(26)

Intangible asset impairment charges,

net of tax \$129 \$8 \$129

Acquisition-related net (credits) charges:

Acquisition-related milestone \$(250) \$(250) 21

Purchased research and development (8) \$17

> 17 (229)(258)

Income tax expense (a) 66 65

Acquisition-related net (credits)

charges, net of tax \$(192) \$17 \$(164)

Divestiture-related net gains:

\$(250) Gain on divestitures

Net (gain) loss on sale of investments (b) 80 \$(15) \$(3)

> (15)(170)(3)

Income tax (benefit) expense (a) 92 (11)1

Divestiture-related net gains,

net of tax \$(26) \$(2) \$(78)

<sup>\*</sup> Assumes dilution of 7.0 million shares

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Restructuring-related charges:

Restructuring charges \$9 \$20 \$44 \$59 Restructuring-related charges (c) 19 14 50 40

--- --- ---28 34 94 99

28 34 94 99 Income tax benefit (a) (7) (9) (25) (27)

Restructuring-related charges,

net of tax \$21 \$25 \$69 \$72

Litigation-related net (credits) charges:

Litigation-related charges \$334 \$287 \$334 Litigation-related credits \$(58) (58)

> ---- ---(58) 334 229 334

Income tax expense (benefit) (a) 21 (68) (26) (68)

Litigation-related net (credits)

charges, net of tax \$(37) \$266 \$203 \$266

==== ==== ====

Discrete tax items:

Income tax benefit (a) \$(74)

====

Amortization expense:

Amortization expense \$126 \$131 \$381 \$410 Income tax benefit (a) (19) (35) (69) (96)

Amortization expense, net of tax \$107 \$96 \$312 \$314

- (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) Recorded to other, net.
- (c) In the third quarter of 2009, recorded \$13 million to cost of products sold; \$5 million to selling, general and administrative expenses; and \$1 million to research and development expenses. In the third quarter of 2008, recorded \$4 million to cost of products sold; \$9 million to selling, general and administrative expenses; and \$1 million to research and development expenses. In the first nine months of 2009, recorded \$36 million to cost of products sold; \$11 million to selling, general and administrative expenses; and \$3 million to research and development expenses. In the first nine months of 2008, recorded \$11 million to cost of products sold; \$24 million to selling, general and administrative expenses; and \$5 million to research and development expenses.

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

BOSTON SCIENTIFIC CORPORATION WORLDWIDE SALES (Unaudited)

Change

Three Months Ended As Reported Constant September 30, Currency Currency ------ Basis Basis

in millions 2009 2008 -----

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United States	\$1,167	\$1,125	4%	4%
EMEA Japan	438 243	472 198	(7)% 23%	(1)% 7%
Inter-Continen	ıtal 175	171	2%	9%
International	856	841	2%	3%
Subtotal	2,023	1,966	3%	3%
Divested Busi	nesses 2	12	N/A ===	N/A
Worldwide	\$2,025	\$1,978	2%	3%
=	===== :	=====	===	===

# Change

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	Septe	Months ember (	30, (	Curre	ncy	Curre		ant
in millions	20							
111 11111110113	20	03	2000		_			
Cardiac Rhythr Electrophysiolo	n Mana	gement	\$608	9	5572	6%		8%
Electrophysiolo	gy	38	40	(3	)%	(3)	%	
				`-		` ,		
Cardiac Rhythm	Manag	ement						
Group				6%		7%		
		-	-					
Interventional (	Cardiolo	av 682	2 (	694	(2)%		(2)%	
Peripheral Inter								
r onprioral into			·	-			0 70	
Cardiovascular (					(2)%		(2)%	
Odi diovascalai V	aroup	0-1		000	(2) /0		(2) /0	
Neurovascular		85	88	(2)	)%	(2)	2/2	
1400104000101		00	00	(2)	, ,0	(-)	70	
Endoscopy		260	238	9	%	109	2/6	
Endoscopy Urology/Gynec	ology	114	1 -	เกด	4%		4%	
Orology/dyricc	ology		<b>.</b>	-	T /O		7/0	
Endosurgery Gr				347	8%		8%	
3. ,		_						
Neuromodulation	า	72	59	9 2	1%	2	1%	
					_			
Subtotal	2,0	23	1.966	3%	6	3%		
	_,-		.,		•	- 7.		
Divested Busin	esses	2	1	2 N	I/A	N/	Ά	
Worldwide		2,025					3%	
		-,o <b>_</b> o = ==				===	•	

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

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 CONSTANT CURRENCY NET SALES RECONCILIATIONS (Unaudited)

(Una	(Unaudited)							
Q3 2009 Net Sales as compared to Q3 2008								
	Change Estimated As Reported Constant Impact of Currency Currency Foreign Basis Basis Currency							
in millions								
United States	\$42	\$42						
EMEA Japan Inter-Continental	45	(4) 13 17	32 (13)					
International		26	(11)					
Subtotal		68						
Divested Businesses	(1		0)	0				
Worldwide		\$58						
Q3 :	Q3 2009 Net Sales as compared to Q3 2008							
	Change  As Reported (			ct of				

As Reported Constant Impact of Currency Currency Foreign Basis Basis Currency

in millions

Cardiac Rhythm Managemer Electrophysiology Cardiac Rhythm Management	(2)	\$36 (2) 34	\$45 0 43	\$(9) (9)
Interventional Cardiology Peripheral Interventions Cardiovascular Group	(2)	(13) (1) (14)	(1)	
Neurovascular	(3)	(2)	(1)	
Endoscopy Urology/Gynecology	22 5	23 5	(1) 0	
Endosurgery Group	27	28	(1)	
Neuromodulation	13	13	0	
Subtotal	57 6	68 (1	1)	
Divested Businesses	(10)	(10)	0	
Worldwide ===	\$47 ======	\$58 ======	\$(11) ======	======

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

### Change

Nine	Months	Ended

Ni	ne Months	s Ended			
	September	-	•	d Constant	t
in millions	2009		•	Basis	
United States	\$3,530	\$3,33	0 6%	6%	
EMEA Japan	1,353 726	-	(10)% 16%		
Inter-Continental	491	521	(6)%	8%	
International	2,570	2,656	(3)%	4%	
Subtotal	6,100	5,986	2%	5%	
Divested Businesses		9 62	N/A	N/A	
Worldwide	\$6,109	\$6,048	3 1%	4%	

### Change

Nine Months Ended

=====

September 30, As Reported Constant ------ Currency Currency

in millions 2009 2008 Basis Basis

=====

 Cardiac Rhythm Management
 \$ 1,806
 \$ 1,715
 5%
 9%

 Electrophysiology
 112
 116
 (3)%
 (2)%

Cardiac Rhythm Management Group 1,918 1,831 5% 8%

Interventional Cardiology 2,155 2,158 0% 3% Peripheral Interventions 493 520 (6)% (2)%

Cardiovascular Group 2,648 2,678 (1)% 2%

Neurovascular 259 272 (4)% (1)%

 Endoscopy
 737
 710
 4%
 7%

 Urology/Gynecology
 333
 318
 5%
 6%

Endosurgery Group 1,070 1,028 4% 7%

Neuromodulation 205 177 16% 16%

Subtotal 6,100 5,986 2% 5%

Divested Businesses 9 62 N/A N/A

Worldwide \$6,109 \$6,048 1% 4%

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

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 CONSTANT CURRENCY NET SALES RECONCILIATIONS (Unaudited)

Q3 2009 YTD Net Sales as compared to Q3 2008 YTD

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Change

As Reported Constant Impact of

Currency Currency Foreign

	Basis Ba	sis Cur	rrency			
in millions			•			
United States	\$200	\$200				
EMEA Japan Inter-Continental	100	24 26 43	74			
International	(86)	93	(179)			
Subtotal	114	293	(179)			
Divested Businesses	(53	3) (5	3) 0			
Worldwide	\$61		\$(179) =====			
Q3 2009 YTD Net Sales as compared to Q3						

# Q3 2008 YTD

Change

Estimated As Reported Constant Impact of Currency Currency Foreign

	Basis	Basis	Curre	ency	
in millions Cardiac Rhythm Manage Electrophysiology	ment	(4)	\$91 (2)	\$152 (2)	\$(61)
Cardiac Rhythm Management Group			87	150	(63)
Interventional Cardiology Peripheral Interventions		(3) (27)	55 (8)	(58) (19)	
Cardiovascular Group		(30)	47	(77)	
Neurovascular		(13)	(4)	(9)	
Endoscopy Urology/Gynecology		27 15	51 20	(24) (5)	
Endosurgery Group		42	71	(29)	
Neuromodulation		28	29	(1)	
Subtotal	11	14 2	93 (	179)	
Divested Businesses		(53)	(53)	0	

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

\$240

\$61

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

\$(179)

Q4 2009 Estimate Q4 2009 Estimate

(Low) (High)

GAAP results \$0.20 \$0.25

Worldwide

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

Adjusted results \$0.17 \$0.21 2009 Estimate 2009 Estimate (Low) (High)

Estimated intangible asset impairment charges 0.01 0.01

Estimated acquisition-related net credits (0.11) (0.11)
Estimated restructuring-related charges 0.07 0.06
Estimated litigation-related net charges 0.13 0.13
Estimated discrete tax items (0.05) (0.05)
Estimated amortization expense 0.27 0.27

Adjusted results \$0.75 \$0.79

**GAAP** results

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 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 share is GAAP net income per 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 nine months ended September 30, 2009 and 2008 and for the forecasted three month period and full year ending December 31, 2009, as well as reasons for excluding each of these individual items:

- Intangible asset impairment charges These amounts represent non-cash write-downs of certain of the Company's intangible assets. Following the Company's acquisition of Guidant in 2006, 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 these charges 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, these charges are excluded from management's assessment of operating performance and are 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.
- Acquisition-related net charges (credits) These adjustments consist of purchased research and development and a gain
  resulting from the receipt of an acquisition-related milestone payment. Purchased research and development is a highly
  variable charge based on the extent and nature of external technology acquisitions during the period. The acquisitionrelated milestone received in the third quarter of 2008 is one of two receipts the Company expects to receive as a result of
  Guidant Corporation's sale of its vascular intervention and endovascular solutions businesses to Abbott Laboratories and
  is not indicative of future operating results. Management removes the impact of these charges (credits) from the
  Company's operating results to facilitate an evaluation of the Company's current operating performance and a comparison
  to the Company's past operating performance.
- <u>Divestiture-related gains and losses</u> These amounts represent gains and losses, and related tax impacts, 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 were 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 and restructuring-related costs These adjustments primarily represent severance, employee-related retention incentives, asset write-offs, accelerated depreciation, costs to transfer production lines from one facility to another, and other costs associated with the Company's Plant Network Optimization and 2007 Restructuring plans. 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, as well as 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.

<ul> <li><u>Litigation-related (credits) charges</u> -These amounts represent significant (credits) charges related to litigation. The credit in the third quarter of 2009 represents the reduction of previously recorded reserves associated with certain litigation matters, and the charges during the first quarter of 2009 and third quarter of 2008 are attributable to certain patent litigation matters. Management does not believe these items reflect expected on-going operating expenses. Accordingly, management excluded these (credits) charges for purposes of calculating these non-GAAP measures to facilitate an evaluation of the Company's current operating performance and for comparison to the Company's past operating performance.</li> </ul>
• <u>Discrete tax items</u> - These items represent current period adjustments of certain tax positions, which were initially established in prior periods as a result of acquisitions or as a result of divestiture- and litigation-related charges, or restructuring and restructuring-related costs. These adjustments do not reflect expected on-going operating results. 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 for 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. 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 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 amortization expense 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 from or as a replacement for GAAP financial measures. Some of the limitations associated with the use of these non-GAAP financial measures are:
<ul> <li>Items such as purchased research and development, gains on acquisition-related milestones and divestiture-related gains and losses reflect economic costs and benefits to the Company and are not reflected in non-GAAP net income and non- GAAP net income per diluted share.</li> </ul>

<ul> <li>Items such as restructuring and restructuring-related costs, litigation-related (credits) charges, and discrete tax items that are excluded from non-GAAP net income and non-GAAP net income per diluted share can have a material impact on casi flows and GAAP net income and net income per diluted share.</li> </ul>
<ul> <li>Amortization expense and intangible asset impairment charges, though not directly affecting Boston Scientific's cash flow position, represent a reduction in value of intangible assets. 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 effect of the reduction in value of those intangible assets.</li> </ul>
<ul> <li>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.</li> </ul>
<ul> <li>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.</li> </ul>
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 evaluate and measure such performance.

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