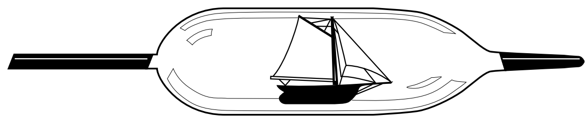

Boston Scientific Corporation and Subsidiaries
1995 Consolidated Financial Statements

Financial Table of Contents

Financial Highlights (unaudited)-Calendar Year Basis

(In thousands, except per share data)

Year Ended December 31,	1995	1994	1993
Net sales	$1,106,681	$867,413	$732,872
Gross profit	790,700	595,223	510,444
Operating income (*)	81,387	142,089	186,729
Net income (*)	8,408	98,170	121,417
Net income per common share (*)	$0.05	$0.58	$0.71

(*) 1995 amounts include $237.1 million ($195.3 million, net-of-tax) of non-recurring and special charges recorded in connection with the Company's 1995 acquisitions. 1994 amounts include special charges of $67.8 million ($43.1 million, net-of-tax) that are primarily related to a patent litigation judgment.

See notes to consolidated financial statements.

RESULTS OF OPERATIONS

In 1995, Boston Scientific (the Company) consummated five business combinations it believes will build a stronger foundation for the future. These transactions are expected to improve the strategic position of the Company to take advantage of additional significant growth opportunities in less invasive medicine. During the first quarter of 1995, the Company completed its mergers with SCIMED Life Systems, Inc. (SCIMED), Cardiovascular Imaging Systems, Inc. (CVIS) and Vesica Medical, Inc. (Vesica). During the fourth quarter of 1995, the Company consummated its mergers with Meadox Medicals, Inc. (Meadox) and Heart Technology, Inc. (Heart). In addition, during the fourth quarter, the Company announced its agreement to merge with EP Technologies, Inc. (EPT). The Company's strategic acquisitions continued in early 1996 as it consummated its merger with EPT and acquired Symbiosis Corporation (see liquidity discussion).

On February 24, 1995, the Company completed its merger with SCIMED. The transaction, which was accounted for as a pooling-of-interests, was effected through the exchange of 3.4152 shares of the Company's common stock in exchange for each SCIMED share held. Approximately 52.7 million shares of common stock were issued in connection with the SCIMED merger. SCIMED is a leader in the development, manufacture and marketing of medical devices used primarily to treat cardiovascular disease.

The Company's merger with CVIS was completed on March 9, 1995, and was accounted for under the purchase method of accounting. CVIS shareholders received $10.50 per share for an aggregate purchase price of $93.6 million (or approximately $82.0 million, net of cash acquired, cash received and to be received from a third party under an agreement, signed in conjunction with the acquisition, to license certain intravascular ultrasound technology). CVIS develops, manufactures and markets intravascular ultrasound imaging catheters and systems to aid in the diagnosis of cardiovascular disease.

On March 23, 1995, the Company completed the acquisition of Vesica, a urology-based company focused principally on the treatment of a form of urinary stress incontinence. The purchase price is not material to the Company's financial position or results of operations and the acquisition did not have a material pro forma impact on the Company's operations.

On November 16, 1995, the Company completed its merger with Meadox. To effect the merger, Boston Scientific exchanged approximately 10.2 million shares of the Company's common stock for all the issued and outstanding capital stock of Meadox on a fully diluted basis in a stock-for-stock, pooling-of-interests transaction. Meadox, a global leader in textile vascular prosthesis, markets a broad range of woven, knitted and collagen-sealed grafts.

On December 29, 1995, the Company completed its merger with Heart in a stock-for-stock transaction. The transaction, which is accounted for as a pooling-of-interests, was effected through the exchange of 0.675 shares of the Company's common stock for each Heart share held. Approximately 11.9 million shares of the Company's common stock were issued in connection with the Heart merger. Heart develops, manufactures and markets the Rotablator® system, a unique high-speed, diamond tip rotational device for the treatment of atherosclerosis in coronary and peripheral arteries.

The Company has substantially completed the integration of the businesses acquired early in 1995, and has begun the process of integrating the businesses acquired more recently. Management believes it has developed a sound plan for continuing and concluding the integration process, and that it will achieve that plan. However, in view of the number of major transactions undertaken by the Company, and the dramatic changes in the size of the Company and the complexity of its organization resulting from these transactions, management also believes that the successful implementation of its plan presents a significant degree of difficulty. The failure to integrate these businesses effectively could adversely affect the Company's operating results in the near term, and could impair the Company's ability to realize the strategic and financial objectives of these transactions.

The Company's fiscal year ends on December 31. In connection with the SCIMED merger, effective January 1, 1995, SCIMED changed its fiscal year end from the last day of February to December 31. Management of the Company believes that, for the purpose of comparability, financial statements that combine calendar year results for all periods are also meaningful for purposes of analyzing the results of operations and financial position of the combined entity. Accordingly, management's discussion of operations focuses its analysis on unaudited combined calendar year results.

The restated historical results of operations are not necessarily indicative of the operating results or financial position that would have occurred if the mergers had been consummated during the periods presented, nor are they necessarily indicative of future operating results or financial position.

YEARS ENDED DECEMBER 31, 1995 AND 1994

Net sales increased 27.6% in 1995 to $1,106.7 million from $867.4 million in 1994. Net income for the year decreased 91.4% to $8.4 million, or $0.05 per share, as compared to $98.2 million, or $0.58 per share, for the prior year. The reduction in net income from 1994 to 1995 was attributable to $237.1 million ($195.3 million, net-of-tax) of non-recurring and special charges recorded in connection with the acquisitions of SCIMED, CVIS, Vesica, Meadox and Heart, compared to $67.8 million ($43.1 million, net-of-tax) of non-recurring and special charges recorded in 1994 (see discussion following).

United States (U.S.) revenues increased approximately 19.0% from 1994 to 1995 to $738.7 million, while international revenues, including export sales, increased approximately 49.4% from 1994 to 1995 to $368.0 million. International sales as a percentage of worldwide sales increased from 28.4% in 1994 to 33.3% in 1995. The increase in international sales reflects results from the Company's strategy to strengthen its international presence by converting several of its distributor relationships to direct sales operations. International sales during 1995 and 1994 were also positively impacted by approximately $17.9 million and $3.0 million, respectively, of favorable exchange rate movements caused primarily by the weakening of the U.S. dollar versus major European currencies and the Japanese yen. Worldwide vascular sales increased 29.9% from 1994 to 1995 from $670.7 million to $871.4 million and worldwide non-vascular sales during the same periods increased 19.6% from $196.7 million to $235.3 million.

The Company enters into forward foreign exchange contracts to hedge foreign currency transactions on a continuing basis for periods consistent with commitments. The Company's foreign exchange contracts, which were immaterial at December 31, 1995, do not subject the Company to material risk due to exchange rate movements because gains and losses on these contracts offset losses and net gains on the assets and liabilities being hedged. During 1995, net foreign currency transaction and translation net gains that are reflected as Other Income on the Consolidated Statements of Income, totaled approximately $7.6 million compared to $2.8 million in 1994.

Gross profit as a percentage of net sales was approximately 71.4% and 68.6% during 1995 and 1994, respectively. During 1995, the Company's gross margins improved as a result of the Company's U.S. cost containment programs, an increase in the percentage of international sales compared to U.S. sales, the benefits of converting from selling through international distributors to direct sales operations, and a shift in the Company's product sales mix. However, the positive impact of these initiatives was partially offset by a slight decline in average selling prices due to continuing efforts to contain healthcare costs and due to increased competition.

During 1996, the Company expects to continue to convert international distribution channels to direct sales forces. However, management believes that the favorable impact on gross margins resulting from the conversions will not be as significant as that realized in 1995. Uncertainty remains with regard to future changes within the healthcare industry. Continued consolidation among U.S. healthcare providers and the trend towards managed care in the U.S. may result in continued pressure on selling prices of certain products and resulting compression on gross margins. In addition, international markets are also being effected by economic pressure to contain healthcare costs. Although these factors will continue to impact the rate at which Boston Scientific can grow, the Company believes that it is well positioned to take advantage of opportunities for growth that exist in the markets it serves.

Selling, general and administrative expenses increased 23.9% from $291.1 million in 1994 to $360.6 million in 1995, however, these expenses decreased from approximately 33.6% to 32.6% of net sales. The increase in overall expense dollars reflects continued expansion of the Company's domestic and international sales organizations and related marketing support.

Royalty expenses decreased 3.4% from $25.1 million in 1994 to $24.3 million in 1995 and decreased from approximately 2.9% of net sales to 2.2% of net sales. The decrease is primarily attributable to a decrease in EXPRESS® catheter sales. (See discussion of the litigation involving SCIMED's EXPRESS catheter following).

Research and development expenses increased 26.5% from $69.0 million in 1994 to $87.3 million in 1995 and remained approximately 8.0% of net sales. The increase in dollars reflects increased spending in regulatory, clinical research and various other product development programs, and reflects the Company's continued commitment to refine existing products and procedures and to develop new technologies that provide simpler, less traumatic, less costly and more efficient diagnosis and treatment. The trend toward more stringent U.S. Food and Drug Administration (FDA) oversight in product clearance and enforcement activities has generally caused medical device manufacturers to experience more uncertainty, greater risk and higher expenses. In addition, FDA approval times for new products continues to be lengthy, a concern of medical device manufacturers generally.

In connection with the acquisitions of SCIMED, CVIS, Vesica, Meadox, and Heart, during 1995, the Company recorded non-recurring and special charges of $237.1 million ($195.3 million, net-of-tax). Charges included $32.6 million for purchased research and development, $37.5 million in direct transaction costs, and $167.0 million of estimated costs to be incurred in merging the separate operating businesses of SCIMED, Meadox and Heart with subsidiaries of the Company. Estimated costs include those typical in a merging of operations and relate to, among other things, rationalization of facilities and administration, severance, and unwinding of various contractual commitments. During 1994, the Company recorded charges of $67.8 million ($43.1 million, net-of-tax); $66.0 million of which related to the litigation described below.

In April 1991, Schneider (USA) Inc. and Schneider (Europe) AG filed a lawsuit alleging that the Company's EXPRESS balloon catheter infringed a Schneider patent. The complaint was subsequently amended to include the RALLY® catheter. The United States District Court for the District of Minnesota ruled on March 4, 1994 that the patent is valid, that the Company's EXPRESS and RALLY catheters infringe the patent and that the infringement was not willful. The Court issued an immediate injunction against the U.S. manufacture and sale of the EXPRESS catheter which the Company had not sold in the U.S. since November 30, 1993. The Company was allowed to continue selling the RALLY catheter in the U.S. for a one-year term through March 3, 1995, after which time a permanent injunction went into effect, and the Company paid a royalty on all RALLY catheters manufactured or sold in the U.S. during that time. Royalties paid, primarily in 1994, under this Court Order were $4.3 million. The total amount of damages, including pre-judgment interest, owed by the Company was set at $63.5 million. The Company appealed the judgment and the Schneider companies subsequently cross appealed. In April 1995, the United States Court of Appeals for the Federal Circuit affirmed all of the District Court's holdings. The Company petitioned for a review by the United States Supreme Court of two issues related to standing and damages. The petition was denied in October 1995. Payment of the judgment was made in August 1995.

Interest and dividend income was approximately the same during 1995 and 1994 ($12.7 million in 1995 compared to $12.6 million in 1994). Higher average interest rates earned on investments was offset by a reduction of the Company's investment holdings resulting from its strategic initiatives. Interest expense increased from $7.3 million in 1994 to $8.2 million in 1995. The increase in interest expense is primarily attributable to interest expense incurred on funds borrowed in late 1994 to purchase Heart's new headquarters facility. Other income (expense), net, improved from ($4.1 million) in 1994 to ($180,000) in 1995. The improvement is primarily attributable to approximately $7.6 million of net foreign exchange gains recorded in 1995 compared to approximately $2.8 million recorded in 1994, and, in 1994, the Company recorded $2.5 million for litigation settlement expense.

The Company's effective tax rate was approximately 31.5% in 1994 and 90.2% in 1995. The effective tax rates for 1994 and 1995 include the impact of non-recurring and special charges (see previous discussion) and 1994's results include $6.6 million in benefit for income taxes resulting from the reversal of a deferred tax asset valuation allowance. Excluding these items, the pro forma effective tax rate was approximately 36.2% during 1994 and 36.9% during 1995. During 1995, the Company reorganized its international legal structure which contributed to a reduction in the effective tax rate. However, the benefits were offset by the impact of Heart's reporting income tax expense for the first time. The Company expects to continue to realize tax benefits from its new international legal structure.

Years Ended December 31, 1994 and 1993

Net sales increased 18.4% in 1994 to $867.4 million from $732.9 million in 1993. Net income for the year decreased 19.1% to $98.2 million, or $0.58 per share, as compared to $121.4 million, or $0.71 per share, for the prior year. U.S. revenues increased approximately 8.4% from 1993 to 1994 to $621.0 million while international revenues, including export sales, increased approximately 47.8% from 1993 to 1994 to $246.4 million. U.S. revenues during 1994 were impacted by the withdrawal of SCIMED's EXPRESS catheter from the U.S. market at the end of November 1993. (See previous discussion of the litigation involving SCIMED's EXPRESS catheter). In addition, an increase in competitive offerings in the single-operator exchange catheter segment affected SCIMED's RALLY catheter sales. The increase in international sales reflects the Company's strategy to strengthen its international presence by converting several of its distributor relationships to direct sales operations. International sales during 1994 were also positively impacted by approximately $3.0 million of favorable exchange rate movements caused primarily by the weakening of the U.S. dollar versus major European currencies and the Japanese yen. Fluctuations in foreign currencies did not significantly impact 1993 revenue performance measured in U.S. dollars.

The Company enters into forward foreign exchange contracts to hedge foreign currency transactions on a continuing basis for periods consistent with commitments. The Company's foreign exchange contracts do not subject the Company to material risk due to exchange rate movements because gains and losses on these contracts offset losses and gains on the assets and liabilities being hedged. As of December 31, 1994, the Company's had approximately $3.4 million of net foreign exchange contracts in European currencies and Japanese yen outstanding. Net foreign currency transaction and translation gains were approximately $2.8 million in 1994 and were not material to the Company's 1993 consolidated results of operations.

Gross profit as a percentage of net sales was approximately 68.6% and 69.6% during 1994 and 1993, respectively. During 1994, the Company's U.S. gross margins were negatively impacted compared to 1993 by a slight decline in average selling prices due to continuing healthcare reform efforts and increased competition. However, the impact of U.S. cost containment programs partially offset these conditions. International gross margins were positively impacted compared to 1993 by increases in average selling prices due to the effect of changes from distributor pricing to customer pricing in those countries where the Company converted from distributor to direct sales operations.

Selling, general and administrative expenses increased 20.5% from $241.7 million in 1993 to $291.1 million in 1994 and was approximately 33.0% and 33.6% of net sales during the same periods. The increase from 1993 to 1994 reflects continued expansion of the Company's domestic and international sales organizations and related marketing support.

Royalty expenses decreased 4.2% from $26.2 million (3.6% of net sales) in 1993 to $25.1 million (2.9% of net sales) in 1994. The decrease in dollars is primarily attributable to a decrease in EXPRESS catheter sales. (See discussion of the litigation involving SCIMED's EXPRESS catheter.)

Research and development expenses increased from $54.8 million in 1993 to $69.0 million in 1994 and increased as a percentage of sales from approximately 7.5% in 1993 to 8.0% in 1994. The increase reflects increased spending in regulatory, clinical research and various other product development programs, and reflects the Company's continued commitment to refine existing products and procedures and to develop new technologies intended to provide simpler, less traumatic, less costly and more efficient diagnosis and treatment.

During 1994, the Company recorded special charges of $67.8 million ($43.1 million, net-of-tax). The special charges related primarily to a $66.0 million pre-tax provision recorded by SCIMED for patent litigation with Schneider (USA) Inc. and Schneider (Europe) AG, subsidiaries of Pfizer, Inc. (see previous discussion).

Interest and dividend income increased from approximately $10.8 million in 1993 to $12.6 million in 1994. The increase resulted primarily from investing cash provided by the Company's operating activities. Interest expense increased from $3.8 million in 1993 to $7.3 million in 1994. The increase is primarily attributable to accrued interest on the $66.0 million Schneider litigation judgment.

Income taxes decreased as a percentage of income before taxes from approximately 36.8% in 1993 to 31.5% in 1994. The decrease was primarily attributable to a $6.6 million in benefit for income taxes resulting from the reversal of a deferred tax asset valuation allowance. However, the benefit was partially offset by a greater percentage of the Company's pretax profits being realized by international operations which generally have higher effective tax rates than U.S. operations.

LIQUIDITY AND CAPITAL RESOURCES

During 1995, the Company invested in several strategic initiatives in order to take advantage of certain growth opportunities that exist in less invasive medicine. Cash, cash equivalents, short-term investments, and treasury securities totaled approximately $150.8 million as of December 31, 1995 compared to $343.8 million as of December 31, 1994. Working capital was reduced from $398.9 million to $266.6 million at the same dates, and cash provided by operating activities (fiscal year basis) decreased from $106.7 million during 1994 to $24.6 million during 1995. The reduction in cash provided from operating activities was primarily attributable to cash used to pay certain merger-related costs (see discussion following) and to pay a $44.3 million, net-of-tax, including interest, patent litigation judgment.

The Company continued to effectively manage accounts receivable and inventory during 1995. During 1995, accounts receivable increased as a result of the Company's sales growth, while investments in inventory have been made to support international growth and the shift from international distributors to direct sales forces. Selling directly to international customers has resulted in a reduction in the Company's concentration of risk relating to collection of accounts receivable at December 31, 1995. Thus, the Company's allowance for accounts receivable as of December 31, 1995 has not increased in the same proportion as gross accounts receivable. The dollar increase in the December 31, 1995 inventory levels as compared to those as of December 31, 1994 is primarily attributable to increased sales volume, the number of new products that must be stocked, and investments in inventory to support international growth and changing distribution channels. Technological change and intense competition in the medical device market result in a limited economic life for some products. The Company believes that it has in place appropriate procedures to manage inventory levels and exposure to obsolescence. The process of developing new products, gaining regulatory approval, and manufacturing new products in a well-established timeline allows for careful management of inventory levels.

Cash used for investing activities for 1995 (fiscal year basis) was $163.6 million and was used primarily to continue construction of the Company's Irish manufacturing facility, to acquire CVIS, and to invest in other strategic technologies.

During 1995, net cash provided by financing activities (fiscal year basis) was approximately $5.5 million and consisted primarily of net repayments of lines of credit borrowings and cash received from the exercise of stock options.

On January 22, 1996, the Company completed its merger with EPT in a stock-for-stock transaction. The transaction, which is accounted for as a pooling-of-interests, was effected through the exchange of 0.297 shares of the Company's common stock for each EPT share held. Approximately 3.4 million shares of the Company's common stock were issued in conjunction with the EPT merger. EPT designs, develops, manufactures and markets advanced electrophysiology catheters and systems for use in minimally invasive procedures to diagnose and treat tachyarrhythmias (abnormally rapid heart rates resulting from defective or diseased cardiac tissues that interfere with the normal conduction of electrical activity responsible for heart muscle contraction).

On March 14, 1996, the Company acquired Symbiosis, formerly a wholly-owned subsidiary of American Home Products Corporation. Boston Scientific purchased Symbiosis, a developer and manufacturer of specialty medical devices for approximately $153.0 million in a cash transaction of which $100.0 million was financed on an interim basis by the seller.

The Company expects to record non-recurring and special charges in connection with the acquisitions of EPT and Symbiosis. The amount of such charges cannot be determined until management has evaluated the needs of the combined operations, a valuation of net realizable value of Symbiosis' assets and liabilities is performed, and the amount of purchased research and development is determined.

As discussed previously, the Company recorded non-recurring and special charges of $237.1 million in conjunction with its mergers with SCIMED, CVIS, Vesica, Meadox and Heart. During 1995, cash payments relating to these charges were approximately $48.5 million and estimated cash payments relating to these charges for 1996 and beyond are $80.1 million and $37.8 million, respectively.

Over the past twelve months, the Company has entered into several other transactions involving acquisitions and alliances, certain of which have involved equity investments. As the healthcare environment continues to undergo rapid change, management expects that it will continue to be active in making acquisitions and entering into strategic alliances. In addition, the Company expects to incur capital expenditures of approximately $125.0 million in 1996, including construction of additional manufacturing and distribution space and initial development of a global information system. The Company is pursuing additional financing capability of approximately $300.0 million, although there are no assurances that the financing can be obtained. The Company expects its cash and cash equivalents, short-term investments, cash flows from operating activities, and projected borrowing capacity will be sufficient to meet its projected cash needs, at least through the end of 1996.

Consolidated Statements of Income-Fiscal Year Basis

(In thousands, except share and per share data)

FISCAL YEAR BASIS FOR YEARS PRIOR TO 1995 (See Note B)

Year Ended December 31,	1995	1994	1993
Net sales	$1,106,681	$876,822	$739,660
Cost of products sold	315,981	273,580	226,820
Gross profit	790,700	603,242	512,840
Selling, general and administrative expenses	360,615	290,709	249,614
Royalties	24,278	25,589	24,430
Research and development expenses	87,326	70,441	56,004
Purchased research and development	32,646		
Special charges	204,448		67,000
	709,313	386,739	397,048
Operating income	81,387	216,503	115,792
Other income (expense):			
Interest and dividend income	12,738	13,221	11,095
Interest expense	(8,172)	(8,153)	(3,701)
Other, net	(180)	(3,306)	(1,164)
Income before income taxes	85,773	218,265	122,022
Income taxes	77,365	73,551	45,219
Net income	$ 8,408	$144,714	$ 76,803
Net income per common share	$0.05	$0.84	$0.45
Primary weighted average number of common shares	174,173,000	171,435,000	170,885,000

See notes to consolidated financial statements.

Consolidated Balance Sheets-Fiscal Year Basis

(In thousands, except share and per share data)

FISCAL YEAR BASIS FOR 1994 (See Note B)

December 31,	1995	1994
ASSETS		
Current assets:		
Cash and cash equivalents	$ 115,150	$ 253,661
Short-term investments	30,624	91,390
Treasury security	5,000	5,000
Trade accounts receivable, net	209,535	147,004
Inventories	144,615	102,025
Deferred income taxes	12,603	58,598
Deferred merger-related expenses	165	16,940
Prepaid expenses and other current assets	19,365	18,182
Total current assets	537,057	692,800
Property, plant, equipment and leaseholds, net	246,729	212,748
Assets under capital leases, net	7,039	7,422
Other assets:		
Intangibles, net	137,704	75,130
Equity investments	67,988	16,006
Deferred income taxes	46,352	5,201
Other assets	32,404	17,006
	284,448	113,343
	$1,075,273	$1,026,313

See notes to consolidated financial statements.

Consolidated Balance Sheets-Fiscal Year Basis (continued)

(In thousands, except share and per share data)

FISCAL YEAR BASIS FOR 1994 (See Note B)

December 31,	1995	1994
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Borrowings due within one year	$ 57,520	$ 88,948
Accounts payable	42,240	33,926
Accrued expenses	60,886	54,965
Accrual related to special charges	80,144	79,499
Income taxes payable	16,066	17,079
Other current liabilities	13,625	4,017
Total current liabilities	270,481	278,434
Long-term debt	4,162	16,800
Obligations under capital leases	9,040	8,919
Accrual related to special charges	37,699	3,461
Other long-term liabilities	1,359	
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $ .01 par value - authorized 25,000,000 shares, none issued and outstanding		
Common stock, $ .01 par value - authorized 300,000,000 shares, 175,685,147 shares issued at December 31, 1995 and 175,292,517 shares issued at December 31, 1994	1,757	1,753
Additional paid-in capital	329,915	316,431
Retained earnings	455,545	459,057
Foreign currency translation adjustment	(14,739)	(284)
Unrealized gain on available-for-sale securities, net	6,350	13
Treasury stock, at cost - 2,425,490 shares at December 31, 1995 and 4,748,844 shares at December 31, 1994	(26,296)	(58,271)
Total stockholders' equity	752,532	718,699
	$1,075,273	$1,026,313

See notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity-Fiscal Year Basis

(In thousands, except share data)

FISCAL YEAR BASIS FOR YEARS PRIOR TO 1995 (See Note B)

Year Ended December 31, 1995, 1994 and 1993	Common Stock Shares Issued	Common Stock Par Value	Additional Paid-In Capital	Retained Earnings	Foreign Currency Translation Adjustment	Unrealized Gain On Available-for-Sale Securities, Net	Treasury Stock	Total
Balance at December 31, 1992	172,448,752	$1,724	$285,937	$238,207	$ 971		$ (9,985)	$516,854
Net income				76,803				76,803
Foreign currency translation adjustment					(2,818)			(2,818)
Issuance of common stock under options, warrants and stock purchase plans	1,334,562	14	3,939	(259)			646	4,340
Tax benefit relating to incentive stock option and employee stock purchase plans			1,760					1,760
Purchase of common stock for treasury (4,657,500 shares)							(57,440)	(57,440)
Contingent stock repurchase obligation			(10,938)					(10,938)
Put options exercised (250,000 shares), net of proceeds received			894				(4,060)	(3,166)
Other	10,050		2,755				5,473	8,228
Balance at December 31, 1993	173,793,364	1,738	284,347	314,751	(1,847)		(65,366)	533,623
Net income				144,714				144,714
Foreign currency translation adjustment					1,563			1,563
Issuance of common stock under options, warrants and stock purchase plans	1,500,054	15	8,629	(408)			1,540	9,776
Tax benefit relating to incentive stock option and employee stock purchase plans			5,613					5,613
Expiration of stock repurchase obligation			10,938					10,938
Net change in equity investments						$ 13		13
Other	(901)		6,904				5,555	12,459
Balance at December 31, 1994	175,292,517	1,753	316,431	459,057	(284)	13	(58,271)	718,699

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY-FISCAL YEAR BASIS (CONTINUED)

(In thousands, except share data)

FISCAL YEAR BASIS FOR YEARS PRIOR TO 1995 (See Note B)

Year Ended December 31, 1995, 1994 and 1993	Common Stock Shares Issued	Common Stock Par Value	Additional Paid-In Capital	Retained Earnings	Foreign Currency Translation Adjustment	Unrealized Gain On Available-for-Sale Securities, Net	Treasury Stock	Total
Balance at December 31, 1994	175,292,517	$1,753	$316,431	$459,057	$ (284)	$ 13	$ (58,271)	$718,699
Net income				8,408				8,408
Foreign currency translation adjustment					(14,455)			(14,455)
Issuance of common stock under options, warrants, and stock purchase plans	392,630	4	594	(600)			31,975	31,973
Tax benefit relating to incentive stock option and employee stock purchase plans			13,068					13,068
Change in fiscal year of a pooled entity				(11,456)				(11,456)
Net change in equity investments						6,337		6,337
Other			(178)	136				(42)
Balance at December 31, 1995	175,685,147	$1,757	$329,915	$455,545	$(14,739)	$6,350	$(26,296)	$752,532

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows-Fiscal Year Basis

(In thousands)

FISCAL YEAR BASIS FOR YEARS PRIOR TO 1995 (See Note B)

Year ended December 31,	1995	1994	1993
OPERATING ACTIVITIES:			
Net income	$ 8,408	$144,714	$ 76,803
Adjustments to reconcile net income to cash provided by operating activities:			
Net cash adjustment to conform year end of pooled entity	(11,472)		
Depreciation and amortization	39,512	36,635	26,293
Deferred income taxes	(22,276)	(21,001)	(38,326)
Noncash special charges write-offs	47,883		
Increase (decrease) in cash flows from operating assets and liabilities net of effects from purchase of CVIS:			
Trade accounts receivable	(67,326)	(33,187)	(21,461)
Inventories	(45,428)	(23,021)	(12,354)
Prepaid expenses and other assets	12,283	(3,335)	(8,141)
Accounts payable	8,667	5,832	8,546
Accrued expenses	153	5,149	4,501
Deferred merger-related expenses	16,775	(16,940)	
Accrual related to special charges	50,537	13,499	66,000
Income taxes payable	(14,119)	(3,350)	2,528
Other, net	954	1,681	5,478
Cash provided by operating activities	24,551	106,676	109,867
INVESTING ACTIVITIES:			
Purchases of property, plant, and equipment	(68,632)	(79,848)	(78,841)
Purchases of held-to-maturity short-term investments	(35,123)	(112,278)	(41,320)
Maturities of held-to-maturity short-term investments	96,624	161,601	40,282
Purchases of available-for-sale short-term investments		(7,000)	
Sales of available-for-sale short-term investments		1,000	
Net purchases of short-term investments			(25,238)
Payments for acquisitions of certain technologies	(9,009)	(18,737)	(27,623)
Payment for purchase of CVIS, net of cash acquired	(87,783)		
Purchases of equity investments	(59,277)	(6,419)	(7,193)
Sales of equity investments		16,693	10,133
Purchase of treasury security		(5,000)	(5,000)
Sale of treasury security		5,000	5,017
Investments and other	(374)	(12,509)	(8,108)
Cash used in investing activities	(163,574)	(57,497)	(137,891)
FINANCING ACTIVITIES:			
Proceeds from notes payable and long-term borrowings	27,400	54,542	47,760
Principal payments on notes payable, long-term borrowings and capital leases	(66,929)	(11,154)	(17,495)
Acquisitions of treasury stock			(57,440)
Exercise of put options, net of proceeds received			(3,166)
Proceeds from exercise of stock options	31,973	9,776	4,292
Tax benefit relating to stock option plans and employee stock purchase plans	13,068	5,614	1,760
Other	(61)		46
Cash provided by (used for) financing activities	5,451	58,778	(24,243)
Effect of foreign exchange rates on cash	(4,939)	(1,477)	(1,107)
Net increase (decrease) in cash and cash equivalents	(138,511)	106,480	(53,374)
Cash and cash equivalents at beginning of period	253,661	147,181	200,555
Cash and cash equivalents at end of period	$115,150	$253,661	$147,181
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Additions to obligations under capital leases		$ 2,902	$ 1,859
Payments due in connection with purchase of technology	$ 10,000	4,921	
Assumption of mortgage in connection with purchase of real estate	400		4,150
Discharge of promissory note in connection with purchase of real estate			3,045

See notes to consolidated financial statements.

Consolidated Condensed Statements of Income (unaudited)-Calendar Year Basis

(In thousands, except share and per share data)

CALENDAR YEAR BASIS (See Note B)

Year Ended December 31,	1995	1994	1993
Net sales	$1,106,681	$867,413	$732,872
Cost of products sold	315,981	272,190	222,428
Gross profit	790,700	595,223	510,444
Selling, general and administrative expenses	360,615	291,138	241,689
Royalties	24,278	25,127	26,217
Research and development expenses	87,326	69,026	54,809
Purchased research and development	32,646		
Special charges	204,448	67,843	1,000
	709,313	453,134	323,715
Operating income	81,387	142,089	186,729
Other income (expense):			
Interest and dividend income	12,738	12,636	10,798
Interest expense	(8,172)	(7,281)	(3,737)
Other	(180)	(4,058)	(1,741)
Income before income taxes	85,773	143,386	192,049
Income taxes	77,365	45,216	70,632
Net income	$ 8,408	$ 98,170	$121,417
Net income per common share	$0.05	$0.58	$0.71
Primary weighted average number of common shares	174,173,000	170,481,000	170,895,000

See notes to consolidated financial statements.

Consolidated Condensed Balance Sheets (unaudited)-Calendar Year Basis

(In thousands, except share and per share data)

CALENDAR YEAR BASIS (See Note B)

December 31,	1995	1994
ASSETS		
Current assets:		
Cash and cash equivalents	$ 115,150	$242,189
Short-term investments	30,624	101,601
Treasury security	5,000	
Trade accounts receivable, net	209,535	141,679
Inventories	144,615	100,836
Deferred income taxes	12,603	49,537
Deferred merger-related expenses	165	
Prepaid expenses and other current assets	19,365	19,423
Total current assets	537,057	655,265
Property, plant, equipment and leaseholds, net	246,729	211,856
Assets under capital leases, net	7,039	7,422
Other assets:		
Intangibles, net	137,704	75,904
Equity investments	67,988	15,263
Deferred income taxes	46,352	7,878
Other assets	32,404	15,108
	284,448	114,153
	$1,075,273	$988,696

See notes to consolidated financial statements.

(In thousands, except share and per share data)

CALENDAR YEAR BASIS (See Note B)

December 31,	1995	1994
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Borrowings due within one year	$ 57,520	$ 86,860
Accounts payable	42,240	32,907
Accrued expenses	60,886	52,162
Accrual related to special charges	80,144	66,441
Income taxes payable	16,066	13,647
Other current liabilities	13,625	4,367
Total current liabilities	270,481	256,384
Long-term debt	4,162	16,800
Obligations under capital leases	9,040	8,919
Accrual related to special charges	37,699	3,540
Other long-term liabilities	1,359	
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $ .01 par value - authorized 25,000,000 shares, none issued and outstanding		
Common stock, $ .01 par value - authorized 300,000,000 shares, 175,685,147 shares issued at December 31, 1995 and 166,646,014 shares issued at December 31, 1994	1,757	1,666
Additional paid-in capital	329,915	310,716
Retained earnings	455,545	447,601
Foreign currency translation adjustment	(14,739)	662
Unrealized gain on available-for-sale securities, net	6,350	679
Treasury stock, at cost - 2,425,490 shares at December 31, 1995 and 4,748,844 shares at December 31, 1994	(26,296)	(58,271)
Total stockholders' equity	752,532	703,053
	$1,075,273	$988,696

See notes to consolidated financial statements.

NOTE A—MERGERS AND ACQUISITIONS

On February 24, 1995, Boston Scientific Corporation (Boston Scientific or the Company) completed its merger with SCIMED Life Systems, Inc. (SCIMED) in a stock-for-stock transaction. The transaction, which is accounted for as a pooling-of-interests, was effected through the exchange of 3.4152 shares of the Company's common stock in exchange for each SCIMED share held. Approximately 52.7 million shares of common stock were issued in connection with the SCIMED merger. SCIMED is a leader in the development, manufacture and marketing of medical devices used primarily to treat cardiovascular disease.

On March 9, 1995, the Company completed its merger with Cardiovascular Imaging Systems, Inc. (CVIS), which is accounted for under the purchase method of accounting. CVIS shareholders received $10.50 per share for an aggregate purchase price of $93.6 million (or approximately $82.0 million, net of cash acquired, cash received and to be received from a third party under an agreement, signed in conjunction with the acquisition, to license certain intravascular ultrasound technology). CVIS develops, manufactures and markets intravascular ultrasound imaging catheters and systems to aid in the diagnosis of cardiovascular disease.

On March 23, 1995, the Company completed the acquisition of Vesica Medical, Inc. (Vesica), a urology-based company focused principally on the treatment of a form of urinary stress incontinence. The acquisition is accounted for under the purchase method of accounting. The purchase price is not material to the Company's financial position or results of operations and the acquisition did not have a material pro forma impact on the Company's operations.

On November 16, 1995, the Company completed its merger with Meadox Medicals, Inc. (Meadox). To effect the merger, Boston Scientific exchanged approximately 10.2 million shares of the Company's common stock for all the issued and outstanding capital stock of Meadox on a fully-diluted basis in a stock-for-stock, pooling-of-interests transaction. For the nine-month period ended September 30, 1995, Meadox reported net sales of $72.9 million and net income of $4.6 million. Meadox, a global leader in textile vascular prosthesis, markets a broad range of woven, knitted and collagen-sealed grafts.

On December 29, 1995, the Company completed its merger with Heart Technology, Inc. (Heart) in a stock-for-stock transaction. The transaction, which is accounted for as a pooling-of-interests, was effected through the exchange of 0.675 shares of the Company's common stock for each Heart share held. Approximately 11.9 million shares of the Company's common stock were issued in connection with the Heart merger. For the nine-month period ended September 30, 1995, Heart reported net sales of $58.8 million and net income of $7.0 million. Heart develops, manufactures and markets the Rotablator system, a unique high-speed, diamond tip rotational device for the treatment of atherosclerosis in coronary and peripheral arteries.

During 1995, the Company also announced the signing of a definitive agreement to merge with EP Technologies, Inc.; the merger was consummated in early 1996. On March 14, 1996, the Company acquired Symbiosis Corporation, formerly a wholly-owned subsidiary of American Home Products Corporation.

For further information concerning these acquisitions, see Notes N, O and P.

NOTE B—SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its subsidiaries, substantially all of which are wholly-owned, and include the results of SCIMED, Meadox, and Heart accounted for as poolings-of-interests, for all periods presented. The statements for 1995 also include the results of CVIS, post-acquisition, March 1995. Investments in affiliates, representing 20% to 50% of the ownership of such companies, are accounted for under the equity method. Investments in affiliates, representing less than 20% of the ownership of such companies, are accounted for under the cost method. Substantially all intercompany accounts and transactions are eliminated upon consolidation.

Fiscal Year: The Company, Meadox and Heart have fiscal years ending on December 31. In connection with the SCIMED merger, effective January 1, 1995, SCIMED changed its fiscal year end from the last day of February to December 31. As a result of the change in SCIMED's fiscal year, the operations for the period January 1, 1995 through February 28, 1995 have been included in the results of operations of Boston Scientific both for the years ended December 31, 1995 and 1994. Summarized results of SCIMED's operations for this two-month period are: Net sales: $54.9 million; Gross margin: $42.4 million; Operating income: $18.3 million; Net income: $11.5 million.

These Notes to Consolidated Financial Statements reflect Boston Scientific's calendar year results with SCIMED's fiscal year results for all periods prior to January 1, 1995. Management of the Company believes that statements that combine calendar year results for all periods are also meaningful, for purposes of comparability, when analyzing the results of operations and financial position of the combined entity. Accordingly, the Company has also provided Unaudited Consolidated Condensed Statements of Income for the three years ended December 31, 1995 and Unaudited Consolidated Condensed Balance Sheets as of December 31, 1995 and 1994 on a calendar year basis.

Accounting Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Translation of Foreign Currency: All assets and liabilities of foreign subsidiaries are translated at the rate of exchange at year end while sales and expenses are translated at the average rates in effect during the year. The net effect of these translation adjustments is shown in the accompanying financial statements as a component of stockholders' equity.

Cash and Cash Equivalents: The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Short-Term Investments: Short-term investments are recorded at fair value, which approximates cost.

Concentration of Credit Risk: Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of temporary cash and cash equivalents, marketable securities and accounts receivable. The Company invests its excess cash primarily in high quality securities and limits the amount of credit exposure to any one financial institution. The investment policy limits the Company's exposure to concentration of credit risk and changes in market conditions.

The Company provides credit, in the normal course of business, primarily to hospitals, private and governmental institutions and healthcare agencies and doctors' offices. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses which, when realized, have been within the range of management's expectations. Credit risk on trade receivables is minimized as a result of the large and diverse nature of the Company's worldwide customer base.

Inventories: Inventories are stated at the lower of first-in, first-out cost or market.

Property, Plant, Equipment and Leaseholds: Property, plant, equipment and leaseholds are stated at historical cost. Expenditures for maintenance and repairs are charged to expense; betterments are capitalized. The Company provides for depreciation and amortization by the straight-line method at rates which are intended to depreciate and amortize the cost of these assets over their estimated useful lives. Buildings and improvements are depreciated over a 15- to 40-year life; equipment, software and office furniture and fixtures are depreciated over a 2- to 7-year life.

Capital Leases: Assets and liabilities relating to capital leases are recorded at the present value of the future minimum rental payments using interest rates appropriate at the inception of the lease. Capital lease amortization is provided on a straight-line basis over the initial term of the lease and is included with depreciation expense.

Intangible Assets: Intangibles assets are amortized using the straight line method over the following depreciable lives:

Patents and trademarks	3 - 20 years
Licenses	3 - 20 years
Purchased technologies	3 - 20 years
Excess of cost over net assets acquired	15 - 40 years
Other intangibles	Various

The Company examines the carrying value of its goodwill and other long-lived intangible assets to determine whether there are any impairment losses. If indicators of impairment were present in long-lived intangible assets used in operations, and future cash flows were not sufficient to recover the assets carrying amount, an impairment loss would be charged to expense in the period identified. No event has been identified that would impair the value of long-lived intangible assets recorded in the accompanying consolidated financial statements.

Income Taxes: The Company utilizes the liability method for accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

At December 31, 1995, unremitted earnings of subsidiaries outside the United States (U.S.) were $82.8 million (at current balance sheet exchange rates) on which no U.S. taxes have been provided. If such earnings were to be remitted without offsetting tax credits in the U.S., withholding taxes would approximate $4.5 million. The Company's intention, however, is to permanently reinvest these earnings or to repatriate such earnings only when it is tax effective to do so. Research and development tax credits are recorded as a reduction in income tax expense in the year realized.

Foreign Exchange Contracts: The Company enters into forward foreign exchange contracts to hedge foreign currency transactions on a continuing basis for periods consistent with commitments. The Company does not engage in speculation. The Company's foreign exchange contracts do not subject the Company to material risk due to exchange rate movements because gains and losses on these contracts offset losses and gains on the assets and liabilities being hedged. As of December 31, 1995, the amount of foreign exchange contracts outstanding was not material. The Company had approximately $3.4 million of net forward foreign exchange contracts outstanding in European currencies and Japanese yen as of December 31, 1994. The maturities of foreign exchange contracts generally do not exceed three months. Net foreign currency transaction gains, which are included in other income, were approximately $7.6 million and $2.8 million during 1995 and 1994, respectively.

Foreign Grants: During 1994, the Company established a manufacturing operation in Galway, Ireland. In conjunction with this effort, the Company executed an agreement with the Industrial Development Authority of Ireland under which the Company will earn funds under two grants – the Capital Grant and the Training Grant.

Under the Capital Grant, the Company will receive grant money equal to a percentage of expenditures on eligible capital equipment. As money is received, it is recorded as deferred income (approximately $3.9 million at December 31, 1995) and is then spread ratably at the same depreciation rates as the underlying assets. The grant money would be repayable, in whole or in part, should the Company fail to meet certain employment goals established under the agreement that are to be achieved over an implementation period or if the Company discontinues operations in Ireland prior to the termination of the agreement.

Under the Training Grant, the Company receives grant money equal to its expenditure on training in accordance with the agreement. The Company records an asset for amounts owed under the grant and offsets the underlying expenses. There are no repayment stipulations for the Training Grant.

Revenue Recognition: The Company recognizes revenue from the sale of its products when the products are shipped to its customers. The Company allows its customers to return certain product for credit. The Company also allows customers to return defective or damaged product for credit or replacement. Returned merchandise will be accepted only with written authorization from the Company. Accruals are made and evaluated for adequacy on a monthly basis for all returns. Historically, accruals for product returns have not been material.

Research and Development: Research and development costs are expensed as incurred.

Net Income (Loss) Per Common Share: Net income (loss) per common share is based upon the weighted average number of common shares, common share equivalents and the dilutive effect of European put options, if applicable, outstanding each year. The weighted average number of SCIMED, Meadox and Heart common shares reflects the conversion of each share of common stock and common share equivalents into 3.4152, 310.299, and 0.675 shares, respectively, of Boston Scientific common stock.

Stock Compensation Arrangements: The Company accounts for its stock compensation arrangements under the provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees, and intends to continue to do so.

New Accounting Standards: The Company has not yet adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", which will require adoption in 1996. The Company is in the process of determining the effect of adoption of this statement on its consolidated financial statements and related disclosures.

Reclassifications: Certain prior years' amounts have been reclassified to conform to the current years' presentation.

NOTE C—CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents, and investments, stated at fair market value, consisted of the following:

	Fair Market Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
December 31, 1995				
Available-for-sale:				
Cash and money market accounts	$ 68,420			$ 68,420
Repurchase agreements	4,830			4,830
Equity securities (with a readily determinable fair value)	17,267	$10,560	$496	7,203
Corporate obligations:				
Within one year	2,015			2,015
Greater than one year	3,980			3,980
U.S. debt securities:				
Within one year	14,546			14,546
Greater than one year	12,172			12,172
	$123,230	$10,560	$496	$113,166
Held-to-maturity:				
Corporate obligations:				
Within one year	$810			$810
U.S. debt securities:				
Within one year	44,091			44,091
	$ 44,901			$ 44,901
December 31, 1994				
Available-for-sale:				
Cash and money market accounts	$176,636			$176,636
Repurchase agreements	350			350
Commercial paper	2,500			2,500
Bankers acceptances	2,519			2,519
Equity securities (with a readily determinable fair value)	6,249	$ 946		5,303
Corporate obligations:				
Within one year	8,554		$ 86	8,640
Greater than one year	4,323		106	4,429
U.S. debt securities:				
Within one year	46,488			46,488
Greater than one year	14,406		732	15,138
	$262,025	$ 946	$924	$262,003
Held-to-maturity:				
U.S. debt securities:				
Within one year	$ 94,275	$ 359	$184	$ 94,100
	$ 94,275	$ 359	$184	$ 94,100

The Company has no trading securities. Unrealized gains and temporary losses for available-for-sale securities are excluded from earnings and are reported, net-of-tax, as a separate component of shareholders' equity until realized. The cost of available-for-sale securities is based on the specific identification method.

At December 31, 1995 and 1994, the Company had equity investments totaling approximately $50.6 million and $9.8 million, respectively, for which the fair market value was not readily determinable.

NOTE D—Other Balance Sheet Information

Components of other selected captions in the Consolidated Balance Sheets at December 31 consisted of:

(in thousands)	1995	1994
Accounts receivable	$214,019	$150,861
Less allowances	4,484	3,857
	$209,535	$147,004
INVENTORIES		
Finished goods	$ 74,244	$ 52,606
Work-in-process	35,038	22,555
Raw materials	35,333	26,864
	$144,615	$102,025
DEPRECIABLE ASSETS		
Land	$ 24,269	$ 23,058
Buildings and improvements	122,126	120,657
Equipment	128,333	112,001
Office furniture and fixtures	53,580	20,397
Leasehold improvements	27,522	13,197
	355,830	289,310
Less accumulated depreciation and amortization	109,101	76,562
	$246,729	$212,748
Assets under capital leases	$ 9,201	$ 9,053
Less accumulated amortization	2,162	1,631
	$ 7,039	$ 7,422
INTANGIBLE ASSETS		
Patents and trademarks	$ 58,103	$ 30,602
Licenses	38,630	38,512
Purchased technologies	29,635	4,450
Excess of cost over net assets acquired	50,251	17,548
Other intangibles	3,775	11,503
	180,394	102,615
Less accumulated amortization	42,690	27,485
	$137,704	$ 75,130
ACCRUED EXPENSES		
Payroll and related liabilities	$ 30,737	$ 21,827
Royalties payable	7,497	9,490
Commissions payable	4,351	4,598
Other	18,301	19,050
	$ 60,886	$ 54,965

NOTE E—Credit Arrangements

The Company's borrowings at December 31 consisted of:

(In thousands)	1995	1994
Borrowings due within one year	$57,520	$88,948
Long-term debt, less current portion	$ 4,162	$16,800

Line of credit borrowings at December 31, 1995 consisted of $29.4 million in U.S. borrowings and $28.1 million in borrowings outside of the U.S., as compared to $38.7 million and $50.3 million, respectively, in 1994. The Company has a line of credit agreement with a U.S. bank (the Credit Agreement) that provides maximum worldwide borrowings of $60.0 million. Under the Credit Agreement, the Company has the option to borrow amounts at interest rates, payable quarterly in arrears, of either 4/10% above the bank's London Interbank Offered Rate or 100% of the bank's prime commercial lending rate. The term of the borrowings extends through February 7, 1998; use of the borrowings is unrestricted and the borrowings are unsecured. At December 31, 1995, the Company had outstanding borrowings of $18.9 million under the Credit Agreement. In addition, the Company had $835,000 of standby letters of credit with the same bank that reduce the available borrowings. The Company is required to pay a commitment fee equal to one-sixteenth of one percent on the unused portion of the line of credit. Commitment fees paid in 1995 and 1994 were immaterial.

In addition, during 1994, the Company established a $15.0 million revolving line of credit facility with another U.S. bank. As of December 31, 1994, the Company had borrowed $13.0 million under the agreement and the borrowings were classified as long-term on the Consolidated Balance Sheet. During 1995, the line of credit was reduced to the amount of the outstanding borrowings ($11.0 million) and the terms of the borrowings were extended through December 31, 1996. Under this facility, the Company has the option to borrow amounts at interest rates, payable monthly in arrears, of either 1/2% above the bank's London Interbank Offered Rate or 100% of the bank's prime commercial lending rate.

Both of these agreements require the Company to meet minimum ratios of total debt to consolidated net worth and interest coverage.

The Company has uncommitted credit facilities with several Japanese banks that provide for borrowings and promissory note discounting of up to 6.3 billion yen, or $60.9 million. At December 31, 1995, borrowings outstanding under these credit facilities were 2.8 billion yen or approximately $26.6 million. At December 31, 1995, approximately $2.9 million of receivables were discounted through promissory notes (at average discount rates of approximately 1.6%); thus, the net availability under these credit lines was $31.4 million. The Company also has credit lines totaling $2.7 million with various other international banks. At December 31, 1995, $1.0 million was outstanding under these additional international lines of credit.

At December 31, 1995, the interest rate on domestic revolving lines of credit borrowings ranged from 6.25% to 6.33% and interest rates on foreign revolving lines of credit borrowings ranged from 1.125% to 10.28%. At December 31, 1994, interest rates on domestic revolving lines of credit borrowings ranged from 4.0% to 7.5%, and interest rates on foreign revolving lines of credit borrowings ranged from 2.9% to 10.7%.

The Company has mortgages on properties in Denmark and Massachusetts. As of December 31, 1995, future commitments under the notes secured by the mortgages are as follows: 1996: $344,000; 1997: $3.4 million; 1998: $9,000; 1999: $10,000; 2000: $11,000; and thereafter, $351,000. The approximate carrying value of assets mortgaged was $6.3 million as of December 31, 1995.

Interest paid, including interest paid under capital leases and mortgage loans, but excluding interest paid on a patent litigation judgment, amounted to $5.5 million in 1995, $4.2 million in 1994 and $3.3 million in 1993.

Additionally, the Company has a $5.0 million irrevocable letter of credit with a bank that can be used under certain circumstances to fund the Company's indemnification obligation to certain current and former officers and directors under Minnesota law and indemnification agreements with such officers and directors. The letter of credit was unused as of December 31, 1995 and is secured by a U.S. treasury security owned by the Company. The security is carried at cost which approximates market value. Drawings under the letter of credit carry interest at 1.0% over the bank's prime rate per annum.

NOTE F—LEASES

The Company leases certain of its equipment and facilities through noncancellable operating lease agreements. Capitalized lease payment obligations relate principally to manufacturing facilities in Indiana and Denmark. Some facility leases contain escalation provisions and require that the Company pay for utilities, taxes, insurance and maintenance expense. Rent expense amounted to $11.8 million in 1995, $12.3 million in 1994 and $9.4 million in 1993. These amounts include rent expense paid to related parties of $1.1 million during 1995 and $1.2 million during each of 1994 and 1993 (see Note K).

Future minimum rental commitments as of December 31, 1995 under capital and operating lease agreements are as follows:

	Year Ending December 31	
(In thousands)	Capital Leases	Operating Leases
1996	$1,207	$ 7,785
1997	4,873	14,897
1998	955	2,269
1999	1,002	697
2000	1,052	666
Thereafter	7,995	1,775
Total minimum lease payments	17,084	$28,089
Amount representing interest	7,685	
Present value of minimum lease payments	$9,399	

Future aggregate minimum rental payments for properties under lease commitments with related parties amounted to $3.8 million as of December 31, 1995. At the same date, the Company has also guaranteed the mortgage debt of $363,000 on one of these properties.

NOTE G—FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

Cash and Cash Equivalents: The carrying amounts reported in the balance sheets for cash and cash equivalents are valued at cost which approximates their fair value.

Investments: The fair values for marketable debt and equity securities are based on quoted market prices when readily determinable.

Long-term Debt and Borrowings Due Within One Year: The carrying amounts of the Company's borrowings under its line of credit agreements approximate their fair value. The fair values of the Company's long-term debt are estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

Forward Foreign Exchange Contracts: The fair values of the Company's forward foreign exchange contracts, which were insignificant at December 31, 1995 and 1994, are estimated based on quoted market prices of comparable contracts.

The carrying amounts and fair values of the Company's financial instruments at December 31, 1995 are as follows (amounts in thousands):

	1995		1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash, cash equivalents, and investments	$168,131	$168,131	$356,300	$356,300
Liabilities:				
Borrowings due within one year	57,520	57,520	88,948	88,948
Long-term debt	4,162	4,554	16,800	17,280

NOTE H—INCOME TAXES

Income (loss) before income taxes consisted of:

	Year Ended December 31,		
(In thousands)	1995	1994	1993
Domestic	$66,273	$223,611	$138,512
Foreign	19,500	(5,346)	(16,490)
	$85,773	$218,265	$122,022

The provision for income taxes consisted of:

	Year Ended December 31,		
(In thousands)	1995	1994	1993
Current:			
Federal	$58,329	$77,604	$64,623
State	5,233	10,932	9,787
Foreign	12,663	6,972	8,144
	76,225	95,508	82,554
Deferred:			
Federal	10,197	(2,588)	(36,566)
State	1,355	(214)	(1,284)
Foreign	(10,412)	(6,655)	(11,985)
	1,140	(9,457)	(49,835)
	77,365	86,051	32,719
Deferred tax assets valuation allowance		(12,500)	12,500
	$77,365	$73,551	$45,219

The reconciliation of taxes on income at the federal statutory rate to the actual provision for income taxes is:

	Year Ended December 31,		
(In thousands)	1995	1994	1993
Tax at statutory rate	$30,020	$76,393	$42,708
Tax credits	(6,731)	(2,162)	(1,908)
Reversal of valuation allowance on deferred tax assets		(12,500)	
Stock award		3,213	
State income taxes, net of federal benefit	5,467	7,251	5,561
Effect of dividends from wholly-owned foreign subsidiaries	4,491	(815)	(558)
Effect of foreign tax rates	3,594	2,071	285
Foreign sales corporation	(2,041)	(1,527)	(1,371)
Non-deductible merger-related expenses	41,155		
Tax-exempt income	(1,338)	(1,196)	(991)
Other, net	2,748	2,823	1,493
	$77,365	$73,551	$45,219

Significant components of the Company's deferred tax assets and liabilities at December 31 consisted of:

(In thousands)	1995	1994
Deferred tax assets:		
Obsolescence	$ 4,342	$ 2,418
Deferred intercompany sales		2,248
Patent litigation loss		25,536
Intercompany inventory transfers		12,547
Tax benefit of U.S. net operating loss	21,278	20,079
Tax benefit of foreign net operating loss	3,606	2,849
Amortization		4,461
Reserves and accruals	5,935	6,117
Capitalized research and development	5,199	
Merger-related charges	34,698	
Other	6,908	9,103
Deferred tax assets	8,1,966	85,358
Less valuation allowance on deferred tax assets	12, 584	11,816
	$69,382	$73,542
Deferred tax liabilities:		
Tax over book depreciation	$(1,809)	$(3,855)
Capitalized patent expenses	(1,385)	(3,423)
Research and development	(3,098)	
Other	(422)	(2,456)
Deferred tax liabilities	(6,714)	(9,734)
	62,668	63,808
Deferred SFAS No. 115 adjustment	(3,714)	(9)
	$58,954	$63,799

At December 31, 1995, the Company had federal tax net operating loss carryforwards and research and development tax credits of approximately $21.3 million that will expire periodically beginning in the year 2004. In addition, the Company had foreign net operating loss carryforwards of $3.6 million that will expire periodically beginning in the year 1998. The Company established a valuation allowance of $12.6 million for these carryforwards primarily attributable to the carryforwards acquired as part of the Company's 1995 mergers and acquisitions.

Income taxes paid amounted to $78.9 million in 1995, $92.4 million in 1994, and $78.5 million in 1993.

NOTE I—STOCKHOLDERS' EQUITY

Preferred Stock: The Company is authorized to issue 25,000,000 shares of preferred stock in one or more series and to fix the powers, designations, preferences and relative participating, option or other rights thereof, including dividend rights, conversion rights, voting rights, redemption terms, liquidation preferences and the number of shares constituting any series, without any further vote or action by the Company's stockholders. At December 31, 1995, the Company had no shares of preferred stock outstanding.

Common stock: The Company is authorized to issue 300,000,000 shares of common stock, $.01 par value per share. Holders of common stock are entitled to one vote per share. Holders of common stock are entitled to receive dividends when and if declared by the Board of Directors and to share ratably in the assets of the Company legally available for distribution to its stockholders in the event of liquidation. Holders of common stock have no preemptive, subscription, redemption or conversion rights. The holders of common stock do not have cumulative voting rights. The holders of a majority of the shares of common stock can elect all of the Directors and can control the management and affairs of the Company.

The Company is authorized to purchase a total of 10,000,000 shares of the Company's common stock. Purchases are made at prevailing prices as market conditions warrant. The shares so purchased are made available for issuance pursuant to the Company's employee benefit and incentive plans and for other corporate purposes. During 1993, the Company repurchased 4.9 million shares of the Company's common stock. During 1994 and 1995, the Company did not repurchase any of its common stock.

As part of the stock repurchase program, during 1993, the Company sold European equity put options to an independent broker-dealer. Each option obligated the Company to purchase from the broker-dealer a specified number of shares of the Company's common stock at a predetermined exercise price. The put options were exercisable only on the first anniversary of the date the options were sold. At December 31, 1995 and 1994, there were no put options outstanding.

NOTE J—STOCK OWNERSHIP PLANS

Employee and Director Stock Ownership Plans

Boston Scientific's 1992 Long-Term Incentive Plan provides for the issuance of up to 5.0 million shares of common stock. During 1995, the Company's Board of Directors adopted the Boston Scientific 1995 Long-Term Incentive Plan, reserving an additional 5.0 million shares for issuance under this plan. The terms of these two plans are similar. The plans cover officers, employees and consultants of and to the Company and provide for the grant of various incentives, including qualified and non-qualified options, stock grants, share appreciation rights and performance awards. Options granted to purchase shares of common stock are either immediately exercisable or exercisable in installments as determined by an appointed committee consisting of two or more non-employee directors (Committee), and, in the case of any qualified options, expire within ten years from date of grant. In the case of qualified options, if an employee owns more than 10% of the voting power of all classes of stock, the option granted will be at 110% of the fair market value of the Company's common stock on the date of grant, and will expire over a period not to exceed five years.

The Committee may also make stock grants in which shares of common stock may be issued to officers, employees and consultants at a purchase price less than fair market value. The terms and conditions of such issuances, including whether achievement of individual or Company performance targets is required for the retention of such awards, are determined by the Committee. The Committee may also issue shares of common stock and/or authorize cash awards under the incentive plans in recognition of the achievement of long-term performance objectives established by the Committee. Stock grants for 29,000 shares, 15 shares and 10,050 shares were issued to employees during 1995, 1994 and 1993, respectively.

Boston Scientific's 1992 Non-Employee Directors' Stock Option Plan provides for the issuance of up to 100,000 shares of common stock and authorizes the automatic grant of options to acquire 1,500 shares of common stock upon every qualifying Director's election or reelection. Options under this plan are exercisable ratably over a three-year period and expire ten years from the date of grant.

Prior to their mergers with Boston Scientific, each of SCIMED, Meadox, Heart and CVIS had stock ownership plans. Substantially all outstanding options were converted into Boston Scientific options using the applicable exchange rates and the option prices were adjusted accordingly (see Note A). Shares reserved for issuance under all of the Company's plans totaled approximately 16.6 million at December 31, 1995. No future grants are anticipated to be made under these plans. At the date of the mergers with Boston Scientific, approximately 743,000 of the granted options were compensatory. The number of these options that will vest is not determinable until a future measurement date because vesting is contingent upon attainment of various 1996 and 1997 performance measures.

Information related to stock options under the aforementioned stock option plans of Boston Scientific, SCIMED, Meadox, Heart, and CVIS is as follows:

(In thousands)	1995	1994	1993
Options:			
Outstanding at January 1	11,345	10,091	5,856
Granted	3,928	3,263	5,171
Exercised	2,339	1,084	628
Canceled	533	925	308
Outstanding at December 31	12,401	11,345	10,091
Exercisable at December 31	4,969	5,302	2,476

	1995	1994	1993
Option prices per share at December 31:			
Outstanding	$ 1.470 - 44.250	$ 0.010 - 37.410	$ 0.010 - 37.410
During the year ended December 31:			
Granted	$20.625 - 44.375	$ 7.610 - 33.700	$ 9.880 - 37.410
Exercised	$ 0.010 - 35.560	$ 1.970 - 27.040	$ 0.010 - 15.590
Canceled	$ 8.900 - 42.750	$10.180 - 31.480	$ 5.860 - 24.440

Stock Purchase Plans

Boston Scientific's 1992 Employee Stock Purchase Plan (Stock Purchase Plan) provides for the granting of options to purchase up to 500,000 shares of the Company's common stock to all eligible employees. Under the Stock Purchase Plan, each eligible employee is granted, at the beginning of each six-month period designated by the Committee as an offering period, an option to purchase a number of shares equal to not more than 5% of the employee's prior years' adjusted gross income divided by 85% of the fair market value of the Company's common stock as of the beginning of that offering period. Such options may be exercised only to the extent of accumulated payroll deductions at the end of the offering period, at a purchase price equal to 85% of the fair market value of the Company's common stock at the beginning or end of each offering period, whichever is less.

During 1995, approximately 133,000 shares were issued at prices ranging from $13.60 to $21.463 per share. During 1994, 114,000 shares were issued at prices ranging from $8.606 to $11.475 per share, and, during 1993, 44,000 shares were issued at $8.713 per share. At December 31, 1995, there were 209,000 shares available for issuance under the Stock Purchase Plan.

SCIMED and Heart had employee stock purchase plans that were terminated in conjunction with their mergers with Boston Scientific. Equivalent shares issued in connection with these plans during 1995, 1994 and 1993, respectively, were 12,000, 193,000 and 67,000.

Warrants

In 1992 and 1993, SCIMED issued warrants for 17,000 shares of common stock to each of three members of its Board of Directors. These warrants are exercisable at $16.25, $15.78 and $10.39 per share until April 14, 2002, July 6, 2002 and April 13, 2003, respectively. As a result of the merger, those directors not continuing on the Boston Scientific Board of Directors forfeited the unvested portion of these warrants. Accordingly, warrants for the purchase of approximately 6,000 shares of common stock were forfeited.

Prior to December 1991, SCIMED had issued warrants to a member of its Board of Directors for 150,000 shares of common stock. During the year ended December 31, 1991, warrants for 55,000 of these shares were exercised at $2.25. During the year ended December 31, 1993, warrants for 68,000 of these shares were exercised at $2.23. Warrants for the remaining 27,000 shares were exercised at $2.25 per share in March 1994.

In connection with the January 1992 termination of a former financial advisor, Heart issued warrants to purchase 51,000 shares of common stock at an exercise price of $26.67. During 1991 and 1989, Heart issued warrants to purchase 8,000 and 1.8 million shares, respectively, of common stock with an exercise price of $0.01 per share. In 1995, 1994 and 1993, warrants to purchase 203,000, 615,000 and 580,000 shares of common stock, respectively, were exercised at a price of $0.01. In addition, during 1995, warrants to purchase 17,000 shares of common stock were exercised at a price of $26.67. During 1995, 1994 and 1993, warrants to purchase 34,000, 255 and 267 shares of common stock, respectively, were canceled under a net issuance provision of the warrants.

At December 31, 1995, there were outstanding warrants to purchase approximately 446,000 shares of the Company's common stock.

NOTE K—OTHER EMPLOYEE BENEFIT PLANS

The Company sponsors a defined contribution plan (401(k) Plan) covering substantially all domestic employees (excluding Meadox and Heart employees) who meet certain eligibility requirements. Participants may make contributions to the plan from 2% to 15% of their compensation (as defined). The Company contributes 50% on the first 4% of compensation contributed by each participant. Contributions are immediately fully vested.

In connection with its merger with Meadox, the Company assumed the Meadox 401(k) Savings Plan. Under the terms of this 401(k) plan, eligible employees may contribute up to 10% of salary. Currently, the Company matches 50% of employee contributions to a maximum of 6% of salary. In addition, Meadox has a noncontributory, defined benefit pension plan covering all eligible U.S. employees, the obligations under which are immaterial to the Company's operations and financial condition.

Heart has a 401(k) retirement plan under which the Company matches, at a rate of 50%, employee contributions up to a maximum 3% of their salary. The Company's matching contribution vests over five years from the employee's hire date. As of December 31, 1995, 9,000 shares had been issued for the Company's matching contributions.

It is anticipated that the Meadox and Heart 401(k) plans will be merged into the Company's 401(k) plan during 1996.

Furthermore, Heart has a profit sharing plan under which the Company will distribute to Heart employees a portion of Heart's profits, if any; 50% of the distribution would be in the form of a cash bonus and 50% would be in the form of a deferred savings plan with vesting occurring over five years from the employee's hire date. The Company currently intends to continue this plan at least through 1996.

Costs of these defined contribution and profit sharing plans charged to operations totaled $4.3 million, $3.1 million and $3.6 million during 1995, 1994, and 1993, respectively. The Company also has defined benefit plans and contribution plans for certain international subsidiaries, the expense of which is immaterial.

NOTE L—TRANSACTIONS WITH RELATED PARTIES

Rent expense paid to a trust for the benefit of a principal stockholder, his family and certain other persons, totaled $414,000, $401,000 and $387,000 in 1995, 1994 and 1993, respectively. The Company has guaranteed the obligations of the related party with respect to the property under an industrial development loan due February 2001. As of December 31, 1995, the outstanding principal balance of the industrial revenue loan was $363,000.

The Company rents office space from a shareholder, who was the former principal shareholder of Meadox, under two noncancellable operating leases. Rent expense paid to this shareholder totaled $727,000, $825,000 and $825,000 in 1995, 1994 and 1993, respectively. In addition, the Company maintained a consulting agreement with a company owned by this shareholder. The Company expensed $1.1 million, $1.2 million and $1.2 million of costs related to this agreement in 1995, 1994 and 1993, respectively. The consulting agreement was terminated in conjunction with the Company's acquisition of Meadox, and a new agreement was entered into whereby a company owned by the shareholder will earn $10,000 per month. The agreement is renewable annually by mutual agreement of both parties.

In 1985, the Company entered into a license agreement with IABP Corporation (IABP) that grants to the Company an exclusive license for intraaortic balloon pump and catheter technology. The principal stockholders of the Company hold an equity interest in IABP. In consideration of the license granted, the Company paid royalties to IABP for covered products totaling $380,000 in 1995, $360,000 in 1994, and $240,000 in 1993.

NOTE M—COMMITMENTS AND CONTINGENCIES

On January 30, 1995, the Federal Trade Commission (the FTC) sued the Company in the United States District Court for the District of Columbia and sought a preliminary injunction enjoining the proposed acquisition of CVIS by the Company. On February 23, 1995, the FTC and the Company entered into an Agreement Containing Consent Order that provisionally approved the CVIS merger, as well as the SCIMED merger, which was also under FTC review, pending a public comment period which ended in April 1995. The Company was obligated to hold CVIS separate from the remainder of the Company's business until the FTC's final approval of the Consent Order, which occurred on April 28, 1995. The court proceedings have been dismissed. The Consent Order requires the Company, among other things, to license certain intravascular ultrasound technology and supply certain intravascular ultrasound devices to a third party approved by the FTC and to provide prior notice to the FTC of certain further acquisitions of intravascular ultrasound intellectual property.

The Company and CVIS were engaged in litigation in the United States District Court for the District of Massachusetts, which commenced in November 1993, over patents relating to ultrasound imaging catheters. Each party alleged that the other was infringing one or more of its patents, and sought a declaratory judgment that a patent or patents of the other party were invalid. Each party sought monetary and injunctive relief. As a result of the merger of CVIS with a wholly-owned subsidiary of the Company, the litigation has been dismissed.

Schneider (Europe) AG and Schneider (USA) Inc., subsidiaries of Pfizer, Inc., have alleged that the Company's Synergy™ products infringe one of their patents. On May 13, 1994, the Company filed a lawsuit against them in the U.S. Federal District Court for the District of Massachusetts seeking a declaratory judgment that this patent is invalid and that the Company's Synergy products do not infringe the patent. The Schneider companies filed counterclaims against the Company, alleging the Company's infringement of the patent and is seeking monetary and injunctive relief. The Company intends vigorously to pursue its position in this suit, which is in the pretrial stages. A trial is expected during 1996.

On April 24, 1991, a lawsuit was filed by the Schneider companies alleging that the Company's EXPRESS balloon catheter infringed the same patent. The complaint was subsequently amended to include the Company's RALLY catheter. The United States District Court for the District of Minnesota ruled on March 4, 1994 that the patent is valid, that the Company's EXPRESS and RALLY catheters infringed the patent and that the infringement was not willful. The Court issued an immediate injunction against the U.S. manufacture and sale of the EXPRESS catheter, which the Company had not sold in the U.S. since November 30, 1993. The Company was allowed to continue selling the RALLY catheter in the U.S. for a one-year term through March 3, 1995, after which time a permanent injunction went into effect, and paid a royalty on all RALLY catheters manufactured or sold in the U.S. during that time. Royalties under this Court Order for 1994 were $4.3 million. The total amount of damages, including pre-judgment interest, owed by the Company was set at $63.5 million. The Company appealed the judgment and the Schneider companies subsequently cross appealed. In April 1995, the United States Court of Appeals for the Federal Circuit affirmed all of the District Court's holdings. The Company petitioned for a review by the United States Supreme Court of two issues related to standing and damages. The petition was denied in October 1995. Payment of the judgment was made in August 1995.

On November 27, 1991, SCIMED entered into a Settlement Agreement with Advanced Cardiovascular Systems, Inc. (ACS) and its then-parent, Eli Lilly and Company (Lilly), which included the settlement of all existing litigation between the companies and also included mechanisms to resolve potential future disputes between the parties. Under the Settlement Agreement, ACS granted SCIMED a worldwide non-exclusive license under two U.S. patents of ACS and corresponding foreign patents, and a worldwide non-exclusive license until November 30, 1993, to make, use and sell its EXPRESS catheter under two other U.S. patents of ACS. SCIMED and ACS/Lilly also entered into limited covenants not to sue each other on then existing and certain future products. In November 1993, ACS contested, under the arbitration provision of the Settlement Agreement, the level of sales to U.S. customers of SCIMED's EXPRESS catheter in the final months of the license. In July 1995, the arbitration panel issued its final determination awarding ACS approximately $2.0 million in damages, costs and interest. Payment was made in September 1995.

The Settlement Agreement also requires the payment of royalties on certain catheter products until April 1999. Royalties paid to ACS under the Settlement Agreement for the three years ended December 31, 1995, 1994 and 1993 were approximately $7.9 million, $10.5 million and $15.8 million, respectively.

On May 31, 1994, SCIMED filed a suit for patent infringement against ACS, alleging willful infringement of two of SCIMED's U.S. patents by ACS's FLOWTRACK-40 and RX ELIPSE PTCA catheters. Suit was filed in the U.S. District Court for the Northern District of California and seeks monetary and injunctive relief. The case has been sent to arbitration for a threshold determination of one issue covered by the November 27, 1991 Settlement Agreement between the parties. That arbitration is ongoing.

On November 17, 1995, SCIMED filed a suit for patent infringement against ACS, alleging willful infringement of three of SCIMED's U.S. patents by ACS's RX LIFESTREAM PTCA catheter. Suit was filed in the U.S. District Court for the Northern District of California and seeks monetary and injunctive relief. The case has been sent to arbitration under the terms of the Settlement Agreement between the parties.

On October 10, 1995, ACS filed a suit for patent infringement against SCIMED, alleging willful infringement of four U.S. patents licensed to ACS by SCIMED's EXPRESS PLUS™ and EXPRESS PLUS II™ PTCA catheters. Suit was filed in the U.S. District Court for the Northern District of California and seeks monetary and injunctive relief. SCIMED has moved to dismiss the suit for failure to join an essential party. The Company does not believe that revenues from the sale of the accused products are material to the business of the Company.

On December 15, 1995, the Company and SCIMED filed a suit for restraint of trade, unfair competition and conspiracy to monopolize against ACS and the Schneider companies, alleging certain violations of state and federal antitrust laws arising from the improper prosecution, enforcement and cross-licensing of U.S. patents relating to rapid exchange balloon dilatation angioplasty catheters. Suit was filed in the U.S. District Court for the District of Massachusetts and seeks monetary, declaratory and injunctive relief.

On March 12, 1996, ACS filed two suits for patent infringement against SCIMED, alleging in one case the infringement of a U.S. patent by SCIMED's EXPRESS PLUS, EXPRESS PLUS II and LEAP EXPRESS PLUS™ PTCA catheters, and in the other case the willful infringement of a U.S. patent by SCIMED's BANDIT™ PTCA catheters. The suits were filed in U.S. District Court for the Northern District of California and seek monetary and injunctive relief. The Company intends vigorously to defend against these suits.

On April 5, 1995, C.R. Bard, Inc. (Bard) filed a lawsuit in the United States District Court for the District of Delaware alleging that certain Company products, including the Company's MaxForce™ TTS® catheter, infringes a patent assigned to Bard. The lawsuit seeks a declaratory judgment that the Company has infringed the Bard patent, preliminary and permanent injunctions enjoining the manufacture, use or sale of the MaxForce TTS or any other infringing product, monetary damages and expenses. The Company intends vigorously to defend against this suit, which is still in its early stages.

On September 29, 1994, the Company reached an agreement in principle to settle two securities lawsuits, In Re SCIMED Life Systems Litigation and Lerner, et al v. SCIMED Life Systems, Inc. et al, which were pending against SCIMED and several of its past or present officers and directors in Minnesota federal district court. The Company paid $2.5 million of a total $5.0 million settlement, with the remaining $2.5 million being contributed by the insurance company for the officers and directors. Following notification to the class and a hearing, the U. S. District Court for the District of Minnesota approved the settlement agreement and dismissed both cases with prejudice on July 17, 1995.

On September 1, 1995, a purported class action lawsuit was filed in the Court of Chancery in the State of Delaware in and for New Castle County captioned Kinder v. Auth, et al., alleging breaches of fiduciary duty by the Board of Directors of Heart, Heart and the Company in connection with the Agreement and Plan of Merger entered into between the Company and Heart. In January 1996, the parties agreed to settle the suit for an amount the Company does not deem to be material.

The Company is involved in various lawsuits from time to time in the normal course of business. In management's opinion, the Company is not currently involved in any legal proceeding other than those specifically identified above which, individually or in the aggregate, could have a material effect on the financial condition, operations and cash flows of the Company. Further, product liability claims may be asserted in the future relative to events not known to management at the present time. The Company has insurance coverage which management believes is adequate to protect against such product liability losses as could otherwise materially affect the Company's financial position.

NOTE N—BUSINESS COMBINATIONS

During 1995, the Company completed its mergers with SCIMED, Meadox and Heart, each of which has been accounted for as a pooling-of-interests (see Note A). The consolidated financial statements of each company serve as the basis for historical financial statements of Boston Scientific. Combined and separate results of Boston Scientific, SCIMED, Meadox and Heart for 1994 and 1993 are as follows:

(in thousands)	Boston Scientific	SCIMED	Meadox	Heart	Eliminations	Combined Boston Scientific
Year Ended December 31, 1994:						
Net sales	$448,948	$286,101	$83,379	$58,394		$876,822
Net income	79,735	55,521	2,340	14,022	($6,904)	144,714
Year Ended December 31, 1993:						
Net sales	$380,061	$265,036	$73,404	$21,159		$739,660
Net income (loss)	69,685	11,451	1,268	(1,980)	($3,621)	76,803

The consolidated financial results above include Boston Scientific's, Meadox's and Heart's results of operations on a December 31 calendar year basis and SCIMED's on a February 28(29) fiscal year basis (see Note B). The effect of any changes in accounting policies was immaterial.

During 1993, the Company realized a $3.6 million net gain ($0.02 per share) when it sold a portion of its investment in Heart. During 1994, the Company sold its remaining investment in Heart and realized a $6.9 million net gain ($0.04 per share). The net gains have been eliminated in the consolidated financial statements. There were no other material transactions between Boston Scientific and any of its merged entities during any of the periods presented.

The restated financial data is not necessarily indicative of the operating results or financial position that would have occurred if the SCIMED, Meadox and Heart mergers had been consummated during the periods presented, nor is it necessarily indicative of future operating results or financial position.

Additionally, on March 9, 1995, the Company completed its merger with CVIS, which has been accounted for under the purchase method of accounting (see Note A). The consolidated financial statements include the CVIS operating results from the date of acquisition. The purchase price of the CVIS acquisition ($93.6 million) has been allocated primarily to purchased research and development ($23.7 million), various tangible assets (approximately $16.0 million), patents (approximately $10.8 million), developed technology (approximately $12.8 million), excess of cost over net assets acquired (approximately $25.6 million), and various other intangibles (approximately $4.7 million). Amortization periods for the significant intangible assets acquired are patents (12 years), developed technology (7 years) and excess of cost over net assets acquired (30 years).

The following unaudited pro forma information presents a summary of consolidated results of operations of the Company and CVIS, as if the acquisition had occurred at the beginning of 1994, with pro forma adjustments to give effect to amortization of intangibles, reduction in interest income on acquisition financing and certain other adjustments together with the related tax effects:

(In thousands, except per share data)	Year Ended December 31, 1995	1994
Net sales	$1,109,105	$891,489
Net income	7,666	136,427
Net income per share	$0.04	$0.80

The above unaudited pro forma information excludes any benefits from synergies that may result from the acquisition.

NOTE O—MERGER-RELATED CHARGES

In connection with the acquisitions of SCIMED, CVIS, Vesica, Meadox and Heart, during 1995, the Company recorded nonrecurring and special charges of approximately $237.1 million. Charges include $32.6 million for purchased research and development, $37.5 million in direct transaction costs (principally investment banker and other professional fees), and $167.0 million of estimated costs to be incurred in merging the separate operating businesses of SCIMED, Meadox and Heart with subsidiaries of the Company. Estimated costs include those typical in a merging of operations and relate to, among other things, rationalization of facilities (approximately $25.6 million), workforce reductions (approximately $37.0 million), unwinding of various contractual commitments (approximately $63.8 million), asset writedowns (approximately $24.3 million) and other integration costs (approximately $16.3 million).

The charges are derived based on formal plans approved by the Company's management using the best information available at the time. The workforce-related initiatives involve substantially all of the Company's employee groups. The amounts the Company will ultimately incur could change as the plans are executed. The plans are expected to be completed by the end of 1997. Cash outlays to complete the balance of the Company's initiatives to integrate the businesses relating to 1995 business combinations are estimated to be approximately $80.1 million and $37.8 million for 1996 and thereafter, respectively.

NOTE P—Subsequent Events

On January 22, 1996, the Company completed its merger with EP Technologies, Inc. (EPT) in a stock-for-stock transaction. The transaction, which is accounted for as a pooling-of-interests, was effected through the exchange of 0.297 shares of the Company's common stock for each EPT share held. Approximately 3.4 million shares of the Company's common stock were issued in conjunction with the EPT merger. EPT designs, develops, manufactures and markets advanced electrophysiology catheters and systems for use in minimally invasive procedures to diagnose and treat tachyarrhythmias (abnormally rapid heart rates resulting from defective or diseased cardiac tissues that interfere with the normal conduction of electrical activity responsible for heart muscle contraction).

The following unaudited pro forma information presents a summary of consolidated results of operations of the Company and EPT as if the combination had been consummated as of January 1, 1995:

(in thousands, except per share data)	Boston Scientific	EPT	Pro Forma Adjustments	Pro Forma Boston Scientific
Net sales	$1,106,681	$ 22,504		$1,129,185
Net income (loss)	8,408	(1,968)		6,440
Net income (loss) per share	$0.05	($0.17)		$0.04
Primary weighted average number of common shares	174,173	11,316	(7,955)	177,534

The restated financial data is not necessarily indicative of the operating results or financial position that would have occurred if the EPT merger had been consummated during the period presented, nor is it necessarily indicative of future operating results or financial position. The effect of any changes in accounting policies is expected to be immaterial.

On March 14, 1996, the Company acquired Symbiosis, formerly a wholly-owned subsidiary of American Home Products Corporation. Boston Scientific purchased Symbiosis, a developer and manufacturer of specialty medical devices for approximately $153.0 million in a cash transaction, of which $100.0 million was financed on an interim basis by the seller.

The Company expects to record non-recurring and special charges in connection with the acquisitions of EPT and Symbiosis. The amount of such charges cannot be determined until management evaluates the needs of the combined operations, a valuation of the fair market value of Symbiosis' assets and liabilities is performed, and Symbiosis' purchased research and development is determined.

NOTE Q—Financial Information by Geographic Area

Boston Scientific is a worldwide developer, manufacturer and marketer of medical devices for less invasive procedures. The Company operates in one segment and its products are sold principally by its direct sales force, although, in some markets, the Company continues to sell its products through independent distributors. Net sales, operating income and assets by major geographic area are summarized below. Prices to foreign subsidiaries are at prices that approximate market.

(in thousands)	North America	Europe	Asia/ Pacific	Eliminations	Consolidated Total
1995					
Net sales to unaffiliated customers	$ 786,317	$209,098	$111,266		$1,106,681
Transfers between areas	148,852	112,620		$ 261,472	
	935,169	321,718	111,266	261,472	1,106,681
Operating income	1,658	21,761	57,968		81,387
Identifiable assets	2,207,064	399,059	124,432	1,655,282	1,075,273
1994					
Net sales to unaffiliated customers	$ 664,054	$139,451	$ 73,317		$ 876,822
Transfers between areas	115,919	21,341		$ 137,260	
	779,973	160,792	73,317	137,260	876,822
Operating income	161,724	27,242	28,502	965	216,503
Identifiable assets	922,212	121,210	47,833	64,942	1,026,313
1993					
Net sales to unaffiliated customers	$ 630,230	$ 88,839	$ 20,591		$ 739,660
Transfers between areas	59,708	17,868		$ 77,576	
	689,938	106,707	20,591	77,576	739,660
Operating income (loss)	99,120	17,963	(701)	590	115,792
Identifiable assets	714,233	69,856	28,372	39,657	772,804

Included in North America net sales are export sales of $47.6 million in 1995, $43.2 million in 1994, and $57.3 million in 1993.

Report of Independent Auditors

Board of Directors
Boston Scientific Corporation

We have audited the accompanying consolidated balance sheets of Boston Scientific Corporation and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1995, appearing on pages F-7 through F-12. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 1993 and 1994 financial statements of SCIMED Life Systems, Inc., Heart Technology, Inc. and Meadox Medicals, Inc., wholly-owned subsidiaries, which statements reflect total assets constituting 58% in 1994, and total revenues constituting 49% in 1994 and 49% in 1993 of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to data included for SCIMED Life Systems, Inc., Heart Technology, Inc. and Meadox Medicals, Inc. for 1994 and 1993, is based solely on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and, for 1993 and 1994, the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Boston Scientific Corporation and subsidiaries at December 31, 1995 and 1994, and the consolidated results of its operations and cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

Ernst + Young LLP

Boston, Massachusetts
March 14, 1996

Five-Year Selected Financial Data-Fiscal Year Basis

(In thousands, except per share data)

Year Ended December 31	1995	1994	1993	1992	1991
OPERATING DATA: (1)					
Net sales	$1,106,681	$876,822	$739,660	$609,836	$479,529
Gross profit	790,700	603,242	512,840	428,467	342,778
Selling, general and administrative expenses	360,615	290,709	249,614	194,281	163,163
Royalty expenses	24,278	25,589	24,430	27,992	8,272
Research and development expenses	87,326	70,441	56,004	38,904	25,547
Purchased research and development	32,646				
Special charges (2) (3) (8)	204,448		67,000	6,899	28,000
Total operating expenses	709,313	386,739	397,048	268,076	224,982
Operating income	81,387	216,503	115,792	160,391	117,796
Net income	8,408	144,714	76,803	98,371	73,437
Primary income per common share	$0.05	$0.84	$0.45	$0.58	$0.45
Fully diluted net income per common share	0.05	0.84	0.45	0.58	0.45
Dividend per common share (4)				0.212	
Primary weighted average number of common shares	174,173	171,435	170,885	168,855	161,867
BALANCE SHEET DATA: (1)					
Working capital (6) (8) (10)	$266,576	$414,366	$313,972	$380,428	$169,269
Total assets	1,075,273	1,026,313	772,804	636,706	360,264
Borrowings due within one year	57,520	88,948	57,141	27,390	7,400
Obligations under capital leases	9,399	8,997	6,013	6,101	4,180
Long-term debt, net of current portion (9)	4,162	16,800	3,671	4,274	22,644
Stockholders' equity (5) (6) (7) (10)	752,532	718,699	533,623	516,854	249,187
Book value per common share	$4.32	$4.19	$3.12	$3.06	$1.54

(1) Boston Scientific's results were restated for all periods presented to reflect the mergers of SCIMED, Meadox and Heart in which each transaction is accounted for as a pooling-of-interests. In connection with the SCIMED merger, effective January 1, 1995, SCIMED changed its fiscal year end from the last day of February to December 31, which conforms to Boston Scientific's year end. In the table of five-year selected financial data, SCIMED's results for the two-months ended February 28, 1995 are included in the combined operating results for the years ended December 31, 1995 and 1994. Summarized results of SCIMED's operations for this two-month period are: Net sales: $54.9 million; Gross margin: $42.4 million; Operating income: $18.3 million; Net income: $11.5 million. In addition, the 1995 financial data includes the operations of CVIS, which was acquired on March 9, 1995, and accounted for using the purchase method of accounting (see Notes A, B and N). The restated financial data is not necessarily indicative of the operating results or financial position that would have occurred if the SCIMED, CVIS, Meadox and Heart mergers had been consummated during the periods presented, nor is it necessarily indicative of future operating results or financial position.

(2) The Company's 1993 results include an estimated loss from a patent litigation judgment of $66.0 million pre-tax or $0.24 per share, net of tax. The Company's 1991 results include an estimated loss from another patent litigation judgment of $28.0 million pre-tax, or $0.11 per share, net of tax (See Note M).

(3) In connection with the acquisitions of SCIMED, CVIS, Vesica, Meadox and Heart, the Company recorded non-recurring and special charges of $237.1 million. Estimated costs include purchased research and development and those costs typical in a merging of operations and relate to, among other things, rationalization of facilities and administration, severance, and unwinding of various contractual commitments (see Note O).

(4) The Company has never paid dividends, other than in March 1992 (which was prior to the initial public offering of Boston Scientific common stock in May of 1992) when the Company paid a one-time dividend of an aggregate of $19,959,498, or $0.212 per share, to holders of common stock. The $0.212 per share is based on Boston Scientific's weighted average number of common shares outstanding at the time the dividend was declared, rather than the restated weighted average number of common shares outstanding. The Company currently intends to retain all of its earnings to finance the continued growth of its business. Boston Scientific may consider declaring and paying a dividend in the future; however, there can be no assurance that it will do so.

(5) During 1993, the Company repurchased 4.9 million shares of its common stock at an aggregate cost of approximately $61.5 million.

(6) At December 31, 1993, the Company's contingent obligation to repurchase shares upon exercise of outstanding European put obligations approximated $10.9 million. At December 31, 1993, the obligation has been reclassified from permanent equity and is presented as a contingent stock repurchase obligation. At December 31, 1995 and 1994, there were no put options outstanding.

(7) During 1992, the Company sold 26.5 million shares of common stock in a public offering at a price to the public of $17 per share. Concurrent with the offering, approximately 18.8 million shares of common stock were purchased from a shareholder. The Company realized net proceeds of $121.9 million.

(8) During 1992, the Company initiated a worldwide voluntary product recall due to five product failures related to a component of the Rotablator system. Total product recall related expenses were $6.9 million which were fully incurred or accrued in 1992.

(9) During 1994, the Company borrowed $13.0 million under a $15.0 million revolving line of credit facility with a bank. The proceeds were used for the purchase and improvement of Heart's facility in Redmond, Washington.

(10) During 1992, Heart sold approximately 4.1 million shares of Heart common stock at a price of $18.00 per share during its initial public offering. The net proceeds received totaled approximately $67.4 million. At the close of the initial public offering, all shares of Heart's three classes of convertible preferred stock (Series A, B, C) were converted into an aggregate of 4.9 million shares of common stock.

QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

(In thousands, except per share data)

Three Months Ended,	March 31,	June 30,	September 30,	December 31,
YEAR ENDED DECEMBER 31, 1995				
Net sales	$257,589	$272,140	$277,732	$299,220
Gross profit	180,991	192,381	197,403	219,925
Special charges (1)	124,749			112,345
Operating income (loss)	(49,650)	76,374	79,627	(24,964)
Net income (loss)	(63,430)	49,382	49,945	(27,489)
Net income (loss) per common share	(0.37)	0.28	0.28	(0.16)
YEAR ENDED DECEMBER 31, 1994 (2)				
Net sales	$201,932	$213,244	$219,614	$242,032
Gross profit	141,135	144,982	149,258	167,867
Operating income	46,925	53,279	50,369	65,930
Net income	29,451	32,202	33,566	49,495
Net income per common share	$0.17	$0.19	$0.20	$0.29

Operations for the three months ended December 31, 1995 include year end adjustments for certain estimated expense items.

(1) During the first and fourth quarters of 1995, the Company recorded non-recurring and special charges of $124.7 million and $112.3 million, respectively. The first quarter charge was recorded in connection with the acquisitions of SCIMED, CVIS and Vesica. The fourth quarter charge was recorded in connection with the acquisitions of Meadox and Heart. Estimated costs include purchased research and development and those costs typical in a merging of operations and relate to, among other things, rationalization of facilities and administration, severance, and unwinding of various contractual commitments (see Note O).

(2) The unaudited quarterly results of operations for 1994 combine the results of operations of Boston Scientific, Meadox and Heart for the four calendar quarters ended December 31, 1994 with the four fiscal quarters of SCIMED ended February 28, 1995 (see Notes A and B).

MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED MATTERS

(Unaudited)

The following table shows the market range for the Company's common stock based on reported sales prices on the New York Stock Exchange.

	High	Low
1995		
First Quarter	$26.375	$16.625
Second Quarter	33.250	24.625
Third Quarter	42.625	30.500
Fourth Quarter	49.375	37.375
1994		
First Quarter	$16.500	$11.875
Second Quarter	15.500	12.000
Third Quarter	16.750	12.625
Fourth Quarter	17.875	15.250

The Company has never paid dividends, other than in March 1992, when the Company paid a one-time dividend of an aggregate of $19,959,498, or $0.212 per share, to holders of common stock. The $0.212 per share is based on Boston Scientific's weighted average number of common shares outstanding during 1992 rather than the restated weighted average number of common shares outstanding. The Company currently intends to retain all of its earnings to finance the continued growth of the business. Boston Scientific may consider declaring and paying a dividend in the future; however, there can be no assurance that it will do so.

At December 31, 1995, there were approximately 7,800 record holders of the Company's common stock.