BOSTON SCIENTIFIC CORP
Form 10-K
February 25, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934, or

For the fiscal year ended December 31, 2014

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 1-11083
BOSTON SCIENTIFIC CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	04-2695240
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

300 BOSTON SCIENTIFIC WAY, MARLBOROUGH, MASSACHUSETTS 01752-1234
(Address of principal executive offices) (zip code)
(508) 683-4000
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

COMMON STOCK, $.01 PAR VALUE PER SHARE	NEW YORK STOCK EXCHANGE
(Title of each class)	(Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:
NONE
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes: þ No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes: o No þ
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes: þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorted period that the registrant was required to submit and post such files). Yes: þ No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes: o No þ

The aggregate market value of the registrant's common stock held by non-affiliates was approximately $16.8 billion based on the last reported sale price of $12.77 of the registrant's common stock on the New York Stock Exchange on June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter. (For this computation, the registrant has excluded the market value of all shares of common stock of the registrant reported as beneficially owned by executive officers, directors and the director emeritus of the registrant; such exclusion shall not be deemed to constitute an admission that any such person is an affiliate of the registrant.)

The number of shares outstanding of the registrant's common stock as of January 30, 2015 was 1,330,512,367.

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission in connection with its 2015 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

Table of Contents

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

The Company

Boston Scientific Corporation is a worldwide developer, manufacturer and marketer of medical devices that are used in a broad range of interventional medical specialties. Our mission is to transform lives through innovative medical solutions that improve the health of patients around the world. When used in this report, the terms “we,” “us,” “our” and “the Company” mean Boston Scientific Corporation and its divisions and subsidiaries.

Our history began in the late 1960s when our co-founder, John Abele, acquired an equity interest in Medi-tech, Inc., a research and development company focused on developing alternatives to surgery. In 1969, Medi-tech introduced a family of steerable catheters used in some of the first less-invasive procedures performed. In 1979, John Abele joined with Pete Nicholas to form Boston Scientific Corporation, which indirectly acquired Medi-tech. This acquisition began a period of active and focused marketing, new product development and organizational growth. Since then, we have advanced the practice of less-invasive medicine by helping physicians and other medical professionals treat a variety of diseases and conditions and improve patients’ quality of life by providing alternatives to surgery and other medical procedures that are typically traumatic to the body.

Our net sales have increased substantially since our formation. Our growth has been fueled in part by strategic acquisitions designed to improve our ability to take advantage of growth opportunities in the medical device industry. Our strategic acquisitions have helped us to add promising new technologies to our pipeline and to offer one of the broadest product portfolios in the world for use in less-invasive procedures. We believe that the depth and breadth of our product portfolio has also enabled us to compete more effectively in the current healthcare environment that seeks to improve outcomes and lower cost, while navigating managed care, large buying groups, government contracting, hospital consolidation, and international expansion and will continue to assist us in navigating through the complexities of the global healthcare market.

Business Strategy

The following are our five strategic imperatives:

- Strengthen Execution to Grow Share

We believe that our success is driven by our ability to consistently deliver initiatives that grow profitability and market share. We focus on improving the speed and performance of our business units by adding new capabilities, processes, and innovative technologies.

- Expand into High Growth Adjacencies

We seek to diversify our product portfolio by aligning our research and development spend and our business development investment toward higher growth opportunities. We focus on executing on our committed growth adjacencies while increasing our access to developing technologies and solutions. Through this diversification we expect to increase our opportunity for growth in areas that complement our core businesses.

- Drive Global Expansion

By expanding our global commercial presence, we seek to increase revenue and market share, and strengthen our relationships with leading physicians and their clinical research programs. We focus on expanding into emerging markets and building new capabilities and innovative commercial models in countries whose economies and healthcare sectors are growing rapidly.

- Fund the Journey to Fuel Growth

We are driving continuous improvement to expand our profitability, optimizing our manufacturing cost structure, reducing our corporate infrastructure and re-allocating spending to support our growth initiatives.

•Develop Key Capabilities

We are developing key capabilities that enable us to deliver economic and customer focused products and solutions aligned to the needs of the marketplace. We are globally focused on building a culture of empowerment and engagement while enhancing the diversity of our workforce.

We believe that our execution of these strategic imperatives will drive innovation, accelerate profitable revenue growth and increase stockholder value.

Products

During 2014, our products were offered for sale by seven core businesses - Interventional Cardiology, Cardiac Rhythm Management (CRM), Endoscopy, Peripheral Interventions (PI), Urology and Women's Health, Neuromodulation, and Electrophysiology (EP). In January 2011, we closed the sale of our Neurovascular business to Stryker Corporation (Stryker). We continued to generate sales from the Neurovascular business pursuant to our supply and distribution agreements with Stryker through mid-2013, when these agreements substantially completed.

During 2014, we derived 28 percent of our sales from our Interventional Cardiology business, 26 percent of our sales from our CRM business, 18 percent of our sales from our Endoscopy business, 12 percent of our sales from our PI business, seven percent of our sales from our Urology and Women's Health business, six percent of our sales from our Neuromodulation business, and three percent of our sales from our EP business. Our 2014 sales from the Neurovascular business that we sold to Stryker were immaterial.

The following section describes certain of our product offerings:

Cardiovascular

Interventional Cardiology

Drug-Eluting Coronary Stent Systems

Our broad, innovative product offerings have enabled us to become a leader in the interventional cardiology market. This leadership is due in large part to our drug-eluting coronary stent product offerings. Coronary stents are tiny, mesh tubes used in the treatment of coronary artery disease, which are implanted in patients to prop open arteries and facilitate blood flow to and from the heart. We believe we have further enhanced the outcomes associated with the use of coronary stents, particularly the processes that lead to restenosis (the growth of neointimal tissue within an artery after angioplasty and stenting), through product development and scientific research of drug-eluting stent systems. We market a broad portfolio of internally-developed and self-manufactured drug-eluting stents including the Promus PREMIER™, Promus® Element™ and Promus® Element™ Plus everolimus-eluting stents. In addition, in Europe we market the SYNERGY™ Everolimus-Eluting Platinum Chromium Coronary Stent System featuring an ultra-thin abluminal (outer) bioabsorbable polymer coating. The SYNERGY Stent is unique in that both its proprietary polymer and everolimus drug coating dissipate by three months. This innovation has the potential to improve post-implant vessel healing and will eliminate long-term polymer exposure, which is a possible cause of late adverse events.

Core Coronary Technology

We market a broad line of products used to treat patients with atherosclerosis, a principal cause of coronary artery obstructive disease, which is characterized by a thickening of the walls of the coronary arteries and a narrowing of arterial openings caused by the progressive development of deposits of plaque. Our product offerings include balloon catheters, rotational atherectomy systems, guide wires, guide catheters, embolic protection devices, crossing and re-entry devices for the treatment of chronically occluded coronary vessels and diagnostic catheters used in percutaneous transluminal coronary angioplasty (PTCA) procedures.

Intravascular Imaging

We market a family of intravascular catheter-directed ultrasound imaging catheters and systems for use in coronary arteries and heart chambers as well as certain peripheral vessels. Our latest Intravascular Ultrasound Imaging catheter, OptiCross™ has been launched in all major markets worldwide. The iLab® Ultrasound Imaging System continues as our flagship console and is compatible with our full line of imaging catheters, and our new Polaris® software, designed to run on the iLab System, has been approved in Japan, the United States (U.S.), and Europe and is currently launching in select markets. The iLab System is designed to enhance the diagnosis and treatment of blocked vessels and heart disorders. Further, these systems have been placed in cardiology labs worldwide, which provide an installed base through which we expect to launch new products, including an integrated Fractional Flow Reserve (FFR) device.

Structural Heart Therapy

In January 2011, we acquired Sadra Medical, Inc. (Sadra). Through the acquisition of Sadra, we have developed a fully repositionable and retrievable device for transcatheter aortic valve replacement (TAVR) to treat patients with severe aortic stenosis. In March 2011, we completed the acquisition of Atritech, Inc. (Atritech). Atritech developed a novel device designed to close the left atrial appendage in patients with atrial fibrillation (AF) who are at risk for ischemic stroke.

See Interventional Cardiology within Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations of this Annual Report for additional information.

Peripheral Interventions

We sell various products designed to treat patients with peripheral disease (disease which appears in blood vessels other than in the heart and in the biliary tree), including a broad line of medical devices used in percutaneous transluminal angioplasty (PTA) and peripheral vascular stenting. Our peripheral product offerings include stents, balloon catheters, wires, peripheral embolization devices and vena cava filters. Our peripheral angioplasty balloon technology includes our next-generation Mustang™ PTA balloon; our Coyote™ balloon catheter, a highly deliverable and ultra-low profile balloon dilatation catheter designed for a wide range of peripheral angioplasty procedures; and our Charger™ PTA Balloon Catheter, a 0.035” percutaneous transluminal angioplasty balloon catheter designed for post-stent dilatation as well as conventional balloon angioplasty to open blocked peripheral arteries. With our Coyote, Mustang and Charger devices, we offer balloons across all size platforms. Our peripheral stent technology includes our EPIC™ self-expanding nitinol stent system, our Carotid WALLSTENT® stent system, and our Innova™ self-expanding stent system. In addition, we market our 0.035" Rubicon™ Support Catheter and our Direxion™ torqueable microcatheter in both the U.S. and Europe. We have also launched in Europe a catheter-based renal denervation system for the treatment of uncontrolled hypertension, which we obtained through our acquisition of Vessix Vascular, Inc. (Vessix) in 2012. In addition, we are currently conducting a study designed to evaluate the safety and performance of the self-expanding Innova™ drug-eluting stent system designed to treat Superficial Femoral Artery (SFA) lesions.

During the third quarter of 2014, we completed the acquisition of the Interventional Division of Bayer AG (Bayer). We believe that this acquisition enhances our ability to offer physicians and healthcare systems a more complete portfolio of solutions to treat challenging vascular conditions. The addition of Bayer's strong commercial organization and innovative technologies supports our strategy to provide a comprehensive portfolio of leading solutions to treat peripheral vascular disease. The transaction includes the leading AngioJet® Thrombectomy System and the Fetch® 2 Aspiration Catheter, which are used in endovascular procedures to remove blood clots from blocked arteries and veins, and the JetStream® Atherectomy System, used in an innovative and fast-growing therapy to remove plaque and thrombi from diseased arteries.

We also sell products designed to treat patients with non-vascular disease (disease that appears outside the blood system). Our non-vascular suite of products includes biliary stents, drainage catheters and micro-puncture sets designed to treat, diagnose and ease various forms of benign and malignant tumors. We continue to market our extensive line of Interventional Oncology product solutions, including the recently launched Renegade® HI-FLO™

Fathom® microcatheter and guidewire system and Interlock™ - 35 Fibered IDC™ Occlusion System for peripheral embolization.

See Peripheral Interventions within Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of this Annual Report for additional information.

Rhythm Management

Cardiac Rhythm Management

We develop, manufacture and market a variety of implantable devices that monitor the heart and deliver electricity to treat cardiac abnormalities, including:

- Implantable cardioverter defibrillator (ICD) systems used to detect and treat abnormally fast heart rhythms (tachycardia) that could result in sudden cardiac death, including the world's first and only commercially available subcutaneous implantable cardiac defibrillator - the S-ICD® System, and implantable cardiac resynchronization therapy defibrillator (CRT-D) systems used to treat heart failure; and

- Implantable pacemaker systems used to manage slow or irregular heart rhythms (bradycardia), including implantable cardiac resynchronization therapy pacemaker (CRT-P) systems used to treat heart failure.

In addition, many of our implantable device systems include our remote LATITUDE® Patient Management System, which enables physicians to monitor device performance remotely, allowing for more frequent monitoring in order to guide treatment decisions.

We market our INGENIO™ family of pacemaker systems in the U.S., Europe, and Japan. Our INGENIO™ and ADVANTIO™ pacemakers are approved in Europe and Japan for use in patients in need of a magnetic resonance imaging (MRI) scan. Our cardiac resynchronization therapy pacemaker product offerings include our INVIVE™ system, which is built on the same platform as our high voltage cardiac resynchronization therapy defibrillator, is enabled for remote patient monitoring, and includes features that promote ease of use.

During 2012, we completed the acquisition of Cameron Health, Inc. (Cameron). Cameron developed the world's first and only commercially available subcutaneous implantable cardiac defibrillator - the S-ICD® System, which we believe is a differentiated technology. The S-ICD® system has Conformité Européenne (CE) Mark and U.S. Food and Drug Administration (FDA) approval. With this technology, we are able to offer our physician customers an entirely new option to treat their patients who are at risk for sudden cardiac arrest without touching the heart or invading the vasculature.

In the fourth quarter of 2013, we received CE Mark approval and performed the first implants of our X4 line of quadripolar CRT-D systems, including AUTOGEN™ X4, DYNAGEN™ X4, and INOGEN™ X4 cardiac resynchronization therapy defibrillators, a suite of ACUITY™ X4 quadripolar LV leads and the ACUITY™ PRO lead delivery system. At the same time, we received CE Mark for a new MINI line and a new EL (extended longevity) line of ICDs. MINI is the world’s smallest, thinnest ICD and EL is the world’s longest lasting ICD due to our proprietary EnduraLife™ Battery Technology. Lastly, DYNAGEN™ X4, INOGEN™ X4, DYNAGEN™ MINI, and INOGEN™ MINI were FDA approved and launched in the U.S. in the second quarter of 2014, while the EL line was launched in the U.S. in the first quarter of 2015.

See Cardiac Rhythm Management within Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations of this Annual Report for additional information.

Electrophysiology

Within our Electrophysiology business, we develop less-invasive medical technologies used in the diagnosis and treatment of rate and rhythm disorders of the heart. Included in our product offerings are steerable RF ablation catheters, intracardiac ultrasound catheters, diagnostic catheters, delivery sheaths, and other accessories. Our products include the market leading Blazer® line of temperature ablation catheters, designed to deliver enhanced performance and responsiveness. Our cooled ablation portfolio includes our closed-loop irrigated catheter, the Chilli II® cooled ablation catheter, and CE Mark approved Blazer™ Open-Irrigated ablation catheter with a unique Total Tip Cooling™

Design. Our comprehensive diagnostic catheter portfolio includes Blazer Dx-20™, Dynamic Tip™ and Viking™ catheters. In 2013, we received FDA approval for the IntellaTip MiFi™ XP catheter, with MicroFidelity sensor technology, representing a new generation of high-resolution ablation catheters for treatment of atrial flutter. We have a full capital equipment product offering, including our LabSystem Pro Recording System, the Rhythmia Mapping System, Maestro radio frequency (RF) generators, and the MetriQ pump (CE Mark approved).

See Electrophysiology within Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of this Annual Report for additional information.

MedSurg
Endoscopy
Gastroenterology

We are dedicated to transforming the lives of patients by advancing the diagnosis and treatment of a broad range of pulmonary and gastrointestinal conditions with less invasive technologies. Common disease states include esophageal disorders, gastrointestinal (GI) strictures and bleeding, biliary disease and conditions, as well as esophageal, biliary, pancreatic and colon cancer. Some of our product offerings include:

- Our Spyglass® System, which is the first and only single-operator cholangioscopy system that offers clinicians direct visualization of the pancreatico-biliary system and includes therapeutic devices for managing biliary stones and strictures.

- Our WallFlex® Colonic Stents, which have been shown to reduce patient postoperative length of stay. Our WallFlex® Biliary RX Stents provide relief for pancreatic cancer patients receiving chemotherapy before undergoing surgery through pre-operative drainage of the bile duct. Our WallFlex® Esophageal Stents deliver luminal patency in patients with esophageal strictures.

- Our Resolution® Clip, a market-leading technology used to provide hemostasis and closure within the GI System.

- Our Expect™ Aspiration Needle, which is a flexible and highly visible needle used with endoscopic ultrasound enabling physicians to target and sample lesions in the GI system with a high degree of accuracy.

- Our exclusive line of RX Biliary System™ devices that are designed to provide greater access and control for physicians to diagnose and treat challenging conditions of the bile ducts, such as removing gallstones, opening obstructed bile ducts and obtaining biopsies in suspected tumors.

We continue to conduct clinical research to determine if our clinical data can support expanded indications and thus benefit additional patients.

Interventional Bronchoscopy

We market devices to diagnose, treat and ease pulmonary disease systems within the airway and lungs. Our products are designed to help perform biopsies, retrieve foreign bodies from the airway, open narrowings of an airway, stop internal bleeding, and ease symptoms of some types of airway cancers. Our product line includes pulmonary biopsy forceps, transbronchial aspiration needles, cytology brushes and tracheobronchial stents used to dilate narrowed airway passages or for tumor management. In 2010, we completed our acquisition of Asthmatx, Inc. (Asthmatx), which added to our Endoscopy portfolio a less-invasive, catheter-based bronchial thermoplasty procedure for the treatment of severe persistent asthma. The Alair® Bronchial Thermoplasty System, developed by Asthmatx, has CE Mark, China Food and Drug Administration and U.S. FDA approval and is the first device-based asthma treatment approved by the FDA. We expect that the Alair technology will continue to strengthen our existing offering of pulmonary devices and contribute to future sales growth and diversification of the Endoscopy business.

See Endoscopy within Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations of this Annual Report for additional information.

Urology and Women’s Health

Our Urology and Women’s Health business develops, manufactures and sells devices to treat various urological and gynecological disorders. Within our Urology business, we sell a variety of products designed to treat patients with urinary stone disease and benign prostatic hyperplasia (BPH). We offer a full line of stone management products, including ureteral stents, wires, lithotripsy devices, stone retrieval devices, sheaths, balloons and catheters. Within our Women's Health business, we market a range of devices for the treatment of conditions such as female urinary

incontinence, pelvic floor reconstruction (rebuilding of the anatomy to its original state), menorrhagia (excessive menstrual bleeding), and uterine fibroids and polyps. We offer a full breadth of mid-urethral sling products, sling materials, graft materials, pelvic floor reconstruction kits, and suturing devices. We market our Genesys Hydro ThermAblator® (HTA) system, an ablation system designed to ablate the endometrial lining of the uterus in premenopausal women with menorrhagia. In the U.S., we are in the process of launching the Symphion System™ for the removal of intrauterine fibroids and polyps.

See Urology and Women's Health within Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of this Annual Report for additional information.

Neuromodulation

Within our Neuromodulation business, we market the Precision® and Precision Spectra™ Spinal Cord Stimulator (SCS) systems, used for the management of chronic pain. These systems manage chronic pain by applying an electrical signal to mask pain signals traveling from the spinal cord to the brain. Our leads portfolio includes the CoverEdge™ family of 32-contact surgical leads, with more contacts than any other marketed lead; the Infinion™ 16 Percutaneous Lead, the world's only 16-contact percutaneous lead; and our Linear™ 3-4 and Linear 3-6 Percutaneous Leads. These leads are for use with our 2- and 4-port SCS pulse generators, and provide the broadest range of configurations in the industry, engineered to provide more pain relief to a broader spectrum of patients. The Precision Spectra™ SCS System is the world's first and only SCS system with 32 contacts and 32 dedicated power sources and is designed to provide improved pain relief to a wide range of patients who suffer from chronic pain. We believe that we continue to have a technology advantage compared to our competitors with proprietary features such as Multiple Independent Current Control and our Illumina™ 3D proprietary programming software, which together are intended to allow the physician to target specific areas of pain and customize stimulation of nerve fibers more precisely.

We continue to research ways to expand the range of stimulation options available to patients with chronic pain. We are currently conducting two large scale prospective clinical trials exploring stimulation with multiple new waveforms, based on the Precision® and Precision Spectra™ platforms: our ACCELERATE study evaluating high-rate (10kHz) stimulation, and the WHISPER study
exploring a proprietary sub-perception stimulation waveform.

See Neuromodulation within Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of this Annual Report for additional information.

Innovation

Our approach to innovation combines internally-developed products and technologies with those we may obtain externally through strategic acquisitions and alliances. Our research and development efforts are focused largely on the development of next-generation and novel technology offerings across multiple programs and divisions. In addition, we have undertaken strategic acquisitions to help enable us to continue to be a leader in the medical device industry. We expect to continue to invest in our core franchises, and also investigate opportunities to further expand our presence in, and diversify into, strategic growth adjacencies. During the last several years, we have closed multiple acquisitions to strengthen our core franchises and expand into high growth adjacencies. There can be no assurance that technologies developed internally or acquired through acquisitions and alliances will achieve technological feasibility, obtain regulatory approvals or gain market acceptance, and any delay in the development or approval of these technologies may adversely impact our ability to drive future growth.

Research and Development

Our investment in research and development is critical to driving our future growth. We expended $817 million on research and development in 2014, $861 million in 2013, and $886 million in 2012. Our investment in research and development reflects the following:

- regulatory compliance, clinical science, and internal research and development programs, as well as other programs obtained through our strategic acquisitions and alliances; and

- engineering efforts that incorporate customer feedback into continuous improvement efforts for currently marketed and next-generation products.

We have directed our development efforts toward regulatory compliance and innovative technologies designed to expand current markets or enter adjacent markets. We are transforming the way we conduct research and development and are scrutinizing our cost structure, which we believe will enable increased development activity and faster concept to market timelines. Our approach to new product design and development is through focused, cross-functional teams. We believe that our formal process for technology and product development aids in our ability to offer and

manufacture innovative products in a consistent and timely manner. Involvement of the research and development, clinical, quality, regulatory, manufacturing and marketing teams early in the process is the cornerstone of our product development cycle. We believe this collaboration allows these teams to concentrate resources on the most viable and clinically relevant new products and technologies, and focus on bringing them to market in a timely and cost-effective manner. In addition to internal development, we work with hundreds of leading research institutions, universities and clinicians around the world to develop, evaluate and clinically test our products. We believe our future success will depend upon the strength of these development efforts.

Marketing and Sales

During 2014, we marketed our products to approximately 25,000 hospitals, clinics, outpatient facilities and medical offices in the U.S. and across over 110 countries worldwide. The majority of our net sales are derived from countries in which we have direct sales organizations. We also have a network of distributors and dealers who offer our products in certain countries and markets, which accounts for our remaining sales. We expect to continue to leverage our infrastructure in markets where commercially appropriate and use third parties in those markets where it is not economical or strategic to establish or maintain a direct presence. No single institution accounted for more than ten percent of our net sales in 2014 or 2013; however, large group purchasing organizations, hospital networks and other buying groups have become increasingly important to our business and represent a substantial portion of our net sales. We have a dedicated corporate sales organization in the U.S. focused principally on selling to major buying groups and integrated healthcare networks. We consistently strive to understand and exceed the expectations of our customers. Each of our businesses maintains dedicated sales forces and marketing teams focused on physicians who specialize in the diagnosis and treatment of different medical conditions. We believe that this focused disease state management enables us to develop highly knowledgeable and dedicated sales representatives and to foster collaborative relationships with physicians. We believe that we have positive working relationships with physicians and others in the medical industry, which enable us to gain a detailed understanding of new therapeutic and diagnostic alternatives and to respond quickly to the changing needs of physicians and their patients.

International Operations

International net sales accounted for approximately 47 percent of our net sales in 2014. Maintaining and expanding our international presence is an important component of our long-term growth strategy. Through our international presence, we seek to increase net sales and market share, leverage our relationships with leading physicians and their clinical research programs, accelerate the time to bring new products to market, and gain access to worldwide technological developments that we can implement across our product lines. In addition, we are investing in infrastructure in emerging markets in order to introduce products and strengthen our sales capabilities in these countries.

As of December 31, 2014, we had six international manufacturing facilities, including three in Ireland, two in Costa Rica and one in Puerto Rico. Approximately 57 percent of our products manufactured in 2014 were produced at these facilities. Additionally, we maintain international research and development capabilities in Ireland and China and are establishing capabilities in India. We operate physician training centers in France, Japan, and China, and we are currently developing physician training centers in India and South Africa.

Manufacturing and Raw Materials

We are focused on continuously improving our supply chain effectiveness, strengthening our manufacturing processes and increasing operational efficiencies within our organization. We believe by sourcing global manufacturing by technology capabilities, we are able to leverage our existing resources and concentrate on the development and commercial launch of new products and the enhancement of existing products. We continue to implement new systems designed to provide improved quality, reliability and service, greater efficiency and lower supply chain costs, and have substantially increased our focus on process controls and validations, supplier controls, distribution controls and providing our operations teams with the training and tools necessary to drive continuous improvement in product quality. In addition, we remain focused on examining our operations and general business activities to identify cost-improvement opportunities in order to enhance our operational effectiveness.

Our products are designed and manufactured in technology centers around the world, either by us or third parties. In most cases, the manufacturing of each of our product families is concentrated in one location. We consistently monitor our inventory levels, manufacturing and distribution capabilities, and maintain recovery plans to address potential disruptions that we may encounter. However, significant interruptions in the manufacturing of our products for an extended duration may result in loss of market share, which could adversely affect our results of operations and financial condition.

Many components used in the manufacture of our products are readily fabricated from commonly available raw materials or off-the-shelf items available from multiple supply sources; however, certain items are custom made to meet our specifications. We believe that in most cases, redundant capacity exists at our suppliers and that alternative sources of supply are available or could be developed within a reasonable period of time. We also have an on-going

program to identify single-source components and to develop alternative back-up supplies and we regularly readdress the adequacy and abilities of our suppliers to meet our needs.

In certain cases we may not be able to quickly establish additional or replacement suppliers for specific materials, components or products, largely due to the regulatory approval system and the complex nature of our manufacturing processes and those of our suppliers. A reduction or interruption in supply, an inability to develop and validate alternative sources if required, or a significant increase in the price of raw materials, components or products could adversely affect our operations and financial condition, particularly materials or components related to our CRM products and drug-eluting stent systems. In addition, many of our products require sterilization prior to sale and we utilize a mix of internal resources and contract sterilizers to perform this service. We believe we have capabilities sufficient to sterilize our products; however, to the extent we or our third-party sterilizers are unable to sterilize our products, whether due to capacity, availability of materials for sterilization, regulatory or other constraints, we may be unable to transition to other contract sterilizers, sterilizer locations or sterilization methods in a timely or cost effective manner or at all, which could have an adverse impact on our operations.

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Securities and Exchange Commission (SEC) has promulgated rules applicable to public companies that use certain minerals and metals, known as conflict minerals, in their products. The rules require us to undertake measures to understand the origin and, as need be, source of conflict minerals within our supply chain and to disclose, among other things, those measures and whether or not any such conflict minerals originated from the Democratic Republic of the Congo and adjoining countries. These requirements could, directly or indirectly, adversely affect the sourcing, availability and pricing of such minerals if they are found to be sourced from that region.

Quality Assurance

We are committed to providing high quality products to our customers. Our quality system starts with the initial product specification and continues through the design of the product, component specification process and the manufacturing, sale and servicing of the product. Our quality system is intended to build in quality and process control and to utilize continuous improvement concepts throughout the product life. These systems are designed to enable us to satisfy the various international quality system regulations, including those of the FDA with respect to products sold in the U.S. All of our manufacturing facilities, and our U.S. and European distribution centers, are certified under the ISO13485 quality system standard, established by the International Standards Organization, for medical devices, which requires, among other items, an implemented quality system that applies to component quality, supplier control, product design and manufacturing operations. This certification can be obtained only after a complete audit of a company’s quality system by an independent outside auditor. Maintenance of the certification requires that these facilities undergo periodic re-examination.

Environmental Regulation and Management

We are subject to various environmental laws, directives and regulations both in the U.S. and abroad. Our operations, like those of other medical device companies, involve the use of substances regulated under environmental laws, primarily in manufacturing and sterilization processes. We do not believe that compliance with environmental laws will have a material impact on our capital expenditures, earnings or competitive position. However, given the scope and nature of these laws, there can be no assurance that environmental laws will not have a material impact on our results of operations. We assess potential environmental contingent liabilities on a regular basis. At present, we are not aware of any such liabilities that would have a material impact on our business.

We believe that sound environmental, health and safety performance contributes to our competitive strength while benefiting our customers, shareholders and employees. We are focused on continuous improvement in these areas by reducing pollution, the depletion of natural resources, and our overall environmental footprint. Specifically, we are working to optimize energy and resource usage, ultimately reducing greenhouse gas emissions and waste. We are certified to the FTSE4Good Corporate Social Responsibility Index, managed by The Financial Times and the London Stock Exchange, which measures the performance of companies that meet globally recognized standards of corporate responsibility. This certification recognizes our dedication to those standards, and it places us in a select group of companies with a demonstrated commitment to responsible business practices and sound environmental policies.

We have completed an initiative and obtained ISO 14001:2004 certification at our major manufacturing plants and Tier 1 distribution centers around the world. In addition, in 2014, our Corporate Headquarters in Marlborough, Massachusetts was certified to the ISO14001:2004 standard. ISO 14001:2004 is a globally recognized standard for

Environmental Management Systems, established by the International Standards Organization, which provides a voluntary framework to identify key environmental aspects associated with our business. Using this environmental management system and the specific attributes of our certified locations in the U.S., Ireland, Costa Rica and the Netherlands, we continue to improve our environmental performance and reduce our environmental footprint.

Competition

We encounter significant competition across our product lines and in each market in which we sell our products from various companies, some of which may have greater financial and marketing resources than we do. Our primary competitors include Abbott Laboratories; Medtronic, Inc.; St. Jude Medical, Inc.; and Cook Medical; as well as a wide range of medical device companies that sell a single or limited number of competitive products or participate in only a specific market segment. We also face competition from non-medical device companies, such as pharmaceutical companies, which may offer alternative therapies for disease states intended to be treated using our products.

We believe that our products and solutions compete primarily on their ability to deliver both clinical and economic outcomes for our customers; while also continuing to safely and effectively perform diagnostic and therapeutic procedures in a less-invasive manner, as well as to provide ease of use, comparative effectiveness, reliability and physician familiarity. In the current environment of managed care, economically-motivated buyers, consolidation among healthcare providers, increased competition and declining reimbursement rates, we have been increasingly required to compete on the basis of price, value, reliability and efficiency. We believe the current global economic conditions and healthcare reform measures could continue to put additional competitive pressure on us, including on our average selling prices, overall procedure rates and market sizes. We recognize that our continued competitive success will depend upon our ability to: offer products and solutions that offer differentiated clinical and economic outcomes; create or acquire innovative, scientifically advanced technologies; apply our technology and solutions cost-effectively and with superior quality across product lines and markets; develop or acquire proprietary products and solutions; attract and retain skilled personnel; obtain patent or other protection for our products; obtain required regulatory and reimbursement approvals; continually enhance our quality systems; manufacture and successfully market our products and solutions either directly or through outside parties; and supply sufficient inventory to meet customer demand.

Medical Device Regulatory Approvals

The medical devices that we manufacture and market are subject to regulation by numerous worldwide regulatory bodies, including the FDA and comparable international regulatory agencies. These agencies require manufacturers of medical devices to comply with applicable laws and regulations governing development, testing, manufacturing, labeling, marketing and distribution of medical devices. Devices are generally subject to varying levels of regulatory control, based on the risk level of the device.

In the U.S., authorization to commercially distribute a new device generally can be met in one of three ways. The first process requires that a premarket notification (510(k)) be made to the FDA to demonstrate that the device is as safe and effective as, or substantially equivalent to, a legally marketed device, the “predicate” device. Applicants must submit performance data to establish substantial equivalence. In some instances, data from human clinical trials must also be submitted in support of a 510(k) premarket notification. If so, these data must be collected in a manner that conforms to the applicable Investigational Device Exemption (IDE) regulations. The FDA must issue a decision finding substantial equivalence before commercial distribution can occur. Changes to cleared devices that could not significantly affect the safety or effectiveness of the device can generally be made without additional 510(k) premarket notifications; otherwise, a new 510(k) is required.

The second process requires the submission of a premarket approval (PMA) application to the FDA to demonstrate that the device is safe and effective for its intended use. This approval process applies to most Class III devices, and generally requires clinical data to support the safety and effectiveness of the device, obtained in adherence with IDE requirements. The FDA will approve the PMA application if it finds that there is a reasonable assurance that the device is safe and effective for its intended purpose, and that the proposed manufacturing is in compliance with the Quality System Regulation (QSR). For novel technologies, the FDA will generally seek input from an advisory panel of medical experts and seek their views on the safety, effectiveness and benefit-risk of the device. The PMA process is generally more detailed, lengthier and more expensive than the 510(k) process.

The third process requires that an application for a Humanitarian Device Exemption (HDE) be made to the FDA for the use of a Humanitarian Use Device (HUD). An HUD is intended to benefit patients by treating or diagnosing a disease or condition that affects, or is manifested in, fewer than 4,000 individuals in the U.S. per year. The application submitted to the FDA for an HDE is similar in both form and content to a PMA application, but is exempt from the effectiveness requirements of a PMA. The HUD provision of the regulation provides an incentive for the development

of devices for use in the treatment or diagnosis of diseases affecting smaller patient populations.

In the European Union, we are required to comply with applicable medical device directives (including the Medical Devices Directive and the Active Implantable Medical Devices Directive) and obtain CE Mark certification in order to market medical devices. The CE Mark is applied following approval from an independent notified body or declaration of conformity. It is an international symbol of adherence to quality assurance standards and compliance with applicable European Medical Devices Directives. We are also required to comply with the regulations of each other country where we commercialize products, such as the requirement that we obtain approval from the Japanese Ministry of Health, Labor and Welfare (MHLW) and China Food and Drug Administration before we can launch new products in Japan and China, respectively.

The FDA and other worldwide regulatory agencies and competent authorities actively monitor compliance to local laws and regulations through review and inspection of design and manufacturing practices, record keeping, reporting of adverse events, labeling and promotional practices. The FDA can ban certain medical devices; detain or seize adulterated or misbranded medical devices; order repair, replacement or refund of these devices; and require notification of health professionals and others with regard to medical devices that present unreasonable risks of substantial harm to the public health. The FDA may also enjoin and restrain a company for certain violations of the Food, Drug and Cosmetic Act and the Safe Medical Devices Act pertaining to medical devices, or initiate action for criminal prosecution of such violations. Regulatory agencies and authorities in the countries where we do business can halt production in or distribution within their respective country, or otherwise take action in accordance with local laws and regulations.

International sales of medical devices manufactured in the U.S. that are not approved by the FDA for use in the U.S., or that are banned or deviate from lawful performance standards, are subject to FDA export requirements. Exported devices are subject to the regulatory requirements of each country to which the device is exported. Some countries do not have medical device regulations, but in most foreign countries, medical devices are regulated. Frequently, regulatory approval may first be obtained in a foreign country prior to application in the U.S. due to differing regulatory requirements; however, other countries, such as China for example, require approval in the country of origin first. Most countries outside of the U.S. require that product approvals be recertified on a regular basis, generally every five years. The recertification process requires that we evaluate any device changes and any new regulations or standards relevant to the device and, where needed, conduct appropriate testing to document continued compliance. Where recertification applications are required, they must be approved in order to continue selling our products in those countries.

Our global regulatory environment is becoming increasingly stringent, and unpredictable, which could increase the time, cost and complexity of obtaining regulatory approvals for our products. Several countries that did not have regulatory requirements for medical devices have established such requirements in recent years and other countries have expanded, or plan to expand, on existing regulations. Certain regulators are requiring local clinical data in addition to global clinical data. While harmonization of global regulations has been pursued, requirements continue to differ significantly among countries. We expect that the global regulatory environment will continue to evolve, which could impact our ability to obtain or maintain future approvals for our products, or could increase the cost and time to obtain or maintain such approvals in the future.

Government Affairs

We maintain a global Government Affairs presence, headquartered in Washington D.C., to actively monitor and advocate on myriad legislation and policies impacting us, both on a domestic and an international front. The Government Affairs office works closely with members of Congress and committee staff, the White House and Administration offices, state legislatures and regulatory agencies, and governments overseas on issues affecting our business. Our proactive approach and depth of political and policy expertise are aimed at having our positions heard by federal, state and global decision-makers, while also advancing our business objectives by educating policymakers on our positions, key priorities and the value of our technologies. The Government Affairs office also manages our political action committee and works closely with trade groups on issues affecting our industry and healthcare in general.

Healthcare Policies

Political, economic and regulatory influences around the world continue subjecting the healthcare industry to potential fundamental changes that could substantially affect our results of operations. Government and private sector initiatives

related to limiting the growth of healthcare costs (including price regulation); coverage and payment policies; comparative effectiveness of therapies; technology assessments; and health care delivery structure reforms, are continuing in many countries where we do business. We believe that these changes are causing the marketplace to put increased emphasis on the delivery of treatments that can reduce costs, improve efficiencies, and/or increase patient access. Although we believe our less-invasive products and technologies generate favorable clinical outcomes, value and cost efficiency, the resources necessary to demonstrate value to our customers, patients, payors, and other stakeholders may be significant and may take a longer period of time to gain widespread adoption. In addition, the impact to our business of the United States' Patient Protection and Affordable Care Act's (ACA) provisions related to coverage expansion, payment reforms, and delivery system changes remains uncertain.

In addition, the federal government, as part of the ACA, and certain state governments have enacted laws aimed at increasing transparency in relationships between medical device, biologics and pharmaceutical companies and healthcare professionals (HCPs). As a result, we are required by law to report many types of payments made and items of value provided to HCPs licensed by certain states. In addition, certain foreign jurisdictions are currently acting to implement similar laws. Failure to adhere to our policies, comply with required laws or implement adequate policies and practices to address changes to legal and regulatory requirements could have a negative impact on our results of operations.

We expect that pricing of medical devices will remain under pressure as governments and purchasers implement payment reforms such as prospective payment systems for hospital care, value-based purchasing, and accountable care organizations (ACOs). We also expect marketplace changes to place pressure on medical device pricing as hospitals consolidate and large group purchasing organizations, hospital networks and other groups that seek to aggregate purchasing power continue to take shape globally. Similarly, governments are increasing the use of tenders, placing pressure on medical device pricing.

In addition, patients and clinicians are becoming more informed on the risks and benefits of alternative treatments as comparative effectiveness research findings are beginning to be disseminated. Therefore, we believe that compelling clinical and economic data will become increasingly important to demonstrate efficacy and justify the economic benefits of technology purchases.

See Healthcare Policies within Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations of this Annual Report for additional information.

Third-Party Coverage and Reimbursement

Our products are purchased principally by hospitals, physicians and other healthcare providers around the world that typically bill various third-party payors, including governmental programs (e.g., Medicare and Medicaid in the U.S.), private insurance plans and managed care programs, for the healthcare services provided to their patients.

Third-party payors and governments may provide or deny coverage for certain technologies and associated procedures based on independently determined assessment criteria. Reimbursement decisions by payors for these services are based on a wide range of methodologies that may reflect the services' assessed resource costs, clinical outcomes and economic value. These reimbursement methodologies and decisions confer different, and sometimes conflicting, levels of financial risk and incentives to healthcare providers and patients, and these methodologies and decisions are subject to frequent refinements. Third-party payors are also increasingly adjusting reimbursement rates, often downwards, and challenging the prices charged for medical products and services. There can be no assurance that our products will be automatically covered by third-party payors, that reimbursement will be available or, if available, that the third-party payors' coverage policies will not adversely affect our ability to sell our products profitably.

Proprietary Rights and Patent Litigation

We rely on a combination of patents, trademarks, trade secrets and non-disclosure agreements to protect our intellectual property. We generally file patent applications in the U.S. and foreign countries where patent protection for our technology is appropriate and available. As of December 31, 2014, we held more than 16,000 patents, and had approximately 6,200 patent applications pending worldwide that cover various aspects of our technology. In addition, we hold exclusive and non-exclusive licenses to a variety of third-party technologies covered by patents and patent applications. There can be no assurance that pending patent applications will result in the issuance of patents, that patents issued to or licensed by us will not be challenged or circumvented by competitors, or that these patents will be found to be valid or sufficiently broad to protect our technology or to provide us with a competitive advantage. In the aggregate, these intellectual property assets and licenses are of material importance to our business; however, we believe that no single patent, technology, trademark, intellectual property asset or license, except for those relating to our drug-eluting coronary stent systems, is material in relation to our business as a whole.

We rely on non-disclosure and non-competition agreements with employees, consultants and other parties to protect, in part, trade secrets and other proprietary technology. There can be no assurance that these agreements will not be breached, that we will have adequate remedies for any breach, that others will not independently develop equivalent proprietary information or that third parties will not otherwise gain access to our trade secrets and proprietary knowledge.

13

There has been substantial litigation regarding patent and other intellectual property rights in the medical device industry, particularly in the areas in which we compete. We continue to defend ourselves against claims and legal actions alleging infringement of the patent rights of others. Adverse determinations in any patent litigation could subject us to significant liabilities to third parties, require us to seek licenses from third parties, and, if licenses are not available, prevent us from manufacturing, selling or using certain of our products, which could have a material adverse effect on our business. Additionally, we may find it necessary to initiate litigation to enforce our patent rights, to protect our trade secrets or know-how and to determine the scope and validity of the proprietary rights of others. Patent litigation can be costly and time-consuming, and there can be no assurance that our litigation expenses will not be significant in the future or that the outcome of litigation will be favorable to us. Accordingly, we may seek to settle some or all of our pending litigation, particularly to manage risk over time. Settlement may include cross licensing of the patents that are the subject of the litigation as well as our other intellectual property and may involve monetary payments to or from third parties.

We maintain insurance policies providing limited coverage against securities claims, and we are substantially self-insured with respect to product liability claims and fully self-insured with respect to intellectual property infringement claims. The absence of significant third-party insurance coverage increases our potential exposure to unanticipated claims or adverse decisions. See Item 3 and Note K – Commitments and Contingencies to our 2014 consolidated financial statements included in Item 8 of this Annual Report for a discussion of intellectual property and other litigation and proceedings in which we are involved. In management's opinion, we are not currently involved in any legal proceeding other than those specifically identified in Note K, which, individually or in the aggregate, could have a material adverse effect on our financial condition, operations and/or cash flows.

Risk Management

We have an Enterprise Risk Management (ERM) program in which we provide coordinated oversight, control and continuous improvement of processes and tools used to identify and manage business risk. On an annual basis, we reassess our risks based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM framework in the areas of strategic risk, financial risk, external risk, operational risk and compliance risk with the goal of achieving our business strategies and objectives. This assessment, which engages key individuals from our Board of Directors and management, provides increased visibility and alignment of the risks we face, and seeks to improve the effectiveness of our overall risk management.

Current Economic Climate

Our results of operations could be substantially affected by global economic factors and local operating and economic conditions. Our customers may experience financial difficulties or be unable to borrow money to fund their operations which may adversely impact their ability or decision to purchase our products, particularly capital equipment, or to pay for our products they do purchase on a timely basis, if at all. We cannot predict to what extent global economic conditions, including the increased focus on healthcare systems and costs in the U.S. and abroad may negatively impact our average selling prices, our net sales and profit margins, procedural volumes and reimbursement rates from third-party payors.

Employees

As of December 31, 2014, we had approximately 24,000 employees, including approximately 11,000 in operations; 7,000 in selling, marketing and distribution; 3,000 in clinical, regulatory and research and development; and 3,000 in administration. Of these employees, we employed approximately 12,000 outside the U.S., approximately 7,000 of whom are in the manufacturing operations function. We believe that the continued success of our business will depend, in part, on our ability to attract and retain qualified personnel, and we are committed to developing our people and providing them with opportunities to contribute to our growth and success.

Community Outreach

We are committed to transforming lives and making a positive impact on the communities in which we live and work. We bring this commitment to life by supporting global, national and local health and education initiatives, striving to improve patient advocacy, adhering to strong ethical standards that deliver on our commitments, and minimizing our

impact on the environment. A prominent example of our ongoing commitment to patients is our Close the Gap program, which aims to eliminate treatment disparities in underserved patient populations to ensure all patients - regardless of age, gender, race, ethnicity or primary language - receive access to quality health care.

To achieve this goal, Close the Gap increases awareness and access to care in communities at high risk for cardiovascular, gastrointestinal, and pulmonary diseases, engages with healthcare providers about barriers to treatment in underserved patient populations and advocates for measures that help ensure all patients receive the care they need. By sponsoring programs and executing educational programs through community partnerships in the community, our Close the Gap program has helped these messages reach more than one million people to date.

Through the Boston Scientific Foundation, established in 2001, we fund non-profit organizations in our local U.S. communities. Community grants focus on increasing access to quality healthcare and improving educational opportunities, particularly related to science, technology, engineering and math (STEM) education.

Seasonality

Our worldwide sales do not reflect any significant degree of seasonality; however, customer purchases have historically been lower in the third quarter of the year, as compared to other quarters. This reflects, among other factors, lower demand during summer months in the northern hemisphere, particularly in European countries.

Available Information

Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are available free of charge on our website (www.bostonscientific.com) as soon as reasonably practicable after we electronically file the material with or furnish it to the U.S. SEC. Printed copies of these posted materials are also available free of charge to stockholders who request them in writing from Investor Relations, 300 Boston Scientific Way, Marlborough, MA 01752-1234. Information on our website or linked to our website is not incorporated by reference into this Annual Report.

Safe Harbor for Forward-Looking Statements

Certain statements that we may make from time to time, including statements contained in this Annual Report and information incorporated by reference into this Annual Report, constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements may be identified by words like “anticipate,” “expect,” “project,” “believe,” “plan,” “may,” “estimate,” “intend” and similar words. These forward-l statements are based on our beliefs, assumptions and estimates using information available to us at the time and are not intended to be guarantees of future events or performance. If our underlying assumptions turn out to be incorrect, or if certain risks or uncertainties materialize, actual results could vary materially from the expectations and projections expressed or implied by our forward-looking statements. As a result, readers are cautioned not to place undue reliance on any of our forward-looking statements. Except as required by law, we do not intend to update any forward-looking statements even if new information becomes available or other events occur in the future.

The forward-looking statements in this Annual Report are based on certain risks and uncertainties, including the risk factors described in Item 1A under the heading “Risk Factors” and the specific risk factors discussed below and in connection with forward-looking statements throughout this Annual Report, which could cause actual results to vary materially from the expectations and projections expressed or implied by our forward-looking statements. These factors, in some cases, have affected and in the future could affect our ability to implement our business strategy and may cause actual results to differ materially from those contemplated by the forward-looking statements. These additional factors include, among other things, future political, economic, competitive, reimbursement and regulatory conditions; new product introductions; demographic trends; intellectual property; litigation and governmental investigations; financial market conditions; and future business decisions made by us and our competitors, all of which are difficult or impossible to predict accurately and many of which are beyond our control. We caution each reader of this Annual Report to consider carefully these factors.

The following are some of the important risk factors that could cause our actual results to differ materially from our expectations in any forward-looking statements. For further discussion of these and other risk factors, see Item 1A - Risk Factors.

15

Our Businesses

- Our ability to increase CRM net sales, including for both new and replacement units, expand the market and capture market share;

- The volatility of the coronary stent market and our ability to increase our drug-eluting stent systems net sales, including with respect to our SYNERGY™, PROMUS® Element™ and Promus PREMIER™ stent systems, and capture market share;

- The on-going impact on our business, including CRM and coronary stent businesses, of physician alignment to hospitals, governmental investigations and audits of hospitals, and other market and economic conditions on the overall number of procedures performed, including with respect to the drug-eluting coronary stent market, the average number of stents used per procedure, and average selling prices;

- Competitive offerings and related declines in average selling prices for our products, particularly our drug-eluting coronary stent systems and our CRM products;

- The performance of, and physician and patient confidence in, our products and technologies, including our coronary drug-eluting stent systems and CRM products, or those of our competitors;

- The impact and outcome of ongoing and future clinical trials, including coronary stent and CRM clinical trials, and market studies undertaken by us, our competitors or other third parties, or perceived product performance of our or our competitors' products;

- Variations in clinical results, reliability or product performance of our and our competitor's products;

- Our ability to acquire or develop, launch and supply new or next-generation products and technologies worldwide and across our businesses in line with our commercialization strategies in a timely and successful manner, including our S-ICD® system and the acquisition and integration of the Interventional Division of Bayer AG and IoGyn, Inc.;

- The effect of consolidation and competition in the markets in which we do business, or plan to do business;

- Disruption in the manufacture or supply of certain components, materials or products, or the failure to timely secure alternative manufacturing or additional or replacement components, materials or products;

- Our ability to retain and attract key personnel, including in our cardiology and CRM sales force and other key cardiology and CRM personnel;

- The impact of enhanced requirements to obtain regulatory approval in the U.S. and around the world, including the associated timing and cost of product approval;

- The impact of increased pressure on the availability and rate of third-party reimbursement for our products and procedures in the U.S. and around the world, including with respect to the timing and costs of creating and expanding markets for new products and technologies; and

- Risk associated with counterparty default on our derivative financial instruments.

Regulatory Compliance and Litigation

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The impact of healthcare policy changes and legislative or regulatory efforts in the U.S. and around the world to modify product approval or reimbursement processes, including a trend toward demonstrating clinical outcomes, comparative effectiveness and cost efficiency, as well as the impact of other healthcare reform legislation;

- Risks associated with our regulatory compliance and quality systems and activities in the U.S. and around the world, including meeting regulatory standards applicable to manufacturing and quality processes;

- Our ability to minimize or avoid future field actions or FDA warning letters relating to our products and processes and the on-going inherent risk of potential physician advisories related to medical devices;

- The impact of increased scrutiny of and heightened global regulatory enforcement facing the medical device industry arising from political and regulatory changes, economic pressures or otherwise, including under U.S. Anti-Kickback Statute, U.S. False Claims Act and similar laws in other jurisdictions; U.S. Foreign Corrupt Practices Act (FCPA) and/or similar laws in other jurisdictions, and U.S. and foreign export control, trade embargo and custom laws;

- Costs and risks associated with litigation;

- The effect of our litigation and risk management practices, including self-insurance, and compliance activities on our loss contingencies, legal provision and cash flows;

- The impact of, diversion of management attention as a result of, and costs to cooperate with, litigate and/or resolve, governmental investigations and our class action, product liability, contract and other legal proceedings; and

- Risks associated with a failure to protect our intellectual property rights and the outcome of patent litigation.

Innovation and Certain Growth Initiatives

- The timing, size and nature of our strategic growth initiatives and market opportunities, including with respect to our internal research and development platforms and externally available research and development platforms and technologies, and the ultimate cost and success of those initiatives and opportunities;

- Our ability to complete planned clinical trials successfully, obtain regulatory approvals and launch new and next generation products in a timely manner consistent with cost estimates, including the successful completion of in-process projects from in-process research and development;

- Our ability to identify and prioritize our internal research and development project portfolio and our external investment portfolio on profitable revenue growth opportunities as well as to keep them in line with the estimated timing and costs of such projects and expected revenue levels for the resulting products and technologies;

- Our ability to successfully develop, manufacture and market new products and technologies in a timely manner and the ability of our competitors and other third parties to develop products or technologies that render our products or technologies noncompetitive or obsolete;

- The impact of our failure to succeed at or our decision to discontinue, write-down or reduce the funding of any of our research and development projects, including in-process projects from in-process research and development, in our growth adjacencies or otherwise;

- Dependence on acquisitions, alliances or investments to introduce new products or technologies and to enter new or adjacent growth markets, and our ability to fund them or to fund contingent payments with respect to those acquisitions, alliances and investments; and

- The failure to successfully integrate and realize the expected benefits from the strategic acquisitions, alliances and investments we have consummated or may consummate in the future.

International Markets

- Our dependency on international net sales to achieve growth, including in emerging markets;

- The impact of changes in our international structure and leadership;

- Risks associated with international operations and investments, including the timing and collectibility of customer payments, political and economic conditions, protection of our intellectual property, compliance with established and developing U.S. and foreign legal and regulatory requirements, including FCPA and similar laws in other jurisdictions and U.S. and foreign export control, trade embargo and custom laws, as well as changes in reimbursement practices and policies;

- Our ability to maintain or expand our worldwide market positions in the various markets in which we compete or seek to compete, including through investments in product diversification and emerging markets such as Brazil, Russia, India and China;

- Our ability to execute and realize anticipated benefits from our investments in emerging markets; and

- The potential effect of foreign currency fluctuations and interest rate fluctuations on our net sales, expenses and resulting margins.

Liquidity

- Our ability to generate sufficient cash flow to fund operations, capital expenditures, global expansion initiatives, any litigation settlements and judgments, share repurchases and strategic investments and acquisitions as well as maintaining our investment grade ratings and managing our debt levels and covenant compliance;

- Our ability to access the public and private capital markets when desired and to issue debt or equity securities on terms reasonably acceptable to us;

- The unfavorable resolution of open tax matters, exposure to additional tax liabilities and the impact of changes in U.S. and international tax laws;

- The impact of examinations and assessments by domestic and international taxing authorities on our tax provision, financial condition or results of operations; and

- Our ability to collect outstanding and future receivables and/or sell receivables under our factoring programs.

Cost Reduction and Optimization Initiatives

- Risks associated with significant changes made or expected to be made to our organizational and operational structure, pursuant to our 2014 Restructuring plan and our 2011 Restructuring plan as expanded as well as any further restructuring or optimization plans we may undertake in the future, and our ability to recognize benefits and cost reductions from such programs; and

- Business disruption and employee distraction as we execute our global compliance program, restructuring and optimization plans and divestitures of assets or businesses and implement our other strategic and cost reduction initiatives.

ITEM 1A. RISK FACTORS

In addition to the other information contained in this Annual Report and the exhibits hereto, the following risk factors should be considered carefully in evaluating our business. Our business, financial condition, cash flows or results of operations could be materially adversely affected by any of these risks. This section contains forward-looking statements. You should refer to the explanation of the qualifications and limitations on forward-looking statements set forth at the end of Item 1 of this Annual Report. Additional risks not presently known to us or that we currently deem immaterial may also adversely affect our business, financial condition, cash flows or results of operations.

We face intense competition and may not be able to keep pace with the rapid technological changes in the medical devices industry, which could have an adverse effect on our business, financial condition or results of operations.

The medical device markets in which we primarily participate are highly competitive. We encounter significant competition across our product lines and in each market in which our products are sold from various medical device companies, some of which may have greater financial and marketing resources than we do, including as a result of consolidation among our competitors in the healthcare industry. Our primary competitors include Abbott Laboratories; Medtronic, Inc.; St. Jude Medical, Inc. and Cook Medical, as well as a wide range of medical device companies that sell a single or limited number of competitive products or which participate in only a specific market segment. We also face competition from non-medical device companies, including pharmaceutical companies, which may offer alternative therapies for disease states intended to be treated using our products.

Additionally, the medical device markets in which we primarily participate are characterized by extensive research and development, and rapid technological change. Developments by other companies of new or improved products, processes or technologies may make our products or proposed products obsolete or less competitive and may negatively impact our net sales. We are required to devote continued efforts and financial resources to develop or acquire scientifically advanced technologies and products, apply our technologies cost-effectively across product lines and markets, obtain patent and other protection for our technologies and products, obtain required regulatory and reimbursement approvals and successfully manufacture and market our products consistent with our quality standards. If we fail to develop or acquire new products or enhance existing products, it could have a material adverse effect on our business, financial condition or results of operations.

Declines in average selling prices for our products, particularly our drug-eluting coronary stent systems, may materially adversely affect our results of operations.

We have experienced pricing pressures across many of our businesses due to competitive activity, increased market power of our customers as the healthcare industry consolidates, economic pressures experienced by our customers, and the impact of managed care organizations and other third-party payors. Any declines in average selling prices of our products due to pricing pressures may have an adverse impact on our results of operations.

We derive a significant portion of our net sales from the sale of drug-eluting coronary stent systems and CRM products. Declines in market size, average selling prices, procedural volumes, and our share of the markets in which we compete; increased competition; market perceptions of studies published by third parties; or product launch delays may materially adversely affect our results of operations and financial condition.

Net sales from drug-eluting coronary stent systems represented approximately 16 percent of our consolidated net sales during 2014. In 2014, the launch of our PREMIER drug-eluting stent in the U.S. and Japan contributed to an increase in our share of the U.S. and global drug-eluting stent markets. We estimate that the global market for drug-eluting stents grew slightly in 2014 due to increased procedure volumes partially offset by price declines. There can be no assurance that these and other factors will not further impact our share of the U.S. or worldwide drug-eluting stent markets, that we will regain or gain share of the U.S. or worldwide drug-eluting stent markets, or that the size of the U.S. drug-eluting stent market will reach previous levels or will not decline further, all of which could materially adversely affect our results of operations or financial condition. In addition, a delay in the timing of the launch of next-generation products, the overall performance of, and continued physician confidence in, those products may result in a further decline in our market share and have an adverse impact on our results of operations.

Net sales from our CRM group represented approximately 26 percent of our consolidated net sales in 2014. Our CRM net sales increased one percent in 2014 primarily driven by increases in our denovo ICD market share and our new line of defibrillators; partially offset by lower volumes of replacement procedures and implantable cardiac resynchronization therapy defibrillator market share losses in certain regions. There can be no assurance that the size

of the CRM market will increase above existing levels or that we will be able to continue to increase our CRM market share or increase our net sales in a timely manner, if at all. Decreases in market size or our share of the CRM market and decreases in net sales from our CRM products could have a significant impact on our financial condition or results of operations. Further, variability in the timing of the launch of next-generation products may

result in excess or expired inventory positions and future inventory charges, or may result in a loss of market share and adversely impact our results of operations.

Consolidation in the healthcare industry could lead to increased demands for price concessions or limit or eliminate our ability to sell to certain of our significant market segments, which could have an adverse effect on our business, financial condition or results of operations.

Because healthcare costs have risen significantly over the past decade, numerous initiatives and reforms by legislators, regulators and third-party payors to curb these costs have catalyzed a consolidation trend in the healthcare industry to aggregate purchasing power. As the healthcare industry consolidates, competition to provide products and services to industry participants has become and will continue to become more intense. This in turn has resulted in greater pricing pressures, decreased average selling prices, and the exclusion of certain suppliers from important market segments as group purchasing organizations, independent delivery networks and large single accounts continue to use their market power to consolidate purchasing decisions for hospitals. We expect that market demand, government regulation, third-party coverage and reimbursement policies, government contracting requirements, and societal pressures will continue to change the worldwide healthcare industry, resulting in further business consolidations and alliances among our customers, which may increase competition, exert further downward pressure on the prices of our products and may adversely impact our business, financial condition or results of operations.

We are subject to a number of market, business, financial, legal and regulatory risks and uncertainties with respect to our international operations that could have a material impact on our business, financial condition or results of operations.

International net sales accounted for approximately 47 percent of our global net sales in 2014, with sales from emerging markets accounting for approximately ten percent. An important part of our growth strategy is to continue pursuing growth opportunities in net sales and market share outside of the U.S. by expanding global presence, including in in emerging markets. Our international operations are subject to a number of market, business and financial risks and uncertainties, including those related to political and economic instability; foreign currency exchange and interest rate fluctuations; competitive products offerings; local changes in health care financing and payment systems and health care delivery systems; local product preferences and requirements, including preferences for local manufacturers; workforce instability; less; intellectual property protection in certain countries than exists in the United States; and, in certain foreign countries, longer accounts receivable cycles. Such risks and uncertainties may adversely impact our ability to implement our growth strategy in these markets and, as a result, our sales growth market share and operating profits from our international operations may be adversely affected.

Our international operations are subject to established and developing legal and regulatory requirements for medical devices in each country in which our products are marketed and sold. Most foreign countries have medical device regulations. Further, most countries outside of the U.S. require product approvals be renewed or recertified on a regular basis in order to continue to be marketed and sold there. In addition, several countries that previously did not have regulatory requirements for medical devices have established such requirements in recent years and other countries have expanded, or plan to expand, on existing regulations, including requiring local clinical data in addition to global clinical data. These factors have caused or may cause us to experience more uncertainty, risk, expense and delay in commercializing products in certain foreign jurisdictions, which could affect our ability to obtain approvals for our products in those jurisdictions and adversely impact our net sales, market share and operating profits from our international operations.

Further, international markets are increasingly being affected by economic pressure to contain healthcare costs, which can lead to lower reimbursement rates for either our products directly or procedures in which are our products are used. Governments and payers may also institute changes in health care delivery systems that may reduce funding for services or encourage greater scrutiny of health care costs. In addition, certain international markets may also be affected by foreign government efforts to reference reimbursement rates in other countries. All of these types of changes may ultimately reduce selling prices of our products, which may adversely impact our net sales, market share and operating profits from our international operations.

In addition, our international operations are subject to other established and developing U.S. and foreign legal and regulatory requirements, including the U.S. Foreign Corrupt Practices Act (FCPA) and/or similar laws in other

countries; and U.S. and foreign import and export controls and licensing requirements, trade protection and embargo measures and customs laws. Global businesses, including those in the medical device industry, are facing increasing scrutiny of, and heightened enforcement efforts with respect to, their international operations. Any alleged or actual failure to comply with legal and regulatory requirements may subject us to government scrutiny, civil and/or criminal proceedings, sanctions and other liabilities, which may have a material adverse effect on our international operations, financial condition, results of operations and/or liquidity.

Any significant changes in the political and economic, financial, competitive, legal and regulatory or reimbursement conditions where we conduct, or plan to expand, our international operations may have a material impact on our business, financial condition or results of operations.

If we are unable to manage our debt levels, maintain investment grade credit ratings at the three ratings agencies, or experience a disruption in our cash flows it could have an adverse effect on our cost of borrowing, financial condition or results of operations.

As part of our strategy to maximize stockholder value we use financial leverage to reduce our cost of capital. Our outstanding debt balance was at $4.262 billion as of December 31, 2014 and $4.240 billion as of December 31, 2013. In February 2012, Moody's Investors Service upgraded our corporate credit rating to Baa3, an investment-grade rating, and in July 2011, Fitch Ratings upgraded our corporate credit rating to BBB-, an investment-grade rating. In addition, Standard & Poor's Ratings Services has maintained an investment-grade corporate credit rating for us since 2009. We believe these ratings reflect the strength of our product portfolio and cash flows, the reduction of our debt, and our improved financial fundamentals. Our inability to maintain investment grade credit ratings at the three ratings agencies, however, could increase our cost of borrowing funds in the future. Delays in our product development and new product launches, disruption in our cash flow or our ability to continue to effectively manage our debt levels could have an adverse effect on our cost of borrowing, financial condition or results of operations. In addition, our credit and security facilities contains covenants that require us to maintain specified financial ratios and place other limits on our business. If we are unable to satisfy these covenants, we may be required to obtain waivers from our lenders and no assurance can be made that our lenders would grant such waivers on favorable terms or at all, and we could be required to repay any borrowings on demand.

We may record future goodwill impairment charges or other asset impairment charges related to one or more of our global reporting units, which could materially adversely impact our results of operations.

We test our goodwill balances during the second quarter of each year for impairment, or more frequently if indicators are present or changes in circumstances suggest that impairment may exist. We assess goodwill for impairment at the reporting unit level and, in evaluating the potential for impairment of goodwill, we make assumptions regarding estimated revenue projections, growth rates, cash flows and discount rates. In the second quarter of 2014, we performed our annual goodwill impairment test for all of our reporting units. In conjunction with our annual test, the fair value of each reporting unit exceeded its carrying value. Therefore, it was deemed not necessary to proceed to the second step of the impairment test.

We identified our global Neuromodulation and global Electrophysiology reporting units as being at higher risk of potential failure of the first step of the goodwill impairment test in future reporting periods. As of the date of our annual goodwill impairment test, our global Neuromodulation reporting unit had excess fair value over carrying value of approximately 55 percent and held $1.356 billion of allocated goodwill. As of the date of our annual goodwil impairment test, our global Electrophysiology reporting unit had excess fair value over carrying value of approximately 38 percent and held $292 million of allocated goodwill. During the fourth quarter of 2014, due to changes in our expectations of the timing and amount of future revenue and cash flow related to our Electrophysiology reporting unit, we performed an interim goodwill impairment test on this reporting unit. Based on this assessment, we concluded that the fair value of the Electrophysiology reporting unit exceeded its carrying value; however the level of excess fair value over the carrying value had declined to approximately 26 percent. Our global Cardiac Rhythm Management (CRM) reporting unit had a fair value approximately equal to its carrying value; however, due to goodwill impairment charges in prior years, no goodwill remains within our CRM reporting unit. Changes in our reporting units or in the structure of our business as a result of future reorganizations, acquisitions or divestitures of assets or businesses could result in future impairments of goodwill within our reporting units including global CRM. Further, the recoverability of our CRM-related amortizable intangibles ($4.097 billion globally as of December 31, 2014) is sensitive to future cash flow assumptions and our global CRM business performance. The $4.097 billion of CRM-related amortizable intangibles is at higher risk of potential failure of the first step of the amortizable intangible recoverability test in future reporting periods. An impairment of a material portion of our CRM-related amortizable intangibles carrying value would occur if the second step of the amortizable intangible test is required in a future reporting period. Refer to Critical Accounting Policies and Estimates within our Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Item 7 of this Annual Report on Form 10-K for a discussion of key assumptions used in our testing.

On a quarterly basis, we monitor the key drivers of fair value to detect events or other changes that would warrant an interim impairment test of our goodwill and intangible assets. Relatively small declines in the future performance and

cash flows of a reporting unit or asset group, changes in our reporting units or in the structure of our business as a result of future reorganizations, acquisitions or divestitures of assets or businesses, or small changes in other key assumptions, may result in the recognition of significant asset impairment charges, which could have a material adverse impact on our results of operations.

Failure to integrate acquired businesses into our operations successfully could adversely affect our business, financial condition and operating results.

As part of our strategy to realign our business portfolio, we completed several acquisitions in 2014, 2013 and 2012 in our strategic growth areas and may pursue additional acquisitions in the future. Our integration of the operations of acquired businesses requires significant efforts, including the coordination of information technologies, research and development, sales and marketing, operations, manufacturing, quality systems and finance. These efforts result in additional expenses and involve significant amounts of management's time. Some of the factors that could affect the success of our acquisitions include, among others, the strength of the acquired companies' underlying technology and ability to execute, results of clinical trials, regulatory approvals and reimbursement levels of the acquired products and related procedures, the continued performance of critical transition services, our ability to adequately fund acquired in-process research and development projects and retain key employees, and our ability to achieve synergies with our acquired companies, such as increasing sales of our products, achieving cost savings and effectively combining technologies to develop new products. In addition, foreign acquisitions involve unique risks, including those related to integration of operations across different geographies, cultures, and languages; currency risks; and risks associated with the economic, political, and regulatory environment in specific countries. Our failure to manage successfully and coordinate the growth of the combined acquired companies could have an adverse impact on our business and our future growth. In addition, we cannot be certain that the businesses we acquire will become profitable or remain so and if our acquisitions are not successful, we may record related asset impairment charges in the future.

We may not be successful in our strategy relating to future strategic acquisitions of, investments in, or alliances with, other companies and businesses, which have been a significant source of historical growth for us, and will be key to our diversification into new markets and technologies.

Our strategic acquisitions, investments and alliances are intended to further expand our ability to offer customers effective, high quality medical devices that satisfy their interventional needs. If we are unsuccessful in our acquisitions, investments and alliances, we may be unable to grow our business. These acquisitions, investments and alliances have been a significant source of our growth. The success of our strategy relating to future acquisitions, investments or alliances will depend on a number of factors, including:

- our ability to identify suitable opportunities for acquisition, investment or alliance, if at all;
- the ability of our due diligence process to uncover potential issues with target companies;
- our ability to finance any future acquisition, investment or alliance on terms acceptable to us, if at all;
- whether we are able to complete an acquisition, investment or alliance on terms that are satisfactory to us, if at all;
- our ability to successfully integrate and operate acquired businesses;
- our ability to comply with applicable laws and regulations, including foreign laws and regulations; and
- intellectual property and litigation related to newly acquired technologies.

Any potential future acquisitions we consummate may be dilutive to our earnings and may require additional debt or equity financing, depending on their size or nature.

We may not realize the expected benefits from our restructuring and optimization initiatives; our long-term expense reduction programs may result in an increase in short-term expense; and our efforts may lead to unintended consequences.

On an on-going basis we monitor the dynamics of the economy, the healthcare industry and the markets in which we compete and assess opportunities for improved operational effectiveness and efficiency and to better align expenses with revenues, while preserving our ability to make investments in research and development projects, capital and our people that we believe are important to our long-term success. As a result of these assessments, we have undertaken various restructuring and optimization initiatives in order to enhance our growth potential and position us for long-term success. For example, in October 2013, we announced a restructuring initiative (the "2014 Restructuring plan") intended to build on the progress we have made to address financial pressures in a changing global marketplace, further strengthen our operational effectiveness and efficiency and support new growth investments. Key activities under the 2014 Restructuring plan include continued implementation of our ongoing plant network optimization strategy (aimed at simplifying our manufacturing plant structure, reducing manufacturing costs and improving gross margins); continued focus on driving operational efficiencies; and ongoing business and commercial model changes. Other activities under the plan involve rationalizing organizational reporting structures to streamline various functions, eliminate bureaucracy, increase productivity and better align resources to business strategies and marketplace dynamics. Activities under the plan were initiated in the fourth quarter of 2013 and are expected to be substantially completed by the end of 2015.We estimate that the 2014 Restructuring plan will result in total pre-tax charges of approximately $250 million to $300 million and reduce gross annual pre-tax operating expenses by approximately $175 million to $225 million by the end of 2015. We expect a substantial portion of the savings to be reinvested in strategic growth initiatives. Expense reduction initiatives under the plan include various cost and efficiency improvement measures, which may include workforce reductions; the transfer of certain production lines and/or the closure of certain facilities and other efforts to streamline and better align resources of our business, among other actions. These measures could yield unintended consequences, such as distraction of our management and employees, business disruption, attrition beyond any planned reduction in workforce, inability to attract or retain key personnel, and reduced employee productivity. Attrition beyond any planned reduction in workforce or a material decrease in employee morale or productivity could negatively affect our business, sales, financial condition and results of operations. In addition, workforce reductions may subject us to the risk of litigation, which could result in substantial cost. Moreover, our restructuring and optimization initiatives result in charges and expenses that impact our operating results. We cannot guarantee that the activities under the 2014 Restructuring plan or other restructuring and optimization initiatives that we may undertake in the future will result in the desired efficiencies and estimated cost savings.

Current domestic and international economic conditions could adversely affect our cash flows and results of operations.

Uncertainty about global economic conditions, including as a result of credit and sovereign debt issues, has caused and may continue to cause disruption in the financial markets, including diminished liquidity and credit availability. These conditions may adversely affect our suppliers, leading them to experience financial difficulties or to be unable to borrow money to fund their operations, which could cause disruptions in our ability to produce our products. Our customers may experience financial difficulties or be unable to borrow money to fund their operations, which may adversely impact their ability or decision to purchase our products, particularly capital equipment, or to pay for our products they do purchase on a timely basis, if at all. In addition, we have accounts receivable factoring programs in certain European countries. Continued deterioration of the global economy or increase in sovereign debt issues may impact our ability to transfer receivables to third parties in certain of those countries in the future. Third parties such as banks offering factoring programs in these countries are looking to reduce their exposure levels to government owned or supported debt. This could result in terminations of, or changes to the costs or credit limits of our existing factoring programs. Such terminations or changes could have a negative impact on our cash flow and days sales outstanding. Within Italy, Spain, and Portugal the number of days our receivables are outstanding continue to be

above historical levels; however, the total balance outstanding for greater than 365 days has declined in the past 12 months.While we believe we have adequate allowances for doubtful accounts related to these accounts receivables, there can be no assurance that further deterioration in the global economy or increase in sovereign debt issues may not prevent collection of these accounts receivables and adversely affect our cash flows and results of operations.

The strength and timing of economic recovery remains uncertain and there can be no assurance that there will not be further deterioration in the global economy. Accordingly, we cannot predict to what extent global economic conditions, including sovereign debt issues and increased focus on healthcare systems and costs in the U.S. and abroad, may continue to negatively impact our average selling prices, net sales and profit margins, procedural volumes and reimbursement rates from third party payors. In addition, conditions in the financial markets and other factors beyond our control may adversely affect our ability to borrow money in the credit markets, access the capital markets and to obtain financing for acquisitions or other general corporate and commercial purposes.

Healthcare policy changes, including healthcare reform legislation, may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Political, economic and regulatory influences are subjecting the healthcare industry to potential fundamental changes that could substantially affect our results of operations. Government and private sector initiatives limiting the growth of healthcare costs (including price regulation), coverage and payment policies, comparative effectiveness of therapies, technology assessments and healthcare delivery structure reforms, are continuing in many countries where we do business. We believe that these changes are causing the marketplace to put increased emphasis on the delivery of more treatments that can reduce costs, improve efficiencies, and/or increase patient access. Although we believe our less-invasive products and technologies generate favorable clinical outcomes, value and cost efficiency, the resources necessary to demonstrate value to our customers, patients, payors, and other stakeholders may be significant and may take a longer period of time to gain widespread adoption. Moreover, there can be no assurance that our strategies will succeed for every product.

The Patient Protection and Affordable Care Act and Health Care and Education Affordability Reconciliation Act of 2010 were enacted into law in the U.S. in March 2010. As a U.S. headquartered company with significant sales in the United States, the medical device tax included in this law has materially affected us. The law imposed on medical device manufacturers a 2.3 percent excise tax on U.S. sales of Class I, II and III medical devices beginning in January 2013. Other provisions of this law, including comparative effectiveness research, pilot programs to evaluate alternative payment methodologies and other changes to the payment systems, could meaningfully change the way healthcare is developed and delivered, and may adversely affect our business and results of operations.

We cannot predict the specific healthcare programs and regulations that will be ultimately implemented by regional and national governments globally. However, any changes that lower reimbursements for either our products and/or procedures using our products, reduce medical procedure volumes or increase cost containment pressures on us or others in the healthcare sector could adversely affect our business and results of operations.

Healthcare cost containment pressures, government payment and delivery system reforms, changes in private payer policies, and marketplace consolidations could decrease the demand for our products, the prices which customers are willing to pay for those products and the number of procedures performed using our devices, which could have an adverse effect on our business, financial condition or results of operations.

Our products are purchased principally by hospitals, physicians and other healthcare providers around the world that typically bill various third-party payors, including governmental programs (e.g., Medicare and Medicaid in the United States) and private health plans, for the healthcare services provided to their patients. The ability of customers to obtain appropriate reimbursement for their products and services from private and governmental third-party payors is critical to the success of medical technology companies because it affects which products customers purchase and the prices they are willing to pay. Reimbursement varies by country and can significantly impact the acceptance of new products and technologies. Even if we develop a promising new product, we may find limited demand for the product unless reimbursement approval is obtained from private and governmental third-party payors. Further legislative or administrative reforms to the reimbursement systems in the United States, Japan, or other countries in a manner that significantly reduces reimbursement for procedures using our medical devices or denies coverage for those procedures, including price regulation, competitive bidding and tendering, coverage and payment policies, comparative effectiveness of therapies, technology assessments and managed-care arrangements, could have a material adverse effect on our business, financial condition or results of operations.
Third-party payors for hospital services globally continue to implement policies to contain healthcare costs. The introduction of cost containment incentives, combined with closer scrutiny of healthcare expenditures by both private health insurers and employers, has resulted in increased discounts and contractual adjustments to hospital charges for services performed, led to increased physician employment by hospitals in the U.S. hospital consolidation, and shifted services to the outpatient setting. Initiatives to limit the increase of healthcare costs, including price regulation, are

also underway in several countries in which we do business. Hospitals or physicians may respond to these cost-containment pressures by substituting lower cost products or other therapies for our products, which could have a material adverse effect on our business, financial condition or results of operations.

We are subject to extensive and dynamic medical device regulation, which may impede or hinder the approval or sale of our products and, in some cases, may ultimately result in an inability to obtain approval of certain products or may result in the recall or seizure of previously approved products.

Our products, marketing, sales and development activities and manufacturing processes are subject to extensive and rigorous regulation by the FDA pursuant to the Federal Food, Drug, and Cosmetic Act (FDC Act), by comparable agencies in foreign countries, and by other regulatory agencies and governing bodies. Under the FDC Act, medical devices must receive FDA clearance or approval before they can be commercially marketed in the U.S. In the European Union, we are required to comply with applicable medical device directives (including the Medical Devices Directive and the Active Implantable Medical Devices Directive) and obtain CE Mark certification in order to market medical devices. The CE Mark is applied following approval from an independent notified body or declaration of conformity. The process of obtaining marketing approval or clearance from the FDA or by comparable agencies in foreign countries for new products, or with respect to enhancements or modifications to existing products, could:

- take a significant period of time;
- require the expenditure of substantial resources;
- involve rigorous pre-clinical and clinical testing, as well as increased post-market surveillance;
- require changes to products; and
- result in limitations on the indicated uses of products.

In addition, exported devices are subject to the regulatory requirements of each country to which the device is exported. Some countries do not have medical device regulations, but in most foreign countries, medical devices are regulated. Frequently, regulatory approval may first be obtained in a foreign country prior to application in the U.S. due to differing regulatory requirements; however, other countries, such as China for example, require approval in the country of origin or legal manufacturer first. Most countries outside of the U.S. require that product approvals be renewed or recertified on a regular basis, generally every four to five years. The renewal or recertification process requires that we evaluate any device changes and any new regulations or standards relevant to the device and conduct appropriate testing to document continued compliance. Where renewal or recertification applications are required, they may need to be renewed and/or approved in order to continue selling our products in those countries. There can be no assurance that we will receive the required approvals for new products or modifications to existing products on a timely basis or that any approval will not be subsequently withdrawn or conditioned upon extensive post-market study requirements.

Our global regulatory environment is becoming increasingly stringent, and unpredictable, which could increase the time, cost and complexity of obtaining regulatory approvals for our products, as well as the clinical and regulatory costs of supporting those approvals. Several countries that did not have regulatory requirements for medical devices have established such requirements in recent years and other countries have expanded on existing regulations. Certain regulators are exhibiting less flexibility and are requiring local preclinical and clinical data in addition to global data. While harmonization of global regulations has been pursued, requirements continue to differ significantly among countries. We expect this global regulatory environment will continue to evolve, which could impact our ability to obtain future approvals for our products, or could increase the cost and time to obtain such approvals in the future.

The FDA and other worldwide regulatory agencies actively monitor compliance with local laws and regulations through review and inspection of design and manufacturing practices, recordkeeping, reporting of adverse events, labeling and promotional practices. The FDA can ban certain medical devices; detain or seize adulterated or misbranded medical devices; order repair, replacement or refund of these devices; and require notification of health professionals and others with regard to medical devices that present unreasonable risks of substantial harm to the public health. The FDA may also enjoin and restrain a company for certain violations of the FDC Act and the Safe Medical Devices Act pertaining to medical devices, or initiate action for criminal prosecution of such violations.

International sales of medical devices manufactured in the U.S. that are not approved by the FDA for use in the U.S., or that are banned or deviate from lawful performance standards, are subject to FDA export requirements.

Regulations regarding the development, manufacture and sale of medical devices are evolving and subject to future change. We cannot predict what impact, if any, those changes might have on our business. Failure to comply with regulatory requirements could have a material adverse effect on our business, financial condition and results of operations. Later discovery of previously unknown problems with a product or manufacturer could result in fines, delays or suspensions of regulatory clearances, seizures or recalls of products, physician advisories or other field actions, operating restrictions and/or criminal prosecution. We may also initiate field actions as a result of a failure to strictly comply with our internal quality policies. The failure to receive product approval clearance on a timely basis, suspensions of regulatory clearances, seizures or recalls of products, physician advisories or other field actions, or the withdrawal of product approval by the FDA or by comparable agencies in foreign countries could have a material adverse effect on our business, financial condition or results of operations.

Our products are continually subject to clinical trials conducted by us, our competitors or other third parties, the results of which may be unfavorable, or perceived as unfavorable by the market, and could have a material adverse effect on our business, financial condition or results of operations.

As a part of the regulatory process of obtaining marketing clearance for new products, we conduct and participate in numerous clinical trials with a variety of study designs, patient populations and trial endpoints. Unfavorable or inconsistent clinical data from existing or future clinical trials conducted by us, by our competitors or by third parties, or the market's perception of this clinical data, may adversely impact our ability to obtain product approvals, our position in, and share of, the markets in which we participate and our business, financial condition, results of operations or future prospects.

Our future growth is dependent upon the development of new products and enhancement of existing products, which requires significant research and development, clinical trials and regulatory approvals, all of which are very expensive and time-consuming and may not result in commercially viable products.

In order to develop new products and enhance existing products, we focus our research and development programs largely on the development of next-generation and novel technology offerings across multiple programs and businesses. The development of new products and enhance existing products requires significant investment in research and development, clinical trials and regulatory approvals. The results of our product development efforts may be affected by a number of factors, including our ability to anticipate customer needs, innovate, and develop new products, complete clinical trials, obtain regulatory approvals and reimbursement in the United States and abroad, manufacture products in a cost-effective manner, obtain appropriate intellectual property protection for our products, and gain and maintain market approval of our products. There can be no assurance that any products now in development or that we may seek to develop in the future will achieve technological feasibility, obtain regulatory approval or gain market acceptance. If we are unable to develop and launch new products and enhanced products, our ability to maintain or expand our market position in the markets in which we participate may be materially adversely impacted. Further, we are continuing to investigate, and have completed several acquisitions that involve opportunities to further expand our presence in, and diversify into priority growth areas by accessing new products and technologies. There can be no assurance that our investments will be successful or we will be able to access new products and technologies on terms favorable to us, or that these products and technologies will achieve commercial feasibility, obtain regulatory approval or gain market acceptance. A delay in the development or approval of new products and technologies or our decision to reduce our investments may adversely impact the contribution of these technologies to our future growth.

The medical device industry and its customers are experiencing greater scrutiny and regulation by governmental authorities and are often the subject of numerous investigations, often involving marketing and other business practices or product quality issues including device recalls or advisories. These investigations could result in the commencement of civil and criminal proceedings; imposition of substantial fines, penalties and administrative remedies, including corporate integrity agreements, stipulated judgments or exclusion; diversion of our employees and management's attention; imposition of administrative costs and have an adverse effect on our financial condition, results of operations and liquidity; and may lead to greater governmental regulation in the future.

The medical devices we design, develop, manufacture and market are subject to rigorous regulation by the FDA and numerous other federal, state and foreign governmental authorities. These authorities continue to highly scrutize our industry. We have received subpoenas and other requests for information from Congress and other state and federal

governmental agencies, including, among others, the U.S. Department of Justice, the Office of Inspector General of the Department of Health and Human Services (HHS), and the Department of Defense, as well foreign governments and agencies. We have also received subpoenas and other requests for information from comparable international governmental agencies. These request and/or subpoenas relate primarily to financial arrangements with healthcare providers, regulatory compliance and product promotional practices. We have cooperated with these subpoenas and other requests for information, and expect to continue to do so in the future. We cannot predict when the matters will be resolved, the outcome of these matters or their impact on us, and cooperation may involve significant costs, including document production costs. An adverse outcome in one or more of these matters could include the commencement of an investigation, civil and criminal proceedings; substantial fines, penalties and administrative remedies, including exclusion from

government reimbursement programs, entry into Corporate Integrity Agreements (CIAs) with governmental agencies and amendments to existing CIAs. In addition, resolution of any of these matters could involve the imposition of additional and costly compliance obligations. For example, in 2009, we entered into a civil settlement with the DOJ regarding the DOJ's investigation relating to certain post-market surveys conducted by Guidant Corporation before we acquired Guidant in 2006. As part of the settlement, we entered into a CIA with the Office of Inspector General for HHS, which requires various provisions, including enhancements to certain compliance procedures related to financial arrangements with healthcare providers. Cooperation with requests and investigations from external agencies result in employee resource costs and diversion of employee focus. If any requests or investigations continue over a long period of time, could divert the attention of management from the day-to-day operations of our business and impose significant additional administrative burdens on us. These potential consequences, as well as any adverse outcome from these requests or investigations, could have a material adverse effect on our financial condition, results of operations and liquidity.

In addition, certain foreign governments, state governments (including that of Massachusetts, where we are headquartered) and the U.S. federal government have enacted legislation aimed at increasing transparency of our interactions with healthcare providers. As an example, compliance with the U.S. Physician Payment Sunshine Act requires us by law to disclose payments and other transfers of value to all U.S. physicians and U.S. teaching hospitals at the U.S. federal level made after August 1, 2013. Any failure to comply with these legal and regulatory requirements could impact our business. In addition, we have and may continue to devote substantial additional time and financial resources to further develop and implement enhanced structure, policies, systems and processes to comply with enhanced legal and regulatory requirements, which may also impact our business.

Further, Supreme Court case law has clarified that the FDA's authority over medical devices preempts certain state tort laws, but recently federal appeals courts have determined that some state tort law claims remain, and legislation has been introduced at the federal level to allow state intervention, all of which could lead to increased and inconsistent regulation at the state level.

Changes in tax laws, unfavorable resolution of tax contingencies, or exposure to additional income tax liabilities could have a material impact on our financial condition, results of operations and/or liquidity.

We are subject to income taxes as well as non-income based taxes, in both the U.S. and various foreign jurisdictions. We are subject to on-going tax audits in various jurisdictions. Tax authorities may disagree with certain positions we have taken and assess additional taxes. We regularly assess the likely outcomes of these audits in order to determine the appropriateness of our tax provision and have established contingency reserves for material, known tax exposures, including potential tax audit adjustments related to transfer pricing methodology disputes.

We have received Notices of Deficiency from the IRS reflecting proposed audit adjustments for Guidant Corporation for its 2001 through 2006 tax years and Boston Scientific Corporation for its 2006 and 2007 tax years. Subsequent to issuing these Notices, the IRS conceded a portion of its original assessment. The total incremental tax liability now asserted by the IRS for the applicable periods is $1.162 billion plus interest. The primary issue in dispute for all years is the transfer pricing in connection with the technology license agreements between domestic and foreign subsidiaries of Guidant. In addition, the IRS has proposed adjustments in connection with the financial terms of our Transaction Agreement with Abbott Laboratories pertaining to the sale of Guidant's vascular intervention business to Abbott in April 2006. We do not agree with the transfer pricing methodologies applied by the IRS or its resulting assessment and we believe that the IRS has exceeded its authority by attempting to adjust the terms of our negotiated third-party agreement with Abbott. In addition, we believe that the IRS positions with regard to these matters are inconsistent with the applicable tax laws and the existing Treasury regulations.

We believe we have meritorious defenses for our tax filings and we have filed, or will timely file, petitions with the U.S. Tax Court contesting the Notices of Deficiency for the tax years in challenge. No payments on the net assessment would be required until the dispute is definitively resolved, which, based on experiences of other companies, could take several years. The IRS is currently examining the 2008 through 2010 tax years of Boston Scientific. During the first quarter of 2014 we were notified by the IRS of their intent to propose significant adjustments to our tax returns

for these tax years based upon the same transfer pricing methodologies that are currently being contested in U.S. Tax Court for our tax years prior to 2008. As with the prior years, we disagree with the transfer pricing methodologies being applied by the IRS and we expect to contest any adjustments received through applicable IRS and judicial procedures, as appropriate. We believe that our income tax reserves associated with these matters are adequate and the final resolution will not have a material impact on our financial condition or results of operations. However, final resolution is uncertain and could have a material impact on our financial condition or results of operations.

There can be no assurance that we will accurately predict the outcomes of these disputes or other tax audits or that issues raised by tax authorities will be resolved at a financial cost that does not exceed our related reserves, and the actual outcomes of these disputes and other tax audits could have a material impact on our results of operations or financial condition. Additionally, changes in tax laws or tax rulings could materially impact our effective tax rate. For example, proposals for fundamental U.S. corporate tax reform, if enacted, could have a significant adverse impact on our future results of operations. In addition, effective January 1, 2013 the Patient Protection and Affordable Care Act imposed a 2.3 percent excise tax on medical device manufacturers on U.S. sales of Class I, II and III medical devices. We recorded $72 million and $73 million of expenses within our selling, general and administrative expenses during 2014 and 2013, respectively, as a result of this excise tax.

We may not effectively be able to protect our intellectual property or other sensitive data, which could have a material adverse effect on our business, financial condition or results of operations.

The medical device market in which we primarily participate is largely technology driven. Physician customers have historically moved quickly to new products and new technologies. As a result, intellectual property rights, particularly patents and trade secrets, play a significant role in product development and differentiation. However, intellectual property litigation is inherently complex and unpredictable and appellate courts can overturn lower court decisions. Furthermore, as our business increasingly relies on technology systems and infrastructure, our intellectual property, other proprietary technology and other sensitive data are potentially vulnerable to loss, damage or misappropriation.

Competing parties in our industry frequently file multiple suits to leverage patent portfolios across product lines, technologies and geographies and to balance risk and exposure between the parties. In some cases, several competitors are parties in the same proceeding, or in a series of related proceedings, or litigate multiple features of a single class of devices. These forces frequently drive settlement not only of individual cases, but also of a series of pending and potentially related and unrelated cases. In addition, although monetary and injunctive relief is typically sought, remedies and restitution are generally not determined until the conclusion of the trial court proceedings and can be modified on appeal. Accordingly, the outcomes of individual cases are difficult to time, predict or quantify and are often dependent upon the outcomes of other cases in other geographies.

Several third parties have asserted that our current and former product offerings infringe patents owned or licensed by them. We have similarly asserted that products sold by our competitors infringe patents owned or licensed by us. Adverse outcomes in one or more of the proceedings against us could limit our ability to sell certain products in certain jurisdictions, or reduce our operating margin on the sale of these products and could have a material adverse effect on our financial condition, results of operations or liquidity.

Patents and other proprietary rights are and will continue to be essential to our business, and our ability to compete effectively with other companies will be dependent upon the proprietary nature of our technologies. We rely upon trade secrets, know-how, continuing technological innovations, strategic alliances and licensing opportunities to develop, maintain and strengthen our competitive position. We pursue a policy of generally obtaining patent protection in both the U.S. and abroad for patentable subject matter in our proprietary devices and attempt to review third-party patents and patent applications to the extent publicly available in order to develop an effective patent strategy, avoid infringement of third-party patents, identify licensing opportunities and monitor the patent claims of others. We currently own numerous U.S. and foreign patents and have numerous patent applications pending. We also are party to various license agreements pursuant to which patent rights have been obtained or granted in consideration for cash, cross-licensing rights or royalty payments. No assurance can be made that any pending or future patent applications will result in the issuance of patents, that any current or future patents issued to, or licensed by, us will not be challenged or circumvented by our competitors, or that our patents will not be found invalid. In addition, we may have to take legal action in the future to protect our patents, trade secrets or know-how or to assert them against claimed infringement by others. Any legal action of that type could be costly and time consuming and no assurances can be made that any lawsuit will be successful. We are generally involved as both a plaintiff and a defendant in a

number of patent infringement and other intellectual property-related actions. The invalidation of key patents or proprietary rights that we own, or an unsuccessful outcome in lawsuits to protect our intellectual property, could have a material adverse effect on our business, financial condition or results of operations.

In addition, the laws of certain countries in which we market, and plan on manufacturing some of our products in the near future, do not protect our intellectual property rights to the same extent as the laws of the United States. If we are unable to protect our intellectual property in these countries, it could have a material adverse effect on our business, financial condition or results of operations.

Furthermore, our intellectual property, other proprietary technology and other sensitive data are potentially vulnerable to loss, damage or misappropriation from system malfunction, computer viruses, unauthorized access to our data or misappropriation or misuse thereof by those with permitted access, and other events. While we have invested to protect our intellectual property and other data, and continue to work diligently in this area, there can be no assurance that our precautionary measures will prevent breakdowns, breaches, cyber-attacks or other events. Such events could have a material adverse effect on our reputation, business, financial condition or results of operations.

Pending and future intellectual property litigation could be costly and disruptive to us.

We operate in an industry that is susceptible to significant intellectual property litigation and, in recent years, it has been common for companies in the medical device field to aggressively challenge the patent rights of other companies in order to prevent the marketing of new devices. We are currently the subject of various patent litigation proceedings and other proceedings described in more detail under Item 3. Legal Proceedings and Note K- Commitments and Contingencies to our 2014 consolidated financial statements included in Item 8 of this Annual Report. Intellectual property litigation is expensive, complex and lengthy and its outcome is difficult to predict. Adverse outcomes in one or more of these matters could have a material adverse effect on our ability to sell certain products and on our operating margins, financial condition, results of operation or liquidity. Pending or future patent litigation may result in significant royalty or other payments or injunctions that can prevent the sale of products and may significantly divert the attention of our technical and management personnel. In the event that our right to market any of our products is successfully challenged, we may be required to obtain a license on terms which may not be favorable to us, if at all. If we fail to obtain a required license or are unable to design around a patent, our business, financial condition or results of operations could be materially adversely affected.

Pending and future product liability claims and other litigation, including private securities litigation, shareholder derivative suits and contract litigation, may adversely affect our financial condition and results of operations or liquidity.

The design, manufacture and marketing of medical devices of the types that we produce entail an inherent risk of product liability claims. Many of the medical devices that we manufacture and sell are designed to be implanted in the human body for long periods of time or indefinitely. A number of factors could result in an unsafe condition or injury to, or death of, a patient with respect to these or other products that we manufacture or sell, including physician technique and experience in performing the surgical procedure, component failures, manufacturing flaws, design defects or inadequate disclosure of product-related risks or product-related information. These factors could result in product liability claims, a recall of one or more of our products or a safety alert relating to one or more of our products. Product liability claims may be brought by individuals or by groups seeking to represent a class.

We are currently the subject of product liability litigation proceedings and other proceedings described in more detail under Item 3. Legal Proceedings and Note K- Commitments and Contingencies to our 2014 consolidated financial statements included in Item 8 of this Annual Report. The outcome of litigation, particularly class action lawsuits, is difficult to assess or quantify. Plaintiffs in these types of lawsuits often seek recovery of very large or indeterminate amounts, including not only actual damages, but also punitive damages. The magnitude of the potential losses relating to these lawsuits may remain unknown for substantial periods of time. In addition, the cost to defend against any future litigation may be significant. Product liability claims, securities and commercial litigation and other litigation in the future, regardless of the outcome, could have a material adverse effect on our financial condition, results of operations or liquidity. Additionally, we maintain an insurance policy providing limited coverage against securities claims, and we are substantially self-insured with respect to product liability claims and fully self-insured with respect to intellectual property infringement claims. The fact that we do not maintain third-party insurance coverage for all categories of losses increases our exposure to unanticipated claims and adverse decisions and these losses could have a material adverse effect on our financial condition, results of operations or liquidity.

Any failure to meet regulatory quality standards applicable to our manufacturing and quality processes could have an adverse effect on our business, financial condition and results of operations.

As a medical device manufacturer, we are required to register our establishments and list our devices with the FDA and are subject to periodic inspection by the FDA for compliance with its Quality System Regulation requirements, which require manufacturers of medical devices to adhere to certain regulations, including testing, quality control and documentation procedures. In addition, the Federal Medical Device Reporting regulations require us to provide information to the FDA whenever there is evidence that reasonably suggests that a device may have caused or contributed to a death or serious injury or, if a malfunction were to occur, could cause or contribute to a death or serious injury. Compliance with applicable regulatory requirements is subject to continual review and is monitored rigorously through periodic inspections by the FDA which may result in observations on Form 483, and in some cases warning letters, that require corrective action. In the European Community, we are required to maintain certain International Standards Organization (ISO) certifications in order to sell our products and must undergo periodic inspections by

notified bodies to obtain and maintain these certifications. Many other countries in which we do business have requirements similar to those of the US or the EU, and other foreign governments or agencies may subject us to periodic inspections as well. If we, or our manufacturers, fail to adhere to quality system regulations or ISO requirements, this could delay production of our products and lead to fines, difficulties in obtaining regulatory clearances, recalls, enforcement actions, including injunctive relief or consent decrees, or other consequences, which could, in turn, have a material adverse effect on our financial condition or results of operations.

Interruption of our manufacturing operations could adversely affect our results of operations and financial condition.

Our products are designed and manufactured in technology centers around the world, either by us or third parties. In most cases, the manufacturing of our products is concentrated in one or a few locations. Factors such as a failure to follow specific internal protocols and procedures, equipment malfunction, environmental factors or damage to one or more of our facilities could adversely affect our ability to manufacture our products. In the event of an interruption in manufacturing, we may be unable to quickly move to alternate means of producing affected products or to meet customer demand. In the event of a significant interruption, for example, as result of a failure to follow regulatory protocols and procedures, we may experience lengthy delays in resuming production of affected products due primarily to needs for regulatory approvals. As a result, we may experience loss of market share, which we may be unable to recapture, and harm to our reputation, which could adversely affect our results of operations and financial condition.

Disruptions in the supply of the materials and components used in manufacturing our products or the sterilization of our products by third-party vendors could adversely affect our results of operations and financial condition.

We purchase many of the materials and components used in manufacturing our products from third-party vendors. Certain of these materials and components are purchased from single sources due to quality considerations, expertise, costs or constraints resulting from regulatory requirements. In certain cases we may not be able to establish additional or replacement vendors for such materials or components in a timely or cost effective manner, largely as a result of FDA regulations that require validation of materials and components prior to their use in our products and the complex nature of our and many of our vendors' manufacturing processes. A reduction or interruption in the supply of materials and components used in manufacturing our products; an inability to timely develop and validate alternative sources if required; or a significant increase in the price of such materials or components could adversely affect our results of operations and financial condition, particularly materials or components related to our CRM products and drug-eluting stent systems.

In addition, many of our products require sterilization prior to sale and we utilize a mix of internal resources and contract sterilizers to perform this service. To the extent we or our contract sterilizers are unable to sterilize our products, whether due to capacity, availability of materials for sterilization, regulatory or other constraints, we may be unable to transition to other contract sterilizer, sterilizer locations or sterilization methods in a timely or cost effective manner or at all, which could have an adverse impact on our results of operations and financial condition.

Moreover, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Securities and Exchange Commission (SEC) promulgated new rules applicable to public companies like us that use certain minerals and metals, known as conflict minerals, in their products. The rules require us to undertake measures to understand the origin and, as need be, source of conflict minerals within our supply chain and to disclose, among other things, those measures and whether or not any such conflict minerals originated from the Democratic Republic of the Congo and adjoining countries. These requirements could, directly or indirectly, adversely affect the sourcing, availability and pricing of such minerals if they are found to be sourced from that region. In addition, we will incur additional costs to comply with the requirements, including with respect to measures undertaken to understand the origin and, as need be, source of conflict minerals used in our products.

We rely on the proper function, availability and security of information technology systems to operate our business and a cyber-attack or other breach of these systems could have a material adverse effect on our business, financial condition or results of operations.

We rely on information technology systems to process, transmit, and store electronic information in our day-to-day operations. Similar to other large multi-national companies, the size and complexity of our information technology

systems makes them vulnerable to a cyber-attack, malicious intrusion, breakdown, destruction, loss of data privacy, or other significant disruption. Our information systems require an ongoing commitment of significant resources to maintain, protect, and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving systems and regulatory standards, the increasing need to protect patient and customer information, and changing customer patterns. In addition, third parties may attempt to hack into our products to obtain data relating to patients with our products or our proprietary information. Any failure by us to maintain or protect our information technology systems and data integrity, including from cyber-attacks, intrusions or other breaches, could result in the unauthorized access to patient data and personally identifiable information, theft

of intellectual property or other misappropriation of assets, or otherwise compromise our confidential or proprietary information and disrupt our operations. Any of these events, in turn, may cause us to lose existing customers, have difficulty preventing, detecting, and controlling fraud, have disputes with customers, physicians, and other health care professionals, be subject to legal claims and liability, have regulatory sanctions or penalties imposed, have increases in operating expenses, incur expenses or lose revenues as a result of a data privacy breach or theft of intellectual property, or suffer other adverse consequences, any of which could have a material adverse effect on our business, financial condition or results of operations.

Our share price has been volatile and may fluctuate, and accordingly, the value of an investment in our common stock may also fluctuate.

Stock markets in general, and our common stock in particular, have experienced significant price and volume volatility over recent years. The market price and trading volume of our common stock may continue to be subject to significant fluctuations due to factors described under this Item 1A entitled “Risk Factors,” as well as economic and geopolitical conditions general, and also to variability in the prevailing sentiment regarding our operations or business prospects, as well as, among other things, changing investment priorities of our stockholders. Since the market price of our common stock fluctuates significantly, stockholders may not be able sell their shares at attractive prices.

If we are unable to attract, retain and focus key personnel, it could have an adverse effect on our business, financial condition and results from operations.

We constantly monitor the dynamics of the economy, the healthcare industry and the markets in which we compete; and we continue to assess opportunities to improve operational effectiveness and better align expenses with revenues, while preserving our ability to make needed investments, research and development projects, capital and our people that we believe are essential to our long-term success. In our industry, there is substantial competition for key personnel in the regions in which we operate and we may face increased competition for such employees, particularly in emerging markets as the trend toward globalization continues. If we are unable to attract key personnel in a timely manner, including key sales and other personnel who have critical industry experience and relationships in the regions in which we operate, including in emerging markets, it may have an adverse effect on our business and our ability to drive growth, including through execution of our strategic initiatives. Furthermore, some of the key personnel for whom we compete have post-employment arrangements with their current or former employer that may impact our ability to hire them or expose us and them to claims. In addition, if we are unable to retain and focus our existing key personnel it may have an adverse effect on our business, financial condition and results from operations. Moreover, we recently completed changes in our senior management structure, which may lead to inefficiencies in our ability to execute our strategic, cost-reduction and efficiency initiatives, which may have an adverse effect on our business and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our world headquarters is located in Marlborough, Massachusetts, with additional support provided from regional headquarters located in Singapore and Voisins-le-Bretonneux, France. As of December 31, 2014, our principal manufacturing and technology centers were located in Minnesota, California, and Indiana within the U.S; as well as internationally in Ireland, Costa Rica and Puerto Rico. Our products are distributed worldwide from customer fulfillment centers in Massachusetts, The Netherlands and Japan. As of December 31, 2014, we maintained 12 principal manufacturing facilities, including six in the U.S., three in Ireland, two in Costa Rica, and one in Puerto Rico, as well as various distribution and technology centers around the world. Many of these facilities produce and manufacture products for more than one of our divisions and include research facilities. The following is a summary of our facilities as of December 31, 2014 (in approximate square feet):

	Owned *	Leased **	Total
U.S.	4,488,000	1,381,000	5,869,000
International	1,512,000	1,092,000	2,604,000
	6,000,000	2,473,000	8,473,000

* Includes our principal manufacturing facilities in Minnesota, Ireland, Puerto Rico and one facility in Costa Rica; our customer fulfillment centers in Massachusetts, The Netherlands and Japan; and our global headquarters location in Marlborough, Massachusetts.

Table of Contents

** Includes our principal manufacturing facilities in California, Indiana, and one facility in Costa Rica; and our regional headquarters located in Singapore and Voisins-le-Bretonneux, France.

We regularly evaluate the condition and capacity of our facilities to ensure they are suitable for the development, manufacturing, and marketing of our products, and provide adequate capacity for current and expected future needs. Further, our 2014 restructuring plan continues the implementation of our ongoing Plant Network Optimization (PNO) strategy, which is intended to simplify our manufacturing plant structure by transferring certain productions lines among facilities. Refer to Restructuring Initiatives within Results of Operations included in Item 7 of this Annual Report and Note H – Restructuring-related Activities to our 2014 consolidated financial statements included in Item 8 of this Annual Report.

ITEM 3. LEGAL PROCEEDINGS

See Note K – Commitments and Contingencies to our 2014 consolidated financial statements included in Item 8 of this Annual Report and incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is traded on the New York Stock Exchange (NYSE) under the symbol "BSX." The following table provides the market range for the closing price of our common stock for each of the last eight quarters based on reported sales prices on the NYSE.

2014	High	Low
First Quarter	$13.98	$11.91
Second Quarter	13.77	12.58
Third Quarter	13.29	11.81
Fourth Quarter	13.68	11.37
2013		
First Quarter	$7.81	$5.89
Second Quarter	9.64	7.09
Third Quarter	11.99	9.15
Fourth Quarter	12.38	11.18

Holders

The closing price of our common stock on January 30, 2015 was $14.81. As of January 30, 2015, there were 12,650 holders of record of our common stock.

Dividends

We did not pay a cash dividend in 2014 or 2013, and currently do not intend to pay cash dividends. We may consider declaring and paying a cash dividend in the future; however, there can be no assurance that we will do so.

32

Securities Authorized for Issuance under Equity Compensation Plans

Please see Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" under Part III of this Annual Report for information on where to find information required by Item 201(d) of Regulation S-K.

Purchases of Equity Securities by the Issuer and Affiliated Purchases

During 2014, we used $125 million of cash generated from operations to repurchase approximately 10 million shares of our common stock pursuant to our share repurchase authorizations and during 2013, we used $500 million of cash generated from operations to repurchase approximately 51 million shares of our common stock pursuant to our share repurchase authorizations discussed in Note L - Stockholders' Equity to our 2014 consolidated financial statements contained in Item 8 of this Annual Report.

The following table provides information with respect to purchases by Boston Scientific Corporation of equity securities that are registered by us pursuant to Section 12 of the Exchange Act, during the fourth quarter of 2014:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs *	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
10/01/14 - 10/31/14	—	$—	—	$534,535,954
11/01/14 - 11/30/14	—	—	—	534,535,954
12/01/14 - 12/31/14	—	—	—	534,535,954
Total	—	$—	—	$534,535,954

On January 25, 2013, our Board of Directors approved a new program authorizing the repurchase of up to $1.0 billion of our common stock. As of December 31, 2014, we had approximately $535 million remaining available under the 2013 share repurchase program.

Stock Performance Graph

The graph below compares the five-year total return to stockholders on our common stock with the return of the Standard & Poor's (S&P) 500 Stock Index and the S&P Health Care Equipment Index. The graph assumes $100 was invested in our common stock and in each of the named indices on December 31, 2009, and that all dividends were reinvested.

Note: The stock price performance shown on the graph above is not indicative of future price performance. This graph shall not be deemed "filed" for purposes of Section18 of the Exchange Act or otherwise subject to the liabilities of that section nor shall it be deemed incorporated by reference in any filing under the Securities Act or the Exchange Act, regardless of any general incorporation language in such filing.

ITEM 6. SELECTED FINANCIAL DATA

FIVE-YEAR SELECTED FINANCIAL DATA

(in millions, except per share data)

Operating Data

Year Ended December 31,	2014	2013	2012	2011	2010
Net sales	$7,380	$7,143	$7,249	$7,622	$7,806
Gross profit	5,170	4,969	4,900	4,963	5,207
Total operating expenses	5,471	4,849	8,768	4,059	5,863
Operating income (loss)	(301)	120	(3,868)	904	(656)
Income (loss) before income taxes	(509)	(223)	(4,107)	642	(1,063)
Net income (loss)	(119)	(121)	(4,068)	441	(1,065)
Net income (loss) per common share:					
Basic	$(0.09)	$(0.09)	$(2.89)	$0.29	$(0.70)
Assuming dilution	$(0.09)	$(0.09)	$(2.89)	$0.29	$(0.70)

Balance Sheet Data

As of December 31,	2014	2013	2012	2011	2010
Cash, cash equivalents and marketable securities	$587	$217	$207	$267	$213
Working capital	760	1,187	1,250	1,298	1,006
Total assets	17,042	16,571	17,154	21,290	22,128
Borrowings (short-term)	403	3	4	4	504
Borrowings (long-term)	3,859	4,237	4,252	4,257	4,934
Stockholders' equity	6,457	6,539	6,870	11,353	11,296
Book value per common share*	$4.86	$4.95	$5.07	$7.84	$7.43

*Book value per common share is calculated using shares outstanding as of December 31, for each year, respectively shown.

The data above include certain charges (credits) recorded in conjunction with goodwill and other intangible asset impairments, acquisitions, divestitures, restructuring and restructuring-related activities, debt extinguishment charges and/or litigation. The data above should be read in conjunction with our consolidated financial statements, including the notes thereto, included in Item 8 of this Annual Report, as well as prior year Form 10-K filings.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements and accompanying notes included in Item 8 of this Annual Report.

Executive Summary

Financial Highlights and Trends

In 2014, we generated net sales of $7.380 billion, as compared to $7.143 billion in 2013, an increase of $237 million, or three percent. Our net sales were unfavorably impacted by $99 million from foreign currency fluctuations in 2014, as compared to 2013 and sales related to our divested Neurovascular business declined $54 million in 2014. Refer to Note C - Divestitures included in Item 8 of this Annual Report for additional information on the Neurovascular divestiture. Excluding the impact of foreign currency and sales from divested businesses, our net sales increased $390 million, or six percent, as compared to the prior year. This increase was due primarily to constant currency increases in net sales from our Interventional Cardiology business of $97 million, from our Electrophysiology business of $74 million, from our Endoscopy business of $66 million, and from our Peripheral Interventions business of $56 million.[1] Refer to the Business and Market Overview section for further discussion of our sales results.

Our reported net loss in 2014 was $119 million, or $0.09 per share, and was driven primarily by litigation-related charges of $600 million ($386 million after-tax) recorded for the settlement agreement reached with Johnson & Johnson on February 13, 2015. See Note K - Commitments and Contingencies included in Item 8 of this Annual Report for additional information on the settlement agreement. Our reported results for 2014 included intangible asset impairment charges; acquisition- and divestiture-related net credits; restructuring- and litigation-related charges; discrete tax items; and amortization expense (after-tax) of $1.248 billion, or $0.93 per share. Excluding these items, net income for 2014 was $1.129 billion, or $0.84 per share[1].

Our reported net loss in 2013 was $121 million, or $0.09 per share. Our reported results for 2013 included goodwill and intangible asset impairment charges; acquisition- and divestiture-related net charges; restructuring- and litigation-related charges; debt extinguishment charges; discrete tax items; and amortization expense (after-tax) of $1.112 billion, or $0.82 per share. Excluding these items, net income for 2013 was $991 million, or $0.73 per share[1].

The following is a reconciliation of our results of operations prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) to those adjusted results considered by management. Refer to Results of Operations for a discussion of each reconciling item:

	Year Ended December 31, 2014			
in millions, except per share data	Pre-Tax	Tax Impact	After-Tax	Impact per share
GAAP net income (loss)	$(509)	$390	$(119)	$(0.09)
Non-GAAP adjustments:				
Intangible asset impairment charges	195	(30)	165	0.12 *
Acquisition- and divestiture-related net credits	(10)	(24)	(34)	(0.03) *
Restructuring-related charges	117	(27)	90	0.07 *
Litigation-related charges	1,036	(377)	659	0.49 *
Discrete tax items	—	(17)	(17)	(0.01) *
Amortization expense	438	(53)	385	0.29 *
Adjusted net income	$1,267	$(138)	$1,129	$0.84

* Assumes dilution of 23.7 million shares for the year ended December 31, 2014 for all or a portion of these non-GAAP adjustments.

[1] Sales growth rates that exclude the impact of sales from divested businesses and/or changes in foreign currency exchange rates and net income and net income per share excluding certain items required by GAAP are not prepared in accordance with U.S. GAAP. Refer to Additional Information in this Item 7 for a discussion of management's use of these non-GAAP financial measures.

36

	Year Ended December 31, 2013				
in millions, except per share data	Pre-Tax	Tax Impact	After-Tax	Impact per share	
GAAP net income (loss)	$(223)	$102	$(121)	$(0.09)	
Non-GAAP adjustments:					
Goodwill and other intangible asset impairment charges	476	(8)	468	0.35	**
Acquisition- and divestiture-related net charges	1	3	4	0.00	**
Restructuring-related charges	124	(36)	88	0.07	**
Litigation-related charges	221	(72)	149	0.11	**
Debt extinguishment charges	70	(26)	44	0.03	**
Discrete tax items	—	(7)	(7)	(0.01)	**
Amortization expense	410	(44)	366	0.27	**
Adjusted net income	$1,079	$(88)	$991	$0.73	

** Assumes dilution of 19.5 million shares for the year ended December 31, 2013 for all or a portion of these non-GAAP adjustments.

Cash generated by operating activities was $1.269 billion in 2014, as compared to $1.110 billion in 2013. Our cash generated from operations continues to be a significant source of funds for investing in our growth and returning value to shareholders by buying back shares of our common stock pursuant to our share repurchase authorizations discussed in Note L - Stockholders' Equity to our 2014 consolidated financial statements contained in Item 8 of this Annual Report. During 2014, we used $125 million of cash generated from operations to repurchase approximately 10 million shares of our common stock, as compared to 2013 in which $500 million of cash generated from operations was used to repurchase approximately 51 million shares of our common stock. As of December 31, 2014, we had total debt of $4.262 billion, cash and cash equivalents of $587 million and working capital of $760 million. We hold investment-grade ratings with all three major credit-rating agencies. We believe our investment grade credit profile reflects the size and diversity of our product portfolio, our leading share position in several of our served markets, our strong cash flow, our solid financial fundamentals and our financial strategy.

Business and Market Overview

Cardiovascular

Interventional Cardiology

Our Interventional Cardiology division develops, manufactures and markets technologies for diagnosing and treating coronary artery disease and other cardiovascular disorders. Product offerings include coronary stents, including drug-eluting and bare metal stent systems, balloon catheters, rotational atherectomy systems, guide wires, guide catheters, embolic protection devices, crossing and re-entry devices for the treatment of chronically occluded coronary vessels, diagnostic catheters used in percutaneous transluminal coronary angioplasty procedures, and intravascular ultrasound (IVUS) imaging systems. We also offer structural heart products in certain international markets, which include a device for transcatheter aortic valve replacement and a device designed to close the left atrial appendage in patients with atrial fibrillation that are at risk for ischemic stroke.

In May 2014, we launched our Promus PREMIER™ Everolimus-Eluting Platinum Chromium Coronary Stent System in Japan, following regulatory approval by the Japanese Ministry of Health, Labor and Welfare (MHLW). We had previously launched this technology in Europe and select other geographies during the first quarter of 2013, and in the U.S. during the fourth quarter of 2013. The Promus PREMIER™ Stent System is designed to provide physicians improved drug-eluting stent performance in treating patients with coronary artery disease, and features a unique customized platinum chromium alloy stent architecture and an enhanced stent delivery system. We also market our next generation SYNERGY™ Everolimus-Eluting Platinum Chromium Coronary Stent System in select European and other Conformité Européenne (CE) Mark countries, which features an ultra-thin abluminal (outer) bioabsorbable polymer coating. During 2014, we continued to expand our commercial launch of this technology in Europe. The EVOLVE II clinical trial, which is designed to further assess the safety and effectiveness of the SYNERGY Stent

System and support U.S. Food and Drug Administration (FDA) and Japanese regulatory approvals for this technology, released results in November 2014. The results demonstrated the SYNERGY stent system met its primary endpoint in this non-inferiority study, which evaluated the one-year rate of target lesion failure. We expect FDA approval of this technology in late 2015.

Our worldwide net sales of Interventional Cardiology products were $2.057 billion for the year ended December 31, 2014, or approximately 28 percent of our consolidated net sales for the year ended December 31, 2014. Our worldwide net sales of Interventional Cardiology products increased $60 million, or three percent, in 2014, as compared to 2013. Excluding the impact

of changes in foreign currency exchange rates, which had a $37 million negative impact on our Interventional Cardiology net sales in 2014, as compared to 2013, net sales of these products increased $97 million, or five percent. Our drug-eluting coronary stent system sales represent a significant portion of our Interventional Cardiology net sales. The following are the components of our worldwide drug-eluting coronary stent system sales:

(in millions)	Year Ended December 31, 2014			Year Ended December 31, 2013		
	U.S.	International	Total	U.S.	International	Total
Drug-eluting coronary stents	$486	$665	$1,151	$448	$665	$1,113

The year-over-year increase in our worldwide Interventional Cardiology net sales was primarily related to sales of our Promus PREMIER™ Stent System in the U.S. and Japan, our SYNERGY™ Everolimus-Eluting Platinum Chromium Coronary Stent System in select European and other CE Mark countries, our structural heart products in international markets, including the Lotus™ transcatheter aortic valve replacement system and the WATCHMAN® left atrial appendage closure device, along with operational growth in our other cardiology product lines, including our OptiCross™ Coronary Imaging Catheter, iLab® Intravascular Ultrasound Imaging System, and Polaris® Imaging System.

Our structural heart product offerings include our Lotus™ Valve System, a device for transcatheter aortic valve replacement and our WATCHMAN® device designed to close the left atrial appendage in patients with atrial fibrillation who are at risk for ischemic stroke. The Lotus™ Valve System consists of a stent-mounted tissue valve prosthesis and catheter delivery system for guidance and placement of the valve. In October 2013, we received CE Mark approval and launched the Lotus™ Valve System in Europe. In September 2014, we initiated the REPRISE III clinical trial with first patient enrollment. The initiation of the REPRISE III clinical trial marks the beginning of the process required to support FDA premarket approval. The WATCHMAN® Left Atrial Appendage Closure Technology (WATCHMAN®) is the first device studied in a randomized clinical trial to offer an alternative to warfarin, and is marketed in CE Mark countries and other international countries. In the U.S., we completed the 18 month follow-up PREVAIL trial and final five year follow-up in the PROTECT AF trial to evaluate the safety and efficacy of the WATCHMAN® device in patients with nonvalvular atrial fibrillation versus long-term warfarin therapy and are working towards approval of the device. On October 8, 2014, the FDA Circulatory Device Panel of the Medical Devices Advisory Committee (the Panel) voted favorably (six yes to five no, with one abstention) that the benefits of the WATCHMAN® device outweigh the risks. The Panel also voted favorably (12 yes to zero no) on the reasonable assurance of safety while voting unfavorably (six yes to seven no, Chairman vote as tie-breaker) on the question of reasonable assurance of effectiveness. We are committed to working with the FDA to address the Panel’s comments and recommendations. We estimate FDA approval of this technology in the first half of 2015.

Peripheral Interventions

Our Peripheral Interventions (PI) product offerings include stents, balloon catheters, wires, peripheral embolization devices and other devices used to diagnose and treat peripheral vascular disease. Our worldwide net sales of PI products were $850 million for the year ended December 31, 2014, or approximately 12 percent of our consolidated net sales for the year ended December 31, 2014. Our worldwide net sales of PI products increased $41 million, or five percent, in 2014, as compared to 2013. Excluding the impact from changes in foreign currency exchange rates, which had a $15 million negative impact on our worldwide PI net sales in 2014, as compared to 2013, net sales of these products increased $56 million, or seven percent. The year-over-year increase in worldwide PI net sales was primarily driven by growth in our core PI franchise, particularly our interventional oncology franchise, as well as revenues from the Interventional Division of Bayer AG (Bayer).

On August 29, 2014, we completed the acquisition of the Interventional Division of Bayer for $414 million in cash. We believe that this acquisition enhances our ability to offer physicians and healthcare systems a more complete portfolio of solutions to treat challenging vascular conditions. The addition of Bayer's strong commercial organization and innovative technologies supports our strategy to provide a comprehensive portfolio of leading solutions to treat

peripheral vascular disease. The transaction includes the leading AngioJet® Thrombectomy System and the Fetch® 2 Aspiration Catheter, which are used in endovascular procedures to remove blood clots from blocked arteries and veins, and the JetStream® Atherectomy System, used in an innovative and fast-growing therapy to remove plaque and thrombi from diseased arteries.

During the fourth quarter of 2012, we completed the acquisition of Vessix, a developer of catheter-based renal denervation systems for the treatment of resistant hypertension. Through the acquisition of Vessix, we added a highly differentiated technology to our hypertension strategy and launched this technology in Europe in May 2013. We have seen a slowdown in the resistant hypertension market in Europe following the failure of a competitor's large randomized clinical trial, which was announced during the first quarter of 2014. During the first half of 2014, based on a careful examination of the available data, we determined that additional clinical research was required before we pursue a large, global pivotal trial. In December 2014, we agreed upon a study protocol with the FDA for an innovative Investigational Device Exemption trial called REDUCE-HTN REINFORCE. The trial is designed to isolate the effects of our Vessix renal denervation system while minimizing the impact of multiple medications and patient compliance. As a result of changes in our clinical strategy and lower estimates of the European and global hypertension markets, we reduced our expectations for future revenue and recorded impairment charges related to the Vessix technology intangible assets during 2014. See Note D - Goodwill and Other Intangible Assets included in Item 8 of this Annual Report for further details.

Rhythm Management

Cardiac Rhythm Management

Our CRM division develops, manufactures and markets a variety of implantable devices including implantable cardioverter defibrillator systems and pacemaker systems that monitor the heart and deliver electricity to treat cardiac abnormalities. Our worldwide net sales of CRM products were $1.912 billion for the year ended December 31, 2014, or approximately 26 percent of our consolidated net sales for the year ended December 31, 2014. Our worldwide net sales of CRM products increased $26 million, or one percent, in 2014, as compared to 2013. Excluding the impact of changes in foreign currency exchange rates, which had a $14 million negative impact on our CRM net sales in 2014, as compared to 2013, net sales of these products increased $40 million, or two percent. The year-over-year increase in worldwide CRM net sales was primarily driven by increases in our denovo ICD market share as a result of our subcutaneous implantable cardiac defibrillator (S-ICD) technology and our new line of defibrillators; partially offset by lower volumes of replacement procedures and implantable cardiac resynchronization therapy defibrillator (CRT-D) market share losses in certain regions.

The following are the components of our worldwide CRM net sales:

	Year Ended December 31, 2014			Year Ended December 31, 2013		
(in millions)	U.S.	International	Total	U.S.	International	Total
Defibrillator systems	$867	$513	$1,380	$850	$505	$1,355
Pacemaker systems	255	277	532	267	264	531
CRM products	$1,122	$790	$1,912	$1,117	$769	$1,886

In February 2014, our European business initiated the full launch of our new X4 line of quadripolar CRT-D systems, including the AUTOGEN™ X4, DYNAGEN™ X4, and INOGEN™ X4 cardiac resynchronization therapy defibrillators (CRT-Ds), a suite of ACUITY™ X4 quadripolar LV leads and the ACUITY™ PRO lead delivery system. In addition, in April 2014, we received FDA approval for the DYNAGEN™ MINI and INOGEN™ MINI ICDs, the smallest fully-powered standard longevity ICD on the market, as well as the DYNAGEN™ X4 and INOGEN™ X4 CRT-Ds. These new defibrillators were launched in the U.S. during the second quarter of 2014 and our global roll-out of this new line of defibrillators will continue into 2015. In addition, our new EL (extended longevity) line of ICDs, was launched in the U.S. in the first quarter of 2015. We also completed U.S. phase I enrollment in our Quadripolar lead clinical trial in the fourth quarter of 2014. We expect FDA approval of this lead in the first half of 2016.

Our pacemaker system net sales remained relatively flat during 2014, as compared to 2013. Our international pacemaker business grew primarily due to the continued adoption of our INGENIO™ family of pacemakers. This was offset by a decline in the U.S. pacemaker business primarily driven by price erosion. We are encouraged by physician feedback on our next generation Ingevity family of magnetic resonance imaging (MRI) compatible pacing leads in

select international markets. Ingevity™ MRI pacing leads are part of the ImageReady™ MR-conditional pacemaker system, which includes VITALIO™ MRI, FORMIO™ MRI, ADVANTIO™ MRI and INGENIO™ MRI pulse generators. When used with the LATITUDE™ NXT Patient Management System, these devices wirelessly monitor patients for conditions such as atrial arrhythmias. We commenced the U.S. Investigational Device Exemption (IDE) trial for the Ingevity™ MRI pacing lead during February 2013. During the second half of 2014, we also received FDA approval of our new ACCOLADE™ family of pacemakers, the second generation of INGENIO pacemakers, and cardiac resynchronization therapy pacemakers, including a quadripolar header design. We expect to initiate a full launch of this technology in 2015.

During the second quarter of 2012, we completed the acquisition of Cameron Health, Inc. (Cameron). Cameron developed the world's first and only commercially available subcutaneous implantable cardioverter defibrillator, the S-ICD® System, which we believe is a differentiated technology that will provide us the opportunity to both increase our market share in the existing ICD market and expand that market over time. The first generation S-ICD® System has received CE Mark and FDA approval. We became supply constrained in early 2013 and were only able to provide a very limited supply of S-ICD® systems during the second and third quarters of 2013. During the fourth quarter of 2013, we resumed our launch of our S-ICD® System and have seen strong physician and patient interest in this differentiated technology. We are also developing the Emblem S-ICD® System, a next generation S-ICD® System that is smaller in size and offers improved battery longevity and remote monitoring capabilities. We expect to receive regulatory approvals and to initiate a full launch of the Emblem S-ICD® technology in Europe and the U.S. by the end of 2015.

Electrophysiology

Our Electrophysiology business develops less-invasive medical technologies used in the diagnosis and treatment of rate and rhythm disorders of the heart. Our leading products include the Blazer™ line of ablation catheters, designed to deliver enhanced performance and responsiveness. Our worldwide net sales of Electrophysiology products were $227 million for the year ended December 31, 2014, or approximately three percent of our consolidated net sales for the year ended December 31, 2014. Our worldwide net sales of Electrophysiology products increased $72 million, or 47 percent, in 2014, as compared to 2013. Excluding the impact from changes in foreign currency exchange rates, which had a $2 million negative impact on our Electrophysiology net sales in 2014, as compared to 2013, net sales of these products increased $74 million, or 48 percent. The year-over-year increase in worldwide Electrophysiology net sales was driven by our acquisition of the electrophysiology business of C.R. Bard Inc. (Bard EP), which we completed on November 1, 2013. Through our acquisition of Bard EP, we obtained a strong commercial team and complementary portfolio of ablation catheters, diagnostic tools, and electrophysiology recording systems, which we believe allows us to better serve the global Electrophysiology market through a more comprehensive portfolio offering and sales infrastructure.

During the fourth quarter of 2012, we completed the acquisition of Rhythmia Medical, Inc. (Rhythmia), a developer of next-generation mapping and navigation solutions for use in cardiac catheter ablations and other electrophysiology procedures, including atrial fibrillation and atrial flutter. During the third quarter of 2014, we initiated our limited launch of the Rhythmia next-generation mapping and navigation solution in both the U.S. and Europe.

We believe that the Rhythmia and Bard EP acquisitions, as well as our other expected product launches, will help to position us to participate more competitively in the growing Electrophysiology market.

MedSurg

Endoscopy

Our Endoscopy division develops and manufactures devices to treat a variety of medical conditions including diseases of the digestive and pulmonary systems. Our worldwide net sales of Endoscopy products were $1.323 billion for the year ended December 31, 2014, or approximately 18 percent of our consolidated net sales for the year ended December 31, 2014. Our worldwide net sales of Endoscopy products increased $43 million, or three percent, in 2014, as compared to 2013. Excluding the impact from changes in foreign currency exchange rates, which had a negative $23 million impact on our Endoscopy net sales in 2014, as compared to 2013, net sales of these products increased $66 million, or five percent. The year-over-year increase in worldwide Endoscopy net sales was primarily driven by growth across several of our key product franchises, including our biliary device franchise with continued growth of our Expect™ Endoscopic Ultrasound Aspiration Needle and our metal stent franchise driven by our Biliary WallFlex® product family, and our hemostasis franchise with products such as our Resolution Clip for gastrointestinal bleeding.

Urology and Women’s Health

Our Urology and Women’s Health division develops and manufactures devices to treat various urological and gynecological disorders. Our worldwide net sales of Urology and Women's health products were $535 million for the year ended December 31, 2014, or approximately seven percent of our consolidated net sales for the year ended December 31, 2014. Our worldwide net sales of Urology and Women's health products increased $30 million, or six percent, in 2014, as compared to 2013. Excluding the impact from changes in foreign currency exchange rates, which had a negative $7 million impact on our Urology and Women's health net sales in 2014, as compared to 2013, net sales of these products increased $37 million, or seven percent. The year -over-year increase in worldwide Urology and Women's Health net sales was primarily attributable to growth in our Urology franchise as we continue to expand our international business.

On May 7, 2014, we completed the acquisition of the remaining fully diluted equity of IoGyn, Inc. (IoGyn). IoGyn has developed the Symphion™ System, a next generation system for hysteroscopic intrauterine tissue removal including fibroids (myomas) and polyps. In March 2014, IoGyn received U.S. FDA approval for the system and in October 2014, we launched the system in the United States.

Neuromodulation

Our Neuromodulation business offers the Precision® and Precision Spectra™ Spinal Cord Stimulator systems, used for the management of chronic pain. Our worldwide net sales of Neuromodulation products were $472 million for the year ended December 31, 2014, or approximately six percent of our consolidated net sales for the year ended December 31, 2014. Our worldwide net sales of Neuromodulation products increased $19 million, or four percent, in 2014, as compared to 2013. Excluding the impact from changes in foreign currency exchange rates, which had a negative $1 million impact on our Neuromodulation net sales in 2014, as compared to 2013, net sales of these products increased $20 million, or five percent. The year-over-year increase in our worldwide Neuromodulation net sales was primarily driven by sales of our Precision Spectra System. The Precision Spectra System is the world's first and only spinal cord stimulation (SCS) system with 32 contacts and 32 dedicated power sources and is designed to provide improved pain relief to a wide range of patients who suffer from chronic pain. Significant changes to Medicare reimbursement for physician office trialing of SCS systems went into effect January 1, 2014, resulting in slower trialing volumes, which are typically a leading indicator of total SCS market growth. Due to these changes in reimbursement and lower market growth rates, as well as the higher prior year growth connected with the 2013 launch of Precision Spectra™, our revenue growth rate slowed throughout 2014.

We have CE Mark approval for use of our Vercise™ Deep Brain Stimulation (DBS) System for the treatment of Parkinson's disease, Tremor and intractable primary and secondary dystonia, a neurological movement disorder characterized by involuntary muscle contractions, in Europe. During 2013, we began our U.S. pivotal trial for the treatment of Parkinson's disease. We believe we have an exciting opportunity in DBS with the Vercise™ DBS System, which is designed to selectively stimulate targeted areas of the brain to customize therapy for patients and minimize side effects of unwanted stimulation.

Emerging Markets

As part of our strategic imperatives to drive global expansion, described in Item 1 of this Annual Report, we are seeking to grow net sales and market share by expanding our global presence, including in Emerging Markets. We define Emerging Markets as including 20 developing countries that we believe have strong growth potential based on their economic conditions, healthcare sectors, and our global capabilities. We are seeking to expand our presence and strengthen relationships in order to grow net sales and market share within our Emerging Markets, and we have increased our investment in infrastructure in these countries in order to maximize opportunities. Our Emerging Markets revenue grew 12 percent, as compared to the prior year, and was approximately ten percent of our consolidated net sales in 2014.

Neurovascular Divestiture

In January 2011, we closed the sale of our Neurovascular business to Stryker Corporation for a purchase price of $1.500 billion in cash. We received $1.450 billion during 2011, $10 million during 2012, $30 million during 2013 and the final amount due to us in 2014. After the sale of our Neurovascular business to Stryker, we provided transitional services through a transition services agreement, and also manufactured and supplied products to Stryker through a supply agreement. These transition services and supply agreements substantially ended during 2013. Our sales related to our divested Neurovascular business have declined as the various transition services and supply agreements have terminated. We expect revenue from our divested Neurovascular business to be immaterial in 2015. Due to our continuing involvement in the operations of the Neurovascular business, the divestiture does not meet the criteria for presentation as a discontinued operation. Divestiture-related gains or charges are excluded by management for purposes of evaluating operating performance. See Results of Operations below and Note C - Divestitures to our 2014 consolidated financial statements included in Item 8 of this Annual Report for additional information.

Restructuring Initiatives

On an on-going basis, we monitor the dynamics of the economy, the healthcare industry, and the markets in which we compete; and we assess opportunities for improved operational effectiveness and efficiency and to better align

expenses with revenues, while preserving our ability to make the investments in research and development projects, capital, our people and other programs that we believe are important to drive our growth. As a result of these assessments, we have undertaken various restructuring initiatives in order to enhance our growth potential and position us for long-term success. Additional information can be found in Results of Operations below and Note H – Restructuring-related Activities to our 2014 consolidated financial statements included in Item 8 of this Annual Report.

Healthcare Policies

Political, economic and regulatory influences around the world continue subjecting the healthcare industry to potential fundamental changes that could substantially affect our results of operations. Government and private sector initiatives related to limiting the growth of healthcare costs (including price regulation); coverage and payment policies; comparative effectiveness of therapies; technology assessments; and health care delivery structure reforms, are continuing in many countries where we do business. We believe that these changes are causing the marketplace to put increased emphasis on the delivery of treatments that can reduce costs, improve efficiencies, and/or increase patient access. Although we believe our less-invasive products and technologies generate favorable clinical outcomes, value and cost efficiency, the resources necessary to demonstrate value to our customers, patients, payors, and other stakeholders may be significant and may take a longer period of time to gain widespread adoption.

The Patient Protection and Affordable Care Act and Health Care and Education Affordability Reconciliation Act were enacted into law in the U.S. in 2010. Certain provisions of the law have yet to be implemented and there are many programs and requirements for which the details have not yet been fully established or consequences not yet fully understood; therefore, it is unclear what the full impact will be from the law. The legislation imposes on medical device manufacturers a 2.3 percent excise tax on U.S. sales of Class I, II and III medical devices beginning in January 2013. We recorded $72 million and $73 million in 2014 and 2013, respectively, within our selling, general and administrative expenses. Other provisions of this law, including Medicare provisions aimed at improving quality and decreasing costs, comparative effectiveness research, an independent payment advisory board, and pilot programs to evaluate alternative payment methodologies, could meaningfully change the way healthcare is developed and delivered, and will place a significant emphasis on clinical and economic data to demonstrate efficacy and justify the economic benefits of technology purchases.

We expect that pricing of medical devices will remain under pressure as alternative payment reform such as prospective payment systems for hospital care, value-based purchasing, and accountable care organizations (ACOs) continue to take shape globally. Some governments also seek to limit the growth of healthcare costs through price regulation. Implementation of cost containment initiatives and healthcare reforms in significant markets such as the U.S., Japan and Europe and other markets may limit the price of, or the level at which reimbursement is provided for, our products, which in turn may influence a hospital’s or physician's selection of products used to treat patients. In addition, in Japan, the government reviews reimbursement rate benchmarks every two years, which may significantly reduce reimbursement for procedures using our medical devices or deny coverage for those procedures. We expect the next reimbursement rate update in Japan to be completed and take effect for the majority of our businesses during the second quarter of 2016.

Any changes in government policies that lower reimbursement for our products or reduce medical procedure volumes in countries in which we conduct business could adversely affect our business and results of operations. We cannot predict the specific healthcare programs and regulations that will be ultimately implemented by regional and national governments globally.

Results of Operations

Net Sales

Effective January 1, 2013, we reorganized our business from geographic regions to fully operationalized global business units. We have three new global reportable segments comprised of Cardiovascular, Rhythm Management, and MedSurg. We have restated the 2012 information to conform to our new segment presentation.

We manage our global businesses on a constant currency basis, and we manage market risk from currency exchange rate changes at the corporate level. Management excludes the impact of changes in foreign currency exchange rates for purposes of reviewing revenue growth rates to facilitate an evaluation of current operating performance and comparison to past operating performance. To calculate revenue growth rates that exclude the impact of changes in foreign currency exchange rates, we convert current period and prior period net sales from local currency to U.S. dollars using standard internal currency exchange rates held constant for each year.

The following table provides our worldwide net sales by global business and the relative change on an as reported and constant currency basis. Net sales that exclude the impact of changes in foreign currency exchange rates and net sales from divested businesses are not financial measures prepared in accordance with U.S. GAAP and should not be considered in isolation from, or as a replacement for, the most directly comparable GAAP financial measure. Refer to Additional Information of this Item 7 for a further discussion of management's use of this non-GAAP financial measure.

(in millions)	Year Ended December 31,			2014 versus 2013		2013 versus 2012	
	2014	2013	2012	As Reported Currency Basis	Constant Currency Basis	As Reported Currency Basis	Constant Currency Basis
		(restated)	(restated)				
Interventional Cardiology	$2,057	$1,997	$2,179	3%	5%	(8)%	(6)%
Peripheral Interventions	850	809	787	5%	7%	3%	5%
Cardiovascular	2,907	2,806	2,966	4%	5%	(5)%	(3)%
Cardiac Rhythm Management	1,912	1,886	1,908	1%	2%	(1)%	—%
Electrophysiology	227	155	147	47%	48%	5%	6%
Rhythm Management	2,139	2,041	2,055	5%	6%	(1)%	—%
Endoscopy	1,323	1,280	1,239	3%	5%	3%	7%
Urology and Women's Health	535	505	500	6%	7%	1%	3%
Neuromodulation	472	453	367	4%	5%	23%	24%
MedSurg	2,330	2,238	2,106	4%	5%	6%	9%
Subtotal Core Businesses	7,376	7,085	7,127	4%	6%	(1)%	2%
Divested Businesses	4	58	122	(91)%	(91)%	(53)%	(52)%
Worldwide	$7,380	$7,143	$7,249	3%	5%	(1)%	1%

We restated worldwide sales for the twelve months ended December 31, 2013 and the twelve months ended December 31, 2012 to reflect the realignment of certain product lines from Endoscopy to Peripheral Interventions as of January 1, 2014, which amounts were not material.

The constant currency growth rates in the table above can be recalculated from our net sales by reportable segment as presented in Note O - Segment Reporting to our 2014 consolidated financial statements contained in Item 8 of this Annual Report. Growth rates are based on actual, non-rounded amounts and may not recalculate precisely. Refer to Executive Summary for further discussion of our net sales and a comparison of our 2014 and 2013 net sales.

In 2013, we generated net sales of $7.143 billion, as compared to $7.249 billion in 2012, a decrease of $106 million, or one percent. Our net sales were unfavorably impacted by $156 million from foreign currency fluctuations in 2013 as compared to 2012 and sales related to our divested Neurovascular business declined $64 million in 2013. Excluding the impact of foreign currency and sales from divested businesses, our net sales increased $114 million, or two percent, as compared to the prior year. This increase was due primarily to constant currency increases in net sales from our Endoscopy business of $87 million, from our Neuromodulation business of $87 million, and from our Peripheral Interventions business of $41 million. These increases were partially offset by a constant currency decrease in net sales from our Interventional Cardiology business of $121 million.

Gross Profit

Our gross profit was $5.170 billion in 2014, $4.969 billion in 2013, and $4.900 billion in 2012. As a percentage of net sales, our gross profit increased to 70.1 percent in 2014, as compared to 69.6 percent in 2013 and 67.6 percent in 2012. The following is a reconciliation of our gross profit margins and a description of the drivers of the change from period to period:

	Year Ended December 31,			
	2014		2013	
Gross profit - prior year	69.6	%	67.6	%
Manufacturing cost reductions	1.8	%	1.9	%
Neurovascular divestiture	0.4	%	0.5	%
Sales mix and pricing	(1.5	)%	(0.9	)%
All other, including other inventory charges, other period expense and net impact of foreign currency	(0.2	)%	0.5	%
Gross profit - current year	70.1	%	69.6	%

The increase in our gross profit margin for 2014, as compared to 2013, primarily resulted from manufacturing cost reductions as a result of our restructuring and other process improvement programs, as well as the positive impacts of lower sales related to our divested businesses, as these sales are at significantly lower gross profit margins. Partially offsetting these factors was the negative impact of pricing related primarily to sales of our drug-eluting stent and CRM products, as well as changes in the mix of our product sales. In addition, during the second quarter of 2013, we recorded a $16 million credit to cost of products sold related to the final retroactive pricing adjustment pursuant to our PROMUS® supply arrangement with Abbott for historical purchases of PROMUS® stent systems, the impact of which is included in the "all other" caption in the table above.

The increase in our gross profit margin for 2013, as compared to 2012, is primarily the result of cost reductions from our restructuring and process improvement programs. Our gross profit margin was also positively impacted by lower sales related to our divested businesses. In addition, our 2013 gross profit margins were positively impacted by the final retroactive pricing adjustment pursuant to our PROMUS® supply arrangement with Abbott, which is included in the "all other" caption in the table above. Partially offsetting these factors was the negative impact of pricing and sales mix related primarily to sales of our drug-eluting stent and CRM products.

Operating Expenses

The following table provides a summary of certain of our operating expenses:

	Year Ended December 31,								
	2014			2013			2012		
(in millions)	$	% of Net Sales		$	% of Net Sales		$	% of Net Sales	
Selling, general and administrative expenses	2,902	39.3	%	2,674	37.4	%	2,535	35.0	%
Research and development expenses	817	11.1	%	861	12.0	%	886	12.2	%
Royalty expense	111	1.5	%	140	2.0	%	153	2.1	%

Selling, General and Administrative (SG&A) Expenses

In 2014, our SG&A expenses increased $228 million, or nine percent, as compared to 2013, and were 190 basis points higher as a percentage of net sales. This increase was driven primarily by SG&A increases related to business combinations that we have completed over the last several years, product launches and other commercial and corporate programs, variable employee-related benefits and our expansion efforts in emerging markets, partially offset by declines in spending as a result of our restructuring and other cost reduction initiatives.

In 2013, our SG&A expenses increased $139 million, or five percent, as compared to 2012, and were 240 basis points higher as a percentage of net sales. This increase was driven primarily by our increased investment related to acquisitions, strategic growth initiatives, and expansion efforts in emerging markets, as well as $73 million of expense

associated with the new excise tax on U.S. sales of Class I, II and III medical devices that went into effect January 1, 2013. Partially offsetting these increases were declines in spending as a result of our restructuring and other cost reduction initiatives and the impact of changes in foreign currency exchange rates.

Research and Development (R&D) Expenses

In 2014, our R&D expenses decreased $44 million, or five percent, as compared to 2013, and were 90 basis points lower as a percentage of net sales. The decrease was due primarily to the benefits from our initiatives to transform our research and development efforts to be more effective and cost efficient, as well as the timing of certain R&D programs. We remain committed to advancing medical technologies and investing in meaningful research and development projects across our businesses in order to maintain a healthy pipeline of new products that we believe will contribute to profitable sales growth.

In 2013, our R&D expenses decreased $25 million, or approximately three percent, as compared to 2012, and were 20 basis points lower as a percentage of net sales. The decrease was due primarily to our cost reduction initiatives associated with our restructuring programs and the benefits from our strategy to transform our research and development efforts to be more effective and cost efficient. Partially offsetting the decrease was R&D funding for our acquisitions.

Royalty Expense

In 2014, our royalty expense decreased $29 million, or 21 percent, as compared to 2013, and was 50 basis points lower as a percentage of net sales. The decrease relates primarily to the renegotiation of a royalty agreement in the second quarter of 2014 that resulted in a lower royalty rate structure.

In 2013, our royalty expense decreased $13 million, or nine percent, as compared to 2012, and was ten basis points lower as a percentage of net sales. The decrease related primarily to lower sales of our royalty-bearing products within our Interventional Cardiology business.

Amortization Expense

Our amortization expense was $438 million in 2014, as compared to $410 million in 2013, an increase of $28 million or seven percent. This increase was due primarily to amortizable intangible assets acquired during the fourth quarter of 2013 and during 2014.

Amortization expense was $410 million in 2013, as compared to $395 million in 2012, an increase of $15 million or four percent. This increase was due primarily to intangible assets associated with acquisitions we completed in the fourth quarter of 2012 and the electrophysiology business of C.R. Bard, Inc., which we acquired in the fourth quarter of 2013.

Amortization expense is excluded by management for purposes of evaluating operating performance and assessing liquidity.

Goodwill & Intangible Asset Impairment Charges

We have recorded intangible asset impairment charges, including impairments of in-process research and development, of $195 million in 2014, $53 million in 2013 and $142 million in 2012.

In 2013, we recorded a goodwill impairment charge of $423 million following our reorganization from geographic regions to global business units on January 1, 2013. In 2012, we recorded total goodwill impairment charges of $4.350 billion, the majority of which related to our former Europe, Middle East and Africa (EMEA) reporting unit. No goodwill impairment charges were recorded in 2014.

See Note D - Goodwill and Other Intangible Assets to our consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K, for additional details related to our goodwill and intangible asset impairment charges. Refer to Critical Accounting Estimates for a discussion of key assumptions used in our goodwill and intangible asset impairment testing and future events that could have a negative impact on the recoverability of our goodwill and amortizable intangible assets. Goodwill impairment charges and intangible asset impairment charges are excluded by management for purposes of evaluating operating performance and assessing liquidity.

Contingent Consideration Expense

We recorded a net benefit related to the change in fair value of our contingent consideration liabilities of $85 million in 2014, a net expense of $4 million in 2013 and a net benefit of $6 million in 2012. See Note B – Acquisitions to our 2014 consolidated financial statements contained in Item 8 of this Annual Report for further discussion of our contingent consideration expense associated with our acquisitions. Contingent consideration expense is excluded by management for purposes of evaluating operating performance.

Restructuring-related Activities and Charges

We recorded restructuring charges pursuant to our restructuring plan of $69 million during 2014, $101 million during 2013, and $136 million during 2012. In addition, we recorded expenses within other lines of out accompanying consolidated statements of operations related to our restructuring initiatives of $48 million during 2014, $23 million during 2013, and $24 million during 2012.

2014 Restructuring Plan

As of December 31, 2014, we have recorded costs of $142 million under the 2014 Restructuring Plan, of which $94 million has been recorded as restructuring charges and the remaining portion has been recorded through other lines within our consolidated statement of operations. We estimate that the 2014 Restructuring plan will result in total pre-tax charges of approximately $250 million to $300 million and reduce gross annual pre-tax operating expenses by approximately $175 million to $225 million by the end of 2015, which is when we expect the plan will be substantially complete. We expect a substantial portion of the savings to be reinvested in strategic growth initiatives.

Other Restructuring Plans

Our other restructuring plans, including our 2011 Restructuring Plan, 2010 Restructuring Plan and our Plant Optimization Program were substantially completed in years prior to 2014.

We made cash payments of $112 million in 2014, $141 million in 2013, and $149 million in 2012 associated with our restructuring initiatives. Restructuring and restructuring-related costs are excluded by management for purposes of evaluating operating performance.

See Note H - Restructuring-related Activities to our 2014 consolidated financial statements included in Item 8 of this Annual Report for additional details on our restructuring plans and activities.

Litigation-related Charges and Credits

We recorded net litigation-related charges in the amount of $1.036 billion, $221 million and $192 million, during 2014, 2013 and 2012, respectively. The charges recorded in 2014 included a $600 million charge related to the agreement between our subsidiary, Guidant Corporation (Guidant) and Johnson & Johnson signed on February 13, 2015, to settle the breach of merger agreement lawsuit brought by Johnson & Johnson, stemming from our acquisition of Guidant. In exchange, we have agreed to make aggregate payments totaling $600 million to Johnson & Johnson. These charges are excluded by management for purposes of evaluating operating performance. We continue to assess certain litigation and claims to determine the amounts, if any, that management believes will be paid as a result of such claims and litigation and, therefore, additional losses may be accrued and paid in the future, which could materially adversely impact our operating results, cash flows and/or our ability to comply with our debt covenants. See Note K - Commitments and Contingencies to our 2014 consolidated financial statements contained in Item 8 of this Annual Report for additional discussion of our litigation-related matters.

Gain on Divestiture

In January 2011, we closed the sale of our Neurovascular business to Stryker Corporation. We recorded a pre-tax gain of $12 million during 2014, a gain of $38 million during 2013 and a gain of $15 million during 2012 associated with the transaction. These divestiture-related gains are excluded by management for purposes of evaluating operating performance.

Interest Expense

Our interest expense decreased to $216 million in 2014, as compared to $324 million in 2013. The decrease was primarily due to $70 million of debt extinguishment charges, representing premiums, accelerated amortization of debt issuance costs and investor discount costs net of accelerated amortization of interest rate hedge gains related to the early extinguishment of $1.450 billion of debt during the third quarter of 2013. Debt extinguishment charges are excluded by management for purposes of evaluating operating performance. Our average borrowing rate was 4.8 percent in 2014, as compared to 6.9 percent in 2013, which includes the impact of the debt extinguishment charges. Refer to Liquidity and Capital Resources and Note F – Borrowings and Credit Arrangements to our 2014 consolidated financial statements contained in Item 8 of this Annual Report for information regarding our debt obligations.

46

Our interest expense increased to $324 million in 2013, as compared to $261 million in 2012. The increase was primarily due to $70 million of debt extinguishment charges discussed above, which were recorded during the third quarter of 2013. Including the debt extinguishment charges, our average borrowing rate was 6.9 percent in 2013 and 5.5 percent in 2012.

Other, net

Our other, net reflected income of $8 million in 2014, expense of $19 million in 2013, and income of $22 million in 2012. The following are the components of other, net:

	Year Ended December 31,		
(in millions)	2014	2013	2012
Interest income	$5	$6	$5
Foreign currency losses	(18)	(11)	(18)
Net gains (losses) on investments	27	(9)	37
Other expense, net	(6)	(5)	(2)
	$8	$(19)	$22

During 2014, we recognized gains of $19 million associated with the acquisition of IoGyn, Inc. related to previously held investments and other net gains related to our investment portfolio of $8 million. During 2013, we recognized losses on investments of $9 million due to $7 million in investment impairments and $2 million for equity method adjustments on investments. During 2012, we recognized gains of $39 million associated with Cameron in which we held prior equity interests, which were partially offset by net losses of $2 million related to our investment portfolio. The acquisition-related gains from previously held investments are excluded by management for purposes of evaluating operating performance.

Tax Rate

The following table provides a summary of our reported tax rate:

	Year Ended December 31,		
	2014	2013	2012
Reported tax rate	76.7%	46.0%	(1.0)%
Impact of certain receipts/charges*	(64.5)%	(35.4)%	12.7%
	12.2%	10.6%	11.7%

*These receipts/charges are taxed at different rates than our effective tax rate.

The change in our reported tax rate for 2014, as compared to 2013 and 2012, relates primarily to the impact of certain receipts and charges that are taxed at different rates than our effective tax rate. In 2014, these receipts and charges included intangible asset impairment charges, acquisition- and divestiture-related net credits, and litigation- and restructuring-related charges. Our reported tax rate for 2014 was also affected by discrete tax items primarily related to resolution of various uncertain tax positions resulting from the expiration of the statute of limitations for assessing tax in certain jurisdictions and benefit due to change in uncertain tax positions due to a favorable court ruling, offset by a charge due to translation gain on previously taxed income. In 2013, these receipts and charges included goodwill and intangible asset impairment charges, acquisition- and divestiture-related net charges, litigation- and restructuring-related charges, and debt extinguishment charges. Our reported tax rate for 2013 was also affected by discrete tax items related primarily to the resolution of various uncertain tax positions resulting from the expiration of the statute of limitations for assessing tax in certain jurisdictions and benefit due to reinstatement of certain tax legislation that has been retroactively applied. In 2012, these receipts and charges included goodwill and intangible asset impairment charges, acquisition- and divestiture-related net credits, and litigation- and restructuring-related charges. Our reported tax rate for 2012 was also affected by discrete tax items related primarily to the resolution of an uncertain tax position resulting from an unfavorable court ruling. Excluding the impact of these receipts and charges in 2014, 2013 and 2012, the change in our reported tax rate between years is primarily the result of shifts in the geographic mix of our business.

We have received Notices of Deficiency from the IRS reflecting proposed audit adjustments for Guidant Corporation for its 2001 through 2006 tax years and Boston Scientific Corporation for its 2006 and 2007 tax years. We believe we have meritorious defenses for our tax filings and we have filed, or will timely file, petitions with the U.S. Tax Court contesting the Notices of Deficiency for the tax years in challenge. No payments on the net assessment would be required until the dispute is definitively resolved, which, based on experiences of other companies, could take several years. The IRS is currently examining the 2008 through 2010 tax

years of Boston Scientific. During 2014, we received a Revenue Agent Report from the Internal Revenue Service (IRS) reflecting significant proposed audit adjustments for our 2008, 2009, and 2010 tax years based upon the same transfer pricing methodologies that are currently being contested in the U.S. Tax Court for our tax years 2001-2007. As with prior years, we disagree with the transfer pricing methodologies being applied by the IRS and we expect to contest any adjustments received through appropriate IRS and judicial procedures, as appropriate. We believe that our income tax reserves associated with these matters are adequate as of December 31, 2014. However, final resolution is uncertain and could have a material impact on our financial condition, results of operations or cash flows. Also, in connection with the IRS issues, a number of agreed adjustments were contained in the IRS report and no tax was paid on these amounts as the U.S. Tax Court case is still pending. However, the amounts were reclassified from our uncertain tax positions to long-term payable as these items have been agreed to and are no longer uncertain.

See Note J - Income Taxes to our 2014 consolidated financial statements included in Item 8 of this Annual Report for additional details on our tax rate and our tax court disputes.

Liquidity and Capital Resources

Based on our current business plan, we believe our existing balance of cash and cash equivalents, future cash generated from operations and access to capital markets and revolving credit facility will be sufficient to fund our operations, invest in our infrastructure, pay our legal-related liabilities, fund possible mergers and/or acquisitions, service our existing debt and return value to investors through potential share repurchases for the next twelve months. On February 13, 2015, we signed an agreement with Johnson & Johnson to settle the breach of merger agreement lawsuit brought by Johnson & Johnson against Guidant, stemming from our acquisition of Guidant. As a result of the settlement agreement, Johnson & Johnson agreed to dismiss permanently its action without acknowledgment of liability by Guidant. In exchange, we have agreed to make aggregate payments totaling $600 million to Johnson & Johnson. Under the terms of the agreement, we agreed to pay Johnson & Johnson $300 million within 10 days of the date of the agreement and an additional $300 million within 60 days of the date of the agreement. We expect to fund these payments through cash on hand, cash from our continuing operations and our revolving credit facility. See Note K - Commitments and Contingencies for additional information on the settlement agreement.

As of December 31, 2014, we had $587 million of cash and cash equivalents on hand, comprised of $151 million invested in money market and government funds and $436 million in short-term time deposits and interest bearing and non-interest bearing bank accounts. We invest excess cash on hand in short-term financial instruments that earn market interest rates while mitigating principal risk through instrument and counterparty diversification as well as what we believe to be prudent instrument selection. We limit our direct exposure to securities in any one industry or issuer. We also have full access to our $2.000 billion revolving credit facility and $300 million of available borrowings under our credit and security facility secured by our U.S. trade receivables, both described below.

The following provides a summary and description of our net cash inflows (outflows) for the years ended December 31, 2014, 2013 and 2012:

	Year Ended December 31,		
(in millions)	2014	2013	2012
Cash provided by operating activities	$1,269	$1,110	$1,280
Cash used for investing activities	(745)	(475)	(579)
Cash used for financing activities	(150)	(624)	(764)

Operating Activities

During 2014, we generated $1.269 billion from operating activities, as compared to $1.110 billion in 2013, an increase of $159 million or 14 percent. This increase was primarily due to reductions in our accounts receivable due to a government funded settlement of outstanding receivables in Spain during 2014 and lower payments related to interest and costs associated with debt extinguishment; partially offset by increases in our inventory levels and higher payments related to contingent consideration.

During 2013, we generated $1.110 billion from operating activities, as compared to $1.280 billion in 2012, a decrease of $170 million, or 13 percent. This decrease was primarily due to the impact of increased levels of accounts receivable of approximately $100 million, costs related to debt extinguishment of approximately $70 million and net payments associated with litigation of approximately $50 million; partially offset by a final cash receipt associated with our Promus® supply agreement with Abbott.

Investing Activities

During 2014, cash used for investing activities was $745 million. Our investing activities included $486 million of payments for the acquisitions of IoGyn, and the Interventional Division of Bayer, net of cash acquired. Cash used for investing activities also included purchases of property, plant and equipment of $259 million. This was partially offset by proceeds related to our divested businesses of $12 million.

During 2013, cash used for investing activities was $475 million. Our investing activities included capital expenditures of $245 million and a $274 million payment for the acquisition of C.R. Bard's electrophysiology business. These expenditures were partially offset by $53 million of proceeds received from the sale of our Natick, Massachusetts headquarters in 2013.

During 2012, cash used for investing activities was $579 million. Our investing activities included capital expenditures of $226 million and payments for the acquisitions of Cameron Health Inc., Bridgepoint Medical Inc., Rhythmia Medical Inc., and Vessix Vascular Inc., totaling $366 million.

Financing Activities

Our cash flows from financing activities reflect issuances and repayments of debt, proceeds from stock issuances related to our equity incentive programs and repurchases of common stock pursuant to our authorized repurchase programs, discussed in Note L - Stockholders' Equity to our 2014 consolidated financial statements included in Item 8 of this Annual Report. Additionally, our financing activities included $34 million of contingent payments in 2014, $160 million of payments in 2013 and $146 million of payments in 2012 associated with our previous acquisitions.

Our liquidity plans are subject to a number of risks and uncertainties, including those described in Item 1A. Risk Factors of this Annual Report, some of which are outside our control. Macroeconomic conditions, adverse litigation outcomes and other risk and uncertainties that could limit our ability to successfully execute our business plans and adversely affect our liquidity plans.

Debt

We hold investment-grade ratings with all three major credit-rating agencies. We believe our investment grade credit profile reflects the size and diversity of our product portfolio, our leading share position in several of our served markets, our strong cash flow, our solid financial fundamentals and our financial strategy.

We had total debt of $4.262 billion as of December 31, 2014 and $4.240 billion as of December 31, 2013 which consisted of the following:

Credit Facilities

We maintain a $2.000 billion revolving credit facility, maturing in April 2017, with a global syndicate of commercial banks. There were no amounts borrowed under our revolving credit facility as of December 31, 2014 or December 31, 2013.

We also maintain a $300 million credit and security facility secured by our U.S. trade receivables maturing in June 2015, subject to further extension. We had no borrowings outstanding under this facility as of December 31, 2014 and December 31, 2013.

Term Loan

In August 2013, we entered into a new $400 million, unsecured term loan facility. We had $400 million outstanding under this facility as of December 31, 2014.

Our revolving credit facility and our term loan facility require that we maintain certain financial covenants as outlined in Note F - Borrowings and Credit Agreements to our 2014 consolidated financial statements contained in Item 8 of this Annual Report. As of and through December 31, 2014, we were in compliance with the required covenants. Any inability to maintain compliance with these covenants could require us to seek to renegotiate the terms of our credit facility or seek waivers from compliance with these covenants, both of which could result in additional borrowing costs. Further, there can be no assurance that our lenders would agree to such new terms or grant such waivers.

Senior Notes

We had senior notes outstanding of $3.800 billion as of December 31, 2014 and 2013. Our senior notes are publicly registered securities, are redeemable prior to maturity and are not subject to any sinking fund requirements. Our senior notes are unsecured, unsubordinated obligations and rank on parity with each other. These notes are effectively junior to borrowings under our credit and security facility and liabilities of our subsidiaries.

The debt maturity schedule for the significant components of our debt obligations as of December 31, 2014 is as follows:

(in millions)	2015	2016	2017	2018	2019	Thereafter	Total
Senior Notes	$400	$600	$250	$600	$—	$1,950	$3,800
Term Loan	—	80	80	240	—	—	400
	$400	$680	$330	$840	$—	$1,950	$4,200

Note: The table above does not include unamortized discounts associated with our senior notes, or amounts related to interest rate contracts used to hedge the fair value of certain of our senior notes.

Other Arrangements

We have accounts receivable factoring programs in certain European countries that we account for as sales under ASC Topic 860, Transfers and Servicing. These agreements provide for the sale of accounts receivable to third parties, without recourse, of up to approximately $363 million as of December 31, 2014. We de-recognized $167 million of receivables as of December 31, 2014 at an average interest rate of 3.2 percent, and $146 million as of December 31, 2013 at an average interest rate of 3.3 percent. In addition, we have uncommitted credit facilities with a commercial Japanese bank that provide for borrowings, promissory notes discounting and receivables factoring of up to 21.000 billion Japanese yen (approximately $175 million as of December 31, 2014). We de-recognized $134 million of notes receivable as of December 31, 2014 at an average interest rate of 1.8 percent and $147 million of notes receivable as of December 31, 2013 at an average interest rate of 1.8 percent.

As of December 31, 2014, we had outstanding letters of credit of $59 million, as compared to $78 million as of December 31, 2013, which consisted primarily of bank guarantees and collateral for workers' compensation insurance arrangements. As of December 31, 2014 and 2013, none of the beneficiaries had drawn upon the letters of credit or guarantees.

For additional details related to our debt, including our revolving credit facility, term loan, senior notes and other arrangements, see Note F - Borrowings and Credit Arrangements to our 2014 consolidated financial statements included in Item 8 of this Annual Report.

Equity

During 2014 we received $60 million in proceeds from stock issuances related to our stock option and employee stock purchase plans, as compared to $74 million in 2013 and $21 million 2012. Proceeds from the exercise of employee stock options and employee stock purchases vary from period to period based upon, among other factors, fluctuations in the trading price of our common stock and in the exercise and stock purchase patterns of employees.

We repurchased 10 million shares of our common stock for $125 million during 2014, 51 million shares for $500 million during 2013, and 105 million shares for $600 million during 2012. As of December 31, 2014, we had remaining approximately $535 million authorized under our 2013 share repurchase program. There were approximately 248 million shares in treasury as of December 31, 2014 and 238 million shares in treasury as of December 31, 2013.

Stock-based compensation expense related to our stock equity compensation and ownership plans was $103 million in 2014, $105 million in 2013, and $108 million in 2012. Stock-based compensation expense varies from period to period based upon, among other factors: the timing, number and fair value of awards granted during the period; forfeiture levels related to unvested awards; and employee contributions to our employee stock purchase plan.

Contractual Obligations and Commitments

The following table provides a summary of certain information concerning our obligations and commitments to make future payments, and is based on conditions in existence as of December 31, 2014.

(in millions)	2015	2016	2017	2018	2019	Thereafter	Total
Long-term debt obligations	$400	$680	$330	$840	$—	$1,950	$4,200
Interest payments (1)	220	175	144	134	116	934	1,723
Litigation Settlements	600	—	—	—	—	—	600
Lease obligations (1)	59	51	34	25	21	28	218
Purchase obligations (1)	183	17	—	—	1	5	206
Minimum royalty obligations (1)	2	2	4	7	10	29	54
Unrecognized tax benefits	4	—	—	—	—	—	4
	$1,468	$925	$512	$1,006	$148	$2,946	$7,005

(1) In accordance with U.S. GAAP, these obligations relate to expenses associated with future periods and are not reflected in our consolidated balance sheets.

The amounts in the table above with respect to lease obligations represent amounts pursuant to contractual arrangements for the lease of property, plant and equipment used in the normal course of business. Litigation settlements relate to the settlement agreement between Guidant and Johnson & Johnson, signed on February 13, 2015. Purchase obligations relate primarily to non-cancellable inventory commitments and capital expenditures entered in the normal course of business. Royalty obligations reported above represent minimum contractual obligations under our current royalty agreements. The table above does not reflect unrecognized tax benefits of $1.047 billion the timing of which is uncertain. Refer to Note J – Income Taxes to our 2014 consolidated financial statements included in Item 8 of this Annual Report for more information on these unrecognized tax benefits.

With certain of our acquisitions, we acquired in-process research and development projects that require future funding to complete the projects. The primary basis for determining the technological feasibility or completion of these projects is obtaining regulatory approval to market the underlying products in an applicable geographic region. We estimate that the total remaining cost to complete the in-process research and development projects we acquired is between $100 million and $150 million. Net cash inflows from the projects currently in development are expected to commence in 2015 through 2018, following the respective launches of these technologies in the U.S., Europe and Japan regions. Certain of our acquisitions also involve the potential payment of contingent consideration. The table above does not reflect any such obligations, as the timing and amounts are uncertain. See Note B – Acquisitions to our 2014 consolidated financial statements included in Item 8 of this Annual Report for the estimated maximum potential amount of future contingent consideration we could be required to pay associated with prior acquisitions and the fair value of our contingent consideration liabilities as of December 31, 2014.

Legal Matters

For a discussion of our material legal proceedings see Note K – Commitments and Contingencies to our 2014 consolidated financial statements included in Item 8 of this Annual Report.

Critical Accounting Estimates

Our financial results are affected by the selection and application of accounting policies. We have adopted accounting policies to prepare our consolidated financial statements in conformity with U.S. GAAP.

To prepare our consolidated financial statements in accordance with U.S. GAAP, management makes estimates and assumptions that may affect the reported amounts of our assets and liabilities, the disclosure of contingent liabilities as of the date of our financial statements and the reported amounts of our revenues and expenses during the reporting period. Our actual results may differ from these estimates. We consider estimates to be critical if (i) we are required to make assumptions about material matters that are uncertain at the time of estimation or if (ii) materially different estimates could have been made or it is reasonably likely that the accounting estimate will change from period to period. The following are areas considered to be critical and require management’s judgment: Revenue Recognition, Bad Debt Reserves, Inventory Provisions, Valuation of Contingent Consideration Liabilities and Intangible Assets (including CRM-related Amortizable Intangible Assets), Goodwill Valuation, Legal and Product Liability Accruals and Income Taxes.

See Note A-Significant Accounting Policies to our 2014 consolidated financial statements included in Item 8 of this Annual Report for additional information related to our accounting policies and our consideration of these areas critical accounting areas. In addition, see Note D - Goodwill and Other Intangible Assets for further discussion on the valuation of goodwill and intangibles (including CRM-related amortizable intangibles), Note J -Income Taxes for further discussion on income tax related matters and Note K - Commitments and Contingencies for further discussion on legal and product liability matters.

Revenue Recognition

We allow our customers to return defective, damaged and, in certain cases, expired products for credit. We base our estimate for sales returns upon historical trends and record these amounts as a reduction of revenue when we sell the initial product. In addition, we may allow customers to return previously purchased products for next-generation product offerings. For these transactions, we defer recognition of revenue on the sale of the earlier generation product based upon an estimate of the amount to be returned when the next-generation products are shipped to the customer. Uncertain timing of next-generation product approvals, variability in product launch strategies, product recalls and variation in product utilization all affect our estimates related to sales returns and could cause actual returns to differ from these estimates.

Many of our CRM product offerings combine the sale of a device with our LATITUDE® Patient Management System, which represents a future service obligation. For revenue arrangements with multiple deliverables, where the sale of a device is combined with a future service obligation, we defer revenue on the undelivered element and recognize this revenue over the related service period. We do not have vendor specific objective evidence of selling price available related to our future service obligations; therefore, we determine our estimates of selling price using third party evidence when available; otherwise, we use our best estimate of selling price. We allocate arrangement consideration using the relative selling price method. The use of alternative estimates of fair value could result in a different amount of revenue deferral.

Inventory Provisions

We base our provisions for excess, expired and obsolete inventory primarily on our estimates of forecasted net sales. A significant change in the timing or level of demand for our products as compared to forecasted amounts may result in recording additional provisions for excess, expired and obsolete inventory in the future. Further, the industry in which we participate is characterized by rapid product development and frequent new product introductions. Uncertain timing of next-generation product approvals, variability in product launch strategies, product recalls and variation in product utilization all affect our estimates related to excess, expired and obsolete inventory.

Valuation of Intangible Assets and Contingent Consideration Liabilities

We base the fair value of identifiable intangible assets acquired in a business combination, including in-process research and development, on detailed valuations that use information and assumptions provided by management, which consider management’s best estimates of inputs and assumptions that a market participant would use. Further, for those arrangements that involve potential future contingent consideration, we record on the date of acquisition a liability equal to the fair value of the estimated additional consideration we may be obligated to make in the future. We re-measure this liability each reporting period and record changes in the fair value through a separate line item within our consolidated statements of operations. Increases or decreases in the fair value of the contingent consideration liability can result from changes in discount periods and rates, as well as changes in the timing and amount of revenue estimates or in the timing or likelihood of achieving regulatory, revenue or commercialization-based milestones. The use of alternative valuation assumptions, including estimated revenue projections; growth rates; cash flows and discount rates and alternative estimated useful life assumptions, or probabilities surrounding the achievement of clinical, regulatory or revenue-based milestones could result in different purchase price allocations, amortization expense, and contingent consideration expense in current and future periods. We review intangible assets subject to amortization quarterly to determine if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment or a change in the remaining useful life. If an impairment indicator exists, we test the intangible asset for recoverability. If the carrying value of the intangible asset is not recoverable,we will write the carrying value down to fair value in the period identified. We calculate fair value of our intangible assets as the present value of estimated future cash flows we expect to generate from the asset using a risk-adjusted discount rate. The use of alternative assumptions, including estimated cash flows, discount rates, and alternative estimated remaining useful lives could result in different calculations of impairment. In addition, we test our indefinite-lived intangible assets at least annually for impairment and reassess their classification as indefinite-lived assets; and, we review our indefinite-lived assets for classification and impairment more frequently if changes in circumstances or indicators exist. We assess qualitative factors to determine whether the existence of events and circumstances indicate that it is more likely than not that our indefinite-lived intangible assets are impaired.

If we conclude that it is more likely than not that the asset is impaired, we then determine the fair value of the intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying value in accordance with ASC Topic 350, Intangibles-Goodwill and Other. If the carrying value exceeds the fair value of the indefinite-lived intangible asset, we write the carrying value down to the fair value.

Valuation of CRM-related Amortizable Intangible Assets

Certain of our amortizable intangible assets that relate to our CRM business are at higher risk of potential failure of the first step of the amortizable intangible recoverability test in future reporting periods. Key assumptions we have made in determining the recoverability of these assets include how we grouped our assets for purposes of measuring cash flows, the estimated life of those cash flows and our expectations for the amount of cash flows generated by these assets over their remaining useful life.

For purposes of testing the CRM-related amortizable intangible assets, we grouped the intangible assets with the other assets and liabilities of the global CRM reporting unit, as a result of having identified the CRM reporting unit as the lowest level of identifiable cash flows because our CRM core technology, which is the primary asset within the CRM asset group, is utilized by all CRM revenue-generating products. As a result, we include cash flows generated by our CRM products in our recoverability analysis through the core technology useful life, which is estimated to end in 2031. We determined the useful life of the core technology based on our expectation of the period during which the technology is expected to contribute to the cash flows of our business. Our core technology represents know-how, patented and unpatented technology, testing methodologies and hardware that is integral to our current and future CRM product generations. This core technology includes battery and capacitor technology, lead technology, software algorithms and interfacing for shocking and pacing used in each therapy franchise.

The recoverability of our CRM-related amortizable intangible assets is sensitive to future cash flow assumptions and our global CRM business performance. The amount of future cash flows within our recoverability analysis include our future projections of revenue, expenses and capital expenditures, which are based on our most recent operational budgets, long range strategic plans and other estimates. These future cash flow assumptions consider the significant investments we have made to renew the CRM reporting unit's product portfolio within its existing core franchises and to develop what we believe to be unique innovative solutions that utilize our core technology; the increased impact to the CRM reporting unit from emerging markets; and demographic trends toward an aging population. Further, while our CRM revenue declined in 2012 and 2013 as a result of factors specific to our CRM business and contraction in the overall CRM market; our CRM business grew one percent in 2014, we believe our CRM revenue will experience low growth over the remaining useful life of our CRM amortizing intangible assets.

We continue to perform thorough reviews of the CRM market and our recent business results within the market, and consider the impacts on future expectations of performance to determine if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment or a change in the remaining useful life of our CRM-related amortizable intangible assets.

Goodwill Valuation

We allocate any excess purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination to goodwill. We test our goodwill balances during the second quarter of each year for impairment, or more frequently if indicators are present or changes in circumstances suggest that impairment may exist. In performing the assessment, we utilize the two-step approach prescribed under ASC Topic 350, Intangibles-Goodwill and Other (Topic 350). The first step requires a comparison of the carrying value of the reporting units, as defined, to the fair value of these units. We assess goodwill for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment, referred to as a component. We determine our reporting units by first identifying our operating segments, and then assess whether any components of these segments constitute a business for which discrete financial information is available and where segment management regularly reviews the operating results of that component. We aggregate components within an operating segment that have similar economic characteristics. For our 2014 and 2013 annual impairment assessment we identified seven reporting units, including Interventional Cardiology, Peripheral Interventions, Cardiac Rhythm Management, Electrophysiology, Endoscopy, Urology and Women's Health and Neuromodulation.

During 2014, 2013, and 2012, we used only the income approach, specifically the DCF method, to derive the fair value of each of our reporting units in preparing our goodwill impairment assessments. This approach calculates fair value by estimating the after-tax cash flows attributable to a reporting unit and then discounting these after-tax cash flows to a present value using a risk-adjusted discount rate. We selected this method as being the most meaningful in preparing our goodwill assessments because we believe the income approach most appropriately measures our income producing assets. We have considered using the market approach and cost approach but concluded they are not appropriate in valuing our reporting units given the lack of relevant market comparisons available for application of the market approach and the inability to replicate the value of the specific technology-based assets within our reporting units for application of the cost approach. Therefore, we believe that the income approach represents the most appropriate valuation technique for which sufficient data are available to determine the fair value of our reporting units.

In applying the income approach to our accounting for goodwill, we make assumptions about the amount and timing of future expected cash flows, terminal value growth rates and appropriate discount rates. The amount and timing of future cash flows

within our DCF analysis is based on our most recent operational budgets, long range strategic plans and other estimates. The terminal value growth rate is used to calculate the value of cash flows beyond the last projected period in our DCF analysis and reflects our best estimates for stable, perpetual growth of our reporting units. We use estimates of market-participant risk-adjusted weighted-average cost of capital (WACC) as a basis for determining the discount rates to apply to our reporting units' future expected cash flows.

If the carrying value of a reporting unit exceeds its fair value, we then perform the second step of the goodwill impairment test to measure the amount of impairment loss, if any. If the carrying value of a reporting unit is zero or negative, we evaluate whether it is more likely than not that a goodwill impairment exists. If we determine adverse qualitative factors exist that would indicate it is more likely than not an impairment exists, we then perform the second step of the goodwill test. The second step of the goodwill impairment test compares the estimated fair value of a reporting unit's goodwill to its carrying value.

Although we use consistent methodologies in developing the assumptions and estimates underlying the fair value calculations used in our impairment tests, these estimates are uncertain by nature and can vary from actual results. The use of alternative valuation assumptions, including estimated revenue projections, growth rates, cash flows and discount rates could result in different fair value estimates.

In the second quarter of 2014, we performed our annual goodwill impairment test for all of our reporting units. In conjunction with our annual test, the fair value of each reporting unit exceeded its carrying value. Therefore, it was deemed not necessary to proceed to the second step of the impairment test. As a result of the 2014 annual goodwill impairment test, we identified our global Neuromodulation and global Electrophysiology reporting units as being at higher risk of potential failure of the first step of the goodwill impairment test in future reporting periods. As of the date of our annual goodwill impairment test, our global Neuromodulation reporting unit had excess fair value over carrying value of approximately 55 percent and held $1.356 billion of allocated goodwill. As of the date of our annual goodwill impairment test, our global Electrophysiology reporting unit had excess fair value over carrying value of approximately 38 percent and held $292 million of allocated goodwill. During the fourth quarter of 2014, due to changes in our expectations of the timing and amount of future revenue and cash flow related to our Electrophysiology reporting unit, we performed an interim goodwill impairment test on this reporting unit. Based on this assessment, we concluded that the fair value of the Electrophysiology reporting unit exceeded its carrying value; however the level of excess fair value over the carrying value had declined to approximately 26 percent. Our global Cardiac Rhythm Management (CRM) reporting unit had a fair value approximately equal to its carrying value; however, due to goodwill impairment charges in prior years, no goodwill remains within our CRM reporting unit. Changes in our reporting units or in the structure of our business as a result of future reorganizations, acquisitions or divestitures of assets or businesses could result in future impairments of goodwill within our reporting units including global CRM.

On a quarterly basis, we monitor the key drivers of fair value to detect events or other changes that would warrant an interim impairment test of our goodwill and intangible assets. The key variables that drive the cash flows of our reporting units and amortizable intangibles are estimated revenue growth rates and levels of profitability. Terminal value growth rate assumptions, as well as the WACC rate applied are additional key variables for reporting unit cash flows. These assumptions are subject to uncertainty, including our ability to grow revenue and improve profitability levels. Relatively small declines in the future performance and cash flows of a reporting unit or asset group or small changes in other key assumptions may result in the recognition of significant goodwill or intangible asset impairment charges. For example, based on the interim goodwill assessment performed on our Electrophysiology reporting unit during the fourth quarter of 2014, keeping all other variables constant, an increase in the WACC applied of 50 basis points combined with a 100 basis point decrease in the terminal value growth rate would require that we perform the second step of the goodwill impairment test. As of the date of our annual goodwill impairment test, keeping all other variables constant, an increase in the WACC applied of 100 basis points combined with a 150 basis points decrease in the terminal value growth rate would require that we perform the second step of the goodwill impairment test for our

global Neuromodulation reporting unit. The estimates used for our future cash flows and discount rates represent management's best estimates, which we believe to be reasonable, but future declines in business performance may impair the recoverability of our goodwill and intangible asset balances.

Legal and Product Liability Accruals

In the normal course of business, we are involved in various legal and regulatory proceedings, including intellectual property, breach of contract, securities litigation and product liability suits. In some cases, the claimants seek damages, as well as other relief, which, if granted, could require significant expenditures. We accrue anticipated costs of settlement, damages, losses for product liability claims and, under certain conditions, costs of defense, based on historical experience or to the extent specific losses are probable and estimable. Otherwise, we expense these costs as incurred. If the estimate of a probable loss is a range and no amount within the range is more likely, we accrue the minimum amount of the range. Litigation and product liability matters are inherently uncertain and the outcomes of individual matters are difficult to predict and quantify. As such, significant judgment

is required in determining our legal and product liability accruals. Our estimates related to our legal and product liability accruals may change as additional information becomes available to us, including information related to the nature or existence of claims against us; trial court or appellate proceedings; and mediation, arbitration or settlement proceedings.

Income Taxes

We provide for potential amounts due in various tax jurisdictions. In the ordinary course of conducting business in multiple countries and tax jurisdictions, there are many transactions and calculations where the ultimate tax outcome is uncertain. Judgment is required in determining our worldwide income tax provision. In our opinion, we have made adequate provisions for income taxes for all years subject to audit.

New Accounting Pronouncements

See Note Q - New Accounting Pronouncements to our 2014 consolidated financial statements included in Item 8 of this Annual Report for additional information on Standards Implemented and Standards to be Implemented.

Additional Information

Use of Non-GAAP Financial Measures by Boston Scientific

To supplement our consolidated financial statements presented on a GAAP basis, we disclose certain non-GAAP financial measures, including adjusted net income and adjusted net income per share that exclude certain amounts, and revenue growth rates that exclude the impact of sales from divested businesses and/or changes in foreign currency exchange rates. These non-GAAP financial measures are not in accordance with generally accepted accounting principles in the United States.

The GAAP financial measure most directly comparable to adjusted net income is GAAP net income and the GAAP financial measure most directly comparable to adjusted net income per share is GAAP net income per share. To calculate revenue growth rates that exclude the impact of changes in foreign currency exchange rates, we convert actual net sales from local currency to U.S. dollars using constant foreign currency exchange rates in the current and prior period. The GAAP financial measure most directly comparable to this non-GAAP financial measure and the non-GAAP financial measure that excludes sales from divested businesses is growth rate percentages using net sales on a GAAP basis. Reconciliations of each of these non-GAAP financial measures to the corresponding GAAP financial measure are included in the accompanying schedules.

Management uses these supplemental non-GAAP financial measures to evaluate performance period over period, to analyze the underlying trends in our business, to assess our performance relative to our competitors, and to establish operational goals and forecasts that are used in allocating resources. In addition, management uses these non-GAAP financial measures to further its understanding of the performance of our operating segments. The adjustments excluded from our non-GAAP financial measures are consistent with those excluded from our operating segments' measures of net sales and profit or loss. These adjustments are excluded from the segment measures that are reported to our chief operating decision maker that are used to make operating decisions and assess performance.

We believe that presenting adjusted net income, adjusted net income per share, and revenue growth rates that exclude certain amounts, such as sales from divested businesses and/or the impact of changes in foreign currency exchange rates, in addition to the corresponding GAAP financial measures, provides investors greater transparency to the information used by management for its financial and operational decision-making and allows investors to see our results "through the eyes" of management. We further believe that providing this information assists our investors in understanding our operating performance and the methodology used by management to evaluate and measure such performance.

The following is an explanation of each of the adjustments that management excluded as part of these non-GAAP financial measures as well as reasons for excluding each of these individual items:

Adjusted Net Income and Adjusted Net Income per Share

- Goodwill and other intangible asset impairment charges - This amount represents (a) non-cash write-downs of certain intangible asset balances during 2014, 2013, and 2012; a non-cash write-down of our goodwill balance attributable to our global Cardiac Rhythm Management reporting unit in the first quarter of 2013; a non-cash write-down of our goodwill balance attributable to our former U.S. Cardiac Rhythm Management reporting unit in the third quarter of 2012; and a non-cash write-down of our goodwill balance attributable to our former EMEA reporting unit in the second quarter of 2012. We remove the impact of non-cash impairment charges from our operating performance to assist in assessing our cash generated from operations. We believe this is a critical metric for us in measuring our ability to generate cash and invest in our growth. Therefore, these charges are excluded from management's assessment of operating performance and are also excluded for purposes of calculating these non-GAAP financial measures to facilitate an evaluation of our current operating performance and a comparison to our past operating performance, particularly in terms of liquidity.
- Acquisition- and divestiture related net charges (credits) - These adjustments consist of (a) contingent consideration fair value adjustments; (b) gains on previously held equity interests; (c) due diligence, other fees and exit costs; and (d) separation costs and gains primarily associated with the sale of our Neurovascular business in January 2011. The contingent consideration adjustments represent accounting adjustments to state contingent consideration liabilities at their estimated fair value. These adjustments can be highly variable depending on the assessed likelihood and amount of future contingent consideration payments. Due diligence, other fees and exit costs include legal, tax, severance and other expenses associated with prior and potential future acquisitions and divestitures that can be highly variable and not representative of on-going operations. Separation costs and gains on the sale of a business unit primarily represent those associated with the Neurovascular divestiture and are not representative of on-going operations. Accordingly, management excluded these amounts for purposes of calculating these non-GAAP financial measures to facilitate an evaluation of our current operating performance and a comparison to our past operating performance.
- Restructuring and restructuring-related charges - These adjustments represent primarily severance and other direct costs associated with our 2014 Restructuring program and 2011 Restructuring program. These costs are excluded by management in assessing our operating performance, as well as from our operating segments' measures of profit and loss used for making operating decisions and assessing performance. Accordingly, management excluded these costs for purposes of calculating these non-GAAP financial measures to facilitate an evaluation of our current operating performance and a comparison to our past operating performance.
- Litigation-related charges - These adjustments include certain significant product liability and other litigation-related charges and credits. These amounts are excluded by management in assessing our operating performance, as well as from our operating segments' measures of profit and loss used for making operating decisions and assessing performance. Accordingly, management excluded these amounts for purposes of calculating these non-GAAP financial measures to facilitate an evaluation of our current operating performance and a comparison to our past operating performance.
- Discrete tax items - These items represent adjustments of certain tax positions, which were initially established in prior periods in conjuction with the purchase accounting for an acquisition or as a result of intangible asset impairment charges; acquisition-, divestiture-, restructuring- or litigation-related charges or credits. These adjustments do not reflect expected on-going operating results. Accordingly, management excluded these amounts for purposes of calculating these non-GAAP financial measures to facilitate an evaluation of our current operating performance and a comparison to our past operating performance.
- Debt extinguishment charge - This item represents premiums, accelerated amortization of debt issuance costs and investor discount costs net of interest rate hedge gains related to the early extinguishment of $1.450 billion of debt during the third quarter of 2013. We believe these are infrequently occuring charges and do not reflect expected on-going results. Accordingly, management excluded these amounts for purposes of calculating these non-GAAP financial measures to facilitate an evaluation of our current operating performance and a comparison to our past operating performance.
- Amortization expense - Amortization expense is a non-cash expense and does not impact our liquidity or compliance with the covenants included in our credit facility agreement. Management removes the impact of amortization from our operating performance to assist in assessing our cash generated from operations. We believe this is a critical

metric for measuring our ability to generate cash and invest in our growth. Therefore, amortization expense is excluded from management's assessment of operating performance and is also excluded from the measures management uses to set employee compensation. Accordingly, management has excluded amortization expense for purposes of calculating these non-GAAP financial measures to facilitate an evaluation of our current operating performance, particularly in terms of liquidity.

Revenue Growth Rates Excluding the Impact of Sales from Divested Businesses and/or Changes in Foreign Currency Exchange Rates

- Sales from divested businesses and/or changes in foreign currency exchange rates - Sales from divested businesses are primarily associated with the Neurovascular divestiture and are not representative of on-going operations. The impact of changes in foreign currency exchange rates is highly variable and difficult to predict. Accordingly, management excludes the impact of sales from divested businesses and/or changes in foreign currency exchange rates for purposes of reviewing revenue growth rates to facilitate an evaluation of our current operating performance and a comparison to our past operating performance.

Adjusted net income, adjusted net income per share and revenue growth rates that exclude certain amounts, such as the sales from divested businesses and/or the impact of changes in foreign currency exchange rates, are not in accordance with U.S. GAAP and should not be considered in isolation from or as a replacement for the most directly comparable GAAP financial measures. Further, other companies may calculate these non-GAAP financial measures differently than we do, which may limit the usefulness of those measures for comparative purposes.

Rule 10b5-1 Trading Plans by Executive Officers

Periodically, certain of our executive officers adopt written stock trading plans in accordance with Rule 10b5-1 under the Exchange Act and our own Stock Trading Policy. A Rule 10b5-1 Trading Plan is a written document that pre-establishes the amount, prices and dates (or formulas for determining the amounts, prices and dates) of future purchases or sales of our stock, including shares issued upon exercise of stock options or vesting of deferred stock units. These plans are entered into at a time when the person is not in possession of material non-public information about the Company.

On November 7, 2014, David A. Pierce, our Senior Vice President and President, Endoscopy, entered into a Rule 10b5-1 Trading Plan. Mr. Pierce’s plan covers the sale of 17,561 shares of our stock held by him and the sale of shares of our stock to be acquired upon (A) exercise of 50,931 stock options, (B) vesting of deferred stock units representing 23,236 shares (the amount to be sold will be net of shares withheld to satisfy applicable tax withholding obligations upon vesting) and (C) vesting of the 2012 Free Cash Flow Performance Share Units representing 20,701 shares and the 2012 Total Stockholder Return Performance Share Units[1] (in each case the amount to be sold will be the total amount of shares issued net of shares withheld to satisfy applicable tax withholding obligations upon vesting). Transactions under Mr. Pierce’s plan are based upon pre-established dates and stock price thresholds. Mr. Pierce’s plan will terminate on the earlier of (among other things) December 31, 2015 and the date all shares subject to the plan have been sold. Any transaction under Mr. Pierce’s plan will be disclosed publicly through appropriate filings with the Securities and Exchange Commission.

On November 7, 2014, Karen Prange, our Senior Vice President and President, Urology and Women’s Health, entered into a Rule 10b5-1 Trading Plan. Ms. Prange’s plan covers the sale of 19,753 shares of our stock held by her and the sale of shares of our stock to be acquired upon vesting of deferred stock units representing 31,685 shares (the amount to be sold will be net of shares withheld to satisfy applicable tax withholding obligations upon vesting). Transactions under Ms. Prange’s plan are based upon pre-established dates and stock price thresholds. Ms. Prange’s plan will terminate on the earlier of (among other things) December 31, 2015 and the date all shares subject to the plan have been sold. Any transaction under Ms. Prange’s plan will be disclosed publicly through appropriate filings with the Securities and Exchange Commission.

On November 19, 2014, Michael P. Phalen, our Executive Vice President and President, MedSurg, entered into a Rule 10b5-1 Trading Plan. Mr. Phalen’s plan covers the sale of 41,085 shares of our stock held by him and the sale of shares of our stock to be acquired upon (A) exercise of 139,773 stock options, (B) vesting of deferred stock units representing 32,304 shares (the amount to be sold will be net of shares withheld to satisfy applicable tax withholding obligations upon vesting) and (C) vesting of the 2012 Free Cash Flow Performance Share Units representing 41,401 shares and the 2012 Total Stockholder Return Performance Share Units[1] (in each case the amount to be sold will be

the total amount of shares issued net of shares withheld to satisfy applicable tax withholding obligations upon vesting). Transactions under Mr. Phalen's plan are based upon pre-established dates and stock price thresholds. Mr. Phalen's plan will terminate on the earlier of (among other things) December 31, 2015 and the date all shares subject to the plan have been sold. Any transaction under Mr. Phalen's plan will be disclosed publicly through appropriate filings with the Securities and Exchange Commission.

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[1] The number of shares to be awarded to a participant under the Company's 2012 Total Shareholder Return Performance Share Plan, if any, will be determined by the Executive Compensation and Human Resources Committee of the Board of Directors following December 31, 2014.

Management's Annual Report on Internal Control over Financial Reporting

As the management of Boston Scientific Corporation, we are responsible for establishing and maintaining adequate internal control over financial reporting. We designed our internal control process to provide reasonable assurance to management and the Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

We assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control–Integrated Framework (2013 framework). Based on our assessment, we believe that, as of December 31, 2014, our internal control over financial reporting is effective at a reasonable assurance level based on these criteria.

Ernst & Young LLP, an independent registered public accounting firm, has issued an audit report on the effectiveness of our internal control over financial reporting. This report in which they expressed an unqualified opinion is included below.

/s/ Michael F. Mahoney	/s/ Daniel J. Brennan
Michael F. Mahoney President and Chief Executive Officer	Daniel J. Brennan Executive Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Boston Scientific Corporation

We have audited Boston Scientific Corporation's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Boston Scientific Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Boston Scientific Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Boston Scientific Corporation as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014 of Boston Scientific Corporation and our report dated February 25, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts
February 25, 2015

59

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We develop, manufacture and sell medical devices globally and our earnings and cash flows are exposed to market risk from changes in currency exchange rates and interest rates. We address these risks through a risk management program that includes the use of derivative financial instruments. We operate the program pursuant to documented corporate risk management policies. We do not enter derivative transactions for speculative purposes. Gains and losses on derivative financial instruments substantially offset losses and gains on underlying hedged exposures. Furthermore, we manage our exposure to counterparty risk on derivative instruments by entering into contracts with a diversified group of major financial institutions and by actively monitoring outstanding positions.

Our currency risk consists primarily of foreign currency denominated firm commitments, forecasted foreign currency denominated intercompany and third-party transactions and net investments in certain subsidiaries. We use both nonderivative (primarily European manufacturing operations) and derivative instruments to manage our earnings and cash flow exposure to changes in currency exchange rates. We had currency derivative instruments outstanding in the contract amount of $4.648 billion as of December 31, 2014 and $4.516 billion as of December 31, 2013. We recorded $419 million of other assets and $36 million of other liabilities to recognize the fair value of these derivative instruments as of December 31, 2014, as compared to $264 million of other assets and $55 million of other liabilities as of December 31, 2013. A ten percent appreciation in the U.S. dollar's value relative to the hedged currencies would increase the derivative instruments' fair value by $210 million as of December 31, 2014 and $257 million as of December 31, 2013. A ten percent depreciation in the U.S. dollar's value relative to the hedged currencies would decrease the derivative instruments' fair value by $257 million as of December 31, 2014 and by $314 million as of December 31, 2013. Any increase or decrease in the fair value of our currency exchange rate sensitive derivative instruments would be substantially offset by a corresponding decrease or increase in the fair value of the hedged underlying asset, liability or forecasted transaction, resulting in minimal impact on our consolidated statements of operations.

Our interest rate risk relates primarily to U.S. dollar borrowings partially offset by U.S. dollar cash investments. We have historically used interest rate derivative instruments to manage our earnings and cash flow exposure to changes in interest rates. We entered into interest rate derivative contracts having a notional amount of $450 million in the fourth quarter of 2013 to convert fixed-rate debt associated with certain of our senior notes into floating-rate debt. We recorded $25 million of other assets and no amount of other liabilities to recognize the fair value of these derivative instruments as of December 31, 2014. We recorded $1 million of other assets and $8 million of other liabilities to recognize the fair value of these derivative instruments as of December 31, 2013. A one-percentage point increase in interest rates would have decreased the derivative instruments' fair value by $35 million as of December 31, 2014 and by $37 million as of December 31, 2013. A one-percentage point decrease in interest rates would have increased the derivative instruments' fair value by $39 million as of December 31, 2014 and by $41 million as of December 31, 2013. As of December 31, 2014, $3.387 billion of our outstanding debt obligations was at fixed interest rates, representing approximately 80 percent of our total debt.

See Note E – Fair Value Measurements to our 2014 consolidated financial statements contained in Item 8 of this Annual Report for further information regarding our derivative financial instruments.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Boston Scientific Corporation

We have audited the accompanying consolidated balance sheets of Boston Scientific Corporation as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(a)2. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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 at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Boston Scientific Corporation's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 25, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts
February 25, 2015

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

BOSTON SCIENTIFIC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
in millions, except per share data	2014	2013	2012
Net sales	$7,380	$7,143	$7,249
Cost of products sold	2,210	2,174	2,349
Gross profit	5,170	4,969	4,900
Operating expenses:			
Selling, general and administrative expenses	2,902	2,674	2,535
Research and development expenses	817	861	886
Royalty expense	111	140	153
Amortization expense	438	410	395
Goodwill impairment charges	—	423	4,350
Intangible asset impairment charges	195	53	142
Contingent consideration expense (benefit)	(85)	4	(6)
Restructuring charges	69	101	136
Litigation-related charges	1,036	221	192
Gain on divestiture	(12)	(38)	(15)
	5,471	4,849	8,768
Operating income (loss)	(301)	120	(3,868)
Other income (expense):			
Interest expense	(216)	(324)	(261)
Other, net	8	(19)	22
Income (loss) before income taxes	(509)	(223)	(4,107)
Income tax (benefit) expense	(390)	(102)	(39)
Net income (loss)	$(119)	$(121)	$(4,068)
Net income (loss) per common share — basic	$(0.09)	$(0.09)	$(2.89)
Net income (loss) per common share — assuming dilution	$(0.09)	$(0.09)	$(2.89)
Weighted-average shares outstanding			
Basic	1,324.3	1,341.2	1,406.7
Assuming dilution	1,324.3	1,341.2	1,406.7

See notes to the consolidated financial statements.

BOSTON SCIENTIFIC CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

in millions, except share and per share data	As of December 31, 2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	$587	$217
Trade accounts receivable, net	1,183	1,307
Inventories	946	897
Deferred and prepaid income taxes	447	288
Other current assets	443	302
Total current assets	3,606	3,011
Property, plant and equipment, net	1,507	1,546
Goodwill	5,898	5,693
Other intangible assets, net	5,606	5,950
Other long-term assets	425	371
TOTAL ASSETS	$17,042	$16,571
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Current debt obligations	$403	$3
Accounts payable	262	246
Accrued expenses	1,950	1,348
Other current liabilities	231	227
Total current liabilities	2,846	1,824
Long-term debt	3,859	4,237
Deferred income taxes	1,214	1,402
Other long-term liabilities	2,666	2,569
Commitments and contingencies		
Stockholders’ equity:		
Preferred stock, $0.01 par value - authorized 50,000,000 shares, none issued and outstanding		
Common stock, $0.01 par value - authorized 2,000,000,000 shares; issued 1,575,018,236 shares as of December 31, 2014 and1,560,302,634 shares as of December 31, 2013	16	16
Treasury stock, at cost - 247,566,270 shares as of December 31, 2014 and 238,006,570 shares as of December 31, 2013	(1,717)	(1,592)
Additional paid-in capital	16,703	16,579
Accumulated deficit	(8,689)	(8,570)
Accumulated other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	(38)	(16)
Unrealized gain on derivative financial instruments	219	141
Unrealized costs associated with certain retirement plans	(37)	(19)
Total stockholders’ equity	6,457	6,539
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$17,042	$16,571

See notes to the consolidated financial statements.

63

BOSTON SCIENTIFIC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

in millions, except share data	Common Stock Shares Issued	Common Stock Par Value	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)
Balance as of December 31, 2011	1,531,006,390	$15	$(492)	$ 16,349	$ (4,381)	$ (138)
Comprehensive loss						
Net loss					(4,068)	
Other comprehensive income (loss), net of tax						
Foreign currency translation adjustment						32
Net change in derivative financial instruments						82
Net change in certain retirement plans						(9)
Impact of stock-based compensation plans, net of tax	11,340,798			80		
Acquisition of treasury stock			(600)			
Balance as of December 31, 2012	1,542,347,188	$15	$(1,092)	$ 16,429	$ (8,449)	$ (33)
Comprehensive loss						
Net loss					(121)	
Other comprehensive income, net of tax						
Foreign currency translation adjustment						10
Net change in derivative financial instruments						107
Net change in certain retirement plans						22
Impact of stock-based compensation plans, net of tax	17,955,446	1		150		
Acquisition of treasury stock			(500)			
Balance as of December 31, 2013	1,560,302,634					