

Boston Scientific Announces Results for Second Quarter Ended June 30, 2010

NATICK, Mass., July 20 [PRNewswire-FirstCall/](#) -- Boston Scientific Corporation (NYSE: BSX) today announced financial results for the second quarter ended June 30, 2010, as well as guidance for net sales and earnings per share (EPS) for the third quarter and full year 2010.

Second quarter highlights (sales growth rates are at constant currency):

- Achieved sales of \$1.928 billion, reporting GAAP earnings of \$0.06 per share with adjusted EPS of \$0.12
- Maintained leadership position in the global drug-eluting stent (DES) market with 38 percent share worldwide
- Launched the third-generation TAXUS® Element™ Paclitaxel-Eluting Coronary Stent System in the European Union and other CE Mark countries
- Refinanced 2011 debt maturities and have approximately \$1 billion cash on hand
- Increased worldwide Endoscopy sales eight percent
- Initiated the PLATINUM PLUS "all comers" clinical trial comparing the performance of our PROMUS® Element™ Everolimus-Eluting Coronary Stent System to the Xience Prime™ Everolimus-Eluting Coronary Stent System

"I am proud of the way the organization executed in a number of key areas during the quarter," said Ray Elliott, President and Chief Executive Officer of Boston Scientific. "In CRM, we finished the quarter well ahead of where we expected to be, thanks to exceptional execution by the sales team and everyone else involved in our recovery. The continued success of our PROMUS Element rollout in Europe was another example of outstanding execution to go along with a very strong 46 percent U.S. DES market share. Once again, our Endoscopy and Women's Health businesses turned in excellent results. In all, 44 percent of our sales in the quarter came from new products, a testament to the building strength of our R&D pipeline."

Net sales for the second quarter of 2010 were \$1.928 billion, as compared to net sales of \$2.074 billion for the second quarter of 2009, a decrease of seven percent on both a reported and constant currency basis, driven primarily by the cardiac rhythm management (CRM) ship hold and product removal actions in the first quarter.

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

<i>(in millions)</i>	U.S.		International		Worldwide	
	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
Defibrillator systems	\$ 238 *	\$ 315	\$ 141	\$ 139	\$ 379	\$ 454
Pacemaker systems	84	90	64	65	148	155
Total CRM products	\$ 322	\$ 405	\$ 205	\$ 204	\$ 527	\$ 609

* On April 15, 2010 the Company resumed U.S. distribution of its COGNIS® CRT-D and TELIGEN® ICD systems, previously on a 30-day ship hold. COGNIS and TELIGEN represent virtually all of the Company's defibrillator implant volume in the United States; the Company's remaining defibrillator systems were removed from ship hold on May 21, 2010.

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

<i>(in millions)</i>	U.S.		International		Worldwide	
	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
Drug-eluting stent systems	\$ 209	\$ 238	\$ 180	\$ 203	\$ 389	\$ 441
Bare-metal stent systems	12	15	21	28	33	43
Total coronary stent systems	\$ 221	\$ 253	\$ 201	\$ 231	\$ 422	\$ 484

Reported net income for the second quarter of 2010 was \$98 million, or \$0.06 per share. Reported results included goodwill impairment-related credits; restructuring-related charges; and amortization expense (after-tax) of \$92 million, or \$0.06 per share, which consisted of:

- a \$31 million (on both a pre-tax and after-tax basis) credit related to the finalization of the Company's goodwill impairment charge recorded in the first quarter;
- \$29 million (\$41 million pre-tax) of restructuring and restructuring-related costs associated with the Company's 2010 Restructuring plan, Plant Network Optimization program and 2007 Restructuring plan; and
- \$94 million (\$124 million pre-tax) of amortization expense.

Adjusted net income for the second quarter of 2010, excluding these net charges, was \$190 million, or \$0.12 per share.

Reported net income for the second quarter of 2009 was \$158 million, or \$0.10 per share. Reported results included intangible asset impairment charges; acquisition- and restructuring-related charges; discrete tax benefits; and amortization expense (after-tax) of \$139 million, or \$0.10 per share. Adjusted net income for the second quarter of 2009, excluding these net charges, was \$297 million, or \$0.20 per share.

Guidance for Third Quarter and Full Year 2010

The Company estimates net sales for the third quarter of 2010 of between \$1.850 billion and \$1.925 billion. Adjusted earnings, excluding restructuring and restructuring-related costs and amortization expense, are estimated to range between \$0.10 and \$0.13 per share. The Company estimates earnings on a GAAP basis of between \$0.01 and \$0.05 per share.

The Company is revising estimates for the full year ending December 31, 2010. The Company now estimates net sales for the full year 2010 of between \$7.6 billion and \$7.9 billion. Adjusted earnings, excluding goodwill and intangible asset impairment net charges, acquisition-related credits, restructuring and restructuring-related costs, and amortization expense, are estimated to range between \$0.54 and \$0.62 per share. The Company now estimates a net loss on a GAAP basis of between \$(0.91) and \$(0.81) per share.

Boston Scientific officials will be discussing these results with analysts on a conference call at 8:00 a.m. (ET) Wednesday, July 21. The Company will webcast the call to all 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 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: www.bostonscientific.com.

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 earnings and adjusted earnings for the third quarter and full year 2010; our financial performance; new product approvals and sales; regulatory compliance and product removal actions; our market position; cash flow; the effect of our debt refinancing and repayments; write-down of goodwill and other asset impairments; our capacity to fund acquisitions and other investments; and our restructuring activities. 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, competitive, reimbursement and regulatory conditions; new product introductions and the market acceptance of those products; clinical trial results; demographic trends; intellectual property; litigation; financial market conditions; the effect of our goodwill impairment charges and our restructuring 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 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)

<i>in millions, except per share data</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net sales	\$ 1,928	\$ 2,074	\$ 3,888	\$ 4,084
Cost of products sold	654	630	1,316	1,237
Gross profit	1,274	1,444	2,572	2,847

Operating expenses:				
Selling, general and administrative expenses	634	671	1,262	1,321
Research and development expenses	232	263	485	520
Royalty expense	57	53	108	98
Loss on program termination		16		16
Amortization expense	124	126	252	255
Goodwill impairment net (credits) charges	(31)		1,817	
Intangible asset impairment charges		10	60	10
Purchased research and development		17		17
Acquisition-related milestone			(250)	
Restructuring charges	27	13	93	36
Litigation-related charges				287
	<u>1,043</u>	<u>1,169</u>	<u>3,827</u>	<u>2,560</u>
Operating income (loss)	231	275	(1,255)	287
Other income (expense):				
Interest expense	(103)	(92)	(195)	(194)
Other, net	(9)	(3)	(5)	(10)
Income (loss) before income taxes	<u>119</u>	<u>180</u>	<u>(1,455)</u>	<u>83</u>
Income tax expense (benefit)	21	22	36	(62)
Net income (loss)	<u>\$ 98</u>	<u>\$ 158</u>	<u>\$ (1,491)</u>	<u>\$ 145</u>
Net income (loss) per common share — basic	\$ 0.06	\$ 0.10	\$ (0.98)	\$ 0.10
Net income (loss) per common share — assuming dilution	\$ 0.06	\$ 0.10	\$ (0.98)	\$ 0.10
<u>Weighted-average shares outstanding</u>				
Basic	1,516.6	1,506.8	1,515.6	1,505.8
Assuming dilution	1,525.3	1,514.5	1,515.6	1,511.6

BOSTON SCIENTIFIC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

<i>in millions, except share data</i>	June 30, 2010	December 31, 2009
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 811	\$ 864
Trade accounts receivable, net	1,315	1,375
Inventories	885	920
Deferred income taxes	550	572
Prepaid expenses and other current assets	426	330
Total current assets	<u>3,987</u>	<u>4,061</u>
Property, plant and equipment, net	1,708	1,728
Goodwill	10,582	12,404

Other intangible assets, net	6,416	6,731
Other long-term assets	326	253
	<u>\$ 23,019</u>	<u>\$ 25,177</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Current debt obligations	\$ 850	\$ 3
Accounts payable	180	212
Accrued expenses	2,325	2,609
Other current liabilities	368	198
Total current liabilities	<u>3,723</u>	<u>3,022</u>

Long-term debt	5,183	5,915
Deferred income taxes	1,982	1,875
Other long-term liabilities	1,238	2,064

Commitments and contingencies

Stockholders' equity

Preferred stock, \$.01 par value - authorized 50,000,000 shares, none issued and outstanding		
Common stock, \$.01 par value - authorized 2,000,000,000 shares, issued 1,516,901,783 shares as of June 30, 2010 and 1,510,753,934 shares as of December 31, 2009	15	15
Additional paid-in capital	16,163	16,086
Accumulated deficit	(5,248)	(3,757)
Other stockholders' deficit	(37)	(43)
Total stockholders' equity	<u>10,893</u>	<u>12,301</u>
	<u>\$ 23,019</u>	<u>\$ 25,177</u>

BOSTON SCIENTIFIC CORPORATION

NON-GAAP NET INCOME AND NET INCOME PER COMMON SHARE RECONCILIATIONS

(Unaudited)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2010		2009		2010		2009	
<i>in millions, except per share data</i>	Net income	Impact per diluted share	Net income	Impact per diluted share	Net (loss) income	Impact per diluted share	Net income	Impact per diluted share
GAAP results	\$ 98	\$ 0.06	\$ 158	\$ 0.10	\$ (1,491)	\$ (0.98)	\$ 145	\$ 0.10
Non-GAAP adjustments:								
Goodwill impairment net (credits) charges	(31)	(0.02)			1,817	1.20 *		

Intangible asset impairment charges	8	0.01	51	0.03	*	8	0.01
Acquisition-related charges (credits)	17	0.01	(216)	(0.14)	*	17	0.01
Divestiture-related gains						(2)	(0.00)
Restructuring-related charges	29	0.02	22	0.02		47	0.03
Litigation-related charges						240	0.15
Discrete tax items			(11)	(0.01)		(74)	(0.05)
Amortization expense	94	0.06	103	0.07		205	0.14
Adjusted results	\$ 190	\$ 0.12	\$ 297	\$ 0.20		\$ 441	\$ 0.29
						\$ 586	\$ 0.39

* Assumes dilution of 9.1 million shares for the six months ended June 30, 2010 for all or a portion of these non-GAAP adjustments.

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)

<i>(in millions)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Goodwill impairment net (credits) charges:				
Goodwill impairment credits	\$ (31)		\$ (31)	
Goodwill impairment charges			1,848	
		(31)	1,817	
Income tax benefit (a)				
<i>Goodwill impairment net (credits) charges, net of tax</i>	\$ (31)		\$ 1,817	
Intangible asset impairment charges:				
Intangible asset impairment charges		\$ 10	\$ 60	\$ 10
Income tax benefit (a)		(2)	(9)	(2)
<i>Intangible asset impairment charges, net of tax</i>		\$ 8	\$ 51	\$ 8
Acquisition-related charges (credits):				
Purchased research and development		\$ 17		\$ 17
Acquisition-related milestone			\$ (250)	
		17	(250)	17
Income tax expense (a)			34	
<i>Acquisition-related charges (credits), net of tax</i>		\$ 17	\$ (216)	\$ 17
Divestiture-related gains:				
Gain on sale of investments (b)				\$ (3)
Income tax expense (a)				1

<i>in millions</i>	2010	2009	Basis	Basis
United States	\$ 1,076	\$ 1,194	(10) %	(10) %
EMEA	440	469	(6) %	(1) %
Japan	227	240	(6) %	(11) %
Inter-Continental	183	169	8 %	(1) %
International	850	878	(3) %	(4) %
Subtotal	1,926	2,072	(7) %	(7) %
Divested Businesses	2	2	N/A	N/A
Worldwide	\$ 1,928	\$ 2,074	(7) %	(7) %

<i>in millions</i>	Three Months Ended		Change	
	June 30,		As Reported	Constant
	2010	2009	Basis	Currency
Cardiac Rhythm Management	\$ 527	\$ 609	(13) %	(13) %
Interventional Cardiology	657	736	(11) %	(11) %
Peripheral Interventions	166	171	(3) %	(4) %
Cardiovascular Group	823	907	(9) %	(10) %
Electrophysiology	37	37	0 %	0 %
Neurovascular	82	87	(5) %	(6) %
Endoscopy	265	246	8 %	8 %
Urology/ Women's Health	120	114	4 %	4 %
Endosurgery Group	385	360	7 %	7 %
Neuromodulation	72	72	0 %	0 %
Subtotal	1,926	2,072	(7) %	(7) %
Divested Businesses	2	2	N/A	N/A
Worldwide	\$ 1,928	\$ 2,074	(7) %	(7) %

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

WORLDWIDE SALES

(Unaudited)

<i>in millions</i>	Six Months Ended June 30,		Change	
			As Reported Currency Basis	Constant Currency Basis
	2010	2009		
United States	\$ 2,142	\$ 2,364	(9) %	(9) %
EMEA	910	915	(0) %	(1) %
Japan	473	482	(2) %	(6) %
Inter-Continental	359	316	14 %	0 %
International	1,742	1,713	2 %	(2) %
Subtotal	3,884	4,077	(5) %	(6) %
Divested Businesses	4	7	N/A	N/A
Worldwide	\$ 3,888	\$ 4,084	(5) %	(6) %

<i>in millions</i>	Six Months Ended June 30,		Change	
			As Reported Currency Basis	Constant Currency Basis
	2010	2009		
Cardiac Rhythm Management	\$ 1,065	\$ 1,197	(11) %	(12) %
Interventional Cardiology	1,347	1,473	(9) %	(11) %
Peripheral Interventions	331	329	0 %	(1) %
Cardiovascular Group	1,678	1,802	(7) %	(9) %

Electrophysiology	75	74	1 %	1 %
Neurovascular	169	174	(3) %	(6) %
Endoscopy	525	478	10 %	8 %
Urology/ Women's Health	232	219	6 %	5 %
Endosurgery Group	757	697	9 %	7 %
Neuromodulation	140	133	5 %	4 %
Subtotal	3,884	4,077	(5) %	(6) %
Divested Businesses	4	7	N/A	N/A
Worldwide	\$ 3,888	\$ 4,084	(5) %	(6) %

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)

Q2 2010 Net Sales as compared to Q2 2009

<i>in millions</i>	Change		Estimated Impact of Foreign Currency
	As Reported Currency Basis	Constant Currency Basis	
United States	\$ (118)	\$ (118)	
EMEA	(29)	(5)	\$ (24)
Japan	(13)	(26)	13
Inter-Continental	14	(1)	15
International	(28)	(32)	4
Subtotal	(146)	(150)	4
Divested Businesses	0	0	0
Worldwide	\$ (146)	\$ (150)	\$ 4

**Q2 2010 Net Sales as compared to Q2
2009**

<i>in millions</i>	Change		Estimated Impact of Foreign Currency
	As Reported Currency Basis	Constant Currency Basis	
Cardiac Rhythm Management	\$ (82)	\$ (79)	\$ (3)
Interventional Cardiology	(79)	(84)	5
Peripheral Interventions	(5)	(5)	0
Cardiovascular Group	(84)	(89)	5
Electrophysiology	0	0	(0)
Neurovascular	(5)	(6)	1
Endoscopy	19	18	1
Urology/ Women's Health	6	6	0
Endosurgery Group	25	24	1
Neuromodulation	0	0	0
Subtotal	(146)	(150)	4
Divested Businesses	0	0	0
Worldwide	\$ (146)	\$ (150)	\$ 4

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)

**Q2 2010 YTD Net Sales as compared to Q2
2009**

<i>in millions</i>	Change		Estimated Impact of Foreign Currency
	As Reported Currency Basis	Constant Currency Basis	
United States	\$ (222)	\$ (222)	
EMEA	(5)	(10)	\$ 5
Japan	(9)	(30)	21

Inter-Continental	43	2	41
International	29	(38)	67
Subtotal	(193)	(260)	67
Divested Businesses	(3)	(3)	0
Worldwide	\$ (196)	\$ (263)	\$ 67

**Q2 2010 YTD Net Sales as compared to Q2
2009**

<i>in millions</i>	Change		Estimated Impact of Foreign Currency
	As Reported Currency Basis	Constant Currency Basis	
Cardiac Rhythm Management	\$ (132)	\$ (141)	\$ 9
Interventional Cardiology	(126)	(161)	35
Peripheral Interventions	2	(4)	6
Cardiovascular Group	(124)	(165)	41
Electrophysiology	1	0	1
Neurovascular	(5)	(10)	5
Endoscopy	47	38	9
Urology/ Women's Health	13	11	2
Endosurgery Group	60	49	11
Neuromodulation	7	7	0
Subtotal	(193)	(260)	67
Divested Businesses	(3)	(3)	0
Worldwide	\$ (196)	\$ (263)	\$ 67

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 2010 Estimate		Full Year 2010 Estimate	
	Low	High	Low	High
GAAP results	\$ 0.01	\$ 0.05	\$ (0.91)	\$ (0.81)
Goodwill impairment net charges			1.20	1.20
Intangible asset impairment charges			0.03	0.03
Acquisition-related credit			(0.14)	(0.14)
Estimated restructuring-related charges	0.02	0.01	0.10	0.08
Estimated amortization expense	0.07	0.07	0.26	0.26
Adjusted results	\$ 0.10	\$ 0.13	\$ 0.54	\$ 0.62

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 three and six months ended June 30, 2010 and 2009 and for the forecasted three month period ending September 30, 2010 and full year ending December 31, 2010, as well as reasons for excluding each of these individual items:

- Goodwill and other intangible asset impairment (credits) charges- These amounts represent non-cash net write-downs of certain of the Company's intangible assets and goodwill balances attributable to its U.S. Cardiac Rhythm Management business unit. Following the Company's acquisition of Guidant Corporation 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 charges (credits) – These adjustments consist of purchased research and development and a gain on an acquisition-related milestone receipt. Purchased research and development is a highly variable charge based on the extent and nature of external technology acquisitions during the period. The acquisition-related gain resulted from a receipt related to Guidant Corporation's sale of its vascular intervention and endovascular solutions businesses to Abbott Laboratories. These adjustments are 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.
- Divestiture-related gains – These amounts represent gains and related tax impacts that the Company recognized related to the sale of certain non-strategic investments. The sale of these non-strategic investments was completed during 2009. These gains 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 represent primarily severance, asset write-offs, costs to transfer production lines from one facility to another, and other costs associated with the Company's 2010 Restructuring plan, Plant Network Optimization program and 2007 Restructuring plan. These expenses 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.
- Litigation-related charges – These charges are attributable to certain patent litigation and other legal matters. These amounts represent significant charges during the first quarter of 2009 and do not reflect expected on-going operating expenses. 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 for comparison to the Company's 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 acquisitions or as a result of divestiture- and litigation-related charges or credits, 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:

- Amortization expense and goodwill and other intangible asset impairment (credits) charges, though not directly affecting Boston Scientific's cash flows, represent a net reduction in value of goodwill and other intangible assets. The (gain) loss 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 assets.
- Items such the gain on acquisition-related milestone receipt and divestiture-related gains reflect economic benefits to the Company and are not reflected in non-GAAP net income and non-GAAP net income per diluted share.
- Items such as purchased research and development, restructuring and restructuring-related costs, litigation-related 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 cash flows and GAAP net income and net income per diluted share.
- 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 evaluate and measure such performance.

SOURCE Boston Scientific Corporation

<https://stage.mediaroom.com/bostonscientific/financial-results-q2-2010>