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**Boston
Scientific**

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Results of Operations

Years Ended December 31, 1999 and 1998

Net sales increased 27% in 1999 to \$2,842 million as compared to \$2,234 million in 1998. The 1999 results include the operations of Schneider Worldwide (Schneider) which was acquired in the third quarter of 1998. On a pro forma basis, assuming Schneider revenues had been included in all of 1998, net sales in 1999 increased approximately 14%. Net income for 1999 was \$371 million or \$0.90 per share (diluted), including a special credit of \$10 million (\$7 million, net of tax), as compared to a reported net loss for 1998 of \$264 million, or \$0.68 per share, including merger-related charges and credits of \$667 million (\$527 million, net of tax). Excluding merger-related charges and credits, net income for 1999 increased 39% to \$364 million, or \$0.88 per share, as compared to \$262 million, or \$0.66 per share, for the year ended December 31, 1998.

United States (U.S.) revenues increased approximately 25% to \$1,741 million during 1999, while international revenues increased approximately 31% to \$1,101 million. Without the impact of foreign currency exchange rates on translation of international revenues, worldwide sales for 1999 increased approximately 25%. Worldwide vascular and nonvascular sales increased 30% and 21%, respectively, compared to 1998. The increases in worldwide and vascular sales were primarily attributable to the inclusion of Schneider sales for the entire year and the Company's sales of coronary stents in the U.S. and Japan. U.S. coronary stent revenues and worldwide coronary stent revenues, primarily sales of the NIR® stent, were approximately \$409 million and \$604 million, respectively, during 1999, compared to \$211 million and \$324 million, respectively, during 1998. Worldwide NIR® coronary stent sales as a percentage of worldwide sales were approximately 20% in 1999 compared to approximately 13% in 1998 and are planned to be approximately 21% of sales in 2000.

The worldwide coronary stent market is dynamic and highly competitive, with significant market share volatility. In addition, technology and competitive offerings in the market are constantly changing. The Company's reduction in coronary stent revenues in the U.S. during the fourth quarter of 1999 to \$92 million from \$130 million recorded during the fourth quarter of 1998 reflects this volatility. This reduction was partially offset by an increase in international coronary stent revenues (primarily Japan sales) from \$29 million to \$51 million during the same period. The reduction in coronary stent revenues as well as the inclusion of Schneider's sales for the entire period of both quarters resulted in 1999 fourth quarter sales being flat relative to those of 1998. Stent revenues for 2000 will be impacted by the timing of receipt of FDA

approvals to market several new coronary and peripheral stent platforms in the U.S. In light of this environment, the Company expects 2000 sales growth to be below the Company's historical rates.

Gross profit as a percentage of net sales decreased from 67.1% in 1998 to 65.3% in 1999. The decrease in gross margin is primarily due to a provision recorded in the third quarter of 1999 of \$62 million (\$41 million, net of tax) for excess NIR® stent inventories and purchase commitments. The excess position was driven primarily by a shortfall in planned third quarter NIR® stent revenues, a reduction in NIR® stent sales forecasted for 1999 and 2000, and strategic decisions regarding versions of the NIR® stent system to be launched. In the third quarter of 1998, the Company provided \$31 million (\$21 million, net of tax) for costs associated with the Company's decision to recall voluntarily the NIR ON® Ranger™ with Sox™ coronary stent system in the U.S. Excluding these charges, gross margins were 67.5% and 68.1% for 1999 and 1998, respectively. Gross margins during 1999 were positively impacted compared to 1998 by a reduction in other inventory charges. However, the reduction was offset by a decrease in average selling prices and increased manufacturing costs.

As a result of multiple acquisitions, the Company's supply chain and manufacturing processes have not yet been fully optimized, and therefore gross margins have been negatively impacted. During 1998, the Company initiated a program to focus on supply chain optimization, and, during 1999, the program has been expanded to include a review of manufacturing processes. The program is designed to lower inventory levels and the cost of manufacturing, improve absorption and minimize inventory write-downs. The infrastructure related to the supply chain aspect of the program is substantially in place. However, gross margin benefits will be delayed until manufacturing processes are addressed, the program has time to develop and until historical inventories are sold. The Company continues to assess its plant network strategy.

Medinol Ltd. (Medinol) supplies the NIR® coronary stent, and unforeseen delays, stoppages or interruptions in the supply and/or mix of the NIR® stent could adversely affect future operating results of the Company. Generally, the Company has less control over inventory manufactured by third parties as compared to inventory manufactured internally. Furthermore, the purchase price of NIR® coronary stents and the amount of NIR® coronary stent sales as a percentage of worldwide sales could significantly impact gross margins. As average selling prices for the NIR® stents fluctuate, the Company's cost to purchase the stents will change, because cost is based on a constant percentage of average selling prices. Therefore, if higher-costing NIR® stents

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are being sold as average selling prices are declining, gross margins could be negatively impacted. At December 31, 1999, the Company had approximately \$143 million of net NIR® coronary stent inventory and was committed to purchase approximately \$53 million of NIR® stents from Medinol.

Selling, general and administrative expenses as a percentage of sales decreased from 34% of sales in 1998 to 30% of sales in 1999 and increased approximately \$87 million from 1998 to \$842 million. The decrease as a percent of sales is primarily attributable to the launch of coronary stents in the U.S. and Japan, the realization of synergies as the Company integrated Schneider into its organization, and improved returns in Asia Pacific and Latin America as the Company continues to leverage its direct sales infrastructure. The Company plans to continue to leverage its infrastructure during 2000. The increase in expense dollars is primarily attributable to higher selling expenses as a result of the launch of coronary stents in the U.S., increased costs to expand the Company's direct sales presence in Asia Pacific and Latin America, and increased legal expenses.

2 Amortization expense increased from \$53 million in 1998 to \$92 million in 1999 and increased as a percentage of sales from 2% to 3%. The increase is primarily a result of the amortization of intangibles related to the purchase of Schneider.

Royalty expenses increased approximately 48% from \$31 million in 1998 to \$46 million in 1999. The increase in royalties is primarily due to royalty obligations assumed in connection with the Schneider acquisition and payments made to Medinol on sales of internally developed stent platforms. The Company continues to enter into strategic technological alliances, some of which include royalty commitments.

Research and development expenses decreased as a percentage of sales from 9% in 1998 to 7% in 1999. Research and development expenses were \$200 million in 1998 and \$197 million in 1999. The decrease as a percentage of sales is primarily attributable to the launch of coronary stents in the U.S. and Japan and the realization of synergies in connection with the Schneider acquisition. The investment in research and development dollars reflects spending on new product development programs as well as regulatory compliance and clinical research, 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 in countries around the world toward more

stringent regulatory requirements for product clearance and more vigorous enforcement activities has generally caused or may cause medical device manufacturers to experience more uncertainty, greater risk and higher expenses.

During the third quarter of 1999, the Company identified and reversed restructuring and merger-related charges of \$10 million (\$7 million, net of tax) no longer deemed necessary. These amounts relate primarily to the restructuring charges accrued in the fourth quarter of 1998 and reflect the reclassification of assets from held-for-disposal to held-for-use resulting from management's decision to resume a development program previously planned to be eliminated. In addition, estimated severance costs for 1998 initiatives were reduced as a result of attrition. During 1998, the Company recorded merger-related charges and credits of \$667 million (\$527 million, net of tax) primarily related to purchased research and development acquired in the \$2.1 billion cash purchase of Schneider. (See Results of Operations for the Years Ended December 31, 1998 and 1997 for further discussion.)

Interest expense increased from \$68 million in 1998 to \$118 million in 1999. The overall increase in interest expense is primarily attributable to a higher average outstanding debt balance borrowed in conjunction with the Schneider acquisition.

The Company's effective tax rate, including the impact of merger-related charges and credits, was approximately 4% in 1998 and 34% in 1999. The Company's pro forma effective tax rate, excluding the impact of merger-related charges and credits, increased from approximately 33% in 1998 to 34% in 1999. The increase is primarily attributable to a shift in the mix of the Company's U.S. and international business. The effective rate for 2000 is expected to decrease slightly due to changes in the geographic mix of the Company's business.

Uncertainty remains with regard to future changes within the healthcare industry. The trend toward managed care and economically motivated and more sophisticated buyers in the U.S. may result in continued pressure on selling prices of certain products and resulting compression on gross margins. In addition to impacting selling prices, the trend to managed care in the U.S. has also resulted in more complex billing and collection procedures. The Company's ability to react effectively to the changing environment may impact its bad debt and sales allowances in the future. Further, the U.S. marketplace is increasingly characterized by consolidation among healthcare providers and purchasers of medical devices that prefer to limit the number of suppliers from which they purchase medical products. There can be no assurance that these entities will continue to purchase products from the Company.

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International markets are also being affected by economic pressure to contain reimbursement levels and healthcare costs. The Company's ability to benefit from its international expansion may be limited by risks and uncertainties related to economic conditions in these regions, competitive offerings, infrastructure development, rights to intellectual property, and the ability of the Company to implement its overall business strategy. Any significant changes in the political, regulatory or economic environment where the Company conducts international operations may have a material impact on revenues and profits. A deterioration in the Japan and/or emerging markets economies may impact the Company's ability to collect its outstanding receivables. Although these factors may 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.

Years Ended December 31, 1998 and 1997

On September 10, 1998, the Company consummated its acquisition of Schneider, formerly a member of the Medical Technology Group of Pfizer Inc., for \$2.1 billion in cash. The acquisition was accounted for using the purchase method of accounting. The consolidated financial statements include Schneider's operating results from the date of acquisition.

Net sales increased 22% in 1998 to \$2,234 million from \$1,831 million in 1997. Without the impact of foreign currency exchange rates on translation of international revenues, sales for 1998 increased 25%. International sales during 1998 were negatively impacted compared to 1997 by approximately \$47 million of unfavorable exchange rate movements caused primarily by the strengthening of the U.S. dollar versus the Japanese yen. Net income for the year ended December 31, 1998, excluding merger-related and special charges, was \$262 million or \$0.66 per share (diluted) compared to \$266 million or \$0.67 per share in 1997. The Company for 1998 reported a net loss of \$264 million or \$0.68 per share, including merger-related and special charges of \$527 million, net of tax, as compared to 1997 net income of \$110 million or \$0.28 per share, including merger-related and special charges of \$156 million, net of tax.

U.S. revenues increased approximately 30% from 1997 to \$1,394 million in 1998, while international revenues increased approximately 11% from 1997 to \$840 million in 1998. U.S. sales as a percentage of worldwide sales increased from 59% in 1997 to 62% in 1998. Worldwide vascular and nonvascular sales increased 25% and 13%, respectively, from 1997 to 1998. The increases in U.S. sales as a percentage of worldwide sales and in vascular sales were primarily

attributable to the Company's 1998 third quarter introduction in the U.S. of coronary stents. U.S. coronary stent revenues, primarily sales of the NIR® stent, were approximately \$211 million during the second half of 1998. Worldwide NIR® coronary stent sales as a percentage of worldwide sales were approximately 13% in 1998.

Gross profit as a percentage of sales was approximately 67.1% and 70.2% during 1998 and 1997, respectively. The decrease was a result of multiple acquisitions, which weakened the Company's supply chain and pressured gross margins, resulting in write-downs for excess and obsolete inventory and high manufacturing costs. The decrease in gross margins during 1998 compared to 1997 was also attributable to a decline in average selling prices due to continuing pressure on healthcare costs and increased competition, and the significant increase in sales of the NIR® coronary stent, which had lower gross margins than the corporate average. In the third quarter of 1998, the Company provided \$31 million (\$21 million, net of tax) for costs associated with the Company's decision to recall voluntarily the NIR ON® Ranger™ with Sox™ coronary stent system in the U.S.

Selling, general and administrative expenses as a percentage of net sales decreased from 36% in 1997 to 34% in 1998, while increasing approximately \$92 million from \$663 million in 1997 to \$755 million in 1998. The decrease as a percentage of sales is primarily attributable to the increase in net sales related to the launch of coronary stents in the U.S. Approximately \$17 million of the 1998 increase in expense dollars is attributable to results of Schneider operations from the date of acquisition through December 31, 1998. In addition, during 1998, the Company continued to expand its direct sales presence in Europe and emerging markets. Finally, the increase in expense dollars reflects costs to operate the Company's new global information system and increased costs of domestic distribution.

Amortization expense increased 63% from \$33 million in 1997 to \$53 million in 1998, and increased as a percentage of sales from 1.8% to 2.4% of net sales. The increase is primarily a result of the amortization of intangibles related to the purchase of Schneider from the date of acquisition through December 31, 1998.

Royalty expenses remained at approximately 1% of net sales while increasing 41% from \$22 million in 1997 to \$31 million in 1998. The increase in overall royalty expense is due to increased sales and royalties due under several strategic alliances that the Company initiated in 1997 and prior years.

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Research and development expenses remained at 9% of net sales while increasing 20% from \$167 million in 1997 to \$200 million in 1998. Approximately \$7 million of the increase in 1998 is attributable to research and development of Schneider from the date of acquisition through December 31, 1998.

The aggregate purchase price of the Schneider acquisition has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The estimated excess of purchase price over the fair value of the net tangible assets acquired was allocated to specific intangible asset categories with the remainder assigned to excess of cost over net assets acquired. At December 31, 1999, the net intangibles recorded in connection with the Schneider acquisition, including the excess of cost over net assets acquired, represented 40% and 83% of the Company's total assets and stockholders' equity, respectively. Core technology, developed technology, assembled workforce, trademarks and patents are being amortized on a straight-line basis over periods ranging from 9 to 25 years. The Company is amortizing the value assigned to customer lists (relationships) over 25 years because it has been the Company's experience that physician and hospital relationships are built for the long term and fundamental to the Company's business of bringing innovative products to market. The Company realizes that maintaining these and similar relationships will require ongoing efforts. However, both Schneider and the Company have over a 20-year history of working closely with interventionalists and their institutions for both vascular and nonvascular applications and management believes these relationships will continue to benefit the Company. In addition, after considering the long term prospects for the less invasive medical device industry and the fundamental role of catheter-based interventional medicine, as well as, Schneider's competitive position within the industry, management concluded that it is appropriate to amortize the excess of the Schneider purchase price over the fair value of the assets acquired over 40 years. Finally, the Company recorded a \$671 million (\$524 million, net of tax) charge to account for purchased research and development. The valuation of purchased research and development, for which management is primarily responsible, represents the estimated fair value at the date of acquisition related to in-process projects. As of the date of acquisition, the in-process projects had not yet reached technological feasibility and had no alternative future uses. Accordingly, the value attributable to these projects was immediately expensed at acquisition. If the projects are not successful or completed in a timely manner, the Company may not realize the financial benefits expected for these projects.

The income approach was used to establish the fair values of the purchased research and development. This approach established the fair value of an asset by estimating the after-tax cash flows attributable to the in-process project over its useful life and then discounting these after-tax cash flows back to a present value. Revenue estimates were based on estimates of relevant market sizes, expected market growth rates, expected trends in technology and expected product introductions by competitors. In arriving at the value of the in-process research and development projects, the Company considered, among other factors, the in-process project's stage of completion, the complexity of the work completed as of the acquisition date, the costs already incurred, the projected costs to complete, the contribution of core technologies and other acquired assets, the expected introduction date, and the estimated useful life of the technology. The discount rate used to arrive at a present value as of the date of acquisition was based on the time value of money and medical technology investment risk factors. For the Schneider purchased research and development programs, a risk-adjusted discount rate of 28% was utilized to discount the projected cash flows. The Company believes that the estimated purchased research and development amounts so determined represent the fair value at the date of acquisition and do not exceed the amount a third party would pay for the projects.

The most significant Schneider purchased research and development projects that were in-process at the date of acquisition were brachytherapy, devices for aneurysmal disease and coronary stents, which represented approximately 26%, 20% and 16% of the in-process value, respectively. Set forth below are descriptions of these in-process projects, including their status at the end of 1999.

The brachytherapy system is an intravascular radiation system designed to reduce clinical restenosis after PTCA and/or stenting. The system consists of a computer-controlled afterloader, beta radiation source, centering catheter, source delivery wire and dummy wire. As of the date of acquisition, the project was expected to be completed and the products commercially available in the U.S. within two to three years, with an estimated cost to complete of approximately \$5 to \$10 million.

The aneurysmal disease projects are endoluminal grafts for the treatment of late stage vascular aneurysms and occlusions. The most significant of the projects in this category at the date of acquisition was the endoluminal graft for the treatment of abdominal aortic aneurysms. As of the date of acquisition, the projects were expected to be completed and the products commercially available in the U.S. within two to three years, with an estimated cost to complete of approximately \$10 to \$15 million.

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Coronary stent systems underway at the date of acquisition were stent systems for native coronary artery disease, saphenous vein graft disease, and versions with novel delivery systems. The Company believes that the stent systems will be especially helpful in the treatment of saphenous vein graft disease. As of the date of acquisition, the projects were expected to be completed and the products commercially available for sale in the U.S. within one year with an estimated cost to complete of approximately \$1 to \$3 million.

There have been no significant departures from the planned efforts and costs of the brachytherapy project. As part of a subsequent project consolidation program, the Schneider abdominal aortic aneurysm project has been integrated with another internal project. As a result, the Company will pursue the development of next generation products for aortic aneurysmal disease with an integrated platform while minimizing duplicative research and development. The cost of the development is still estimated to be in the range of approximately \$10 to \$15 million. The coronary stent projects have been completed.

During 1998, the Company established a rationalization plan in conjunction with the consummation of the Schneider acquisition, taking into consideration duplicate capacity as well as opportunities for further leveraging of cost and technology platforms. The Company's actions, approved and committed to in the fourth quarter of 1998, included the planned displacement of approximately 2,000 positions, over half of which were manufacturing positions and would result in annualized cost savings of approximately \$50 to \$75 million. During the fourth quarter of 1998, the Company estimated the costs associated with these activities, excluding transition costs, to be approximately \$62 million, most of which represented severance and related costs. Approximately \$36 million of the total was capitalized as part of the purchase price of Schneider. The remaining \$26 million (\$17 million, net of tax) was charged to operations during 1998. In addition, as part of the Schneider acquisition, the Company capitalized estimated costs of approximately \$16 million to cancel Schneider's contractual obligations, primarily with its distributors.

The Company substantially completed its rationalization plan in 1999, including the closure of five Schneider facilities as well as the transition of manufacturing for selected Boston Scientific product lines to different sites. Approximately 1,800 positions were eliminated (resulting in the termination of approximately 1,500 employees) in connection with the rationalization plan and the anticipated cost savings have been achieved. As noted previously, in the third quarter of 1999, the Company identified and reversed restructuring and merger-related charges of \$10 million (\$7 million, net of tax) no longer deemed necessary. These amounts relate primarily to the

rationalization plan recorded in the fourth quarter of 1998 and reflect the reclassification of assets from held-for-disposal to held-for-use resulting from management's decision to resume a development program previously planned to be eliminated. In addition, estimated severance costs for 1998 initiatives were reduced as a result of attrition. During 1999, the costs related to the transition of manufacturing operations were not significant and were recognized in operations as incurred.

The 1998 rationalization plan also resulted in the decision to expand, not close, the Target Therapeutics, Inc. (Target) facilities originally provided for in a 1997 merger-related charge and to relocate other product lines to those Target facilities. In the fourth quarter of 1998, the Company reversed \$21 million (\$14 million, net of tax) of previously recorded merger-related charges, of which \$4 million related to facility costs and which also included reductions for revisions of estimates relating to contractual commitment payments, associated legal costs and other asset write-downs originally provided for as a 1997 merger-related charge.

In the second quarter of 1998, the Company realigned its operating units and decided to operate Target independently instead of as a part of its vascular division as was planned at the date of the Target acquisition. Management believed that an independent Target would allow the business unit to develop its technologies and markets more effectively than it would as part of the vascular division. As a result of this decision, in the second quarter of 1998, the Company reversed \$20 million (\$13 million, net of tax) of 1997 Target merger-related charges primarily related to revised estimates for costs of workforce reductions and costs of canceling contractual commitments. In addition, in the second quarter of 1998, the Company recorded purchased research and development of approximately \$11 million in connection with another acquisition consummated during 1998, and, in the fourth quarter of 1998, the Company recorded \$30 million (\$20 million, net of tax) of year-end adjustments related primarily to write-downs of assets no longer deemed to be strategic. The assets relate primarily to inventory, long lived and intangible assets that the Company does not believe will be sold or realized, respectively, because of revisions to and terminations of strategic alliances. The provisions have been recorded as costs of sales (\$12 million), selling, general and administrative expenses (\$12 million), amortization expenses (\$2 million), royalties (\$2 million), research and development expenses (\$1 million) and other expenses (\$1 million).

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6 During 1997, the Company recorded merger-related charges of \$146 million (\$106 million, net of tax) primarily related to the Company's acquisition of Target, purchased research and development of \$29 million, net of tax, in conjunction with accounting for its additional investment in Medinol and other strategic investments, and a charge of \$31 million (\$21 million, net of tax) to reflect the impact of implementing a new accounting standard. 1997 results also include provisions related to unusual inventory write-downs of \$19 million (\$13 million, net of tax) and litigation-related reserves of \$34 million (\$23 million, net of tax). The Company's Target merger-related charges reflect estimated costs to integrate all aspects of the Target business into the vascular business, and include those costs typical in a merging of operations, such as rationalization of facilities, workforce reductions, unwinding of various contractual commitments, asset write-downs and other integration costs. The Target restructuring plan was initiated to gain expanded market opportunities and reduce costs. The Company planned to integrate the Target business into its vascular business, terminate the Target distributors in countries where the Company had a direct sales presence, move the Target manufacturing and research and development operations to Ireland and other vascular facilities, and manage Target's administrative and corporate activities at the Company's headquarters. Specifically, the Company planned to exit Target's leased headquarters, manufacturing and research locations in California, as well as terminate Target's sales offices in Germany, Japan and the United Kingdom. The lease terminations were planned to begin during 1997 and to be completed by the end of 1998. In conjunction with the exit plan, the Company planned to terminate approximately 500 people, of whom approximately 100 were corporate/administrative, 300 were manufacturing and 100 were research and development personnel. At the date of the Target acquisition, the Company also provided for the excess cost over fair market value of selected Target leasehold improvements, machinery and computer equipment, and other assets (\$8 million). As discussed, the Company reversed its decision to integrate the Target business into the vascular division in the second quarter of 1998. The merger and integration activities, including the reversal of previously recorded charges related to the integration of Target into the vascular division, were substantially completed during 1998. The most significant costs (approximately \$50 million) relate to estimated costs to cancel contractual obligations with distributors. During 1996 and 1997, the Company expanded its direct sales presence outside the United States so as to be in position to take advantage of expanded market opportunities; the cancellation of Target distributor contractual obligations is consistent with this strategy. Benefits from the strategy began to be realized in 1998 as the Company was able to eliminate duplicate sales infrastructure and to transition the businesses to a

seasoned sales force. In the second quarter of 1997, the Company decided not to reintroduce a vascular product that had been previously withdrawn from the European market. As a result, the Company determined that there would be no future sales of the product, thus no projected cash flows. The Company wrote-off the intellectual property (\$8 million) associated with the product as a result of this analysis. Finally, in conjunction with the implementation of a global information system, the Company provided for the estimated residual value of its legacy systems (\$8 million), based on the date which the systems were planned to be removed from service. Due to the revised estimates for costs of workforce reductions discussed previously, the number of Target employees actually displaced was approximately 40 (approximately 35 of whom were terminated in 1997 and the remainder subsequent to 1997) as compared to the original estimate of 500 employees.

Interest expense increased from \$14 million in 1997 to \$68 million in 1998. The overall increase in interest expense is primarily attributable to a higher outstanding debt balance, including the issuance of \$2.1 billion in commercial paper on September 10, 1998 to finance the acquisition of Schneider, and the issuance of \$500 million in fixed rate debt securities during the first quarter of 1998.

The Company's effective tax rate, including the impact of special charges, was approximately 39% in 1997 and 4% in 1998. Excluding these special charges, the pro forma effective tax rate increased from approximately 32% during 1997 to 33% during 1998. The increase was primarily attributable to a shift in the mix of U.S. and international business.

Liquidity and Capital Resources

Cash and short-term investments totaled \$78 million at December 31, 1999 compared to \$75 million at December 31, 1998. Working capital increased from current liabilities exceeding current assets by \$353 million at December 31, 1998 to current assets equaling current liabilities at December 31, 1999. Cash proceeds during 1999 were generated primarily from operating activities, the Company's public offering of 14.950 million shares of its common stock at a price of \$39.875 per share and the exercise of stock options. Cash proceeds during the period were offset by the repayment of approximately \$1.1 billion of outstanding debt obligations, payments of \$128 million of acquisition-related obligations, purchases of the Company's stock for approximately \$127 million and capital expenditures of approximately \$80 million. Cash provided by operating activities increased from \$259 million during

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1998 to \$727 million during 1999. The improvement is primarily attributable to increased net income and reductions in accounts receivable and inventory.

On June 30, 1999, the Company completed a public offering of 14,950 million shares of its common stock at a price of \$39.875 per share under a \$1.2 billion shelf registration filed with the Securities and Exchange Commission in September 1998. The public offering reduced the amount available for the issuance of various debt and equity securities under the shelf registration to \$604 million. The Company used the net proceeds from the public offering of approximately \$578 million to repay borrowings under its revolving credit facilities. At December 31, 1999, the Company had approximately \$421 million in revolving credit facility borrowings outstanding at a weighted-average interest rate of 6.66% and approximately \$277 million of commercial paper outstanding at a weighted-average interest rate of 6.70%, compared to \$1.8 billion of commercial paper outstanding at a weighted-average interest rate of 6.23% at December 31, 1998. At December 31, 1999, the revolving credit facilities totaled \$1.65 billion, consisting of a \$1.0 billion credit facility that terminates in June 2002, a \$600 million 364-day credit facility that terminates in September 2000 and a \$50 million uncommitted credit facility. The revolving credit facilities require the Company to maintain a specific ratio of consolidated funded debt (as defined) to consolidated net worth (as defined) plus consolidated funded debt of less than or equal to 60%. As of December 31, 1999, the ratio was approximately 37%. The Company intends to continue to borrow under its revolving credit facilities until it is able to issue sufficient commercial paper at reasonable rates.

The Company has the ability to refinance a portion of its short-term debt on a long-term basis through its revolving credit facilities and expects a minimum of \$108 million will remain outstanding through the next twelve months and, accordingly, the Company has classified this portion of borrowings as long-term at December 31, 1999 compared to \$800 million classified as long-term at December 31, 1998.

In March 1998, the Company issued \$500 million of seven-year senior notes. The senior notes bear a coupon of 6.625% payable semi-annually, and are not redeemable prior to maturity or subject to any sinking fund requirements.

The Company had 6.0 billion Japanese yen (translated to approximately \$58 million and \$53 million at December 31, 1999 and 1998, respectively) of borrowings outstanding with a syndicate of Japanese banks. The interest rate on the borrowings is 2.37% and the borrowings are payable in 2002. In addition, the Company had approximately 1.2 billion Japanese yen (translated to approxi-

mately \$12 million and \$11 million at December 31, 1999 and 1998, respectively) of borrowings outstanding from a Japanese bank used to finance a facility construction project. The interest rate on the borrowings is 2.1% and the borrowings are payable in 2012.

The Company has uncommitted Japanese credit facilities with several Japanese banks, which provided for borrowings and promissory notes discounting of up to 11.5 billion Japanese yen (translated to approximately \$112 million) and 7.5 billion Japanese yen (translated to approximately \$66 million) at December 31, 1999 and 1998, respectively. There were no borrowings outstanding under the Japanese credit facilities at December 31, 1999 and 1998. During 1999, the Company discounted approximately \$442 million of notes receivable compared to \$266 million during 1998. At December 31, 1999, approximately \$112 million of notes receivable were discounted at average interest rates of approximately 1.4% compared to \$61 million of discounted notes receivable at average interest rates of approximately 1.5% at December 31, 1998.

The Company has recognized net deferred tax assets aggregating \$238 million at December 31, 1999, and \$199 million at December 31, 1998. The assets relate principally to the establishment of inventory and product related reserves and purchased research and development. In light of the Company's historical financial performance, the Company believes that these assets will be substantially recovered.

The Company is authorized to purchase on the open market up to approximately 40 million shares of the Company's common stock. Stock repurchased under the Company's systematic plan will be used to satisfy its obligations pursuant to employee benefit and incentive plans. During the fourth quarter of 1999, the Company repurchased 5.9 million shares at an aggregate cost of \$127 million. As of December 31, 1999, a total of 25.9 million shares of the Company's common stock were repurchased under the plan. The Company may also repurchase within its authorization shares outside of the Company's systematic plan. These additional shares would also be used to satisfy the Company's obligations pursuant to employee benefit and incentive plans.

Since early 1995, the Company has entered into several 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 focus on strategic initiatives and/or make additional investments in existing relationships. In connection with these acquisitions, the Company has acquired numerous in-process research and development projects. As the Company continues to build its research

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base in future years, it is reasonable to assume that it will acquire additional research and development platforms. As of December 31, 1999, the Company's cash obligations required to complete the balance of its rationalization initiatives to integrate businesses related to its mergers and acquisitions and its 1998 rationalization plan are estimated to be approximately \$28 million. Substantially all of these cash outlays will be completed by the first half of 2000. Further, the Company expects to incur capital expenditures of approximately \$100 million during 2000. The Company expects that its cash and cash equivalents, marketable securities, cash flows from operating activities and borrowing capacity will be sufficient to meet its projected operating cash needs through the end of 2000.

Year 2000 Readiness

In prior years, the Company discussed the nature and progress of its plans to become Year 2000 ready. In late 1999, the Company completed its remediation and testing of systems. As a result of those planning and implementation efforts, the Company experienced no significant disruptions in mission critical information technology and non-information technology systems and believes those systems successfully responded to the Year 2000 date change. The Company expended in excess of \$110 million to implement and operate a Year 2000 compliant global information system and on other costs relating to Year 2000 compliance. The Company is not aware of any material problems resulting from Year 2000 issues, either with its products, its internal systems, or the products and services of third parties. The Company will continue to monitor its mission critical computer applications and those of its suppliers and vendors throughout the year 2000 to ensure that any latent Year 2000 matters that may arise are addressed promptly.

Market Risk Disclosures

In the normal course of business, the Company is exposed to market risk from changes in interest rates and foreign currency exchange rates. The Company addresses these risks through a risk management program that includes the use of derivative financial instruments. The program is operated pursuant to documented corporate risk management policies. The Company does not enter into any derivative transactions for speculative purposes.

The Company's floating and fixed rate debt obligations are subject to interest rate risk. A 100 basis point increase in interest rates related to the Company's floating rate borrowings, assuming the amount borrowed remains constant, would result in an annual increase in the Company's then current interest expense of approximately \$7 million. A 100 basis point increase in interest rates related to the Company's fixed long-term debt would not result in a material change in its fair value.

The Company enters into forward foreign exchange contracts to hedge firmly committed foreign currency transactions for periods consistent with commitments, generally one to six months. The Company had spot and forward foreign exchange contracts outstanding in the notional amounts of \$128 million and \$230 million as of December 31, 1999 and 1998, respectively. The short-term nature of these contracts has resulted in these instruments having insignificant fair values at December 31, 1999. The Company's 1999 foreign exchange contracts should not subject the Company to material risk due to exchange rate movements because gains and losses on these contracts should offset losses and gains on the assets and liabilities being hedged.

A sensitivity analysis of changes in the fair value of foreign currency exchange contracts outstanding at December 31, 1999 indicates that, if the U.S. dollar uniformly weakened by 10% against all currencies, the fair value of these contracts would decrease by \$9 million. While these hedging instruments are subject to fluctuations in value, such fluctuations are generally offset by changes in the value of the underlying exposures being hedged. In addition, unhedged foreign currency balance sheet exposures as of December 31, 1999 are not expected to result in a significant loss of earnings or cash flows. As the Company has expanded its international operations, its sales and expenses denominated in foreign currencies have expanded and that trend is expected to continue. Therefore, most international sales and expenses have been, and are expected to be, subject to the effect of foreign currency fluctuations, and these fluctuations may have an impact on margins. The Company's sensitivity analysis of the effects of changes in foreign currency exchange rates does not factor in a potential change in sales levels or local currency selling prices.

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), which is required to be adopted for fiscal years beginning after June 15, 2000, although earlier application is permitted as of the beginning of any fiscal quarter. This statement requires the Company to recognize all derivatives on the balance sheet at fair value. The Company adopted SFAS No. 133 as of

January 1, 2000. The Company recorded an immaterial transition adjustment upon adoption of this Statement and initiated a program to hedge certain forecasted intercompany transactions with forward foreign exchange contracts.

Although the Company engages in hedging transactions that may offset the effect of fluctuations in foreign currency exchange rates on foreign currency denominated assets and liabilities, financial exposure may nonetheless result, primarily from the timing of transactions, forecast volatility and the movement of exchange rates.

Euro Conversion

On January 1, 1999, eleven of the fifteen member countries of the European Union established fixed conversion rates among existing sovereign currencies and the euro. The participating countries agreed to adopt the euro as their common legal currency on that date. Fixed conversion rates among participating countries' existing currencies (the legacy currencies) and the euro were established as of that date. The legacy currencies are scheduled to remain legal tender as denominations of the euro until at least January 1, 2002 (but not later than July 1, 2002). During this transition period, parties may settle transactions using either the euro or a participating country's legacy currency. The Company is addressing the potential impact resulting from the euro conversion, including adaptation of information technology systems, competitive implications related to pricing and foreign currency considerations.

Management currently believes that the euro will not have a material impact related to its information technology systems or foreign currency exposures. The increased price transparency resulting from the use of a single currency in the eleven participating countries may affect the ability of the Company to price its products differently in the various European markets. A possible result of this is price harmonization at lower average prices for products sold in some markets. However, uncertainty exists as to the effects the euro will have on the marketplace.

Litigation

The Company is involved in various lawsuits, including patent infringement and product liability suits, 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 in the notes to consolidated

financial statements which, individually or in the aggregate, could have a material effect on the financial condition, operations and cash flows of the Company. Additionally, legal costs associated with asserting the Company's patent portfolio and defending against claims that the Company's products infringe the intellectual property of others are increasing. Similarly, legal costs associated with non-patent litigation and compliance activities are also rising. Depending upon the prevalence, significance and complexity of these matters, the Company's legal provision could be adversely affected in the future.

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. The Company is aware that the U.S. Department of Justice is conducting an investigation of matters that include the Company's decision to voluntarily recall the NIR ON® Ranger™ with Sox™ coronary stent in the U.S. The Company is cooperating fully in the investigation.

SEC Review of Financial Reporting

Within the past three years, the Securities and Exchange Commission (SEC) has publicly stated its desire to focus on transparent financial reporting and potential earnings management issues, including restructuring charges, asset write-downs, acquired in-process research and development write-offs, materiality thresholds, revenue recognition, and general reserves. In connection with these efforts, the SEC sent out letters to approximately 150 public companies indicating that their 1998 financial statements may be subject to review. Following its receipt of one of these letters, the Company requested the SEC staff to evaluate the Company's purchase price allocation of the Schneider acquisition, including the amount allocated to purchased research and development. Shortly thereafter, the Company informed the SEC of its intention to offer equity to refinance a portion of its outstanding credit facilities balance with more permanent financing. The SEC requested that the Company provide additional disclosures with respect to prior acquisitions and merger-related and special charges and provide the SEC with additional information with respect to direct transaction and other costs. The Company supplemented its disclosures and provided the information requested. In June 1999, the SEC completed its review, without adjustment, of the purchase price allocation for the acquisition of Schneider.

Cautionary Statement for Purposes of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995

This report contains forward-looking statements. The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this statement for the express purpose of availing itself of the protections of the safe harbor with respect to all forward-looking statements. Forward-looking statements contained in this report include, but are not limited to, statements with respect to, and the Company's performance may be affected by: (a) the Company's ability to obtain future benefits from the 1998 rationalization plan and the Schneider acquisition, including purchased research and development and physician and hospital relationships; (b) the process, outlays and plan for the integration of businesses acquired by the Company; (c) the successful implementation of the Company's supply chain and manufacturing process initiatives and the Company's ability to achieve manufacturing cost declines, gross margin benefits and inventory reductions; (d) the ability of the Company to manage accounts receivable, manufacturing costs and inventory levels and mix and to react effectively to the changing managed care environment and worldwide economic conditions; (e) the potential impacts of continued consolidation among healthcare providers, trends towards managed care, disease state management and economically motivated buyers, healthcare cost containment, more stringent regulatory requirements and more vigorous enforcement activities; (f) the Company's belief that it is well positioned to take advantage of opportunities for growth that exist in the markets it serves; (g) 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; (h) the Company's ability to fund development of purchased technology at currently estimated costs and to realize value assigned to in-process research and development and other intangible assets; (i) the Company's ability to develop and launch products on a timely basis, including products resulting from purchased research and development; (j) risks associated with international operations; (k) the potential effect of foreign currency fluctuations on revenues, expenses and resulting margins and the trend toward increasing sales and expenses denominated in foreign currencies; (l) the Company's belief that its effective tax rate for 2000 will decrease slightly from 1999 and that its net deferred tax assets will be substantially recovered; (m) the ability of the Company to meet its projected cash needs through the end of 2000; (n) the Company's ability to continue to leverage its infrastructure; (o) unforeseen delays, stoppages or

interruptions in the supply and/or mix of the NIR® coronary stent, difficulties in managing inventory relating to new product introductions and the Company's cost to purchase the NIR® coronary stent; (p) NIR® coronary stent sales as a percentage of worldwide sales in 2000; (q) volatility in the coronary stent market and the timing of regulatory approvals to market new coronary and peripheral stent platforms; (r) the development of competing or technologically advanced products by our competitors; (s) the Company's expectation that a minimum of \$108 million of short-term debt supported by its revolving credit facilities will remain outstanding through the next twelve months; (t) the effect of litigation and compliance activities on the Company's legal provision; (u) the impact of stockholder class action, patent, product liability and other litigation, the outcome of the U.S. Department of Justice investigation, and the adequacy of the Company's product liability insurance; (v) the potential impact resulting from the euro conversion, including adaptation of information technology systems, competitive implications related to pricing and foreign currency considerations; and (w) the timing, size and nature of strategic initiatives available to the Company.

Several important factors, in addition to the specific factors discussed in connection with such forward-looking statements individually, could affect the future results and growth rates of the Company and could cause those results and rates to differ materially from those expressed in the forward-looking statements contained herein. Such additional factors include, among other things, future economic, competitive and regulatory conditions, demographic trends, third-party intellectual property, financial market conditions and future business decisions of Boston Scientific and its competitors, all of which are difficult or impossible to predict accurately and many of which are beyond the control of Boston Scientific. Therefore, the Company wishes to caution each reader of this report to consider carefully these factors as well as the specific factors discussed with each forward-looking statement in this report and as disclosed in the Company's filings with the Securities and Exchange Commission as such factors, in some cases, have affected, and in the future (together with other factors) could affect, the ability of the Company to implement its business strategy and may cause actual results to differ materially from those contemplated by the statements expressed herein.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

Year Ended December 31,	1999	1998	1997
Net sales	\$2,842	\$2,234	\$1,831
Cost of products sold	986	735	546
Gross profit	<u>1,856</u>	<u>1,499</u>	<u>1,285</u>
Selling, general and administrative expenses	842	755	663
Amortization expense	92	53	33
Royalties	46	31	22
Research and development expenses	197	200	167
Purchased research and development		682	29
Restructuring and merger-related charges (credits)	(10)	(15)	146
	<u>1,167</u>	<u>1,706</u>	<u>1,060</u>
Operating income (loss)	689	(207)	225
Other income (expense):			
Interest and dividend income	4	5	4
Interest expense	(118)	(68)	(14)
Other, net	(13)	(5)	
Income (loss) before income taxes and cumulative effect of change in accounting	<u>562</u>	<u>(275)</u>	<u>215</u>
Income taxes	191	(11)	84
Income (loss) before cumulative effect of change in accounting	<u>371</u>	<u>(264)</u>	<u>131</u>
Cumulative effect of change in accounting (net of tax)			(21)
Net income (loss)	<u>\$ 371</u>	<u>\$ (264)</u>	<u>\$ 110</u>
Earnings (loss) per common share - basic:			
Income (loss) before cumulative effect of change in accounting	\$ 0.92	\$(0.68)	\$ 0.34
Cumulative effect of change in accounting			(0.06)
Net income (loss) per common share - basic	<u>\$ 0.92</u>	<u>\$(0.68)</u>	<u>\$ 0.28</u>
Earnings (loss) per common share - assuming dilution:			
Income (loss) before cumulative effect of change in accounting	\$ 0.90	\$(0.68)	\$0.33
Cumulative effect of change in accounting			(0.05)
Net income (loss) per common share - assuming dilution	<u>\$ 0.90</u>	<u>\$(0.68)</u>	<u>\$ 0.28</u>

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(In millions, except share and per share data)

December 31,	1999	1998
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 64	\$ 70
Short-term investments	14	5
Trade accounts receivable, net	445	538
Inventories	376	462
Deferred income taxes	121	130
Prepaid expenses and other current assets	35	62
Total current assets	1,055	1,267
Property, plant and equipment, net	604	680
Other assets:		
Excess of cost over net assets acquired, net	840	877
Technology - core and developed, net	570	607
Patents, trademarks and other, net	316	330
Deferred income taxes	117	69
Investments	55	34
Other assets	15	29
	<u>\$3,572</u>	<u>\$3,893</u>

December 31,	1999	1998
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Commercial paper	\$ 277	\$1,016
Bank obligations	323	11
Accounts payable	92	109
Accrued expenses	286	245
Acquisition-related obligations		140
Accrual for restructuring and merger-related charges	32	71
Income taxes payable	42	19
Other current liabilities	3	9
Total current liabilities	1,055	1,620
Long-term debt	678	1,364
Other long-term liabilities	115	88
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value - authorized 50,000,000 shares, none issued and outstanding		
Common stock, \$.01 par value - authorized 600,000,000 shares, 414,922,050 shares issued at December 31, 1999; 394,185,781 shares issued at December 31, 1998	4	4
Additional paid-in capital	1,210	507
Treasury stock, at cost - 5,872,857 shares at December 31, 1999	(126)	
Retained earnings	752	381
Accumulated other comprehensive income (loss):		
Foreign currency translation adjustment	(123)	(72)
Unrealized gain on available-for-sale securities, net	7	1
Total stockholders' equity	1,724	821
	<u>\$3,572</u>	<u>\$3,893</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In millions, except share data)

	Common Stock		Additional Paid-In Capital	Contingent Stock Repurchase Obligation	Treasury Stock	Accumulated Other Comprehensive		Comprehensive Income (Loss)
	Shares Issued (In thousands)	Par Value				Retained Earnings	Income (Loss)	
BALANCE AT DECEMBER 31, 1996	195,611	\$2	\$ 437	\$25	\$ (24)	\$574	\$ (19)	
Comprehensive income:								
Net income						110		\$ 110
Other comprehensive expense, net of tax:								
Net change in equity investments							(2)	(2)
Foreign currency translation adjustment							(56)	(56)
Issuance of common stock			(48)		114	(11)		
Purchase of common stock for treasury					(188)			
Sale of stock repurchase obligation			(18)	18	2			
Expiration of stock repurchase obligation			25	(25)				
Tax benefit relating to stock option and employee stock purchase plans			37			5		
BALANCE AT DECEMBER 31, 1997	195,611	2	433	18	(96)	678	(77)	<u>\$ 52</u>
Comprehensive loss:								
Net loss						(264)		\$(264)
Other comprehensive income (expense), net of tax:								
Net change in equity investments							(16)	(16)
Foreign currency translation adjustment							22	22
Issuance of common stock	2,047		47		96	(56)		
Stock split effected in the form of a stock dividend	196,528	2				(2)		
Expiration of stock repurchase obligation			18	(18)				
Tax benefit relating to stock option and employee stock purchase plans			9			25		
BALANCE AT DECEMBER 31, 1998	394,186	4	507			381	(71)	<u>\$(258)</u>
Comprehensive income:								
Net income						371		\$ 371
Other comprehensive income (expense), net of tax:								
Net change in equity investments							6	6
Foreign currency translation adjustment							(51)	(51)
Issuance of common stock	20,736		654		1			
Purchase of common stock for treasury					(127)			
Tax benefit relating to stock option and employee stock purchase plans			49					
BALANCE AT DECEMBER 31, 1999	414,922	\$4	\$1,210		\$(126)	\$752	\$(116)	<u>\$ 326</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

Year ended December 31,	1999	1998	1997
OPERATING ACTIVITIES:			
Net income (loss)	\$ 371	\$ (264)	\$ 110
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Gain on sale of equity investments		(5)	(11)
Depreciation and amortization	178	129	87
Deferred income taxes	(29)	(151)	(52)
Noncash special charges (credits)	(5)	(36)	37
Purchased research and development		682	29
Exchange (gain) loss		(2)	4
Increase (decrease) in cash flows from operating assets and liabilities:			
Trade accounts receivable	82	(95)	(59)
Inventories	68	(26)	(180)
Prepaid expenses and other current assets	8	7	10
Accounts payable and accrued expenses	38	36	101
Accrual for restructuring and merger-related charges	(45)	(22)	28
Other liabilities	58	11	(17)
Other, net	3	(5)	(7)
Cash provided by operating activities	727	259	80
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(80)	(175)	(224)
Proceeds from sale of property, plant and equipment	21	1	4
Net maturities of held-to-maturity short-term investments			29
Purchases of available-for-sale securities			(8)
Sales of available-for-sale securities	5	11	5
Acquisitions of businesses, net of cash acquired		(2,060)	(18)
Payments related to 1998 acquisition	(128)		
Payments for acquisitions of and/or investments in certain technologies, net	(3)	(2)	(39)
Cash used in investing activities	(185)	(2,225)	(251)

Year ended December 31,	1999	1998	1997
FINANCING ACTIVITIES:			
Net increase (decrease) in commercial paper	(1,539)	1,393	211
Net proceeds from borrowings on revolving credit facilities	421		
Proceeds from notes payable and long-term debt, net of debt issuance costs	8	522	52
Payments on notes payable, capital leases and long-term borrowings	(10)	(33)	(11)
Proceeds from issuances of shares of common stock, net of tax benefits	704	100	97
Acquisitions of treasury stock, net of proceeds from put options	(127)		(187)
Other, net	(1)	(5)	
Cash provided by (used for) financing activities	(544)	1,977	162
Effect of foreign exchange rates on cash	(4)	1	(5)
Net increase (decrease) in cash and cash equivalents	(6)	12	(14)
Cash and cash equivalents at beginning of period	70	58	72
Cash and cash equivalents at end of period	\$ 64	\$ 70	\$ 58

See notes to consolidated financial statements.

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of Boston Scientific Corporation (Boston Scientific or the Company) and its subsidiaries, substantially all of which are wholly-owned, and include the results of Target Therapeutics, Inc. (Target) acquired in 1997, accounted for as a pooling-of-interests for all periods presented. The statements also include the results of Schneider Worldwide (Schneider) beginning in September 1998. Investments in affiliates, representing 20% to 50% of the ownership of such companies, are accounted for under the equity method, including the Company's 22% ownership in Medinol Ltd. (Medinol). Income recorded in connection with these investments did not have a material impact on the Company's operating results during the periods presented. Investments in affiliates, representing less than 20% of the ownership of such companies, are accounted for under the cost method.

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, forward foreign exchange contracts 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 Company's investment policy limits exposure to concentration of credit risk and changes in market conditions. The Company is exposed to credit-related losses in the event of non-performance by counterparties to

financial instruments. The Company transacts forward foreign exchange contracts with major financial institutions to limit its credit exposure.

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.

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

PROPERTY, PLANT AND EQUIPMENT: 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, furniture and fixtures are depreciated over a 2 to 12-year life. Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease.

The Company capitalizes interest incurred on funds used to construct property, plant and equipment. Interest of \$1 million, \$4 million and \$5 million was capitalized during 1999, 1998 and 1997, respectively. The Company receives grant money equal to a percentage of expenditures on eligible capital equipment which is recorded as deferred income and recognized ratably over the life of the underlying assets. The grant money would be repayable, in whole or in part, should the Company fail to meet certain employment goals.

INTANGIBLE ASSETS: Intangible assets are recorded at historical cost and amortized using the straight-line method over the following lives: Patents and trademarks (3–20 years); Licenses (2–20 years); Core and developed technology (3–25 years); Excess of cost over net assets acquired (15–40 years); Other intangibles (various).

The Company reviews its excess of cost over net assets acquired and other intangible assets to determine if any adverse conditions exist that would indicate impairment. Conditions that would trigger an impairment assessment include, but are not limited to, a significant adverse change in legal factors or business climate that could affect the value of an asset or an adverse action or assessment by a regulator. If the carrying amount of an asset exceeds the sum of its undiscounted cash flows, the carrying value is written down to fair value in the period identified. Fair value is calculated as the present value of estimated future cash flows using a risk-adjusted discount rate commensurate with the Company's weighted-average cost of capital.

INCOME TAXES: The Company utilizes the asset and 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. Deferred tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Taxes are not provided on unremitted earnings of subsidiaries outside the United States (U.S.) where such earnings are permanently reinvested. At December 31, 1999, unremitted earnings of non-U.S. subsidiaries were \$529 million. It is not practical to estimate the amount of taxes payable on these foreign earnings. Research and development tax credits are recorded as a reduction in income tax expense in the year realized.

FORWARD 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 balance sheet risk due to exchange rate movements because gains and losses on these contracts offset losses and gains on the assets and liabilities being hedged. Net foreign currency transaction and translation gains (losses) during 1999, reflected as other income (expense) on the Consolidated Statements of Operations, were less than \$1 million compared to net foreign exchange gains of \$2 million in 1998 and net foreign exchange losses of \$4 million in 1997.

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), which is required to be adopted for fiscal years beginning after June 15, 2000, although earlier application is permitted as of the beginning of any fiscal quarter. This statement requires the Company to recognize all derivatives on the balance sheet at fair value. The Company adopted SFAS No. 133 as of January 1, 2000. The Company recorded an immaterial transition adjustment upon adoption of this Statement and initiated a program to hedge certain forecasted intercompany transactions with forward foreign exchange contracts.

Although the Company engages in hedging transactions that may offset the effect of fluctuations in foreign currency exchange rates on foreign currency denominated assets and liabilities, financial exposure may nonetheless result, primarily from the timing of transactions, forecast volatility and the movement of exchange rates. Further, any significant changes in exchange rates and/or the political, regulatory or economic environment where the Company conducts international operations may have a material impact on revenues and profits.

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 products for credit. The Company also allows customers to return defective or damaged products for credit or replacement. Accruals are made and evaluated for adequacy for all returns.

LEGAL COSTS: The Company accrues costs of settlement, damages and, under certain conditions, costs of defense when such costs are probable and estimable. Otherwise, such costs are expensed as incurred.

RESEARCH AND DEVELOPMENT: Research and development costs are expensed as incurred.

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. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation."

ACCOUNTING CHANGE: In 1997, the Company implemented Emerging Issues Task Force (EITF) No. 97-13, "Accounting for Costs Incurred in Connection with a Consulting Contract or an Internal Project that Combines Business Process Reengineering and Information Technology Transformation," the effect of which (\$31 million or \$21 million, net of tax) is reflected as a cumulative effect of change in accounting in 1997.

NEW ACCOUNTING STANDARD: In 1999, the Company adopted the American Institute of Certified Public Accountants' Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities," which requires costs of start-up activities and organization costs to be expensed as incurred. The Company's adoption of this statement had no material effect on the Company's reported results of operations or financial position.

NET INCOME 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 Company paid a two-for-one stock split on November 30, 1998. All historical per share amounts have been restated to reflect the stock split.

RECLASSIFICATIONS: Certain prior years' amounts have been reclassified to conform to the current year's presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B

NOTE B – OTHER BALANCE SHEET INFORMATION

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

(In millions)	1999	1998
TRADE ACCOUNTS RECEIVABLE		
Accounts receivable	\$508	\$587
Less allowances	63	49
	<u>\$445</u>	<u>\$538</u>
INVENTORIES		
Finished goods	\$194	\$249
Work-in-process	60	83
Raw materials	122	130
	<u>\$376</u>	<u>\$462</u>
PROPERTY, PLANT AND EQUIPMENT		
Land	\$ 56	\$ 56
Buildings and improvements	376	411
Equipment, furniture and fixtures	508	478
	940	945
Less accumulated depreciation and amortization	336	265
	<u>\$604</u>	<u>\$680</u>
EXCESS OF COST OVER NET ASSETS ACQUIRED		
Excess of cost over net assets acquired	\$886	\$898
Less accumulated amortization	46	21
	<u>\$840</u>	<u>\$877</u>

(In millions)	1999	1998
TECHNOLOGY – CORE AND DEVELOPED		
Core technology	\$421	\$421
Developed technology	222	220
	643	641
Less accumulated amortization	73	34
	<u>\$570</u>	<u>\$607</u>
PATENTS, TRADEMARKS AND OTHER		
Patents and trademarks	\$284	\$273
Licenses	69	66
Other	75	77
	428	416
Less accumulated amortization	112	86
	<u>\$316</u>	<u>\$330</u>
ACCRUED EXPENSES		
Payroll and related liabilities	\$ 97	\$ 84
Other	189	161
	<u>\$286</u>	<u>\$245</u>

During 1999, the Company purchased approximately \$214 million of NIR[®] coronary stents from Medinol and had approximately \$143 million of net NIR[®] inventory on hand as of December 31, 1999. Delays, stoppages, or interruptions in the supply and/or mix of the NIR[®] stent could adversely affect the operating results of the Company. During the third quarter of 1999, the Company recorded a provision of \$62 million (\$41 million, net of tax) for excess NIR[®] stent inventories and purchase commitments. Worldwide NIR[®] coronary stent sales were approximately 20% of 1999 worldwide sales.

NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS

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

(In millions)	Fair Market Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
DECEMBER 31, 1999				
AVAILABLE-FOR-SALE:				
Cash and money market accounts	\$64			\$64
Equity securities (with a readily determinable fair value)	29	\$17	\$5	17
	<u>\$93</u>	<u>\$17</u>	<u>\$5</u>	<u>\$81</u>
DECEMBER 31, 1998				
AVAILABLE-FOR-SALE:				
Cash and money market accounts	\$70			\$70
Equity securities (with a readily determinable fair value)	21	\$ 9	\$7	19
Debt securities	5			5
	<u>\$96</u>	<u>\$ 9</u>	<u>\$7</u>	<u>\$94</u>

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 stockholders' equity until realized. The cost of available-for-sale securities is based on the specific identification method.

At December 31, 1999 and 1998, the Company had investments totaling \$40 million, including \$16 million representing its investment in Medinol, and \$13 million, respectively, in which the fair market value was not readily determinable. During 1999, the Company received cash dividends of approximately \$23 million, net of tax, from Medinol.

NOTE D – BORROWINGS AND CREDIT ARRANGEMENTS

The Company's borrowings at December 31 consisted of:

(In millions)	1999	1998
Commercial paper	\$277	\$1,016
Bank obligations – short-term	323	11
Long-term debt - fixed rate	570	564
Long-term debt - floating rate	108	800

At December 31, 1999, the Company had approximately \$421 million in revolving credit facility borrowings outstanding at a weighted-average interest rate of 6.66% and approximately \$277 million of commercial paper outstanding at a weighted-average interest rate of 6.70%, compared to \$1.8 billion of commercial paper outstanding at a weighted-average interest rate of 6.23% at December 31, 1998. At December 31, 1999, the revolving credit facilities totaled \$1.65 billion, consisting of a \$1.0 billion credit facility that terminates in June 2002, a \$600 million 364-day credit facility that terminates in September 2000 and a \$50 million uncommitted credit facility. The revolving credit facilities also support the Company's commercial paper borrowings. Use of the borrowings is unrestricted and the borrowings are unsecured. The revolving credit facilities require the Company to maintain a specific ratio of consolidated funded debt (as defined) to consolidated net worth (as defined) plus consolidated funded debt of less than or equal to 60%. As of December 31, 1999, the ratio was approximately 37%. The Company intends to continue to borrow under its revolving credit facilities until it is able to issue sufficient commercial paper at reasonable rates.

The Company has the ability to refinance a portion of its short-term debt on a long-term basis through its revolving credit facilities and expects a minimum of \$108 million will remain outstanding through the next twelve months and, accordingly, the Company has classified this portion of borrowings as long-term at December 31, 1999 compared to \$800 million classified as long-term at December 31, 1998.

In March 1998, the Company issued \$500 million of seven-year senior notes. The senior notes bear a coupon of 6.625% payable semi-annually, and are not redeemable prior to maturity or subject to any sinking fund requirements.

The Company had 6.0 billion Japanese yen (translated to approximately \$58 million and \$53 million at December 31, 1999 and 1998, respectively) of borrowings outstanding with a syndicate of Japanese banks. The interest rate on the borrowings is 2.37% and the borrowings are payable in 2002. In addition, the Company had approximately 1.2 billion Japanese yen (translated to approximately \$12 million and \$11 million at December 31, 1999 and 1998, respectively) of borrowings outstanding from a Japanese bank used to finance a facility construction project. The interest rate on the borrowings is 2.1% and the borrowings are payable in 2012.

The Company has uncommitted Japanese credit facilities with several Japanese banks, which provided for borrowings and promissory notes discounting of up to 11.5 billion Japanese yen (translated to approximately \$112 million) and 7.5 billion Japanese yen (translated to approximately \$66 million) at December 31,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE D CONTINUED TO NOTE F

1999 and 1998, respectively. There were no borrowings outstanding under the Japanese credit facilities at December 31, 1999 and 1998. During 1999, the Company discounted approximately \$442 million of notes receivable compared to \$266 million during 1998. At December 31, 1999, approximately \$112 million of notes receivable were discounted at average interest rates of approximately 1.4% compared to \$61 million of discounted notes receivable at average interest rates of approximately 1.5% at December 31, 1998.

In addition, the Company had other outstanding bank obligations of \$10 million and \$11 million at December 31, 1999 and 1998, respectively, at weighted-average interest rates of 5.04% and 6.45%, respectively.

Interest paid, including interest paid under capital leases and mortgage loans, amounted to \$117 million in 1999, \$65 million in 1998 and \$19 million in 1997.

NOTE E – LEASES

Rent expense amounted to \$37 million in 1999, \$40 million in 1998 and \$37 million in 1997. Future minimum rental commitments as of December 31, 1999 under noncancelable capital and operating lease agreements are as follows:

(In millions)

Year Ending December 31,	Capital Leases	Operating Leases
2000	\$ 2	\$ 30
2001	2	28
2002	2	17
2003	3	10
2004	4	8
Thereafter	5	54
Total minimum lease payments	18	\$147
Amount representing interest	7	
Present value of minimum lease payments	\$11	

NOTE F – FAIR VALUE 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.

COMMERCIAL PAPER AND BANK OBLIGATIONS: The carrying amounts of the Company's borrowings under its commercial paper program and its financing agreements approximate their fair value.

LONG-TERM DEBT: The fair value of the Company's fixed rate long-term debt is estimated based on quoted market prices. The carrying amounts of the Company's floating rate long-term debt approximate their fair value.

FORWARD FOREIGN EXCHANGE CONTRACTS: The fair values of forward foreign exchange contracts are estimated based on the amount that the Company would receive or pay to terminate the agreements at the reporting date. The Company had spot and forward foreign exchange contracts outstanding in the notional amounts of \$128 million and \$230 million as of December 31, 1999 and 1998, respectively.

The carrying amounts and fair values of the Company's financial instruments at December 31, 1999 and 1998 are as follows:

(In millions)	1999		1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash, cash equivalents and investments	\$ 93	\$ 93	\$ 96	\$ 96
Liabilities:				
Commercial paper	277	277	1,016	1,016
Bank obligations - short-term	323	323	11	11
Long-term debt - fixed rate	570	530	564	550
Long-term debt - floating rate	108	108	800	800
Forward foreign exchange contracts, net			7	8

NOTE G

NOTE G – INCOME TAXES

Income (loss) before income taxes and cumulative effect of change in accounting consisted of:

(In millions)	Year Ended December 31,		
	1999	1998	1997
Domestic	\$422	\$(346)	\$178
Foreign	140	71	37
	<u>\$562</u>	<u>\$(275)</u>	<u>\$215</u>

The related provision (benefit) for income taxes consisted of:

(In millions)	Year Ended December 31,		
	1999	1998	1997
Current:			
Federal	\$164	\$ 106	\$ 97
State	17	21	15
Foreign	39	13	17
	<u>220</u>	<u>140</u>	<u>129</u>
Deferred:			
Federal	(8)	(112)	(30)
State	(1)	(27)	(6)
Foreign	(20)	(12)	(9)
	<u>(29)</u>	<u>(151)</u>	<u>(45)</u>
	<u>\$ 191</u>	<u>\$ (11)</u>	<u>\$ 84</u>

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

(In millions)	Year Ended December 31,		
	1999	1998	1997
Tax at statutory rate	\$197	\$ (96)	\$ 75
State income taxes, net of federal benefit	11	8	8
Effect of foreign taxes	(20)	(25)	(10)
Non-deductible merger- related expenses and purchased research and development		93	15
Other, net	3	9	(4)
	<u>\$191</u>	<u>\$ (11)</u>	<u>\$ 84</u>

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

(In millions)	1999	1998
Deferred tax assets:		
Inventory costs, intercompany profit and related reserves	\$ 89	\$ 85
Tax benefit of net operating loss and tax credits	42	29
Reserves and accruals	21	29
Merger-related charges, including purchased research and development	230	201
Other, net	21	6
	<u>403</u>	<u>350</u>
Less valuation allowance on deferred tax assets	38	25
	<u>\$365</u>	<u>\$325</u>
Deferred tax liabilities:		
Property, plant and equipment	\$ (3)	\$ (7)
Intangible assets	(45)	(51)
Unremitted earnings of subsidiaries	(59)	(56)
Other	(15)	(11)
	<u>(122)</u>	<u>(125)</u>
Deferred SFAS No. 115 adjustments	(5)	(1)
	<u>\$238</u>	<u>\$199</u>

At December 31, 1999, the Company had U.S. tax net operating loss carryforwards and tax credits of approximately \$27 million that will expire periodically beginning in the year 2006. In addition, the Company had foreign tax net operating loss carryforwards of approximately \$15 million that will expire periodically beginning in the year 2000. The Company established a valuation allowance of \$38 million for these carryforwards that are primarily attributable to the carryforwards acquired as part of the Company's prior mergers and acquisitions.

Income taxes paid amounted to \$93 million in 1999, \$109 million in 1998 and \$89 million in 1997. The income tax provision (benefit) of the unrealized gain or loss component of other comprehensive income (loss) was approximately \$4 million, \$(11) million and \$1 million for 1999, 1998 and 1997, respectively.

NOTE H – STOCKHOLDERS' EQUITY

PREFERRED STOCK: The Company is authorized to issue 50 million 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, 1999, the Company had no shares of preferred stock outstanding.

COMMON STOCK: The Company is authorized to issue 600 million 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 paid a two-for-one stock split on November 30, 1998. All historical share and per share amounts have been restated to reflect the stock split except for share amounts presented in the Consolidated Statements of Stockholders' Equity which reflect the actual share amounts outstanding for each period presented.

On June 30, 1999, the Company completed a public offering of 14.950 million shares of its common stock at a price of \$39.875 per share under a \$1.2 billion shelf registration filed with the Securities and Exchange Commission in September 1998. The Company used the net proceeds from the public offering of approximately \$578 million to repay borrowings under the revolving credit facilities. Approximately \$604 million remain available for the issuance of various debt or equity securities under the shelf registration.

The Company is authorized to purchase on the open market up to approximately 40 million shares of the Company's common stock. Stock repurchased under the Company's systematic plan will be used to satisfy its obligations pursuant to employee benefit and incentive plans. During the fourth quarter of 1999, the Company repurchased 5.9 million shares at an aggregate cost of \$127 million. As of December 31, 1999, a total of 25.9 million shares of the Company's common stock were repurchased under the plan. The Company

may also repurchase within its authorization shares outside of the Company's systematic plan. These additional shares would also be used to satisfy the Company's obligations pursuant to employee benefit and incentive plans.

NOTE I – STOCK OWNERSHIP PLANS**EMPLOYEE AND DIRECTOR STOCK INCENTIVE PLANS**

Boston Scientific's 1992 and 1995 Long-Term Incentive Plans provide for the issuance of up to 40 million shares of common stock. The terms of these two plans are similar. The plans cover officers of, employees of and consultants 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 (the 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 5,000 shares and 15,000 shares were issued to employees during 1998 and 1997, respectively. No stock grants were issued in 1999.

Boston Scientific's 1992 Non-Employee Directors' Stock Option Plan provides for the issuance of up to 200,000 shares of common stock and authorizes the automatic grant to outside directors of options to acquire 4,000 shares of common stock generally on the date of each annual meeting of the Stockholders of the Company. Options under this plan are exercisable ratably over a three-year period and expire ten years from the date of grant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE I CONTINUED

Shares reserved for future issuance under all of the Company's incentive plans totaled approximately 33 million at December 31, 1999.

If the Company had elected to recognize compensation expense for the granting of options under stock option plans based on the fair values at the grant dates consistent with the methodology prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation," net income (loss) and earnings (loss) per share would have been reported as the following pro forma amounts:

(In millions, except per share data)	Year Ended December 31,		
	1999	1998	1997
Net income (loss)			
As reported	\$ 371	\$ (264)	\$ 110
Pro forma	329	(302)	83
Earnings (loss) per common share - assuming dilution			
As reported	\$0.90	\$(0.68)	\$0.28
Pro forma	0.80	(0.77)	0.21

The weighted-average grant-date fair value per share of options granted during 1999, 1998 and 1997, calculated using the Black-Scholes options pricing model, is \$13.81, \$13.13 and \$9.08, respectively.

The fair value of the stock options used to calculate the pro forma net income (loss) and earnings (loss) per share amounts above is estimated using the Black-Scholes options pricing model with the following weighted-average assumptions:

	1999	1998	1997
Dividend yield	0%	0%	0%
Expected volatility	48.60%	37.80%	35.90%
Risk-free interest rate	5.37%	5.64%	6.42%
Actual forfeitures	1,272,000	1,127,000	1,340,000
Expected life	4.2	3.7	4.0

The effects of expensing the estimated fair value of stock options on 1997 pro forma amounts are not necessarily representative of the effects on

reporting the results of operations, as the period presented includes only three years of option grants under the Company's plans.

Information related to stock options at December 31 under stock ownership plans is as follows:

(Option amounts in thousands)	1999		1998		1997	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at January 1	32,048	\$20.45	33,206	\$15.76	29,078	\$11.42
Granted	6,634	31.57	6,621	35.91	10,716	24.70
Exercised	(5,195)	12.39	(5,557)	10.19	(5,106)	8.98
Canceled	(1,976)	28.29	(2,222)	22.02	(1,482)	18.58
Outstanding at December 31	31,511	23.63	32,048	20.45	33,206	15.76
Exercisable at December 31	13,346	\$16.22	13,053	\$11.58	12,230	\$ 9.08

Below is additional information related to stock options outstanding and exercisable at December 31, 1999:

(Option amounts in thousands)	Stock Options Outstanding			Stock Options Exercisable	
	Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Range of Exercise Prices					
\$0.00-8.00	4,359	3.56	\$ 5.76	4,359	\$ 5.76
8.01-16.00	4,190	5.24	13.66	3,259	13.60
16.01-24.00	5,574	7.72	20.63	2,291	20.57
24.01-32.00	7,563	7.44	25.09	2,266	25.06
32.01-40.00	9,586	8.76	36.19	1,171	36.78
40.01-48.00	239	9.53	44.98		
	31,511	7.07	\$23.63	13,346	\$16.22

STOCK PURCHASE PLAN

Boston Scientific's Global Employee Stock Ownership Plan (Stock Purchase Plan) provides for the granting of options to purchase up to 3 million 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 period designated by the Committee as an offering period, an option to purchase shares of the Company's common stock equal to not more than 10% of the employee's eligible compensation. Such options may be exercised generally 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 1999, approximately 603,000 shares were issued at prices ranging from \$22.47 to \$22.79 per share. During 1998, approximately 380,000 shares were issued at \$23.35 per share, and, during 1997, approximately 240,000 shares were issued at prices ranging from \$23.45 to \$24.33 per share. At December 31, 1999, there were approximately 1 million shares available for future issuance.

NOTE J – EARNINGS PER SHARE

The following table sets forth the computations of basic and diluted earnings per share:

(In millions, except share and per share data)

Year Ended December 31,	1999	1998	1997
BASIC:			
Net income (loss)	\$ 371	\$(264)	\$ 110
Weighted-average shares outstanding (in thousands)	404,783	390,836	389,146
Net income (loss) per common share	\$0.92	\$(0.68)	\$0.28
ASSUMING DILUTION:			
Net income (loss)	\$ 371	\$(264)	\$ 110
Weighted-average shares outstanding (in thousands)	404,783	390,836	389,146
Net effect of dilutive put options (in thousands)			28
Net effect of dilutive stock options (in thousands)	6,568		10,602
Total	411,351	390,836	399,776
Net income (loss) per common share	\$0.90	\$(0.68)	\$ 0.28

During 1999, 1998 and 1997, approximately 7 million, 7 million and 10 million stock options, respectively, were not included in the computation of earnings per share, assuming dilution, because exercise prices were greater than the average market price of the common shares. In addition, during 1998, approximately 9 million stock options were not included in the computation of earnings per share, assuming dilution, because they would have been antidilutive.

NOTE K – COMMITMENTS AND CONTINGENCIES

On May 31, 1994, SCIMED Life Systems, Inc. (SCIMED), a subsidiary of the Company, filed a suit for patent infringement against Advanced Cardiovascular Systems, Inc. (ACS), alleging willful infringement of two of SCIMED's U.S. patents by ACS's RX ELIPSE™ PTCA catheter. The suit was filed in the U.S. District Court for the Northern District of California seeking monetary and injunctive relief. In January 1998, the Company added the ACS RX MULTILINK™ stent delivery system to its complaint. On June 6, 1999, the Court granted summary judgment in favor of ACS affirming that ACS's patents were not infringed. SCIMED has appealed the judgment.

On December 29, 1998, the Company and SCIMED filed a cross-border suit against ACS, Guidant Corporation (Guidant) and various foreign subsidiaries in The Netherlands alleging ACS's MULTILINK™, RX ELIPSE, RX MULTILINK HP™ and RX DUET™ catheters and stent delivery systems infringe one of the Company's European patents. In this action, the Company requested relief covering The Netherlands, the United Kingdom, France, Germany and Italy. A hearing on the merits was held on November 5, 1999. The court's decision is expected to be announced on February 16, 2000.

On January 13, 1999, SCIMED filed a suit for patent infringement against ACS, Guidant and Guidant Sales Corporation alleging willful infringement of two of SCIMED's U.S. patents by ACS's RX MULTILINK HP and RX DUET stent delivery systems and one of SCIMED's U.S. patents by ACS's RX MULTILINK stent delivery system. The suit was filed in the U.S. District Court for the Northern District of California seeking monetary and injunctive relief. ACS has answered, denying the allegations of the complaint. A trial date has not yet been set.

On October 10, 1995, ACS filed a suit for patent infringement against SCIMED, alleging willful infringement by SCIMED's EXPRESS PLUS™ and EXPRESS PLUS II™ PTCA catheters of four U.S. patents licensed to ACS. Suit was filed in the U.S. District Court for the Northern District of California and seeks monetary and injunctive relief. SCIMED has answered, denying the allegations of the complaint. A trial date is scheduled for August 2000.

On March 12, 1996, ACS filed two suits for patent infringement against SCIMED, alleging in one case the willful 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 catheter. The suits were filed in the U.S. District Court for the Northern District of California and seek monetary and injunctive relief. On

June 24, 1999, in the case involving the BANDIT PTCA catheter the Court granted ACS's motions for summary judgment on the validity (with respect to certain issues) and infringement of ACS's patent; the Court denied ACS's motion for summary judgment on the enforceability of its patent and SCIMED's motions for summary judgment on the invalidity of, and SCIMED's failure to willfully infringe, ACS's patent. A trial date on the remaining issues with respect to the BANDIT PTCA catheter is set for May 2000. A trial date with respect to the EXPRESS PLUS catheters is set for August 2000.

On September 16, 1997, ACS filed a suit for patent infringement against the Company and SCIMED, alleging that SCIMED's REBEL™ PTCA catheter infringes two U.S. patents licensed to ACS and one U.S. patent owned by ACS. Suit was filed in the U.S. District Court for the Northern District of California seeking monetary damages, injunctive relief and that the patents be adjudged valid, enforceable and infringed. The Company and SCIMED have answered, denying the allegations of the complaint. A trial date has not yet been set.

On August 12, 1998, ACS and an affiliate of ACS filed suit for patent infringement against the Company and SCIMED alleging that the Company's NIR® stent infringes five patents owned by ACS. The suit was filed in the U.S. District Court for the Southern District of Indiana seeking injunctive and monetary relief. The Company and SCIMED have answered, denying the allegations of the complaint. A trial date has been set for February 22, 2000.

On March 25, 1996, Cordis Corporation (Cordis), a subsidiary of Johnson & Johnson Company (Johnson & Johnson), filed a suit for patent infringement against SCIMED, alleging the infringement of five U.S. patents by SCIMED's LEAP balloon material used in certain SCIMED catheter products, including SCIMED's BANDIT and EXPRESS PLUS catheters. The suit was filed in the U.S. District Court for the District of Minnesota and seeks monetary and injunctive relief. SCIMED has answered, denying the allegations of the complaint. A trial date has not yet been set.

On March 27, 1997, SCIMED filed suit for patent infringement against Cordis, alleging willful infringement of several SCIMED U.S. patents by Cordis' TRACKSTAR 14™, TRACKSTAR 18™, OLYMPIX™, POWERGRIP™, SLEEK™, SLEUTH™, THOR™, TITAN™ and VALOR™ catheters. The suit was filed in the U.S. District Court for the District of Minnesota, seeking monetary and injunctive relief. The parties have agreed to add Cordis' CHARGER™ and HELIX™ catheters to the suit. Cordis has answered, denying the allegations of the complaint. A trial date has not yet been set.

NOTE K CONTINUED

On March 13, 1997, the Company (through its subsidiaries) filed suits against Johnson & Johnson (through its subsidiaries) in The Netherlands, the United Kingdom and Belgium, and on March 17, 1997 filed suit in France, seeking a declaration of noninfringement for the NIR® stent relative to two European patents licensed to Ethicon, Inc. (Ethicon), a Johnson & Johnson subsidiary, as well as a declaration of invalidity with respect to those patents. After a trial on the merits in the United Kingdom during March 1998, the Court ruled on June 26, 1998 that neither of the patents is infringed by the NIR® stent, and that both patents are invalid. Ethicon has appealed and a hearing was held January 31, 2000 through February 3, 2000. A decision is expected in March 2000. On October 28, 1998, the Company's motion for a declaration of noninfringement in France was dismissed for failure to satisfy statutory requirements; the French invalidity suits were not affected.

On March 20, 21 and 22, 1997, the Company (through its subsidiaries) filed additional suits against Johnson & Johnson (through its subsidiaries) in Sweden, Italy and Spain, respectively, seeking a declaration of noninfringement for the NIR® stent relative to one of the European patents licensed to Ethicon in Sweden, Italy and Spain and a declaration of invalidity in Italy and Spain. In Italy, following a July 9, 1999 hearing, a technical expert was appointed by the court. A hearing is scheduled for March 21, 2000.

Ethicon and other Johnson & Johnson subsidiaries filed a cross-border suit in The Netherlands on March 17, 1997, alleging that the NIR® stent infringes one of the European patents licensed to Ethicon. In this action, the Johnson & Johnson entities requested relief, including provisional relief (a preliminary injunction), covering Austria, Belgium, France, Greece, Italy, The Netherlands, Norway, Spain, Sweden, Switzerland and the United Kingdom. On April 2, 1997, the Johnson & Johnson entities filed a similar cross-border proceeding in The Netherlands with respect to a second European patent licensed to Ethicon. Johnson & Johnson subsequently withdrew its request for cross-border relief in the United Kingdom. In October, 1997, Johnson & Johnson's request for provisional cross-border relief on both patents was denied by the Dutch court, on the ground that it is "very likely" that the NIR® stent will be found not to infringe the patents. Johnson & Johnson appealed this decision with respect to the second patent; the appeal has been denied on the ground that there is a "ready chance" that the patent will be declared null and void. In January 1999, Johnson & Johnson amended the claims of the second patent, changed the action from a cross-border case to a Dutch national action, and indicated its intent not to pursue its action on the first patent. On June 23, 1999, the Dutch Court affirmed that there were no remaining infringement claims with

respect to either patent. In late 1999, Johnson & Johnson appealed this decision and a hearing is expected during the summer of 2000.

On May 6, 1997, Ethicon Endosurgery, Inc. sued the Company in Dusseldorf, Germany, alleging that the Company's NIR® stent infringes one of Ethicon's patents. On June 23, 1998, the case was stayed following a decision in an unrelated nullity action in which the Ethicon patent was found to be invalid.

On June 16, 1997, the Company and SCIMED filed a suit against Johnson & Johnson, Ethicon and Johnson & Johnson International Systems Co. in the U.S. District Court for the District of Massachusetts seeking a declaratory judgment of noninfringement for the NIR® stent relative to two patents licensed to Johnson & Johnson and that the two patents are invalid and unenforceable. The Company subsequently amended its complaint to add a third patent. Johnson & Johnson answered, denying the allegations of the complaint, and counterclaiming for patent infringement. In October 1997, Johnson & Johnson's motion to dismiss the suit was denied. This action has been consolidated with the Delaware action described below.

On August 22, 1997, Johnson & Johnson filed a suit for patent infringement against the Company alleging that the sale of the NIR® stent infringes certain Canadian patents owned by Johnson & Johnson. Suit was filed in the federal court of Canada seeking a declaration of infringement, monetary damages and injunctive relief. The Company has answered, denying the allegations of the complaint. Trial is expected to begin in late 2000.

On October 22, 1997, Cordis filed a suit for patent infringement against the Company and SCIMED alleging that the importation and use of the NIR® stent infringes two patents owned by Cordis. The suit was filed in the U.S. District Court for the District of Delaware seeking monetary damages, injunctive relief and that the patents be adjudged valid, enforceable and infringed. The Company and SCIMED have answered the complaint, denying Cordis' allegations. The Massachusetts case described above has been consolidated with this action. A trial date has been set for November 2000.

On April 13, 1998, Cordis filed a suit for patent infringement against the Company and SCIMED alleging that the Company's NIR® stent infringes two patents owned by Cordis. The suit was filed in the U.S. District Court for the District of Delaware seeking injunctive and monetary relief. The Company and SCIMED have answered, denying the allegations of the complaint. A trial date has been set for November 2000.

On June 7, 1999, the Company, SCIMED and Medinol Ltd. filed suit for patent infringement against Johnson & Johnson, Johnson & Johnson Interventional Systems and Cordis, alleging two U.S. patents owned by Medinol Ltd. are infringed by at least Cordis' CROWN™, MINI CROWN™ and CORINTHIAN™ stents. The suit was filed in the U.S. District Court for the District of Minnesota seeking injunctive and monetary relief. The case has been transferred to the U.S. District Court for the District of Delaware. A trial date has not yet been scheduled.

On August 13, 1998, Arterial Vascular Engineering, Inc., now named Medtronic AVE Inc. (AVE), filed a suit for patent infringement against the Company and SCIMED alleging that the Company's NIR® stent infringes two patents owned by AVE. The suit was filed in the U.S. District Court for the District of Delaware seeking injunctive and monetary relief. The Company and SCIMED have answered, denying the allegations of the complaint. Trial is expected to begin in March 2001.

On December 15, 1998, the Company and SCIMED filed a cross-border suit against AVE in The Netherlands alleging that AVE's AVE GFX™, AVE GFX 2™, AVE LTX™ and USCI CALYPSO™ rapid exchange catheters and stent delivery systems infringe one of the Company's European patents. In this action, the Company requested relief covering The Netherlands, the United Kingdom, France, Germany and Italy. A hearing was held on October 22, 1999 and a decision is expected on February 16, 2000.

On December 18, 1998, AVE filed a suit for patent infringement against the Company and SCIMED alleging that the Company's MAXXUM™ and VIVA!™ catheters infringe a patent owned by AVE. The suit was filed in the U.S. District Court for the District of Delaware seeking injunctive and monetary relief. The Company and SCIMED have answered, denying the allegations of the complaint. A trial date is scheduled for September 25, 2000.

On March 2, 1999, AVE filed a cross-border suit in The Netherlands against the Company and various subsidiaries of the Company including SCIMED, alleging that the Company's MAXXUM™, MAXXUM™ ENERGY, MAXXUM™ 29 MM, NIR® Primo™, VIVA!™, EXPRESS PLUS and EXPRESS PLUS II balloon dilatation catheters infringe one of AVE's European patents. In this action, AVE requested relief covering The Netherlands, Germany, the United Kingdom, France and Spain. The Company has answered, denying the allegations of the complaint. A hearing was held on January 7, 2000 and a decision is expected on February 16, 2000.

On March 10, 1999, the Company through its subsidiary Schneider (Europe) AG filed suit against AVE alleging that AVE's AVE GFX, AVE GFX 2, AVE LTX, CALYPSO RELY™, PRONTO SAMBA™ and SAMBA RELY™ rapid-exchange catheters and stent delivery systems infringe one of the Company's German patents. The suit was filed in the District Court of Dusseldorf, Germany seeking injunctive and monetary relief. A hearing was held on January 27, 2000 and a decision is expected on March 9, 2000.

On April 6, 1999, AVE filed suit against the Company and SCIMED alleging that the Company's NIR® stent infringes one of AVE's European patents. The suit was filed in the District Court of Dusseldorf, Germany seeking injunctive and monetary relief. A hearing was held in Germany on September 23, 1999, and on November 4, 1999, the court dismissed the complaint. On December 21, 1999, AVE appealed the dismissal. A hearing date has not yet been scheduled.

On May 14, 1999, Medtronic, Inc. (Medtronic) filed suit against the Company and SCIMED alleging that a variety of the Company's NIR® stent products infringe a Medtronic patent. The suit was filed in the U.S. District Court for the District of Minnesota seeking injunctive and monetary relief. The Company has answered, denying the allegations of the complaint. A trial date is scheduled for May 2001.

On July 7, 1999, Medtronic filed suit against the Company and SCIMED, alleging that SCIMED's RADIUS™ stent infringes two patents owned by Medtronic. The suit was filed in the U.S. District Court for the District Court of Minnesota seeking injunctive and monetary relief. The Company has answered, denying allegations of the complaint. A trial date is scheduled for June 2001.

On April 5, 1995, C.R. Bard, Inc. (Bard) filed a lawsuit in the U.S. District Court for the District of Delaware alleging that certain Company products, including the Company's MaxForce TTS™ catheter, infringe a patent assigned to Bard. Following a trial and jury verdict, on February 3, 1999 the court entered a judgment that the Company infringed the Bard patent and awarded damages to Bard in the amount of \$10.8 million. The Company was also enjoined from selling the product found to be infringing. The Company is appealing the judgment to the Court of Appeals for the Federal Circuit. The Company no longer markets the accused device.

On March 7, 1996, Cook Inc. (Cook) filed suit in the Regional Court, Munich Division for Patent Disputes, in Munich, Germany against MinTec, Inc. Minimally Invasive Technologies alleging that the Cragg EndoPro™ System I and Stentor™ endovascular device infringe a certain Cook patent. Following the purchase of the assets of the Endotech/MinTec companies by the Company,

the Company assumed control of the litigation. A final hearing was held on May 12, 1999, and the court held no infringement of the Cook patents. The case was dismissed in June 1999. Cook has appealed the decision. A hearing is scheduled for May 4, 2001.

On June 30, 1998, Cook filed suit in the Regional Court, Dusseldorf Division for Patent Disputes, in Dusseldorf, Germany against the Company alleging that the Company's PASSAGER™ peripheral vascular stent graft and VANGUARD™ endovascular aortic graft products infringe the same Cook patent. A hearing was held on July 22, 1999 and a decision was received in September 1999 finding the Company's products infringe the Cook patent. The Company appealed the decision. A hearing is scheduled for April 26, 2001.

On March 18, 1999, Cook filed suit against the Company and SCIMED, alleging that SCIMED's RADIUS™ coronary stent infringes a certain U.S. patent owned by Cook. The suit was filed in the U.S. District Court for the Southern District of Indiana seeking monetary damages and injunctive relief. On July 14, 1999, Cook filed an amended complaint adding Meadox Medicals, Inc. (Meadox), a wholly owned subsidiary of the Company, as a party to the suit, and adding a breach of contract claim. The Company, SCIMED and Meadox have answered, denying the allegations of the complaint. A trial date is scheduled for May 14, 2001.

The U.S. Federal Trade Commission (FTC) is investigating the Company's compliance with a Consent Order dated May 5, 1995, pursuant to which the Company licensed certain intravascular ultrasound technology to Hewlett-Packard Company (HP). On February 1, 1999, HP filed a suit in the U.S. District Court for the District of Massachusetts against the Company alleging violation of the Sherman Antitrust Act and Massachusetts General Laws Chapter 93A and breach of the License Agreement entered into pursuant to the FTC Consent Order. The Company has answered, denying the allegations of the complaint. A trial date has not yet been set.

Beginning November 4, 1998, a number of shareholders of the Company, on behalf of themselves and all others similarly situated, filed purported stockholders' class action suits in the U.S. District Court for the District of Massachusetts alleging that the Company and certain of its officers violated certain sections of the Securities Exchange Act of 1934. The complaints principally alleged that as a result of certain accounting irregularities involving the improper recognition of revenue by the Company's subsidiary in Japan, the Company's previously issued financial statements were materially false and misleading. In August 1999, lead plaintiffs and lead counsel filed a purported consolidated class action complaint adding allegations that the Company

issued false and misleading statements with respect to the launch of its NIR ON® Ranger™ with Sox™ coronary stent delivery system and the system's subsequent recall. The Company and its officers have filed a motion to dismiss the consolidated complaint. The Plaintiffs have opposed the Company's motion to dismiss the consolidated complaint, and the Company intends to file its response on February 11, 2000.

The Company is aware that the U.S. Department of Justice is conducting an investigation of matters that include the Company's NIR ON® Ranger™ with Sox™ coronary stent delivery system which was voluntarily recalled by the Company in October 1998 following reports of balloon leaks. The Company is cooperating fully in the investigation.

The Company is involved in various other lawsuits from time to time. In management's opinion, the Company is not currently involved in any legal proceedings other than those specifically identified above which, individually or in the aggregate, could have a material effect on the financial condition, operations or cash flows of the Company. As of December 31, 1999, the potential exposure for litigation-related accruable costs is estimated to range from \$46 million to \$56 million. The Company's total accrual as of December 31, 1999 and 1998 for litigation-related reserves was approximately \$46 million and \$38 million, respectively.

The Company believes that it has meritorious defenses against claims that it has infringed patents of others. However, there can be no assurance that the Company will prevail in any particular case. An adverse outcome in one or more cases in which the Company's products are accused of patent infringement could have a material adverse effect on 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 product liability losses as could otherwise materially affect the Company's financial position.

NOTE L – BUSINESS COMBINATIONS

On September 10, 1998, the Company consummated its acquisition of Schneider Worldwide, formerly a member of the Medical Technology Group of Pfizer Inc., for \$2.2 billion, net of assets acquired and liabilities assumed. The acquisition was accounted for using the purchase method of accounting. The consolidated financial statements include Schneider's operating results from the date of acquisition. The aggregate purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at

NOTE L CONTINUED

date of acquisition. The excess of purchase price over the fair value of net tangible assets acquired was allocated to specific intangible asset categories. These categories include core technology, developed technology, assembled workforce, customer lists, trademarks and patents, which are being amortized on a straight-line basis over periods ranging from 9 to 25 years and the excess of cost over net assets acquired, which is being amortized on a straight-line basis over 40 years.

In connection with the acquisition of Schneider, the Company recorded a charge to account for purchased research and development. The valuation of purchased research and development, for which management is primarily responsible, represents the estimated fair value at the date of acquisition related to in-process projects. As of the date of acquisition, the in-process projects had not yet reached technological feasibility and had no alternative future uses. Accordingly, the value attributable to these projects was immediately expensed at acquisition. If the projects are not successful or completed in a timely manner, the Company may not realize the financial benefits expected for these projects.

The income approach was used to establish the fair values of the purchased research and development. This approach established the fair value of an asset by estimating the after-tax cash flows attributable to the in-process project over its useful life and then discounting these after-tax cash flows back to a present value. Revenue estimates were based on estimates of relevant market sizes, expected market growth rates, expected trends in technology and expected product introductions by competitors. In arriving at the value of the in-process research and development projects, the Company considered, among other factors, the in-process project's stage of completion, the complexity of the work completed as of the acquisition date, the costs already incurred, the projected costs to complete, the contribution of core technologies and other acquired assets, the expected introduction date, and the estimated useful life of the technology. The discount rate used to arrive at a present value as of the date of acquisition was based on the time value of money and medical technology investment risk factors. For the Schneider purchased research and development programs, a risk-adjusted discount rate of 28% was utilized to discount the projected cash flows. The Company believes that the estimated purchased research and development amounts so determined represent the fair value at the date of acquisition and do not exceed the amount a third party would pay for the projects.

The most significant Schneider purchased research and development projects that were in-process at the date of acquisition were brachytherapy, devices for aneurysmal disease and coronary stents, which represented approximately 26%,

20% and 16% of the in-process value, respectively. Set forth below are descriptions of these in-process projects, including their status at the end of 1999.

The brachytherapy system is an intravascular radiation system designed to reduce clinical restenosis after PTCA and/or stenting. The system consists of a computer-controlled afterloader, beta radiation source, centering catheter, source delivery wire and dummy wire. As of the date of acquisition, the project was expected to be completed and the products commercially available in the U.S. within two to three years, with an estimated cost to complete of approximately \$5 to \$10 million.

The aneurysmal disease projects are endoluminal graft devices for the treatment of late stage vascular aneurysms and occlusions. The most significant of the projects in this category at the date of acquisition was the endoluminal graft for the treatment of abdominal aortic aneurysms. As of the date of acquisition, the projects were expected to be completed and the products commercially available in the U.S. within two to three years, with an estimated cost to complete of approximately \$10 to \$15 million.

Coronary stent systems underway at the date of acquisition were stent systems for native coronary artery disease, saphenous vein graft disease, and versions with novel delivery systems. The Company believes that the stent systems will be especially helpful in the treatment of saphenous vein graft disease. As of the date of acquisition, the projects were expected to be completed and the products commercially available for sale in the U.S. within one year with an estimated cost to complete of approximately \$1 to \$3 million.

There have been no significant departures from the planned efforts and costs of the brachytherapy project. As part of a subsequent project consolidation program, the Schneider abdominal aortic aneurysm project has been integrated with another internal project. As a result, the Company will pursue the development of next generation products for aortic aneurysmal disease with an integrated platform while minimizing duplicative research and development. The cost of the development is still estimated to be in the range of approximately \$10 to \$15 million. The coronary stent projects have been completed.

The following unaudited pro forma information presents a summary of consolidated results of operations of the Company and Schneider as if the acquisition had occurred at the beginning of each year presented, with pro forma adjustments to give effect to amortization of intangibles, purchased research and development, an increase in interest expense on acquisition financing and certain other adjustments together with related tax effects:

NOTE L CONTINUED TO NOTE M

(In millions, except per share data)	Year Ended December 31,	
	1998	1997
Net sales	\$2,483	\$2,162
Net loss	(303)	(471)
Net loss per share — assuming dilution	(0.77)	(1.21)

In 1997, the Company completed its merger with Target in a tax-free, stock-for-stock transaction accounted for as a pooling-of-interests. In conjunction with this merger, Target's stockholders received 1.07 shares of the Company's common stock in exchange for each share of Target common stock. Approximately 33 million shares of the Company's common stock were issued in connection with the Target merger.

NOTE M - RESTRUCTURING AND MERGER-RELATED CHARGES

At December 31, 1999, the Company had an accrual for restructuring and merger-related charges of \$36 million, which is comprised of \$20 million of accrued severance and related costs primarily associated with integrating Schneider and streamlining manufacturing operations, \$6 million related to the cost of canceling contractual commitments recorded in connection with the Schneider acquisition and approximately \$10 million of accruals remaining for 1997 and prior mergers (primarily costs associated with rationalized facilities and statutory benefits which are subject to litigation).

During 1998, the Company established a rationalization plan in conjunction with the consummation of the Schneider acquisition, taking into consideration duplicate capacity as well as opportunities for further leveraging of cost and technology platforms. The Company's actions, approved and committed to in the fourth quarter of 1998, included the planned displacement of approximately 2,000 positions, over half of which were manufacturing positions. During the fourth quarter of 1998, the Company estimated the costs associated with these activities, excluding transition costs, to be approximately \$62 million, most of which represented severance and related costs. Approximately \$36 million of the total was capitalized as part of the purchase price of Schneider. The remaining \$26 million (\$17 million, net of tax) was charged to operations during 1998. In addition, as part of the Schneider acquisition, the Company capitalized estimated costs of approximately \$16 million to cancel Schneider's contractual obligations, primarily with its distributors.

The Company substantially completed its rationalization plan in 1999, including the closure of five Schneider facilities as well as the transition of manufacturing for selected Boston Scientific product lines to different sites. Approximately 1,800 positions were eliminated (resulting in the termination

of approximately 1,500 employees) in connection with the rationalization plan. In the third quarter of 1999, the Company identified and reversed restructuring and merger-related charges of \$10 million (\$7 million, net of tax) no longer deemed necessary. These amounts relate primarily to the rationalization plan recorded in the fourth quarter of 1998 and reflect the reclassification of assets from held-for-disposal to held-for-use resulting from management's decision to resume a development program previously planned to be eliminated. In addition, estimated severance costs for 1998 initiatives were reduced as a result of attrition. The Company also recorded additional costs of \$6 million as part of the purchase price of Schneider in 1999, representing revised estimates to recorded liabilities. During 1999, the costs related to the transition of manufacturing operations were not significant and were recognized in operations as incurred.

The 1998 rationalization plan also resulted in the decision to expand, not close, the Target facilities originally provided for in a 1997 merger-related charge and to relocate other product lines to those Target facilities. In the fourth quarter of 1998, the Company reversed \$21 million (\$14 million, net of tax) of previously recorded merger-related charges of which \$4 million related to facility costs and which also included reductions for revisions of estimates relating to contractual commitment payments, associated legal costs and other asset write-downs originally provided for as a 1997 merger charge. In the second quarter of 1998, the Company realigned its operating units and decided to operate Target independently instead of as a part of its vascular division as was planned at the date of the Target acquisition. As a result, in the second quarter of 1998, the Company reversed \$20 million (\$13 million, net of tax) of 1997 merger-related charges primarily related to revised estimates for costs of workforce reductions and costs of canceling contractual commitments.

During 1997, the Company recorded merger-related charges of \$146 million (\$106 million, net of tax) primarily related to the Company's acquisition of Target and purchased research and development of \$29 million, net of tax, in conjunction with accounting for its additional investment in Medinol and other strategic investments. The Company's Target merger-related charges reflect estimated costs to integrate all aspects of the Target business into the vascular business, and include those costs typical in a merging of operations, such as rationalization of facilities, workforce reductions, unwinding of various contractual commitments, asset write-downs and other integration costs. The Company planned to integrate the Target business into its vascular business, terminate the Target distributors in countries where the Company had a direct sales presence, move the Target manufacturing and research and development operations to Ireland and other vascular facilities, and manage Target's admin-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE M CONTINUED

istrative and corporate activities at the Company's headquarters. Specifically, the Company planned to exit Target's leased headquarters, manufacturing and research locations in California, as well as terminate Target's sales offices in Germany, Japan and the United Kingdom. The lease terminations were planned to begin during 1997 and to be completed by the end of 1998. In conjunction with the exit plan, the Company planned to terminate approximately 500 people, of which approximately 100 were corporate/administrative, 300 were manufacturing and 100 were research and development personnel. At the date of the Target acquisition, the Company also provided for the excess cost over fair market value of selected Target leasehold improvements, machinery and computer equipment, and other assets (\$8 million). In the second quarter of 1997, the Company decided not to reintroduce a vascular product that had been previously withdrawn from the European market. As a result, the Com-

pany determined that there would be no future sales of the product, thus no projected cash flows. The Company wrote off the intellectual property (\$8 million) associated with the product as a result of this analysis. Finally, in conjunction with the implementation of a global information system the Company provided for the estimated residual value of its legacy systems (\$8 million), based on the date which the systems were planned to be removed from service. Due to the revised estimates for costs of workforce reductions discussed previously, the number of Target employees actually displaced was approximately 40 (approximately 35 of whom were terminated in 1997 and the remainder subsequent to 1997) as compared to the original estimate of 500 employees.

The activity impacting the accrual for restructuring and merger-related charges during 1999, 1998 and 1997, net of reclassifications made by management based on available information, is summarized in the table below:

(In millions)	Balance at December 31, 1996	Charges to Operations in 1997	Charges Utilized in 1997	Balance at December 31, 1997	Purchase Price Adjustments in 1998	Charges (Credits) to Operations in 1998	Charges Utilized in 1998	Balance at December 31, 1998	Purchase Price Adjustments in 1999	Credits to Operations in 1999	Charges Utilized in 1999	Balance at December 31, 1999
1995 AND 1996 RESTRUCTURING AND MERGER-RELATED INITIATIVES:												
Facilities	\$19	\$ 2	\$ (7)	\$14		\$ 2	\$ (5)	\$11		\$(1)	\$ (7)	\$ 3
Workforce reductions	26	10	(23)	13		(5)	(4)	4				4
Contractual commitments	8		(6)	2		(1)		1				1
Asset write-downs	6	4	(8)	2		(1)		1			(1)	
Direct transaction and other costs	6		(4)	2		2	(2)	2				2
	<u>\$65</u>	<u>\$ 16</u>	<u>\$(48)</u>	<u>\$33</u>		<u>\$ (3)</u>	<u>\$(11)</u>	<u>\$19</u>		<u>\$(1)</u>	<u>\$ (8)</u>	<u>\$10</u>
1997 RESTRUCTURING AND MERGER-RELATED INITIATIVES:												
Facilities		\$ 6		\$ 6		\$ (6)						
Workforce reductions		14	\$ (2)	12		(11)	\$ (1)					
Contractual commitments		53	(25)	28		(7)	(20)	\$ 1			\$ (1)	
Asset write-downs		24	(10)	14		(7)	(6)	1			(1)	
Direct transaction and other costs		33	(24)	9		(7)		2		\$(1)	(1)	
		<u>\$130</u>	<u>\$(61)</u>	<u>\$69</u>		<u>\$(38)</u>	<u>\$(27)</u>	<u>\$ 4</u>		<u>\$(1)</u>	<u>\$ (3)</u>	
1998 SCHNEIDER PURCHASE PRICE ADJUSTMENTS:												
Workforce reductions					\$36	\$ (9)		\$27	\$3		\$(17)	\$13
Contractual commitments					16			16	3		(13)	6
					<u>\$52</u>	<u>\$ (9)</u>		<u>\$43</u>	<u>\$6</u>		<u>\$(30)</u>	<u>\$19</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE M CONTINUED TO NOTE N

(In millions)	Balance at December 31, 1996	Charges to Operations in 1997	Charges Utilized in 1997	Balance at December 31, 1997	Purchase Price Adjustments in 1998	Charges (Credits) to Operations in 1998	Charges Utilized in 1998	Balance at December 31, 1998	Purchase Price Adjustments in 1999	Credits to Operations in 1999	Charges Utilized in 1999	Balance at December 31, 1999
1998 RESTRUCTURING AND MERGER-RELATED INITIATIVES:												
Workforce reductions						\$ 14	\$ (1)	\$13		\$ (4)	\$ (7)	\$ 2
Contractual commitments						1	(1)					
Asset write-downs						9		9		(4)	(1)	4
Direct transaction and other costs						2	(1)	1				1
						\$ 26	\$ (3)	\$23		\$ (8)	\$ (8)	\$ 7
TOTAL:												
Facilities	\$19	\$ 8	\$ (7)	\$ 20		\$ (4)	\$ (5)	\$11		\$ (1)	\$ (7)	\$ 3
Workforce reductions	26	24	(25)	25	\$36	(2)	(15)	44	\$3	(4)	(24)	19
Contractual commitments	8	53	(31)	30	16	(7)	(21)	18	3		(14)	7
Asset write-downs	6	28	(18)	16		1	(6)	11		(4)	(3)	4
Direct transaction and other costs	6	33	(28)	11		(3)	(3)	5		(1)	(1)	3
	\$65	\$146	\$(109)	\$102	\$52	\$(15)	\$(50)	\$89	\$6	\$(10)	\$(49)	\$36

The 1998, 1997 and prior restructuring and merger-related charges were recognized under the provisions of EITF 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The purchase price adjustments were recognized under the provisions of APB 16, "Business Combinations" and EITF 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination."

Total facilities write-downs under the Company's restructuring and merger-related charges provided for during 1996, 1997 and 1998 for owned assets were measured as the difference between carrying value and fair value less cost to sell (approximately \$8 million, net of reversals). The charge for leased facilities during the same periods was measured using the lease commitments remaining after the facility was removed from service (approximately \$3 million, net of reversals). Write-downs of machinery and equipment, intangibles and other assets were measured by the difference between the carrying value and fair market value of the assets (approximately \$28 million, net of reversals). Reversals in 1998 and 1999 of previously recorded charges were primarily based on the initial amount charged. To the extent that any of the above assets continued to be used in operations before being sold, scrapped or abandoned,

depreciation and lease payments continued to be charged to operations. Depreciation not charged to operations related to assets held for disposal was less than \$1 million during 1999 and was approximately \$2 million in 1998.

As of December 31, 1999, the Company's cash obligations required to complete the balance of the Company's initiatives to integrate businesses related to its mergers and acquisitions and its 1998 rationalization strategy are estimated to be approximately \$28 million. As of December 31, 1999, the Company has completed all significant actions of its plans and expects that substantially all of these cash outlays (primarily severance) will be paid during the first half of 2000 from normal operations.

NOTE N – SEGMENT REPORTING

Boston Scientific is a worldwide developer, manufacturer and marketer of medical devices for less invasive procedures. The Company has four reportable operating segments based on geographic regions: the United States, Europe, Japan and Inter-Continental (formerly Emerging Markets). Each of the Company's reportable segments generates revenues from the sale of minimally invasive medical devices. The reportable segments represent an aggregate of operating divisions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE N CONTINUED

Sales and operating results of reportable segments are based on internally derived standard foreign exchange rates, which may differ from year to year and do not include inter-segment profits. Because of the interdependence of the reportable segments, the operating profit as presented may not be representative of the geographic distribution that would occur if the segments were not interdependent. Total assets and purchases of property, plant and equipment are based on foreign exchange rates used in the Company's consolidated financial statements.

(In millions)	United States	Europe	Japan	Inter-Continental	Total
1999:					
Net sales	\$1,741	\$465	\$436	\$171	\$2,813
Depreciation and amortization	60	19	3	3	85
Operating income excluding special charges	662	87	265	30	1,044
Total assets	1,257	458	215	101	2,031
Purchases of property, plant and equipment	50	21	6	3	80
1998:					
Net sales	\$1,394	\$381	\$333	\$119	\$2,227
Depreciation and amortization	64	17	2	1	84
Operating income excluding special charges	463	54	178	10	705
Total assets	1,395	552	204	75	2,226
Purchases of property, plant and equipment	97	51	19	8	175
1997:					
Net sales	\$1,076	\$326	\$299	\$ 88	\$1,789
Depreciation and amortization	57	9	2		68
Operating income excluding special charges	373	62	155	17	607
Total assets	1,089	429	136	53	1,707
Purchases of property, plant and equipment	138	70	14	2	224

A reconciliation of the totals reported for the reportable segments to the applicable line items in the consolidated financial statements is as follows:

(In millions)	1999	1998	1997
Net sales:			
Total net sales for reportable segments	\$2,813	\$2,227	\$1,789
Foreign exchange	29	7	42
	<u>\$2,842</u>	<u>\$2,234</u>	<u>\$1,831</u>
Depreciation and amortization:			
Total depreciation and amortization allocated to reportable segments	\$ 85	\$ 84	\$ 68
Corporate expenses and foreign exchange	93	45	19
	<u>\$ 178</u>	<u>\$ 129</u>	<u>\$ 87</u>
Income (loss) before income taxes and cumulative effect of change in accounting:			
Total operating income excluding special charges for reportable segments	\$1,044	\$ 705	\$ 607
Corporate expenses and foreign exchange	(365)	(245)	(207)
Purchased research and development		(682)	(29)
Restructuring and merger-related (charges) credits	10	15	(146)
	689	(207)	225
Other income (expense)	(127)	(68)	(10)
	<u>\$ 562</u>	<u>\$ (275)</u>	<u>\$ 215</u>
Total assets:			
Total assets for reportable segments	\$2,031	\$2,226	\$1,707
Corporate assets	1,541	1,667	217
	<u>\$3,572</u>	<u>\$3,893</u>	<u>\$1,924</u>
Operating income (excluding special charges) for the U.S. and Europe for the year ended December 31, 1999 would have been approximately \$678 million and \$102 million, respectively, if certain costs had been allocated between geographic regions and corporate expenses consistent with the allocation method used in 1998.			
Enterprise-wide Information			
(In millions)	1999	1998	1997
Net sales:			
Vascular	\$2,309	\$1,777	\$1,426
Nonvascular	516	426	377
Other	17	31	28
	<u>\$2,842</u>	<u>\$2,234</u>	<u>\$1,831</u>
Long-lived assets:			
United States	\$ 446	\$ 484	\$ 378
Ireland	110	119	79
Other foreign countries	48	77	42
	<u>\$ 604</u>	<u>\$ 680</u>	<u>\$ 499</u>

**BOARD OF DIRECTORS
BOSTON SCIENTIFIC CORPORATION**

We have audited the accompanying consolidated balance sheets of Boston Scientific Corporation and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. 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 conducted our audits in accordance with auditing standards generally accepted in the United States. 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 provide a reasonable basis for our opinion.

In our opinion, 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, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

As more fully described in Note A, in 1997, the Company changed its accounting policy to conform to the consensus reached by the FASB Emerging Issues Task Force on its Issue No. 97-13.

Ernst & Young LLP

Boston, Massachusetts
February 4, 2000

FIVE-YEAR SELECTED FINANCIAL DATA (UNAUDITED)

(In millions, except share and per share data)

Year Ended December 31,	1999	1998	1997	1996	1995
OPERATING DATA:					
Net sales	\$2,842	\$2,234	\$1,831	\$1,551	\$1,191
Gross profit	1,856	1,499	1,285	1,123	848
Selling, general and administrative expenses	842	755	663	492	386
Amortization expense	92	53	33	24	6
Royalties	46	31	22	17	26
Research and development expenses	197	200	167	135	106
Purchased research and development		682	29	110	68
Restructuring and merger-related charges (credits)	(10)	(15)	146	32	204
Total operating expenses	1,167	1,706	1,060	810	796
Operating income (loss)	689	(207)	225	313	52
Income (loss) before cumulative effect of change in accounting	371	(264)	131	167	(18)
Cumulative effect of change in accounting (net of tax)			(21)		
Net income (loss)	\$ 371	\$ (264)	\$ 110	\$ 167	\$ (18)
Income (loss) per common share before cumulative effect of change in accounting:					
Basic	\$ 0.92	\$ (0.68)	\$ 0.34	\$ 0.43	\$(0.05)
Assuming dilution	0.90	(0.68)	0.33	0.42	(0.05)
Net income (loss) per common share:					
Basic	\$ 0.92	\$ (0.68)	\$ 0.28	\$ 0.43	\$(0.05)
Assuming dilution	0.90	(0.68)	0.28	0.42	(0.05)
Weighted-average shares outstanding – assuming dilution (in thousands)					
	411,351	390,836	399,776	398,706	381,574

Year Ended December 31,	1999	1998	1997	1996	1995
BALANCE SHEET DATA:					
Working capital		\$ (353)	\$ 227	\$ 335	\$ 345
Total assets	\$3,572	3,893	1,924	1,585	1,159
Commercial paper	277	1,016	423	213	
Bank obligations – short-term	323	11	24	28	58
Long-term debt, net of current portion	678	1,364	46		4
Stockholders' equity	1,724	821	957	995	808
Book value per common share	\$ 4.21	\$ 2.08	\$ 2.47	\$ 2.50	\$ 2.12

The Company paid a two-for-one stock split on November 30, 1998. All historical amounts have been restated to reflect the stock split.

See notes to consolidated financial statements.

QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

(In millions, except per share data)

Three Months Ended	March 31,	June 30,	Sept. 30,	Dec. 31,
YEAR ENDED DECEMBER 31, 1999				
Net sales	\$ 708	\$ 726	\$ 691	\$ 717
Gross profit	478	491	408	479
Operating income	189	202	115	183
Net income	100	109	55	107
Net income per common share - basic	\$0.25	\$0.27	\$ 0.13	\$0.26
Net income per common share - assuming dilution	\$0.25	\$0.27	\$ 0.13	\$0.26
YEAR ENDED DECEMBER 31, 1998				
Net sales	\$ 453	\$ 488	\$ 576	\$ 717
Gross profit	315	339	370	475
Operating income (loss)	96	110	(559)	146
Net income (loss)	60	67	(462)	71
Net income (loss) per common share - basic	\$0.15	\$0.17	\$(1.18)	\$0.18
Net income (loss) per common share - assuming dilution	\$0.15	\$0.17	\$(1.18)	\$0.18

During the third quarter of 1999, the Company recorded a provision of \$62 million for excess NIR® stent inventories and purchase commitments. The excess position was driven primarily by a shortfall in planned third quarter NIR® stent revenues, a reduction in NIR® stent sales forecasted for 1999 and 2000, and strategic decisions regarding versions of the NIR® stent system to be launched. Additionally, the third quarter results include a provision for increased legal costs of \$22 million to cover certain costs of defense. These expenses relate primarily to defense costs associated with stent-related litigation. Further, during the third quarter of 1999, the Company identified and reversed restructuring and merger-related charges of \$10 million no longer deemed necessary. These amounts relate primarily to the restructuring charges accrued in the fourth quarter of 1998 and reflect the reclassification of assets from held-for-disposal to held-for-use following management's decision to resume a development program previously planned to be eliminated. In addition, estimated severance costs for 1998 initiatives were reduced as a result of attrition.

During the fourth quarter of 1998, the Company recorded a charge of \$26 million representing estimated severance and other related cost associated with integrating Schneider and streamlining manufacturing operations and reversed \$21 million of merger-related amounts no longer required. The 1998 fourth quarter results also include adjustments of \$30 million related primarily to write-downs of assets no longer deemed to be strategic. During the third quarter of 1998, the Company recorded a \$671 million charge to account for purchased research and development acquired in the purchase of Schneider. Further, the third quarter results include a provision of \$31 million for costs associated with the Company's decision to recall voluntarily the NIR ON® Ranger™ with Sox™ coronary stent system in the U.S. During the second quarter of 1998, the Company reversed approximately \$20 million of merger-related amounts no longer required and recorded purchased research and development of \$11 million in connection with another acquisition consummated during the period.

The Company paid a two-for-one stock split on November 30, 1998. All historical amounts have been restated to reflect the stock split.

See notes to consolidated financial statements.

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. All amounts below reflect the impact of the Company's two-for-one common stock split which was effected in the form of a 100% stock dividend paid in the fourth quarter of 1998.

1999	High	Low
First Quarter	\$43.000	\$23.000
Second Quarter	44.875	33.625
Third Quarter	47.063	21.563
Fourth Quarter	26.000	17.563

1998	High	Low
First Quarter	\$35.844	\$21.125
Second Quarter	37.281	30.219
Third Quarter	40.844	25.125
Fourth Quarter	29.500	20.125

The Company has not paid a cash dividend during the past five years. 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.

At December 31, 1999, there were approximately 9,811 record holders of the Company's common stock.

See notes to consolidated financial statements.

NOTES

EXECUTIVE OFFICERS AND DIRECTORS

John E. Abele
Director, Founder Chairman

Lawrence C. Best
*Senior Vice President, Finance and Administration
and Chief Financial Officer*

Joseph A. Cifforillo
Director, Private Investor

Paul Donovan
Vice President, Communications

*† ∞ Joel L. Fleishman
*Director, President of The Atlantic Philanthropic Service
Company, Inc. and Professor of Law and Public Policy,
Duke University*

† ∞ Ray J. Groves
Director, Chairman of Legg Mason Merchant Banking, Inc.

*† Lawrence L. Horsch
*Director, Chairman of Eagle Management & Financial
Corp.*

Paul A. LaViolette
*Senior Vice President, President, Boston Scientific
International, and Group President*

Robert G. MacLean
Senior Vice President, Human Resources

Kshitij Mohan, Ph.D.
Senior Vice President and Chief Technology Officer

N.J. Nicholas, Jr.
Director, Private Investor

∞ Peter M. Nicholas
Director, Chairman of the Board

*∞ John E. Pepper
*Director, Chairman, Executive Committee of the Board
of Directors, The Procter & Gamble Company*

Arthur L. Rosenthal, Ph.D.
Senior Vice President and Chief Scientific Officer

† ∞ Warren B. Rudman
*Director, Former U.S. Senator, Partner, Paul, Weiss,
Rifkind, Wharton and Garrison*

Paul W. Sandman
Senior Vice President, Secretary and General Counsel

James H. Taylor, Jr.
Senior Vice President, Corporate Operations

James R. Tobin
Director, President and Chief Executive Officer

* *Member of the Audit Committee*

† *Member of the Compensation and Human Resources Committee*

∞ *Member of the Corporate Governance Committee*

CORPORATE HEADQUARTERS

Boston Scientific Corporation
One Boston Scientific Place
Natick, MA 01760-1537
508-650-8000
508-647-2200 (Investor Relations Facsimile)
www.bsci.com

REGIONAL HEADQUARTERS

Boston Scientific Argentina S.A.
Buenos Aires, Argentina

Boston Scientific Asia Pacific Pte. Ltd.
Singapore

Boston Scientific International B.V.
Paris, France

Boston Scientific Japan K.K.
Tokyo, Japan

TECHNOLOGY CENTERS

Cork, Ireland
Fremont, CA, U.S.A
Galway, Ireland
Glens Falls, NY, U.S.A
Maple Grove, MN, U.S.A
Miami, FL, U.S.A
Miyazaki, Japan
Natick, MA, U.S.A
Plymouth, MN, U.S.A
Redmond, WA, U.S.A
San Jose, CA, U.S.A
Spencer, IN, U.S.A
Tullamore, Ireland
Watertown, MA, U.S.A
Wayne, NJ, U.S.A

STOCKHOLDER INFORMATION

Stock Listing

Boston Scientific Corporation common stock is traded on the NYSE under the symbol "BSX".

Transfer Agent

Inquiries concerning the transfer or exchange of shares, lost stock certificates, duplicate mailings or changes of address should be directed to the Company's Transfer Agent at:

Equiserve, L.P.
Post Office Box 8040
Boston, MA 02266-8040
781-575-3100
www.equiserve.com

Independent Auditors

Ernst & Young LLP
Boston, Massachusetts

Annual Meeting

The annual meeting for shareholders will take place on Tuesday, May 9, 2000, beginning at 10:00 a.m. at BankBoston, Corporate Headquarters, 100 Federal Street, Boston.

Investor Information Requests

Investors, shareholders and security analysts seeking information about the Company should refer to the Company's website at www.bsci.com or call Investor Relations at (508) 650-8555.

A copy of the Form 10-K filed with the Securities and Exchange Commission may be obtained upon written request to the Company.

Address requests to:

Investor Relations
Boston Scientific Corporation
One Boston Scientific Place
Natick, MA 01760-1537
(508) 650-8555
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1127-FRP-00