Boston Scientific

Advancing science for life™

# 2020 Annual Report

**Dear Stockholders: Over the last year, the global pandemic, political strife and racial injustice have tested us — and our business — as never before. These challenges, however, have not derailed Boston Scientific from our mission to transform lives through medical solutions that improve the health of patients around the world.**

Throughout 2020, our teams worked nimbly and quickly to support customers, manage costs and put strategies in place to navigate through uncertainty. We enhanced our digital capabilities to serve customers in new ways, launched innovative products and touched the lives of close to 30 million patients. We contributed more than $18 million in aid to global COVID-19 relief efforts, through monetary and supply donations and by volunteering and providing engineering and manufacturing expertise and resources. We also strengthened our commitment to diversity, equity and inclusion and took action to confront racism and advance social justice.

The unmet needs in healthcare are great, and we have much work to do, but I'm proud of our successes and know they have been possible because of the incredible winning spirit of our 38,000 employees and the values that define and guide our company. As a result of the agility and resilience our teams have shown, our business remains strong, and we believe we are well-positioned to return to consistent growth when the pandemic subsides and medical procedure volumes resume.

## 2020 Business Results

The decline and deferral of elective procedures due to the pandemic affected our revenue and earnings. As a result, our 2020 financials are an exception to what has been a nearly six-year trend of excellent performance.

Our full-year net sales in 2020 were $9.913 billion. This represents declines of 7.8 percent on an operational[1] basis and 11.3 percent on an organic[2] basis compared to 2019, both of which include a 170-basis point impact associated with the conversion of U.S. WATCHMAN™ customers to a consignment inventory model and transition to the next-generation WATCHMAN FLX™ Left Atrial Appendage Closure (LAAC) Device. Organic[2] revenue declined by 6.7 percent in MedSurg , by 13.4 percent in Rhythm and Neuro, and by 13.1 percent in Cardiovascular.[3] Outside of our three reporting segments, our Specialty Pharmaceuticals[4] business generated revenue of $219 million. Our worldwide performance reflected the effects of COVID-19, with declines in operational[1] revenue of 9.7 percent in the United States, 8.4 percent in EMEA, 7.1 percent in APAC, and 15.2 percent in Latin America and Canada compared to 2019. Annual sales in Emerging Markets[5] countries were also affected, declining 9.2 percent on an operational[1] basis.

Our adjusted operating margin[6] for the full year was 19.3 percent, with adjusted earnings per share[6] of $0.96, compared to $1.58 a year ago. This reflects the impact of reduced procedure volumes due to COVID-19 as well as the discontinuation of the LOTUS Edge™ Aortic Valve System and impact from the shift to the consignment model for the WATCHMAN franchise. Despite these challenges, we generated $2 billion in adjusted free cash flow,[7] with free cash flow[8] of $1.1 billion.

With our innovative pipeline, strong commercial presence and ongoing expansion into higher growth markets, we continue to execute against our strategic plan objectives and drive towards ex-COVID-19[9] financial goals for 6-8% organic[2] sales growth, expanded adjusted operating margins[6] and double-digit adjusted earnings per share[6] growth. We believe this momentum, combined with our ability to generate and deploy strong free cash flow, positions Boston Scientific well to create future shareholder value.

## Positioned for Growth

Boston Scientific products are used to help diagnose or treat complex diseases and conditions across multiple fields: cardiovascular, respiratory, digestive, neurological, urological and pelvic health. By deepening our portfolio in these areas, our category leadership strategy creates value for patients, physicians and payors. We believe our strong balance sheet and businesses will enable us to continue to pursue growth and expand our presence in new markets and regions and make our technologies accessible to more people in need. As of December 31, 2020, we had $1.7 billion in cash on hand, which will enable us to continue to make strategic, growth-enhancing investments.

**1** Operational revenue growth rates are non-GAAP measures that exclude the impact of foreign currency fluctuations; see non-GAAP reconciliations on pages 6 and 7. ▪ **2** Organic revenue growth rates are non-GAAP measures that exclude the impact of foreign currency fluctuations and net sales from recent acquisitions and divestitures with less than a full year of comparable net sales. See non-GAAP reconciliations on pages 6 and 7. ▪ **3** We have three reportable segments comprised of Medical Surgical (MedSurg), Rhythm and Neuro, and Cardiovascular, which represent an aggregation of our operating segments that generate revenues from the sale of medical devices (Medical Devices). We have included the results of BTG's Interventional Medicine business in our Peripheral Interventions operating segment since the date of acquisition. ▪ **4** As part of our acquisition of BTG, we acquired a specialty pharmaceuticals business (Specialty Pharmaceuticals), a stand-alone operating segment presented alongside our Medical Device reportable segments. On March 1, 2021, we completed the sale of the Specialty Pharmaceuticals business to Stark International Lux S.A.R.L. and SERB SAS, affiliates of SERB, for a purchase price of $800 million. ▪ **5** We define Emerging Markets as including certain countries that we believe have strong growth potential based on their economic conditions, healthcare sectors, and our global capabilities in our Medical Devices business. Currently, we include 20 countries in our definition of Emerging Markets. ▪ **6** Adjusted operating margin and adjusted earnings per share and related growth rates are non-GAAP measures that exclude the impacts of certain charges (credits) which may include amortization expense; goodwill and intangible asset impairment charges; acquisition/divestiture-related net charges and credits; restructuring and restructuring-related net charges and credits; certain litigation-related net charges and credits, investment gains and losses, EU MDR implementation charges, debt extinguishment charges, discrete tax items and deferred tax expenses (benefits). See non-GAAP reconciliations on pages 6 and 7. ▪ **7** Adjusted free cash flow is a non-GAAP measure that excludes net purchases of property, plant and equipment, as well as the cash component of certain charges (credits) that are excluded from adjusted net income, in addition to any cash tax benefits of such charges. Further, we exclude from this measure tax settlement payments that relate to prior periods. The GAAP measure that is most directly comparable to adjusted free cash flow is cash provided by operating activities. See non-GAAP reconciliations on pages 6 and 7. ▪ **8** Free cash flow is a non-GAAP measure that excludes net purchases of property, plant and equipment. The GAAP measure that is most directly comparable to adjusted free cash flow is cash provided by operating activities. See non-GAAP reconciliations on pages 6 and 7. ▪ **9** Growth goals ex-COVID-19 represent comparisons between time periods in which results are not materially impacted by the COVID-19 pandemic.

Our acquisition of Lumenis LTD, which is expected to close in the second half of 2021, positions Boston Scientific to accelerate the delivery of our stone management offerings to more urologists and expand our global footprint throughout Europe and Asia.

We are pursuing opportunities to advance access to healthcare in Emerging Markets.[5] In China, we target a return to double-digit growth in 2021 and are focused on increasing access to our products and technologies with the opening of our Institute for Advancing Science (IAS) in Chengdu. The new facility allows us to combine our global resources with the expertise of local partners to accelerate the development of and access to healthcare in western China.

We also continue to expand our global digital capabilities. A silver lining of adapting to the COVID-19 pandemic has been the company's accelerated execution of digital and virtual solutions in healthcare and greater use of remote monitoring technology in many regions. We've increased our investments in customer and patient engagement, medical education, clinical trial remote case support, sales force enablement and mobile ordering and solutions. We consider these platforms a catalyst for growth and structural costs savings over time.

## Addressing Critical Needs Through Meaningful Innovation

Our research and development teams surmount the limitations of current technology and address healthcare challenges with practical products tailored to customer needs, which includes continuously developing improvements to our devices and identifying unmet clinical needs for new product opportunities. Our approach is to source innovation by applying a combination of organic research, collaborations and acquisitions, as well as strategic investments in our venture portfolio.

For the fourth consecutive year, Boston Scientific was named one of the Top 100 Global Innovators by Clarivate Analytics. We fund innovation at the high end of our peer group, investing more than $1 billion annually in research and development. Despite the challenges of the pandemic, we continued to innovate, with 69 product launches, 119 global clinical trials, numerous regulatory approvals and improved payment models that are bringing much-needed solutions to customers across the medical specialties we serve.

### TACKLING CHALLENGING DISEASES WITH VASCULAR INTERVENTIONAL TECHNOLOGY

We support physicians who treat some of the most challenging diseases with comprehensive technologies backed by clinical evidence. With the completion of the integration of BTG plc., we have a broad interventional oncology portfolio that includes therapeutic technologies for patients suffering from liver and kidney cancers. Our vascular portfolio includes products that treat deep vein thrombosis, pulmonary embolism, deep venous obstruction and superficial venous disease. We are seeing significant clinical interest in our EKOS® Endovascular System, which received additional reimbursement from the U.S. Centers for Medicare and Medicaid Services (CMS). These technologies complement our arterial portfolio, which is showing strong momentum. The Eluvia™ Drug-Eluting Vascular Stent System received additional CMS reimbursement in the United States and launched in China. The Ranger™ Drug-Coated Balloon was also approved by the U.S. Food and Drug Administration (FDA), enabling us to offer physicians the first peripheral artery disease product portfolio with both a drug-eluting stent and a drug-coated balloon.

### DELIVERING CARDIAC DIAGNOSTICS, THERAPIES AND SERVICES

Our Cardiac Rhythm Management business launched the LUX-Dx™ Insertable Cardiac Monitor (ICM) System, a long-term diagnostic that is implanted in patients to detect cardiac arrhythmias. The device builds on the successful HeartLogic™ Heart Failure Diagnostic (featured within our RESONATE™ family of implantable cardioverter defibrillator and cardiac resynchronization therapy defibrillator systems). Through the acquisition of Preventice Solutions, Inc., we are expanding our rhythm management diagnostic portfolio to include mobile cardiac health solutions and services, ranging from ambulatory cardiac monitors — including short- and long-term Holter monitors — to cardiac event monitors and mobile cardiac telemetry.

Data from pacemakers and defibrillators monitored remotely by our LATITUDE™ Home Monitoring System are featured in a new study underway to better understand how COVID-19 affects people with heart conditions or chronic illnesses and how to improve their healthcare. Collaborating with Yale New Haven Hospital's Center for Outcomes Research & Evaluation (CORE), we aim to detect and anticipate which patients will need critical resources, such as intensive care.

In Electrophysiology, our teams are building a comprehensive portfolio of technologies to advance the treatment of patients who have atrial fibrillation. We launched the POLARx™ Cryoablation System in Europe and received regulatory approval and reimbursement for the INTELLANAV STABLEPOINT™ Ablation Catheter enabled with DIRECTSENSE™ Technology in Japan. We also secured an exclusive option to acquire Farapulse, Inc., a private company developing a pulsed field ablation system that uses an electric field rather than thermal energy to treat atrial fibrillation and other cardiac arrhythmias. These milestones demonstrate a commitment to our category leadership strategy and enable physicians to select therapies based on clinical preferences and individual patient needs.

### PERSONALIZING NEUROMODULATION THERAPY

Our Neuromodulation portfolio of innovations and product refinements enables physicians to precisely personalize therapy for each patient. Our next-generation WaveWriter Alpha™ portfolio of Spinal Cord Stimulator (SCS) Systems launched in

**5** We define Emerging Markets as including certain countries that we believe have strong growth potential based on their economic conditions, healthcare sectors, and our global capabilities in our Medical Devices business. Currently, we include 20 countries in our definition of Emerging Markets.

Europe last year and was introduced in the U.S. market early this year. The technology helps treat patients suffering from chronic, intractable pain and addresses a critical need for effective, drug-free pain management options. Our most advanced deep brain stimulation (DBS) technology, the Vercise Genus™ DBS System, received FDA approval early in 2021, following 2020 CE Mark approval and introduction in Europe. Deep brain stimulation treats the symptoms of movement disorders such as Parkinson's disease by targeting and stimulating specific regions of the brain with mild electrical impulses. The Vercise Genus technology is designed to provide precision and selectivity so that physicians can personalize care and provide optimal symptom relief.

**ADVANCING SCIENCE AND OUTCOMES WITH STRUCTURAL HEART TECHNOLOGIES**

More than 150,000 patients diagnosed with non-valvular atrial fibrillation (AF) have been treated with our WATCHMAN™ Left Atrial Appendage Closure (LAAC) Device to reduce their risk of stroke. In 2020, we received regulatory approval from the FDA for our next-generation device — WATCHMAN FLX — which is designed to offer increased ease-of-use for physicians and improved procedural outcomes for patients, including reduced complication risk and healing time. The new device also received Japanese Pharmaceuticals and Medical Devices Agency approval and Japanese National Health Insurance reimbursement approval.

Several clinical studies are underway to document the safety and efficacy of our structural heart devices, including:

- The global CHAMPION-AF trial, which compares the WATCHMAN FLX device against best-in-class pharmacological therapy for stroke prevention, is evaluating the technology as a first-line therapy for patients who can tolerate oral anticoagulants. A positive study outcome has the potential to change clinical practice and make the device more accessible to patients who would benefit from a one-time procedural alternative to the long-term use of blood thinners and related side effects.

- The global PROTECTED TAVR randomized clinical trial, which evaluates 3,000 patients undergoing transcatheter aortic valve replacement (TAVR) with or without our SENTINEL™ Cerebral Protection System. The trial studies the efficacy of the device in preventing stroke during TAVR procedures, including among patients who are at low risk of stroke.

- The ACURATE investigational device exemption clinical trial is evaluating the safety and effectiveness of the ACURATE *neo2*™ Valve System for TAVR procedures in patients with aortic stenosis in the extreme, high, and intermediate risk categories. The device received CE Mark and launched in Europe in 2020. It is not available for sale in the United States.

**ELIMINATING REPROCESSING RISKS WITH SINGLE-USE ENDOSCOPES**

Single-use endoscopes don't require reprocessing, which eliminates the risk of potential infection from ineffective reprocessing — as well as myriad hassles associated with the scheduling and maintenance of reusable scopes. As the leading innovator in this space, we initiated a global launch of the SpyGlass™ Discover Digital Catheter, the first single-use scope designed for surgeons that streamlines diagnostic and therapeutic procedures in the pancreaticobiliary system, including laparoscopic gallbladder procedures. We also received CMS approval for a transitional pass-through payment category for single-use endoscopes, including our EXALT™ Model D Single-Use Duodenoscope, the world's first single-use duodenoscope. The approval of this new payment category helps ensure healthcare providers have access to EXALT Model D at a time when awareness is heightened for the need to eliminate infection risk among patients, physicians and hospital staff. We also anticipate introducing the EXALT Model B Single-Use Bronchoscope in the second half of 2021.

**EXPANDING OUR OFFERINGS IN MEN'S HEALTH**

We applied our pursuit of innovation to reduce the side effects of prostate radiation therapy with our next-generation SpaceOAR Vue™ Hydrogel, which can be visualized during computed tomography scans for radiation treatment planning, as opposed to more costly magnetic resonance imaging. We also continued to build a strong body of clinical evidence supporting Rezūm™ Water Vapor Therapy, a minimally invasive treatment for benign prostatic hyperplasia. New five-year clinical data, presented at the American Urological Association annual meeting in April, demonstrated the long-term durability of treatment with the Rezūm System. More than 70,000 patients worldwide have been successfully treated with the device. And reimbursement for the therapy has increased significantly, covering approximately 223 million patients in the United States.

## Focused On Our Mission and Values

We continue to live our values with a strong commitment to sustainable, equitable and inclusive business practices. In doing so, our employees have helped Boston Scientific achieve numerous recognitions, including being named among Forbes America's Most JUST Companies, Newsweek America's Most Responsible Companies, and FORTUNE World's Most Admired Companies.

**CARING FOR COMMUNITIES: COVID-19 RELIEF SUPPORT**

Throughout the COVID-19 pandemic, our priority has been the health and safety of our employees, as well as our customers and their patients. Around the world, our employees worked tirelessly to ensure that our life-changing devices and therapies were available when needed.

We stepped in to support communities in need. For the most vulnerable in our communities, we provided direct financial contributions to local and global non-profit organizations, including Project HOPE and the International Federation of Red Cross and Red Crescent Societies. We utilized our supply chain capabilities to help source and produce components for commercial ventilators for use in treating patients suffering from COVID-19 and to enable increased global production of transportable ventilators.

We also found innovative ways to address the urgent demand for personal protective equipment and ventilators. Our employees volunteered to assemble and donate over one million face shields for healthcare providers. Working with the University of Minnesota Bakken Medical Devices Center and others in the industry, we helped bring the Coventor to market, an emergency resuscitator that can be used when traditional ventilators are not available. In collaboration with an international coalition of medical experts, clinicians and industry leaders, we designed and developed the Pneumask™ Face Shield, a reusable full-face mask that has been authorized by the FDA for use as personal protective equipment in clinical settings.

**BUILDING A MORE DIVERSE, EQUITABLE AND INCLUSIVE WORKPLACE AND SOCIETY**

Our ability to fulfill our mission depends on having a team with diverse ideas, people and talent. We are committed to doing our part to help address the root causes of racism and build a more equitable, inclusive society — within Boston Scientific and within our communities. This requires deliberate and consistent effort.

Three years ago, we publicly shared our goals to improve diversity, equity and inclusion within our workforce. We have made great strides, but we have more to do. In 2020, we updated our goals: to increase representation of women and multicultural talent in mid-management roles to at least 43 percent and 23 percent respectively within three years, and to continue to be a top 10 percent globally recognized leader for workplace inclusion. Our collaboration with partners including historically Black colleges and universities, the Human Rights Campaign, Disability:IN, the Hispanic Association on Corporate Responsibility and the Society of Women Engineers helps support hiring and development of talent from underrepresented groups. We also invest in ally and mentorship initiatives to support women and multicultural leaders. All employees participate in unconscious bias training, and we've increased training for leaders to foster an understanding of micro-aggressions, the history of racism and how to champion diversity, equity and inclusion. Four of our employees were selected to join the inaugural CEO Action for Racial Equity Fellowship, transitioning from their Boston Scientific jobs to help identify, develop and promote public policies and corporate engagement strategies to address systemic racism and social injustice. I am honored to support the fellows as one of 20 CEOs on the CEO Action for Racial Equity Governing Committee.

Our external strategy includes a $3.5 million multi-year investment to help combat racism in the United States, including philanthropic commitments focused on government and legislative change, community support, economic empowerment, education and healthcare disparities. The challenges of COVID-19, disproportionately affecting communities of color, and the racial injustice and social unrest we experienced in 2020 underscore just how critical this work is.

Through our Close the Gap health equity program, Boston Scientific has had a longstanding commitment to address treatment disparities among women and minorities who suffer from cardiovascular disease. In 2020, we expanded Close the Gap, launching a public service advertising campaign to healthcare providers to increase awareness of health disparities and promote resources that will help these care providers address the gaps.

We're also focused on increasing diverse representation among healthcare professionals through scholarships for Black graduate-level healthcare students, and we're funding primary and secondary school grants to encourage the next generation to achieve in Science, Technology, Engineering and Math (STEM).

**ADOPTING ENVIRONMENTALLY SUSTAINABLE BUSINESS PRACTICES**

Fulfilling our mission also carries a responsibility to protect and aid the health of our planet. That's why we have set aggressive environmental goals. In 2017 we committed to achieving carbon neutrality — net zero carbon emissions — across our manufacturing and key distribution sites by 2030. We've made significant progress toward that goal, reducing our carbon footprint by 50 percent. We expect to source or generate 100 percent of our electricity from renewable energy sources by 2024. Forty-two percent of our nine million square feet of global real estate is independently certified for energy efficiency by industry-leading programs. To support the environmental sustainability of our operations, 16 of our sites are certified to an Environmental Management System. Although Boston Scientific is already a low-intensity water user, we've reduced water usage by 23 percent over the last decade, and we've diverted 94 percent of landfill solid waste through recycling, plastic segregation, redesigning packaging and other environmentally responsible measures. As evidence of our progress, we were named to the 2020 Dow Jones Sustainability Index North America, one of the most prestigious benchmarks for corporate responsibility.

## Looking to the Future

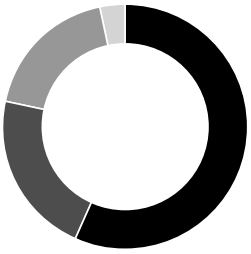
I continue to be inspired and optimistic about the future of our world and the future of Boston Scientific. The challenges ahead are great, but the opportunities are far greater. We have a robust portfolio, a strong pipeline and talented employees equipped with the right resources to address ever-changing customer needs. Our response to COVID-19 demonstrates our agility, and as the impact of the pandemic wanes, we will be a stronger company.

I am grateful for the passion, commitment and talent of our global team and for the patients and customers who place their trust in our devices and therapies each and every day. On behalf of all of us at Boston Scientific, I want to thank our Board of Directors for their service, and you, our stockholders, for your support. Working together, we will continue to advance science for life to improve the health of patients around the world.

Sincerely,

Mike Mahoney,
Chairman, President and Chief Executive Officer
March 17, 2021

## 2020 Net Sales by Region (dollars in millions)

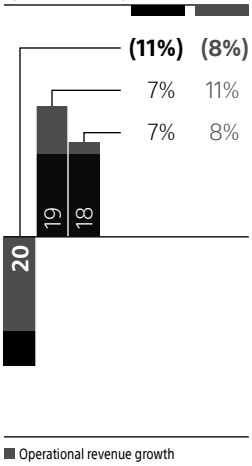


| | Reported Net Sales | Operational Growth (Decline)[1] | Percent of Consolidated Net Sales (%) |
|---|---|---|---|
| U.S. | $5,508 | (9.7)% | 55.6% |
| EMEA (Europe, Middle East and Africa) | 2,097 | (8.4)% | 21.2% |
| APAC (Asia-Pacific) | 1,781 | (7.1)% | 18.0% |
| LACA (Latin America and Canada) | 307 | (15.2)% | 3.1% |
| **Medical Devices[2]** | 9,694 | (9.1)% | 97.8% |
| **Specialty Pharmaceuticals[3]** | 219 | n/a | 2.2% |
| **Net Sales** | $ 9,913 | (7.8)% | 100.0% |

## 2020 Net Sales by Product Category (dollars in millions)

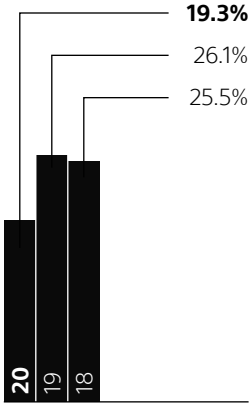
| | | Reported Net Sales | Operational Growth (Decline)[1] | Percent of Consolidated Net Sales (%) |
|---|---|---|---|---|
| **MEDSURG** | Endoscopy | $1,780 | (6.3)% | 18.0% |
| | Urology and Pelvic Health | 1,286 | (9.0)% | 13.0% |
| **RHYTHM AND NEURO** | Cardiac Rhythm Management | 1,704 | (12.4)% | 17.2% |
| | Electrophysiology | 287 | (13.5)% | 2.9% |
| | Neuromodulation | 761 | (13.0)% | 7.7% |
| **CARDIOVASCULAR** | Interventional Cardiology | 2,299 | (18.2)% | 23.2% |
| | Peripheral Interventions | 1,577 | 13.1 % | 15.9% |
| **Medical Devices[2]** | | 9,694 | (9.1)% | 97.8% |
| **Specialty Pharmaceuticals[3]** | | 219 | n/a | 2.2% |
| **Net Sales** | | $ 9,913 | (7.8)% | 100.0% |

## Operational Revenue Growth (Decline)[1,4]

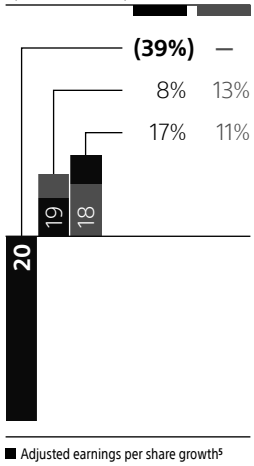



■ Operational revenue growth
■ Organic revenue growth

## Adjusted Operating Margin[5]

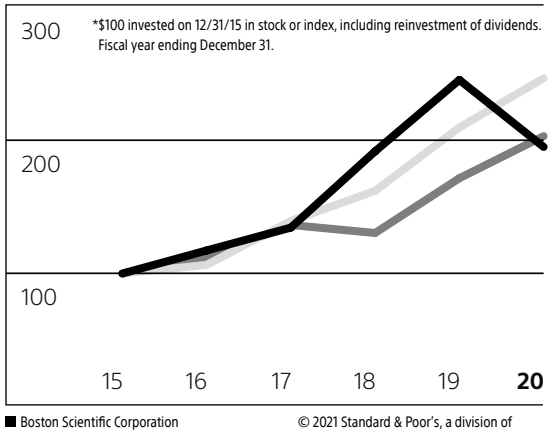



## Adjusted Earnings Per Share Growth (Decline)[5,7]




■ Adjusted earnings per share growth[5]
■ Adjusted earnings per share growth, excluding 2018 net tax benefit[7]

## Comparison of 5-Year Cumulative Total Return*




■ Boston Scientific Corporation
■ S&P Health Care Equipment
■ S&P 500



**1** Operational revenue growth rates are non-GAAP measures that exclude the impact of foreign currency fluctuations; see non-GAAP reconciliations on pages 6 and 7. ▪ **2** We have three reportable segments comprised of Medical Surgical (MedSurg), Rhythm and Neuro, and Cardiovascular, which represent an aggregation of our operating segments that generate revenues from the sale of medical devices (Medical Devices). We have included the results of BTG's Interventional Medicine business in our Peripheral Interventions operating segment since the date of acquisition. ▪ **3** As part of our acquisition of BTG, we acquired a specialty pharmaceuticals business (Specialty Pharmaceuticals), a stand-alone operating segment presented alongside our Medical Device reportable segments. On March 1, 2021, we completed the sale of the Specialty Pharmaceuticals business to Stark International Lux S.A.R.L. and SERB SAS, affiliates of SERB, for a purchase price of $800 million. ▪ **4** Organic revenue growth rates are non-GAAP measures that exclude the impact of foreign currency fluctuations and net sales from recent acquisitions and divestitures with less than a full year of comparable net sales. See non-GAAP reconciliations on pages 6 and 7. ▪ **5** Adjusted operating margin and adjusted earnings per share and related growth rates are non-GAAP measures that exclude the impacts of certain charges (credits) which may include amortization expense; goodwill and intangible asset impairment charges; acquisition/divestiture-related net charges and credits; restructuring and restructuring-related net charges and credits; certain litigation-related net charges and credits, investment gains and losses, EU MDR implementation charges, debt extinguishment charges, discrete tax items and deferred tax expenses (benefits). See non-GAAP reconciliations on pages 6 and 7. ▪ **6** We define Emerging Markets as including certain countries that we believe have strong growth potential based on their economic conditions, healthcare sectors, and our global capabilities in our Medical Devices business. Currently, we include 20 countries in our definition of Emerging Markets. ▪ **7** Full year 2018 adjusted earnings per share was $1.47, which includes a $0.07 net tax benefit for the year. Excluding this net tax benefit of $0.07, our 2018 adjusted earnings per share grew 11 percent. 2019 adjusted EPS growth including the aforementioned 2018 net tax benefit is 8 percent and normalized for the 2018 net tax benefit is 13 percent.

Percentages are calculated using unrounded numbers and may not calculate precisely due to rounding. Amounts may not add due to rounding.

This Annual Report contains forward-looking statements within the meaning of the federal securities laws. See the discussion under "Safe Harbor for Forward-Looking Statements" in the Annual Report on Form 10-K for the year ended December 31, 2020, for matters to be considered in this regard. In addition, please see our Annual Report on Form 10-K for a description of our Non-GAAP adjustments and the reasons for excluding each item.

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| **Net Sales Growth (Decline)** | **2020** | **2019** | **2018** | **2017** | **2016** | **5-Year Average** |
| **Net sales growth (decline), as reported** | **(7.7)%** | **9.3 %** | **8.6 %** | **7.9 %** | **12 %** | **6 %** |
| Less: Impact of foreign currency fluctuations | 0.1 % | (1.8)% | 0.6 % | 0.1 % | — % | (0)% |
| **Net sales growth (decline), operational** | **(7.8)%** | **11.1 %** | **8.0 %** | **7.8 %** | **12 %** | **6 %** |
| Less: Impact of certain acquisitions and divestitures | 3.5 % | 3.8 % | 0.8 % | 1.2 % | 2 % | 2 % |
| **Net sales growth (decline), organic** | **(11.3)%** | **7.3 %** | **7.2 %** | **6.6 %** | **10 %** | **4 %** |

| | Year Ended December 31, 2020 | | |
|---|---|---|---|
| **Net Sales Growth (Decline) of Reportable Segments** | **MedSurg** | **Rhythm and Neuro** | **Cardiovascular** |
| **Net sales growth (decline), as reported** | (7.3)% | (12.4)% | (7.9)% |
| Less: Impact of foreign currency fluctuations | 0.2 % | 0.3 % | — % |
| **Net sales growth (decline), operational** | (7.5)% | (12.7)% | (7.9)% |
| Less: Impact of certain acquisitions and divestitures | (0.7)% | 0.8 % | 5.2 % |
| **Net sales growth (decline), organic** | (6.7)% | (13.4)% | (13.1)% |

| | Year Ended December 31, 2020 | | | | |
|---|---|---|---|---|---|
| **Net Sales Growth (Decline) of Reportable Segments** | **Reported Basis** | **Less: Impact of Foreign Currency Fluctuations** | **Operational Basis** | **Less: Impact of of Recent Acquisitions/ Divestitures** | **Organic Basis** |
| Endoscopy | (6.0)% | 0.3 % | (6.3)% | 0.0 % | (6.3)% |
| Urology and Pelvic Health | (9.0)% | 0.0 % | (9.0)% | (1.7)% | (7.3)% |
| **MedSurg** | **(7.3)%** | **0.2 %** | **(7.5)%** | **(0.7)%** | **(6.7)%** |
| Cardiac Rhythm Management | (12.1)% | 0.2 % | (12.4)% | 0.0 % | (12.4)% |
| Electrophysiology | (12.8)% | 0.8 % | (13.5)% | 0.0 % | (13.5)% |
| Neuromodulation | (12.8)% | 0.1 % | (13.0)% | 2.8 % | (15.7)% |
| **Rhythm and Neuro** | **(12.4)%** | **0.3 %** | **(12.7)%** | **0.8 %** | **(13.4)%** |
| Interventional Cardiology | (18.4)% | (0.1)% | (18.2)% | 0.0 % | (18.2)% |
| Peripheral Interventions | 13.3 % | 0.2 % | 13.1 % | 15.6 % | (2.5)% |
| **Cardiovascular** | **(7.9)%** | **0.0 %** | **(7.9)%** | **5.2 %** | **(13.1)%** |

| | Year Ended December 31, 2020 | | |
|---|---|---|---|
| **Net Sales Growth (Decline) by Region** | **Reported Basis** | **Less: Impact of Currency Fluctuations** | **Operational Basis** |
| U.S. | (9.7)% | 0.0 % | (9.7)% |
| EMEA (Europe, Middle East and Africa) | (7.4)% | 1.0 % | (8.4)% |
| APAC (Asia-Pacific) | (6.2)% | 1.0 % | (7.1)% |
| LACA (Latin America and Canada) | (22.2)% | (7.0)% | (15.2)% |
| **Medical Devices[2]** | **(9.0)%** | **0.1 %** | **(9.1)%** |
| **Specialty Pharmaceuticals[3]** | **n/a** | **n/a** | **n/a** |
| **Net Sales** | **(7.7)%** | **0.1 %** | **(7.8)%** |
| Emerging Markets[6] | (12.7)% | (3.5)% | (9.2)% |

**2** We have three reportable segments comprised of Medical Surgical (MedSurg), Rhythm and Neuro, and Cardiovascular, which represent an aggregation of our operating segments that generate revenues from the sale of medical devices (Medical Devices). We have included the results of BTG's Interventional Medicine business in our Peripheral Interventions operating segment since the date of acquisition. ▪ **3** As part of our acquisition of BTG, we acquired a specialty pharmaceuticals business (Specialty Pharmaceuticals), a stand-alone operating segment presented alongside our Medical Device reportable segments. On March 1, 2021, we completed the sale of the Specialty Pharmaceuticals business to Stark International Lux S.A.R.L. and SERB SAS, affiliates of SERB, for a purchase price of $800 million. ▪ **6** We define Emerging Markets as including certain countries that we believe have strong growth potential based on their economic conditions, healthcare sectors, and our global capabilities in our Medical Devices business. Currently, we include 20 countries in our definition of Emerging Markets.

Percentages are calculated using unrounded numbers and may not calculate precisely due to rounding. Amounts may not add due to rounding.

| Operating Margin | Year Ended December 31, 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **Operating margin, reported** | (0.8)% | 14.1 % | 15.3 % | 14.2 % | 5.3 % |
| Less: Non-GAAP adjustments | (20.1)% | (12.0)% | (10.2)% | (10.8)% | (18.8)% |
| **Operating margin, adjusted** | 19.3 % | 26.1 % | 25.5 % | 25.0 % | 24.1 % |

| Earnings Per Share | Year Ended December 31, 2020[c] | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| **GAAP earnings (loss) per share available to common stockholders** | **$ (0.08)** | **$ 3.33** | **$ 1.19** | **$0.08** | **$0.25** | **$(0.18)** |
| Amortization expense | 0.49 | 0.44 | 0.37 | 0.35 | 0.35 | 0.33[a] |
| Goodwill and other intangible asset impairment charges | 0.32 | 0.07 | 0.02 | — | 0.01 | 0.01[a] |
| Acquisition/divestiture-related net charges (credits) | 0.08 | 0.48 | — | 0.01 | 0.09 | 0.17[a] |
| Restructuring and restructuring-related net charges (credits) | 0.10 | 0.05 | 0.05 | 0.05 | 0.04 | 0.05[a] |
| Litigation-related net charges (credits) | 0.18 | 0.05 | 0.06 | 0.12 | 0.37 | 0.52[a] |
| Investment portfolio net losses (gains) | (0.23) | — | — | 0.03 | — | — |
| EU MDR implementation costs | 0.02 | — | — | — | — | — |
| Debt extinguishment net charges (credits) | — | 0.05 | — | — | — | 0.02[a] |
| Deferred tax expenses (benefits) | 0.03 | (2.91) | — | — | — | — |
| Discrete tax items | 0.05 | 0.01 | (0.23) | 0.62 | — | (0.01)[a] |
| Pension termination charges | — | — | — | — | — | 0.02[a] |
| **Adjusted earnings (loss) per share** | **$ 0.96** | **$ 1.58** | **$ 1.47** | **$1.26** | **$1.11** | **$ 0.93** |
| Less: Impact of 2018 net tax benefit[b] | | | 0.07 | | | |
| **Adjusted earnings (loss) per share, excluding 2018 net tax benefit** | | | **$ 1.40** | | | |
| **Adjusted EPS growth (decline) from prior year** | **(39)%** | **8%** | **17%** | **13%** | **20%** | **11%** |
| **Adjusted EPS growth from prior year, excluding 2018 net tax benefit** | **n/a** | **13%** | **11%** | | | |
| **5-Year Average Adjusted EPS growth** | **4%** | | | | | |

**a** Assumes dilution of 21.5 million shares for the year ended December 31, 2015. ▪ **b** Full year 2018 adjusted earnings per share was $1.47, which includes a $0.07 net tax benefit for the year. Excluding this net tax benefit of $0.07, our 2018 adjusted earnings per share grew 11 percent. 2019 adjusted EPS growth including the aforementioned 2018 net tax benefit is 8 percent and normalized for the 2018 net tax benefit is 13 percent. ▪ **c** As previously announced, we issued mandatory convertible preferred stock (MCPS) in May of 2020. For 2020, the effect of assuming the conversion of MCPS into shares of common stock was anti-dilutive, and therefore excluded from the calculation of EPS. Accordingly, GAAP Net loss and Adjusted net income were reduced by cumulative preferred stock dividends of $33 million, as presented in our consolidated statements of operations, for purposes of calculating GAAP Net loss available to common stockholders. We have assumed dilution of 13.8 million common stock equivalents related to employee stock options for all or a portion of the non-GAAP adjustments, which were anti-dilutive for GAAP purposes due to our Net loss position.

| Adjusted Free Cash Flow (in millions) | Year Ended December 31, 2020 | 2019 |
|---|---|---|
| **Operating cash flow, reported** | **$ 1,508** | **$1,836** |
| Less: Purchases of property, plant and equipment | 376 | 461 |
| Add: Proceeds on disposals of property, plant and equipment | 12 | 7 |
| **Free Cash Flow** | **1,144** | **1,382** |
| Plus: Restructuring and restructuring-related payments | 110 | 66 |
| Plus: Acquisition-related payments | 202 | 266 |
| Plus: EU medical device regulation payments | 29 | 4 |
| Plus: Special Tax Payments (Refunds/Credits) | 76 | (42) |
| Plus: Litigation-related Settlements | 420 | 330 |
| **Adjusted Free Cash Flow** | **$ 1,980** | **$2,007** |
| **Year over year change** | | **(1)%** |

Percentages are calculated using unrounded numbers and may not calculate precisely due to rounding. Amounts may not add due to rounding.

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934, or**
**For the fiscal year ended December 31, 2020**

☐ **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:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.01 par value | BSX | New York Stock Exchange |
| 0.625% Senior Notes due 2027 | BSX27 | New York Stock Exchange |
| 5.50% Mandatory Convertible Preferred Stock, Series A, par value $0.01 per share | BSX PR A | New York Stock Exchange |

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: ☑ No ☐

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: ☐ No ☑

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: ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes: ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☑ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

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

The aggregate market value of the registrant's common stock held by non-affiliates was approximately $50.0 billion based on the last reported sale price of $35.11 of the registrant's common stock on the New York Stock Exchange on June 30, 2020, 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, and directors 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 Common Stock, $0.01 par value per share, as of January 29, 2021 was 1,417,165,707.

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement to be filed within 120 days of December 31, 2020 with the Securities and Exchange Commission in connection with its 2021 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

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# PART I

## ITEM 1. BUSINESS

### Our Company

Boston Scientific Corporation is a global 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. As a medical technology leader for more than 40 years, we have advanced the practice of less-invasive medicine by helping physicians and other medical professionals diagnose and treat a wide range of diseases and medical 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, fueled in part by strategic acquisitions designed to improve our ability to take advantage of growth opportunities in the medical device industry and to build diversified portfolios within our core businesses. We advance science for life by providing a broad range of high performance solutions to address unmet patient needs and reduce the cost of healthcare. When used in this report, the terms "we," "us," "our" and "the Company" mean Boston Scientific Corporation and its divisions and subsidiaries.

### Business Strategy

We operate pursuant to five strategic imperatives: Strengthen Category Leadership, Expand into High Growth Adjacencies, Drive Global Expansion, Fund the Journey to Fuel Growth and Develop Key Capabilities. We believe that our execution of these strategic imperatives will drive innovation, profitable revenue growth and increase stockholder value while strengthening our leadership position in the medical device industry.

We expect to continue to invest in our core franchises and pursue opportunities to diversify and further expand our presence in strategic, high-growth adjacencies and new global markets, including growth within the countries we define as emerging markets. Our approach to innovation combines internally-developed products and technologies with those we may obtain externally through strategic acquisitions, alliances and other investments. Our research and development efforts are focused largely on the development of next-generation and novel technology offerings across multiple programs and all divisions. In the past several years, we have completed numerous acquisitions in support of our growth strategy, both strengthening our core franchises and expanding into high growth adjacent markets. We have also accelerated the development of our digital capabilities in multiple key areas, which helps enable us to compete more effectively in the current healthcare environment where our customers are looking for ways to improve outcomes and lower costs.

Our Enterprise Risk Management program analyzes the key risks inherent to achieving our strategic and organizational imperatives. Our ongoing risk assessment helps us to anticipate and adapt to potential challenges to preserve and grow stockholder value. Our Board of Directors oversees our risk management program and focuses on monitoring, and together with management, mitigating the most significant risks facing the Company, including strategic, operational, financial, legal and compliance risks.

We have a firm commitment to corporate social responsibility and living our values as a global business and global corporate citizen. This includes taking actions to combat discrimination and advancing equality and diversity, including through financial support of racial equity initiatives in the communities where we live and work, supporting COVID-19 relief efforts, protecting the environment, investing in our employees' health and well-being, and many other initiatives that ultimately help us create value responsibly.

### Product Offerings

Our seven core businesses are organized into three reportable segments: MedSurg, Rhythm and Neuro, and Cardiovascular. The following describes our key product offerings and new product innovations by reportable segment.

**MedSurg**

***Endoscopy***

*Gastroenterology and Pulmonary*

Our Endoscopy business develops and manufactures devices to diagnose and treat a broad range of gastrointestinal (GI) and pulmonary conditions with innovative, less invasive technologies. Our product offerings include the following:

- our Resolution 360™ Clip, a hemostatic clipping technology designed to stop and help prevent bleeding during endoscopic procedures,
- Our WallFlex™ Biliary Stent System, used for relieving biliary obstruction by providing bile drainage in both malignant and benign strictures,
- our AXIOS™ Stent and Electrocautery Enhanced Delivery System, the first, and currently only stent in the U.S. indicated for endoscopic drainage of pancreatic pseudocysts,
- our SpyGlass™ DS II Direct Visualization System, which brings digital imaging, a wider field of view and a simpler set-up (compared to our legacy SpyGlass System), thus enabling cholangioscopy to play a greater role in the diagnosis and treatment of pancreatico-biliary diseases,
- our SpyGlass™ Discover Digital Catheter, the first single-use scope to enable physicians to take a single-stage approach to diagnostic and therapeutic procedures in the pancreaticobiliary system, including treating patients with bile duct stones,
- our EXALT™ Model D Single-Use Duodenoscope for use in endoscopic retrograde cholangiopancreatography (ERCP) procedures, the first and only U.S. Food and Drug Administration (FDA)-cleared single-use (disposable) duodenoscope on the market,
- our Acquire™ Endoscopic Ultrasound Fine Needle Biopsy Device, which is designed to obtain larger tissue specimens for histological assessment and is useful when diagnosing diseases such as pancreatic cancer, liver cancer and stomach lesions,
- our endoluminal surgery portfolio with ORISE™ Gel, designed to be used for submucosal lift of polyps, adenomas, early-stage cancers or other gastrointestinal mucosal lesions prior to excision with a snare or other endoscopic device, and
- our infection prevention portfolio, which includes a customizable Compliance EndoKit™ and single-use Orca™ Valves, designed to minimize the risk of infection transmission and improve operational efficiencies by streamlining manual cleaning or eliminating the need for cleaning and tracking.

***Urology and Pelvic Health***

Our Urology and Pelvic Health business develops and manufactures devices to treat various urological and pelvic conditions for both male and female anatomies, including kidney stones, benign prostatic hyperplasia (BPH), prostate cancer, erectile dysfunction, incontinence and pelvic floor disorders. Our product offerings include the following:

- our comprehensive line of stone management products, including ureteral stents, catheters, baskets, guidewires, sheaths, balloons and stone laser devices,
- our LithoVue™ Single-Use Digital Flexible Ureteroscope, which delivers detailed high-resolution digital images for high-quality visualization and seamless navigation,
- our Prosthetic Urology portfolio, which includes our penile implants to treat erectile dysfunction and urinary control systems to treat male urinary incontinence,
- our BPH therapies portfolio, which includes our GreenLight XPS™ Laser System, MoXy™ Fiber, and Rezūm™ System, purchased as part of the NxThera, Inc. (NxThera) acquisition in the second quarter of 2018, and
- our SpaceOAR™ Hydrogel System, purchased as part of the Augmenix, Inc. (Augmenix) acquisition in the fourth quarter of 2018, to help reduce side effects that men may experience after receiving radiotherapy to treat prostate cancer, and
- our Pelvic Floor portfolio, which includes a comprehensive offering of female stress urinary incontinence solutions, including our innovative Solyx™ Single-Incision Sling System.

In the third quarter of 2020, we initiated the U.S. launch of the next-generation SpaceOAR Vue™ Hydrogel, providing clinicians with the added ability to view the spacer using computerized tomography (CT) scans instead of magnetic resonance imaging (MRI).

**Rhythm and Neuro**

***Cardiac Rhythm Management***

Our Cardiac Rhythm Management (CRM) business develops and manufactures a variety of implantable devices that monitor the heart and deliver electricity to treat cardiac abnormalities. Our product offerings include the following:

- our implantable cardioverter defibrillators (ICD) and implantable cardiac resynchronization therapy defibrillators (CRT-D) as well as the world's first, and currently only, commercially available subcutaneous implantable cardiac defibrillators (S-ICD),
- our pacemakers and implantable cardiac resynchronization therapy pacemakers (CRT-P), and
- our LATITUDE™ Remote Patient Management System, which allows for more frequent monitoring and better guided treatment decisions by enabling physicians to monitor implantable system performance remotely in most geographies.

In June 2020, we announced U.S. 510(k) clearance for the LUX-Dx™ Insertable Cardiac Monitor (ICM) system, a new, long-term diagnostic device implanted in patients to detect arrhythmias associated with conditions such as atrial fibrillation (AF), cryptogenic stroke and syncope. We began U.S. commercialization of this device in the third quarter of 2020. In addition, in January 2021, we announced entry into a definitive agreement to acquire Preventice Solutions, Inc., a privately-held company that offers a full portfolio of mobile health solutions and remote monitoring services for patients with cardiac arrhythmias. Preventice offers a full portfolio ranging from ambulatory cardiac monitors – including short and long-term holter monitors – to cardiac event monitors and mobile cardiac telemetry, complementing our existing ICM offering. Refer to *Note B – Acquisitions and Strategic Investments* for additional information.

Our current generation of defibrillators, the RESONATE™ family of devices, include our proprietary HeartLogic™ Heart Failure (HF) Diagnostic and SmartCRT™ Technology with Multisite pacing in CRT-D. Our entire transvenous defibrillator portfolio leverages our EnduraLife™ Battery Technology, including our extended longevity (EL) ICD, our CRT-D's and our MINI (smallest and thinnest) ICD. We have magnetic resonance imaging (MRI) conditional labeling across our defibrillator portfolio in nearly all markets around the world when used with our current generation of leads, including our current generation devices as well as our prior generation of DYNAGEN™ and INOGEN™ devices. Our implantable defibrillator portfolio is complemented by our suite of ACUITY™ X4 Quadripolar LV Leads, RELIANCE™ family of ICD Leads and our INGEVITY™ Pacing Lead.

In addition to our transvenous defibrillator portfolio, we offer our EMBLEM™ MRI S-ICD System, which provides physicians the ability to treat patients who are at risk for sudden cardiac arrest without touching the heart or invading the vasculature. Our EMBLEM S-ICD devices have MRI conditional labeling and LATITUDE Remote Patient Management in most major markets.

We market our ACCOLADE™ family of pacemaker systems in nearly all major markets around the world. Approval of our ACCOLADE Pacemaker family in the U.S., Europe and Japan also included approval for use of these products in patients undergoing MRI scans. Much like our defibrillator portfolio, our pacemakers leverage our INGEVITY Pacing Leads and LATITUDE™ Remote Patient Management in nearly all major markets.

***Electrophysiology***

Our Electrophysiology business develops and manufactures less-invasive medical technologies used in the diagnosis and treatment of rate and rhythm disorders of the heart, including a broad portfolio of therapeutic and diagnostic catheters and a variety of equipment used in the Electrophysiology lab. Our product offerings include the following:

- our Rhythmia™ Mapping System, a catheter-based, 3-D cardiac mapping and navigation solution designed to help diagnose and guide treatment of a variety of arrhythmias,
- our Blazer™ Therapeutic Ablation Catheter line,
- our broad portfolio of diagnostic catheters including Blazer™ Dx-20, Dynamic Tip™ and Viking™ Catheters,
- our IntellaMap Orion™ Mapping Catheter, for use with our Rhythmia Mapping System to provide high-density, high-resolution maps of the heart, and
- our intracardiac ultrasound catheters, delivery sheaths and other accessories.

In June 2020, we announced the U.S. launch of the DIRECTSENSE™ Technology, for which we received CE Mark and launched in Europe in 2018, a tool for monitoring radiofrequency (RF) energy delivery during cardiac ablation procedures available on the Rhythmia™ Mapping System. Additionally, in the second quarter of 2020 we received CE mark approval for the INTELLANAV STABLEPOINT™ Ablation Catheter enabled with DIRECTSENSE Technology and contact force

assessment. This technology, along with our 2020 CE mark approval for the POLARx™ Cryoablation System, began European commercialization in the third quarter of 2020.

Our cooled ablation catheter portfolio includes our U.S. and CE Mark approved Blazer™ Open-Irrigated, IntellaNav™ Open-Irrigated, and IntellaNav MiFi™ Open-Irrigated ablation catheters with a unique Total Tip Cooling™ Design. We also offer our IntellaNav XP and IntellaNav MiFi XP solid tip catheters. Our IntellaTip™ MiFi XP, IntellaNav MiFi XP and IntellaNav MiFi Open-Irrigated Catheters include MicroFidelity (MiFi) sensor technology in the catheter tip. All of our IntellaNav Catheters are designed to allow magnetic tracking when used with our Rhythmia Mapping System. Additionally, the European and Japan markets have access to our DIRECTSENSE™ Software which captures and presents local impedance. DIRECTSENSE Software provides meaningful information on tissue to catheter tip proximity, catheter stability, and other local tissue characteristics.

We also received CE Mark in early 2020 for our POLARx Cryoablation Single-shot Pulmonary Vein Isolation Technology, purchased as part of our acquisition of Cryterion in the third quarter of 2018. In 2020, we began our European launch and we commenced enrollment of the FROZEN-AF investigational device exemption (IDE) in the U.S.

***Neuromodulation***

Our Neuromodulation business develops and manufactures devices to treat various neurological movement disorders and manage chronic pain. Our product offerings include the following:

- our Precision™, Precision Spectra™, Precision Montage™, Precision Novi™ and Spectra WaveWriter™ Spinal Cord Stimulator (SCS) Systems, designed to provide improved pain relief to a wide range of patients who suffer from chronic pain,
- our Superion™ Indirect Decompression System, a minimally-invasive device used to improve physical function and reduce pain in patients with lumbar spinal stenosis (LSS) purchased as part of the acquisition of Vertiflex, Inc. in the second quarter of 2019,
- our G4™ Generator and consumable portfolio in Radiofrequency Ablation (RFA) for pain management used by physicians to treat patients with chronic back and neck pain purchased as part of the acquisition of Cosman Medical, Inc. in the third quarter of 2016, and
- our Vercise™, Vercise™ PC and Vercise Gevia™ Deep Brain Stimulation (DBS) Systems for the treatment of Parkinson's disease, tremor, and intractable primary and secondary dystonia, a neurological movement disorder characterized by involuntary muscle contractions.

Our Spectra WaveWriter™ SCS System is the first and only system approved by the FDA to simultaneously provide paresthesia-based and sub-perception therapy. The Precision Spectra SCS System is the world's first and only SCS system with 32 contacts and 32 dedicated power sources. We believe that we continue to have a technological advantage due to our 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 announced the European launch of the WaveWriter Alpha™ Spinal Cord Stimulator (SCS) System in the third quarter of 2020 and FDA approval in the fourth quarter of 2020, indicated as an aid in the management of chronic intractable pain of the trunk and/or limbs including unilateral or bilateral pain associated with failed back surgery syndrome.

Our Vercise™ DBS System is approved in the U.S. as an adjunctive therapy that aids in reducing some of the symptoms of moderate to advanced Parkinson’s disease. Our Vercise Gevia™ DBS System with the Cartesia™ Directional Lead is the first and only MRI conditional, rechargeable and directional system, using multi-directional stimulation designed for greater precision, intended to minimize side effects for patients, having ImageReady™ MRI labeling to be used in a full-body magnetic resonance imaging environment. In Europe, we also market the GUIDE™ XT System, the first DBS visualization system built for directionality that utilizes patient specific anatomy and stimulation field modeling. This technology provides physicians with 3-D image planning capability and when used in conjunction with the Vercise DBS Systems, enables physicians to personalize and optimize DBS treatment. In the third quarter of 2020, we received CE Mark and initiated a limited market release of the fourth generation Vercise Genus™ DBS System in Europe.

**Cardiovascular**

***Interventional Cardiology***

Our Interventional Cardiology business develops and manufactures technologies for diagnosing and treating coronary artery disease and structural heart conditions. Our broad, innovative product offerings have led to our leadership in the global interventional cardiology market.

*Drug-Eluting Coronary Stent Systems*

Our drug-eluting coronary stent product offerings are an important element of our global Interventional Cardiology market leadership. We believe we have 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 our scientific research and product development of drug-eluting stent systems. Our coronary stent offerings include the following:

- our SYNERGY™ Everolimus-Eluting Platinum Chromium Coronary Stent System, featuring an ultra-thin abluminal (outer) bioabsorbable polymer coating,
- our Promus ELITE™ Everolimus-Eluting Stent,
- our Promus PREMIER™ Everolimus-Eluting family of stents, and
- our SYNERGY MEGATRON™ Bioabsorbable Polymer Stent.

*Complex PCI*

Our product offerings to perform complex percutaneous coronary interventions (PCI) include a broad line of products used to treat patients with atherosclerosis, a principal cause of coronary artery obstructive disease. These 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.

*PCI Guidance*

Our PCI Guidance offerings include a family of intravascular catheter-directed ultrasound imaging catheters, complemented by our intravascular ultrasound (IVUS) imaging system and our fractional flow reserve (FFR) devices and systems for use in coronary arteries and heart chambers as well as certain peripheral vessels to assist in the diagnosis of coronary artery disease. Our PCI Guidance product offerings include the following:

- our OptiCross™ IVUS Imaging catheter,
- our COMET™ FFR Pressure Guidewire, and
- our iLab™ Ultrasound Imaging System with Polaris Software, designed to enhance the diagnosis and treatment of blocked vessels and other heart disorders, which is compatible with our full line of imaging catheters and coronary physiology devices and continues to be our flagship console.

The iLab Ultrasound Imaging System has been placed in cardiology labs worldwide and provides an installed base through which we expect to continue to sell associated single-use products.

*Structural Heart Therapies*

Structural heart therapies are one of the fastest growing areas of the medical technology market and are highly synergistic with our Interventional Cardiology and Rhythm Management businesses. Our current structural heart product offerings include the following:

- our WATCHMAN Left Atrial Appendage Closure (LAAC) Technology, and next-generation WATCHMAN FLX™ Devices, designed to close the left atrial appendage in patients with non-valvular atrial fibrillation who are at risk for ischemic stroke,
- our ACURATE *neo*™ and ACURATE *neo2*™ Aortic Valve Systems, which are based on a self-expanding architecture,
- our Safari2™ Pre-Shaped Guidewire, intended to facilitate the introduction and placement of interventional devices within the heart, including those used with transcatheter aortic valve implantation or replacement procedures, and

- our SENTINEL™ Cerebral Embolic Protection System, purchased as part of our acquisition of Claret Medical, Inc. (Claret) in the third quarter of 2018.

WATCHMAN™ LAAC Device is the first device to offer a non-pharmacologic alternative to oral anti-coagulants that has been studied in a randomized clinical trial and is the leading device in percutaneous LAAC globally. In the first quarter of 2019, we received CE Mark and initiated a limited market release of the next generation WATCHMAN FLX™ LAAC Device in Europe and in June 2020, we received FDA approval for and launched WATCHMAN FLX LAAC Device in the U.S. Throughout 2020, the WATCHMAN Device was the only LAAC technology commercially available in the U.S.

Our Transcatheter Aortic Valve Replacement (TAVR) portfolio is comprised of the ACURATE neo Valve based on self-expanding architecture for supra-annular cases. In the third quarter of 2020, we initiated a controlled launch of the ACURATE neo2 Aortic Valve System in Europe, built on a new platform designed with a number of features to improve upon the clinical performance of the original ACURATE *neo* Valve platform. In addition, our SENTINEL™ Cerebral Protection System is used to reduce the risk of stroke in TAVR procedures and is clinically proven to decrease cerebral embolization and its associated neurological effects. In the fourth quarter of 2020, we announced a voluntary recall of our LOTUS Edge™ Aortic Value System and the discontinuation of our LOTUS program due to complexities associated with the product delivery system, and the time and investment required to reintroduce an enhanced delivery system, as well as slower than anticipated market adoption. We will instead focus our resources and efforts on the remainder of the portfolio and are encouraged by the successful launch of ACURATE neo2 Valve in Europe.

In addition, through our acquisition of Millipede, Inc. in the first quarter of 2019, we are developing the IRIS Transcatheter Annuloplasty Ring System for the treatment of severe mitral regurgitation (MR). The Millipede IRIS annuloplasty ring, delivered via a transcatheter-transseptal delivery system, follows the standard surgical approach to repair and reduce the size of a dilated mitral annulus. The IRIS device is a complete ring designed to be used as a stand-alone device, or in combination with other technologies in patients with severe MR. The device is designed to be highly customizable to a specific patient's anatomy and disease state, and is repositionable and retrievable to promote a high-quality outcome.

***Peripheral Interventions***

Our Peripheral Interventions business develops and manufactures products to diagnose and treat peripheral arterial and venous diseases, as well as products to diagnose, treat and ease various forms of cancer. In the third quarter of 2019, we completed the acquisition of BTG plc (BTG). We integrated BTG's Interventional Medicine (IM) portfolio into our Peripheral Interventions division, adding complementary technologies in the areas of venous disease and interventional oncology. Our combined broad peripheral portfolio includes products to treat arterial diseases (stents, balloon catheters, wires and atherectomy) and venous diseases (thrombectomy, acoustic pulse thrombolysis, wires and stents) and for use in interventional oncology techniques to treat various cancers (peripheral embolization devices, radioactive microspheres, radiofrequency and cryotherapy ablation systems, microcatheters and drainage catheters).

Our peripheral arterial technologies include:

- our EPIC™ Vascular Self-Expanding Stent System, a nitinol stent designed to sustain vessel patency while providing enhanced visibility and accuracy during placement,
- our Innova™ Self-Expanding Stent System, a laser-cut nitinol stent built for the superficial femoral artery (SFA, a large artery in the thigh) with flexibility, strength and fracture resistance,
- our Eluvia™ Drug Eluting Vascular Stent System, an innovative stent built on the Innova stent platform, designed to deliver a sustained dosage of paclitaxel during the time when restenosis is most likely to occur,
- our next-generation Mustang™ PTA Balloon Catheter, a 0.035" balloon with superior crossing and tracking, powerful dilatation, longer lengths and smaller sheath sizes,
- our Coyote™ Balloon Catheter, a highly deliverable and ultra-low profile balloon dilatation catheter designed for a wide range of peripheral angioplasty procedures,
- our Sterling™ Balloon Catheter, a 0.018" PTA balloon catheter designed for post-stent dilatation as well as conventional balloon angioplasty to open blocked peripheral arteries, and
- our Ranger™ Drug-Coated Balloon, an innovative balloon built on the Sterling balloon platform, featuring a low-dose of paclitaxel.

In the fourth quarter of 2020, we received FDA approval for the Ranger™ Drug-Coated Balloon and started U.S. commercialization of this device, making us the first company to provide physicians with both a drug-eluting stent and drug-coated balloon for the treatment of patients with peripheral artery disease.

Our venous disease technologies include the following:

- our AngioJet™ Thrombectomy System, used in endovascular procedures to remove blood clots from blocked arteries and veins,
- our AngioJet Zelante DVT™ Thrombectomy Catheter to treat deep vein thrombosis (DVT) in large-diameter upper and lower limb peripheral veins, in the U.S. and Europe,
- our VICI VENOUS STENT™ System to treat venous obstructive disease, purchased as part of the VENITI, Inc. acquisition in the third quarter of 2018,
- our EKOS™ Ultrasound Assisted Thrombolysis system used to treat pulmonary embolism, purchased as part of the BTG acquisition, which closed during the third quarter of 2019, and
- our Varithena™ Polidocanol Injectable Foam used to improve the symptoms of superficial venous incompetence and the appearance of visible varicosities, also purchased as part of the BTG acquisition.

Our interventional oncology product offerings include the following:

- our Therasphere™ Y-90 radioactive glass microspheres used in the treatment of hepatocellular carcinoma (HCC or the most common type of liver cancer) purchased as part of the BTG acquisition,
- our line of interventional oncology solutions, including the Renegade™ HI-FLO™ Fathom™ Microcatheter and Guidewire System and Interlock™ - 35 Fibered IDC™ and 18 Fibered IDC™ Occlusion System for peripheral embolization, and
- our Cryoablation image-guided needles used to enable cryoablation visualization for optimal tumor coverage, purchased as part of the BTG acquisition

**Specialty Pharmaceuticals**

Following the closing of our BTG acquisition, we have presented the Specialty Pharmaceuticals business as a standalone operating segment alongside our reportable segments. Our Specialty Pharmaceuticals business develops and manufactures acute care antidotes to treat overexposure to certain medications and toxins. These products are sold primarily in the U.S. through small, specialist sales teams and through commercial partners elsewhere, where approved or permitted. Our Specialty Pharmaceuticals product offerings include the following:

- our CroFab™ Antidote Product, the only FDA-approved product derived exclusively from U.S. snakes and approved to treat all North American pit viper envenomations in adult and pediatric patients,
- our DigiFab™ Digoxin Immune Fab (Ovine) antidote product, a treatment for patients with life-threatening or potentially life-threatening digoxin toxicity or overdose that is clinically proven to effectively clear digoxin from the body, and
- our Voraxaze™ Antidote Product, a carboxypeptidase indicated to reduce toxic plasma methotrexate concentration (greater than one micromole per liter) in adult and pediatric patients with delayed methotrexate clearance (plasma methotrexate concentrations greater than two standard deviations of the mean methotrexate excretion curve specific for the dose of methotrexate administered) due to impaired renal function.

On December 1, 2020, we announced the execution of a definitive agreement pursuant to which we agreed to sell our Specialty Pharmaceuticals business for a purchase price of $800 million, subject to certain adjustments, including cash on hand at the closing date of the transaction. The transaction is expected to close during the first half of 2021, subject to customary closing conditions.

**Research and Development**

Our investment in research and development is critical to driving our future growth. Our investment in research and development supports the following:

- internal research and development programs, regulatory design and clinical science, 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 innovative technologies designed to expand current markets or enter adjacent markets. We are transforming how we conduct research and development by identifying best practices, driving efficiencies and

optimizing our cost structure, which we believe will enable increased development activity and faster concept-to-market timelines. Focused, cross-functional teams take a formal approach to new product design and development, helping us to manufacture and offer innovative products consistently and efficiently. Involving cross-functional teams early in the process is the cornerstone of our product development cycle. We believe this collaboration allows our teams to concentrate resources on the most viable and clinically relevant new products and technologies and maximize cost and time savings as we bring them to market.

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 are expanding our collaborations to include research and development teams in our emerging market countries; these teams will focus on both global and local market requirements at a lower cost of development. We believe that these efforts will play a significant role in our future success.

**Marketing and Sales**

In 2020, we marketed our products and solutions to approximately 35,000 hospitals, clinics, outpatient facilities and medical offices in more than 120 countries worldwide. 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 accounts organization in the United States (U.S.) and Europe, Middle East and Africa (EMEA) 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, as well as on key hospital service line administrators. We believe that this dual focus on disease state management and hospital administrators enables us to develop highly knowledgeable and dedicated sales representatives and to foster collaborative relationships with both physicians and key service line administrators. We believe that our strong working relationships with physicians, service line administrators and others in the medical industry enable us to gain a detailed understanding of new therapeutic and diagnostic alternatives and to respond quickly to our customers' changing needs.

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. We expect to continue to leverage our infrastructure in markets where commercially appropriate and use third party distributors in those markets where it is not economical or strategic to establish or maintain a direct presence.

**International Operations**

International net sales accounted for 42 percent of our net sales in 2020 and 2019 and 44 percent of our net sales in 2018. 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 continue to invest in infrastructure in emerging markets to strengthen our sales and service capabilities and maximize our opportunities in these countries. We define Emerging Markets as the 20 countries that we believe have strong growth potential based on their economic conditions, healthcare sectors and our global capabilities. We have increased our investment in infrastructure in these countries in order to maximize opportunities. Periodically, we assess our list of Emerging Markets which is currently comprised of the following countries: Argentina, Brazil, Chile, China, Colombia, Czech Republic, India, Indonesia, Malaysia, Mexico, Philippines, Poland, Russia, Saudi Arabia, Slovakia, South Africa, South Korea, Thailand, Turkey and Vietnam. Our Emerging Markets net sales represented 11 percent of our consolidated net sales in 2020 and 12 percent in 2019.

As of December 31, 2020, we had 11 principal international manufacturing facilities, in addition to our U.S. facilities, including three in Ireland, two in Costa Rica, one in Brazil, one in Malaysia, one in Israel, one in the U.K. and one in Switzerland. Our international manufacturing facilities includes our Puerto Rico facility. Approximately 52 percent of our products manufactured in 2020 were produced at these international facilities. We also maintain research and development capabilities in China, Costa Rica, India, Ireland and Puerto Rico. We continue to provide localized training programs through our 15 Institutes for Advancing Science (IAS) facilities around the world.

**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 strive to improve the efficiency of our sourcing operations and to leverage the technical expertise of the broader market by partnering with strategic suppliers. In doing so, we seek to focus

our internal resources 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, service, greater efficiency and lower supply chain costs. We also drive continuous improvement in product quality through process controls and validations, supplier and distribution controls and then necessary training and tools for our operations team. In addition, we remain focused on examining our operations and general business activities to enhance our operational effectiveness by identifying cost-improvement opportunities.

We remain committed to maintaining appropriate investments in supply chain resiliency on an ongoing basis. Our products are designed and manufactured in technology centers around the world, either by us or third parties. We consistently monitor our inventory levels, manufacturing and distribution capabilities and maintain recovery plans to address potential disruptions that we may encounter. Supply chain resiliency also includes sterilization, which is performed and optimized through a combination of internal and third party locations and may also be subject to potential interruptions. Many components used in the manufacturing 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 have an ongoing supplier resiliency program which identifies and mitigates risk. We are also striving to build diversity and inclusion into every aspect of our company, including our supply chain. We are committed to the increased and sustained support of diverse businesses that share our dedication to improving the quality of patient care.

**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. Our quality system is also designed to enable us to satisfy various international quality system regulations, including those of the U.S. Food and Drug Administration (FDA) with respect to products sold in the U.S. All of our medical device manufacturing facilities and distribution centers are certified under the ISO 13485 quality system standard, established by the International Standards Organization (ISO) for medical devices, which includes requirements for 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, and 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 involve the use of substances regulated under environmental laws, primarily in manufacturing and sterilization processes. We believe that strong performance across relevant environmental, health and safety metrics enhances our competitive strength while benefiting our patients, customers, stockholders and employees. We are focused on continuous improvement in these areas by reducing pollution, minimizing depletion of natural resources and reducing our overall environmental footprint. Specifically, we are working to optimize energy and resource usage, ultimately reducing greenhouse gas emissions and waste. Refer to *Corporate Social Responsibility* below for additional information regarding sustainability measures we are undertaking.

**Competition**

We encounter significant competition across our product lines and in each market in which we sell our products and solutions, some from companies that may have greater financial, sales and marketing resources than we do. Our primary competitors include Abbott Laboratories and Medtronic plc, 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. In certain countries, we face competition from domestic medical device companies that may benefit from their status as local suppliers. We also face competition from non-medical device companies, which may offer alternative therapies for disease states that could also be treated using our products, or from companies offering technologies that could augment or replace procedures 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 by enabling physicians to perform diagnostic and therapeutic procedures safely and effectively often in a less-invasive manner. We also compete on ease of use, comparative effectiveness, reliability and physician familiarity. In the current environment of managed care, with economically-motivated buyers, consolidation among healthcare providers, increasing prevalence and importance of regional and national tenders, 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 addressable market sizes. We recognize that our continued competitive success will depend upon our ability to:

- offer products and solutions that provide 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,
- compete in regional and national tenders for our products,
- continually enhance our quality systems,
- manufacture and market our products and solutions either directly or through third 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. Medical devices are also generally subject to varying levels of regulatory control based on risk level of the device.

In the U.S., authorization to distribute a new device can generally 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 may 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). A HUD is intended to benefit patients by treating or diagnosing a disease or condition that affects, or is manifested in, not more than 8,000 individuals in the U.S. per year. The application submitted to the FDA for an HDE must demonstrate that the device does not expose the patient to unreasonable risk and that the benefit of device use outweighs the risk. 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 (EU), we will be required to comply with the Medical Device Regulation (MDR or EU MDR) effective May 2021 (previously May 2020) which will supersede the current Medical Device Directives. Medical devices which have a valid CE Certificate to the current Directives (issued before May 2021) can continue to be sold until May 2024 or until the CE Certificate expires, whichever comes first, providing there are no significant changes to the design or intended use. The CE Mark, which is required to sell medical devices in the EU is affixed following a Conformity Assessment and either approval from the appointed independent Notified Body or through self-certification by the manufacturer. The selected pathway to CE marking is based on device risk classification. CE marking indicates conformity to the applicable Essential Requirements (ERs) of the relevant Medical Devices Directive and, in the future, to the General Safety and Performance Requirements (GSPRs) for the MDR. The MDR will change multiple aspects of the existing regulatory framework for CE marking, such as increased clinical evidence requirements, changes to labelling, and new requirements, including Unique Device Identification (UDI), and

many new post-market reporting obligations. MDR modifies and increases the compliance requirements for the medical device industry and will require significant investment over the next few years to implement.

We are also required to comply with the regulations of every other country where we commercialize products before we can launch or maintain new products on the market, such as the requirements that we obtain approval from the Japanese Ministry of Health, Labor and Welfare (MHLW), through the review at Japanese Pharmaceutical & Medical Device Agency (PMDA) and the China National Medical Product Administration (NMPA). Many countries that previously did not have medical device regulations, or had minimal regulations, are now introducing them. For example, India is in the process of expanding its current regulations to include all medical device categories while many countries in the Middle East and Southeast Asia are introducing new regulations as well.

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 recall or market withdrawal 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. Additionally, 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. 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.

**Government Affairs**

We maintain a global Government Affairs presence, headquartered in Washington, D.C., to actively monitor and advocate on myriad legislation and policies that may potentially impact the Company, 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 Governors, legislatures and regulatory agencies, embassies and global governments 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 to improve patient care and to advance our business objectives by educating policymakers on our positions, key priorities and the value of our technologies. The Government Affairs office manages our political action committee and works closely with trade groups on issues affecting our industry and healthcare in general. The Government Affairs office also advocates for public policy that benefits our employees, and the patients we serve and supports the communities in which we live.

**Healthcare Policies and Reimbursement**

Political, economic and regulatory influences around the world continue to subject 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 reviews 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 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, payers and other stakeholders are significant and new therapies may now take longer periods of time to gain widespread adoption.

The U.S. Federal government and certain state governments have enacted laws aimed at increasing transparency, or "sunshine," 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 and transfers of value provided to HCPs. Certain foreign jurisdictions have similar laws or are currently acting to implement similar laws. Failure to comply with sunshine laws and/or implement and adhere to adequate policies and practices to address changes to legal and regulatory requirements could have a negative impact on our results of operations. Additional legislation at the state and federal levels may result in further changes to these laws.

We expect that pricing of medical devices will remain under pressure as price transparency, expansion of site neutrality, or consistent reimbursement regardless of treatment location, alternative payment reform, value-based purchasing, and accountable care organizations (ACOs), continue to take shape in the U.S. and abroad. 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 continue to seek to aggregate purchasing power. Similarly, governments are increasing the use of tenders, placing pressure on medical device pricing. 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., China, Australia, 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.

Our products are purchased principally by hospitals, physicians and other healthcare providers around the world that typically bill various third-party payers, including government programs (e.g., Medicare and Medicaid in the U.S.) and private insurance payers, for the services provided to their patients. Third-party payers and governments may approve or deny coverage for certain technologies and associated procedures based on independently determined assessment criteria. Coverage decisions by payers for these technologies and associated procedures are based on a wide range of methodologies that may reflect the assessed resource costs, clinical outcomes and economic value of the technologies and associated procedures. The new U.S. Administration may attempt to reverse some of the previous Administration's changes to the Affordable Care Act (ACA), particularly related to healthcare coverage for the uninsured, and is further expected to introduce more ambitious healthcare legislation, which could include what is commonly referred to as a "public option" or changes to Medicare age requirements. If passed, this legislation would lead to increased coverage levels and utilization of services; however, at this point, the impact of any such changes is unclear because specific changes have not been enacted or implemented.

**Proprietary Rights and Patent Litigation**

We rely on a combination of patents, trademarks, trade secrets and other forms of intellectual property to protect our proprietary rights. 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, 2020, we held more than 18,000 patents and had approximately 6,000 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. 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 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 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. 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. 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. 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 *Note K – Commitments and Contingencies* to our 2020 consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report for a discussion of intellectual property, product liability and other litigation and proceedings in which we are involved.

**Human Capital**

At Boston Scientific, our work is guided by core values that define our culture and empower our employees, including Caring, Diversity, Global Collaboration, High Performance, Meaningful Innovation and Winning Spirit. As of December 31, 2020, we had approximately 38,000 employees, including approximately 16,000 in operations, 18,000 in selling, marketing, distribution and administration, and 4,000 in clinical, regulatory and research and development. Of these employees, we employed approximately 21,000 outside the U.S., approximately 10,000 of whom are in the manufacturing operations function. We believe the collective talent of our employees and our shared corporate culture and values give us a competitive advantage.

In our industry, there is substantial competition for key personnel in the regions in which we operate. Hiring, developing and retaining talented employees are key parts of our strategy and are critical to our success. We strive to do this by fostering a diverse and inclusive workplace, providing competitive pay and benefits, offering ongoing employee growth and development opportunities and cultivating a culture that prioritizes employee health, safety and wellness.

*Diversity Equity and Inclusion*

We do our best work to advance health care when we have a diverse range of perspectives and experience on our team. Innovation thrives in a culture of engagement and inclusion. The society in which we live and the customers and patients we serve are diverse and our employees must reflect this. In recent years, we have made steady progress to increase the overall representation of employees who identify as women and as African American/Black, Asian, Hispanic/Latino, American Indian/ Alaska Native, Native Hawaiian/Other Pacific Islander, and two or more races (together, multicultural talent). As of December 31, 2020, women represented 30 percent of our Board of Directors, and 47 percent of our employees. In addition, 34 percent of employees in the U.S. and Puerto Rico identified as multicultural.

We are committed to our goal of making further progress toward expanding our workforce diversity. We have set measurable Diversity, Equity & Inclusion (DE&I) goals with our "3UP by 2023" initiative, including a three percent increase in representation of both women and multicultural talent at the supervisor and manager level to 43 percent and 23 percent, respectively by December 31, 2022. As of December 31, 2020, 40 percent of employees in management roles are women and 21 percent are multicultural. We were proud to be a globally recognized leader for workplace inclusion, named a Top 10% Inclusion Index Company by Diversity Best Practices in 2020. Our Executive Committee and our Board of Directors have oversight over employee diversity metrics and hiring trends. As evidence of our commitment to expand diversity, equity and inclusion, we have introduced a human capital performance metric to our 2021 Annual Bonus Plan. Our Executive Committee will be measured against global gender and U.S. (inclusive of Puerto Rico) multicultural goals, leadership bench retention goals and performance against annual renewable energy and recycling index goals.

In addition, our Employee Resource Groups (ERGs) are at the heart of our DE&I strategy. ERGs are voluntary, company-sponsored employee groups that foster and celebrate our diverse work environment. They provide forums for us to learn from one another, celebrate our differences and develop inclusive leadership skills. We support each ERG by designating global and local executive sponsors and providing financial resources. Our ERG chapters around the world collaborate across the business at all levels and are powerful voices for change in the company.

*Compensation and Benefits*

Competitive compensation and benefits programs are essential for a productive and thriving workforce. As part of our broader rewards portfolio, we offer competitive pay and benefits that are flexible and affordable in order to meet the individual needs of our employees. Our benefits include cash bonus programs, incentive stock awards, health insurance, paid time off and family leave, retirement savings plans, childcare and Employee Assistance Programs that encourage overall well-being, including help with finances, family planning and support, elder/childcare and mental health.

Our global compensation practices are rooted in our values and the high priority we place on paying people equally for equal work. We regularly benchmark salaries, conduct annual internal and external parity audits and review pay recommendations company wide. In addition, we periodically contract with an independent, third party to assess pay equity across all positions. Our most recent analysis showed that our global workforce had a less than one percent statistical difference in pay along gender lines. Similarly, a less than one percent statistical difference in pay was noted for multicultural talent in the U.S. and Puerto Rico.

*Employee Health and Safety*

We take a global approach to prioritizing and monitoring employee safety and we strive to foster a safety-oriented culture in all of our offices and facilities. We set health and safety goals which measure the number of injuries per 100 employees for every manufacturing and distribution site. Our Employee Health & Safety Operations Council reviews performance monthly to discuss trends and risks, as well as opportunities for improvement. We have established a company-wide safety goal of 0.25 or fewer injuries per 100 employees by 2030, cutting our 2019 incident rate by 50 percent.

*Employee Growth and Development*

Developing our people professionally is one of the most important things we do. We have a robust succession planning program to ensure our future leaders are ready to assume roles as they become available. At every level of the company, employees have access to training and tools they can use to advance their skills and expertise and create greater possibilities for their careers. We offer professional and technical courses, including on-the-job training, skills-based learning, mentoring opportunities and leadership development programs for high-potential employees.

*Employee Engagement*

We seek ongoing feedback from our employees to better understand what we are doing well and, conversely, how we can improve their experience. In addition to encouraging ongoing communication and feedback between employees and their managers, we conduct periodic employee engagement surveys to ensure all employees have an opportunity to share their insights and we take appropriate action in response.

**Corporate Social Responsibility**

Within many of the communities in which we operate, we have launched and funded a multi-year program to combat racism, inequity and injustice focused on five pillars: community, economic empowerment, education, healthcare disparities and government/legislative change. We also continue our long-term Close the Gap initiative, which focuses on raising awareness and empowering healthcare providers to reach more patients of color, fight longstanding inequities, and address barriers to care. Through Close the Gap, hospitals and health systems are provided with zip code level data that highlight the disparities in treatment between white and non-white patients in their communities. The information allows health care administrators and providers to focus on improving care to underserved populations within their communities.

As evidence of our progress, we were named among the Top 50 of America’s Most Just Companies by Forbes/Just Capital, ranking #38 overall and also tied #1 for diversity, equity and inclusion. We were also named to the 2020 Dow Jones Sustainability Index North America, one of the most prestigious global benchmarks for corporate responsibility, as well as Newsweek's America's Most Responsible Company 2021 list. We are also listed on 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. These listings and awards recognize 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. These honors are a testament to our company-wide focus on corporate social responsibility.

*Sustainability*

A critical priority for us as a global medical device manufacturer is to deliver on our promise to customers and patients while caring for the planet. The way we do our jobs each day contributes to reducing our environmental impacts, achieving carbon neutrality and improving supply chain sustainability. We are making measurable progress toward shaping a better future for our planet by proactively addressing energy consumption, carbon emissions, waste management and water use. We have committed to a goal of carbon neutrality in our manufacturing and key distribution sites by 2030. Our Environment, Health & Safety (EH&S) Center of Excellence is responsible for rigorously measuring, assessing and reporting progress toward these goals globally. We are focused on a “C3” strategy: Cutting energy use, Converting to renewable energy sources and Compensating with carbon offset projects where needed. Certain of our manufacturing sites use high-efficiency technologies such as combined heat and power to generate energy that is cleaner than conventional gas, oil or coal-fired power and our Corporate Headquarters and U.S. distribution center both utilize solar energy. We are on target to source or generate 100 percent of electricity from renewable sources by 2024. By 2027, we expect that 90 percent of all energy used across our facilities, including electricity and natural gas, will be renewable representing an important milestone toward our 2030 carbon neutrality commitment.

We have obtained ISO 50001:2018 - Energy Management Systems certification for our three manufacturing plants in Ireland and our Tier I Distribution Center in Kerkrade, the Netherlands. We have also obtained ISO 14001:2015 - Environment Management Systems certification at our major manufacturing plants and Tier 1 distribution centers around the world, as well as our Corporate headquarters in Marlborough, Massachusetts. ISO 50001:2018 and ISO 14001:2015 are globally recognized standards for Environmental and Energy Management Systems, established by the International Standards Organization, which provide a voluntary framework to identify key environmental and energy aspects associated with our business. Using these management systems 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. We also have 15 LEED-certified buildings on campuses in the U.S., Central America, Europe and Asia. Leadership in Energy and Environmental Design (LEED) is an internationally recognized certification program for the environmental performance and sustainable design of buildings.

**Community Outreach**

We are united by a goal to make a difference in the lives of the approximately 30 million patients we serve annually. We seek to give our time and resources to make positive impacts upon those communities where we live, work, and serve. Guided by our core values, we seek to improve access to healthcare, to invest in educational programming for students with limited means and access to opportunities, and to support and embrace the spirit of volunteerism within our global workforce, while adhering to strong ethical standards.

In some parts of the world, access to health information, screening, care and services can be limited. Our collaborations with non-profit community organizations raise awareness of chronic disease and decrease these health disparities by improving health outcomes for underserved populations. We accomplish this through our focus on 3 P's - Prevent, Provide and Prepare. We work to prevent chronic disease through education and awareness, provide access to healthcare through increasing the quantity and quality of healthcare workers and screenings, and preparing and empowering children at high risk of or who already have a chronic disease to successfully navigate their health journey. Since 2018, we have partnered with Children's HeartLink, a US-based global health organization, with a mission of saving the lives of children with heart disease.

We are also passionate about inspiring young learners to see themselves in a Science, Technology, Engineering and Math (STEM) role in the future. Our employees work with underrepresented K-12 students around the world and share their passion for STEM by providing interactive product demos, development programs, and hands-on activities for young learners in their communities. Through our outreach efforts, we are helping to develop the diverse future talent that will enable Boston Scientific to create innovative health solutions for generations to come.

Beyond the classroom, we empower our employees to participate in and influence the way we care for people in their local communities. Through a number of global activities, employees helped pack over 34,000 kits from their homes that provided STEM activities, health and wellness supplies, snacks and other essentials to populations in need. We are proud of these efforts and the collective impact we have on advancing possibilities across the globe. In 2020 our employees volunteered to make a positive impact in community activities in more than 50 countries.

We also support the U.S. communities where we have significant business presences through the Boston Scientific Foundation. The mission of the Foundation is simple: to help expand access to quality healthcare and educational opportunities for underserved populations. The Boston Scientific Foundation awarded scholarships to children of employees and grant awards across the U.S. in 2020. The process involved more than 65 employee volunteers who evaluated proposals for the Boston Scientific Foundation Board review and approval, upon which the Boston Scientific Foundation was able to help fuel grassroots innovative solutions to improve access to quality healthcare and create new opportunities for students to learn and achieve.

In 2020, we found new and creative ways to help our communities navigate the challenges of the COVID-19 pandemic. We contributed more than $18 million to aid relief efforts globally through monetary and supply donations and by providing engineering and manufacturing expertise and resources. This included donations of personal protective equipment (PPE) and medical equipment to local hospitals and government agencies. Through collaboration with the University of Minnesota Bakken Medical Device Center and industry peers, we brought an emergency resuscitator to market, which can be used as an alternative when traditional ventilators are not available. We also provided support to children, families and the most vulnerable through direct financial contributions to local community and global non-profit organizations, including Project HOPE and International Federation of Red Cross and Red Crescent Societies.

**Seasonality**

Our net sales are influenced by many factors, including product launches, acquisitions, regulatory and reimbursement approvals, patient, physician and employee holiday schedules and other macro-economic conditions. While our consolidated net sales do not reflect any significant degree of seasonality, customer purchases of our medical devices have historically been lower in the first and third quarters of the year.

**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. Securities and Exchange Commission (SEC). Additionally, the SEC maintains an internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the 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 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may be identified by words like "anticipate," "expect," "project," "believe," "plan," "estimate," "intend," "aim" and similar words. These forward-looking statements are based on our beliefs, assumptions and estimates using information available to us at the time and are not intended to be guarantees of future events or performance. 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.

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 risks and uncertainties, in some cases, have affected and in the future could affect our ability to implement our business strategy and may cause actual results to differ materially from those contemplated by the statements expressed in this Annual Report. As a result, readers are cautioned not to place undue reliance on any of our forward-looking statements. Risks and uncertainties that may cause such differences include, among other things: the impact of the ongoing COVID-19 pandemic on our operations and financial results, future U.S. and global economic, political, competitive, reimbursement and regulatory conditions, new product introductions and the market acceptance of those products, markets for our products, expected pricing environment, expected procedural volumes, the closing and integration of acquisitions, clinical trial results, demographic trends, intellectual property rights, litigation, financial market conditions, the execution and effect of our restructuring program, the execution and effect of our business strategy, including our cost-savings and growth initiatives and future business decisions made by us and our competitors. New risks and uncertainties may arise from time to time and are difficult to predict, including those that have emerged or have increased in significance or likelihood as a result of the COVID-19 pandemic. All of these factors are difficult or impossible to predict accurately and many of them are beyond our control. For a further list and description of these and other important risks and uncertainties that may affect our future operations, see Item 1A. Risk Factors contained within this Annual Report on Form 10-K filed with the SEC, which we may update in Part II, Item 1A. Risk Factors in subsequent Quarterly Reports on Form 10-Q that we will file hereafter. We disclaim any intention or obligation to publicly update or revise any forward-looking statement to reflect any change in our expectations or in events, conditions, or circumstances on which those expectations may be based, or that may affect the likelihood that actual results will differ from those contained in the forward-looking statements. This cautionary statement is applicable to all forward-looking statements contained in this Annual Report.

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.

***Our Businesses***

- The impact of the COVID-19 pandemic on the worldwide economy and financial markets, and developments related to the disease, including the time it will take for vaccines to be broadly distributed and accepted in the U.S. and the rest of the world, and the effectiveness of such vaccines in slowing or stopping the spread of COVID-19 and mitigating the economic effects of the pandemic,

- The impact of the COVID-19 pandemic upon the scheduling of elective and semi-emergent procedures,
- The impact of COVID-19 on our global manufacturing and distribution system including the quality of our products,

- Our ability to recover from the impact of the COVID-19 pandemic on our business and increase net sales, expand the markets in which we participate, capture market share and adapt to market volatility,

- The impact of natural disasters, additional future public health crises and other catastrophic events,

- Competitive offerings and related declines in average selling prices for our products,

- The ongoing impact on our business of physician alignment to hospitals, governmental investigations and audits of hospitals and other market and economic conditions on the overall number of procedures performed,

- The performance of, and physician and patient confidence in, our products and technologies or those of our competitors,

- The impact and outcome of ongoing and future 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 competitors' products,

- Our ability to acquire or develop, launch and supply new or next-generation products and technologies worldwide and in line with our commercialization strategies in a timely and successful manner and with respect to our recent acquisitions,

- 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 secure in a timely manner alternative manufacturing or additional or replacement components, materials or products,

- Our ability to achieve our projected level or mix of product sales, as some of our products are more profitable than others,

- Our ability to attract and retain key personnel, including those associated with recent acquisitions,

- The inability of certain of our employees to return to work full time following reduced work schedules associated with the COVID-19 pandemic, or our inability to recruit personnel into direct labor roles for the duration of the pandemic,

- The impact of enhanced requirements to obtain regulatory approval in the U.S. and around the world, including EU MDR and 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,

- The issuance of new or revised accounting standards by the Financial Accounting Standards Board or the Securities and Exchange Commission, and

- The impact of potential goodwill and intangible asset impairment charges on our results of operations.

***Regulatory Compliance, Litigation and Data Protection***

- The impact of healthcare policy changes and legislative or regulatory efforts in the U.S., the EU 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., the EU 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 ongoing inherent risk of potential physician advisories related to our or our competitors' products,

- 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 similar laws in other jurisdictions, and U.S. and foreign export control, trade embargo and customs laws,

- Costs and risks associated with current and future asserted 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,

- The possibility of failure to protect our intellectual property rights and the outcome of patent litigation,

- Our ability to operate properly our information systems that support our business operations and protect our data integrity and products from a cyber-attack or other breach that has a material adverse effect on our business, reputation or results of operations, and

- The potential impact to internal control over financial reporting relating to potential restrictions to access to consigned inventory at customer locations for our inventory count procedures.

***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 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 net sales growth opportunities as well as to maintain the estimated timing and costs of such projects and expected revenue levels for the resulting products and technologies,

- Our ability to develop, manufacture and market new products and technologies successfully and 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,

- Our ability to execute appropriate decisions to discontinue, write-down or reduce the funding of any of our research and development projects, including projects from in-process research and development from our acquisitions, in our growth adjacencies or otherwise,

- Our 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 potential failure to successfully integrate and realize the expected benefits, including cost synergies, 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 timing and collectability of customer payments, as well as our ability to continue factoring customer receivables where we have factoring arrangements,

- The impact on pricing due to national tenders,

- Geopolitical and economic conditions, including civil unrest, terrorist activity, governmental changes, restrictions on the ability to transfer capital across borders, tariffs and other protectionist measures,

- The impact of the United Kingdom's departure from the European Union,

- Protection of our intellectual property,

- Our ability to comply with established and developing U.S. and foreign legal and regulatory requirements, including FCPA, EU MDR and similar laws in other jurisdictions,

- Our ability to comply with U.S. and foreign export control, trade embargo and customs laws,

- The impact of changes in reimbursement practices and policies,

- The impact of significant developments or uncertainties stemming from changes in the U.S. administration following the 2020 presidential and congressional elections, including changes in U.S. trade policies, tariffs and the reaction of other countries thereto, particularly China,

- 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 financial covenant compliance, particularly in light of the COVID-19 pandemic and lower demand for our products,

- 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 unfavorable resolution of open litigation matters, exposure to additional loss contingencies and legal provisions,

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

- The possibility of counterparty default on our derivative financial instruments, 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 changes made or expected to be made to our organizational and operational structure, pursuant to our restructuring plans 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. Business 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.

### COVID-19 Risks

***The ongoing global COVID-19 pandemic and related impacts are having a material adverse effect on our operations, financial performance and cash flows. We are unable to predict the extent to which the pandemic and related impacts will continue to adversely impact our business operations, financial performance, results of operations, financial position and the achievement of our strategic objectives.***

Our operations, financial performance and cash flows have been negatively impacted by the ongoing COVID-19 pandemic that has caused, and is expected to continue to cause, the global slowdown of economic activity (including the decrease in demand for a broad variety of goods and services), disruptions in global supply chains and significant volatility, disruption of financial markets, a U.S. economic recession and, potentially, a global economic recession. Because the severity, magnitude, and duration of the COVID-19 pandemic and its economic consequences are uncertain, rapidly changing, and difficult to predict, the pandemic's impact on our operations and financial performance, as well as its impact on our ability to execute our business strategies and initiatives successfully, remains uncertain and difficult to predict. Further, the ultimate impact of the COVID-19 pandemic on our operations and financial performance depends on many factors that are not within our control, including, but not limited, to: governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic (including restrictions on travel, transport and workforce pressures, and voluntary or mandated deferrals or postponements of elective procedures); the impact of the pandemic and actions taken in response on global and regional economies, travel, and economic activity; the availability of federal, state, local or non-U.S. funding programs; general economic uncertainty in key global markets and financial market volatility; global economic conditions and levels of economic growth; and the timing and pace of recovery when the COVID-19 pandemic subsides, which could be impacted by a number of factors, including limited provider capacity to perform procedures using our products that were deferred as a result of the pandemic.

The COVID-19 pandemic has subjected, and may continue to subject, our operations, financial performance and financial condition to a number of risks, including, but not limited to those discussed below:

- *Operations-related risks*: Across all of our businesses, we have faced increased operational challenges from the need to protect employee health and safety. Some of these challenges include site shutdowns, workplace disruptions and restrictions on the movement of people, raw materials and goods, both at our own facilities and at customers and suppliers. We also experienced, and may continue experiencing, lower demand and volume for certain products and services, customer requests for potential payment deferrals or other contract modifications, delays of deliveries and other factors related directly and indirectly to the COVID-19 pandemic that adversely impact our businesses. We expect that the longer the period of economic and global supply chain disruption continues, the more material the cumulative adverse impact will be on our business operations, financial performance and results of operations. Our ability to manufacture our products is highly dependent on our ability to maintain the safety and health of our employees. The ability of our employees to work may be significantly impacted by one or more employees contracting or being exposed to COVID-19. Additionally, when the economic recovery following the COVID-19 pandemic occurs, we may experience unpredictable increases in demand for certain of our products, which could exceed our capacity to meet such demand on a timely basis or at all, which could have a material adverse impact on our business operations, financial performance and results of operations. Further, the prioritization of vaccine distribution could affect the availability of transportation for our supply chain needs.

- *Customer-related risks*: In particular, as a result of impacts associated with preventive and precautionary measures that we, other businesses and governments have taken to quell the spread of COVID-19 and protect our customers, employees, and the patients receiving our products, we have experienced significant and unpredictable reductions in demand for certain of our products as health care customers re-prioritize the treatment of patients. In certain jurisdictions in the United States, governmental authorities have recommended, and in certain cases required, that elective procedures be suspended or canceled to avoid non-essential patient exposure to medical environments and potential infection with COVID-19 and to focus limited resources and personnel capacity toward the treatment of COVID-19. These measures and challenges significantly reduced our net sales and the situation remains challenging.

In certain jurisdictions, however, the timing of the pandemic and public health measures have resulted in lower levels of COVID-19 cases and some hospitals have developed protocols such that elective procedures may be conducted safely and are approaching pre-COVID-19 pandemic levels. Further, once the pandemic subsides, we anticipate there may be some continued reluctance upon the part of some patients to seek medical attention in a hospital setting. In addition, for the majority of patients who do seek appointments with physicians and surgeries to be performed at hospitals and ambulatory surgery centers relating to a variety of medical conditions, we anticipate there may be a substantial backlog. As a result, patients seeking to schedule or reschedule elective or deferrable procedures utilizing our products may have to navigate potentially limited healthcare provider capacity. We believe this likely patient reluctance and potential healthcare provider capacity could have an adverse effect on our sales following the end of the pandemic.

- *Employee-related risks*: In an attempt to proactively address the changed business environment caused by COVID-19, in order to preserve employees' jobs and ensure we are able to quickly respond to increased customer demand, when deferrable procedures resume as permitted by development or conclusion of the pandemic, we made temporary work hour reductions, and corresponding salary reductions, where appropriate, for many of our employees. However, because the severity, magnitude, and duration of the COVID-19 pandemic and its economic consequences are uncertain, rapidly changing, and difficult to predict, we may, in the future, have to consider taking additional actions including further reductions to salary and work hours, furloughs, restructuring, layoffs or extensions of remote work arrangements, which may negatively impact our workforce and our business. These negative impacts could include inhibiting our ability to quickly respond to increased customer demand and to take advantage of more favorable economic and market conditions after the pandemic subsides as well as lower productivity and higher employee attrition.

- *Accounting-related risks:* Generally accepted accounting principles and the related authoritative guidance are complex and involve subjective judgments. In particular, the accounting for revenue, inventory, goodwill, intangible assets, income taxes and other assets and liabilities requires reliance on forward looking estimates of sales and/or earnings. Due to the uncertainty surrounding the COVID-19 pandemic, estimating the future performance of our business is extremely challenging and the range of deviation from internal estimates could be more significant in this environment. Changes in the underlying estimates, assumptions or judgments could have a material adverse impact on our future results of operations, financial position and cash flows.

- *Leverage- and market-related risks*: The current financial market dynamics and volatility pose heightened risks to our previously announced timelines for decreasing our leverage, which we expect to be delayed as we seek to maintain appropriate liquidity to compensate for lower cash flows from operations or as variables impacting our leverage ratios fluctuate with extreme market volatility.

- *Liquidity- and funding-related risks*: While we have significant sources of cash and liquidity and access to committed credit lines, a prolonged period of generating lower cash from operations could adversely affect our financial condition and the achievement of our strategic objectives. Additionally, there can also be no assurance that we will not face credit rating downgrades as a result of weaker than anticipated performance of our businesses, slower progress in decreasing our leverage or other factors. Future downgrades could further adversely affect our cost of funds and related margins, liquidity, competitive position and access to capital markets, and a significant downgrade could have an adverse commercial impact on our business. Conditions in the financial and credit markets may also limit the availability of funding or increase the cost of funding (including for receivables monetization or supply chain finance programs, as well as increased borrowing costs and higher interest rates), which could adversely affect our business, financial position and results of operations. Although the U.S. federal and other governments have instituted and/or announced a number of funding programs to support businesses, our ability or willingness to access funding under such programs may be limited by regulations or other guidance, or by further change or uncertainty related to the terms of these programs.

As the COVID-19 pandemic continues to adversely affect our operating and financial results, it may also have the effect of heightening many of the other risks described in the risk factors in this Annual Report on Form 10-K. Further, the COVID-19 pandemic may also affect our operating and financial results in a manner that is not presently known to us or that we currently do not expect to present significant risks to our operations or financial results, particularly if the COVID-19 pandemic and its associated impacts reoccur in successive waves in the coming months.

**Market Risks**

***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 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 our competitors may have greater financial and marketing resources than we do, including as a result of consolidation among companies in our industry. Our primary competitors include Abbott Laboratories and Medtronic plc, 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 or segments. We also face competition from non-medical device companies, including pharmaceutical companies, which may offer alternative therapies for disease states also amenable to treatment using our products. New competitors may emerge in the future, potentially including companies introducing new sales or distribution models to our industry or leveraging robotic, navigation, and/or other automation technologies. Digital technologies have and may continue to increase in their applicability and importance to various aspects of our business, operating and competitive environments, R&D pipeline and product portfolio. We believe we will need to develop new and enhanced digital capabilities and competences in order to remain competitive.

In addition, the medical device markets in which we participate are characterized by extensive research and development and rapid technological change. Developments by other companies of products and/or services, processes or technologies may make our products or proposed products obsolete or less competitive and may negatively impact our net sales. It is necessary for us to devote continued efforts and financial resources to the development or acquisition of scientifically advanced technologies and products. In addition, we will need to 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, such failure could have a material adverse effect on our business, financial condition or results of operations. In addition, a delay in the timing of the launch of next-generation products and the overall performance of, and continued physician confidence in, those products may result in declines in our market share and have an adverse impact on our business, financial condition or results of operations.

***We may experience declines in market size, average selling prices for our products, medical procedure volumes and our share of the markets in which we compete, which may materially adversely affect our results of operations and financial condition.***

We continue to experience pressures across many of our businesses due to competitive activity, increased market power of our customers as the healthcare industry consolidates, national and regional government tenders, economic pressures experienced by our customers, public perception of our products, and the impact of managed care organizations and other third-party payers. These and other factors may adversely impact market sizes, as well as our share of the markets in which we compete, the average selling prices for our products or medical procedure volumes. There can be no assurance that the size of the markets in which we compete will increase above existing levels, that we will be able to regain or gain market share or compete effectively on the basis of price or that the number of procedures in which our products are used will increase above existing levels. Decreases in market sizes or our market share and declines in average selling prices or procedural volumes could materially adversely affect our results of operations or financial condition.

***Continued consolidation in the healthcare industry or additional governmental controls exerted over pricing in key markets 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.***

Numerous initiatives and reforms by legislators, regulators and third-party payers to curb the rising cost of healthcare, and to increase access to care, have catalyzed a consolidation of aggregate purchasing power within the markets in which we sell our products. Additionally, a growing number of countries have instituted or are contemplating introducing regional or national tender processes driven primarily by price. In some cases, such processes may favor local companies to multinational companies like Boston Scientific. As the healthcare industry consolidates, competition to provide products and services is expected to continue to intensify, resulting in pricing pressures, decreased average selling prices and the exclusion of certain suppliers from important market segments. 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 services and may adversely impact our business, financial condition or 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/or 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 payers, including government programs, authorities or agencies (e.g., Medicare and Medicaid in the U.S.) and private health plans, for the healthcare services provided to their patients. Governments and payers may also institute changes in healthcare delivery systems that may reduce funding for services or encourage greater scrutiny of healthcare costs. The ability of customers to obtain appropriate reimbursement for their products and services 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 and funding vary by country and can significantly impact the acceptance of new products and technologies and the use of established products and technologies. We may find limited demand for promising new products unless reimbursement approval is obtained from private and governmental third-party payers. Further legislative or administrative reforms to the reimbursement systems in the U.S., Japan, or other countries in a manner that significantly reduce or eliminate reimbursement for procedures using our medical devices, including price regulation, site of service requirements, competitive bidding and tendering, coverage and payment policies, comparative effectiveness of therapies, heightened clinical data requirements, technology assessments and managed-care arrangements, could have a material adverse effect on our business, financial condition or results of operations

**Geopolitical Risks**

***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 42 percent of our global net sales in 2020. An important part of our strategy is to continue pursuing growth opportunities in net sales and market share outside of the U.S. by expanding global presence, including in Emerging Markets. Our international operations are subject to a number of market, business and financial risks and uncertainties, including those related to our use of channel partners, geopolitical and economic instability, foreign currency exchange and interest rate fluctuations, competitive product offerings, local changes in healthcare financing and payment systems and healthcare delivery systems, local product preferences and requirements, including preferences for local manufacturers, workforce instability, weaker intellectual property protection in certain countries than exists in the U.S. and 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, 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 obtaining approvals and commercializing products in certain jurisdictions, which could adversely impact our net sales, market share and operating profits from our international operations.

Further, international markets are affected by economic pressure to contain healthcare costs, which can lead to more rigorous evidence requirements and lower reimbursement rates for either our products directly or procedures in which our products are used. Governments and payers may also institute changes in healthcare delivery systems that may reduce funding for services or encourage greater scrutiny of healthcare 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 and/or reduce the number of procedures in which our products are used, 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 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.

On January 31, 2020, the United Kingdom (UK) formally exited the European Union (EU), and a transition period began, during which time the U.K. and the EU negotiated a trade agreement and other terms associated with their future relationship. The transition period ended on December 31, 2020. The short- and long-term impact of the U.K.'s exit from the EU on European and global macroeconomic conditions, our business operations and results of operations remain unknown. Changes in industry regulations could have an effect on existing CE certificates being renewed and new certificates being issued which would impact the ability to trade; however, it is impossible to assess the full impact at this stage. We have implemented a Brexit Response Team and have put in place mitigation procedures intended to reduce any significant operational risks that have been identified to date.

Any significant changes in the political, 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.

**Credit and Financial Risks**

***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 manage our cost of capital. Our outstanding debt balance was $9.143 billion as of December 31, 2020 and $10.008 billion as of December 31, 2019. Although we currently have investment grade ratings at Moody's Investor Service, Standard & Poor's Rating Service and Fitch Ratings, our inability to maintain investment grade credit ratings could increase our cost of borrowing funds in the future and reduce our access to liquidity. Delays in our product development and new product launches could result in 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 agreements contain a financial covenant that require us to maintain a minimum specified leverage ratio and place other limits on our business. If we are unable to satisfy this covenant, 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 intangible 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 in the second quarter of each year as of April 1 for impairment, or more frequently if impairment indicators are present or changes in circumstances suggest an 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.

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 other 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.

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

Uncertainty about global economic conditions, including those resulting from 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 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 that they purchase on a timely basis, if at all. In addition, we have accounts receivable factoring programs in certain European and Asian countries. 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. 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.

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 impact negatively our average selling prices, net sales and profit margins, procedural volumes and reimbursement rates from third party payers. 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.

**Business and Operational Risks**

***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 have completed multiple acquisitions in recent years and may pursue additional acquisitions in the future. Our integration of acquired businesses requires significant efforts, including corporate restructuring and the coordination of information technologies, research and development, sales and marketing, operations, regulatory, supply chain, manufacturing, quality systems and finance. These efforts result in additional expenses and involve significant management time. Some of the factors that could affect the success of our acquisitions include, among others, the effectiveness of our due diligence process, our ability to execute our business plan for the acquired companies, the strength of the acquired technology, 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, legal and regulatory environment in specific countries. Our failure to manage successfully and coordinate the growth of the 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 or experience other negative consequences on our results.

***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. These acquisitions, investments and alliances have been a significant source of our growth. We face competition for acquisitions from other healthcare and non-healthcare acquirers, financial sponsors, and from the market for Initial Public Offerings (IPOs). Strength in the market for IPOs may reduce the set of opportunities available to us for M&A and/or cause us to need to pay higher prices. If we are unsuccessful in our acquisitions, investments and alliances, we may be unable to grow our business. 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,
- manage acquisition, investment or alliance opportunities within our capital capacity and prioritize those investments to execute on our strategy,
- manage our due diligence process to uncover potential issues with targets,
- finance any future acquisition, investment or alliance on terms acceptable to us, if at all,
- complete acquisitions, investments or alliances in a timely manner on terms that are satisfactory to us, if at all,
- successfully integrate and operate acquired businesses,
- successfully identify and retain key target employees,
- comply with applicable laws and regulations, including foreign laws and regulations, and
- protect intellectual property and to prevail in 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 expenses and our efforts may lead to unintended consequences.***

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 restructuring and optimization initiatives in order to enhance our growth potential and position us for long-term success. In November 2018, we announced a restructuring initiative (the 2019 Restructuring Plan) intended to support our effort to improve operating performance and meet anticipated market demands by ensuring that we are appropriately structured and resourced to deliver sustainable value to patients and customers. Key activities under the 2019 Restructuring Plan include supply chain network optimization intended to maximize our global manufacturing and distribution network capacity and building functional capabilities that support business growth. These activities were initiated in 2019, with the majority of activity expected to be complete by the end of 2022, following a one-year extension approved by our Board of Directors on February 22, 2021. The 2019 Restructuring Plan is expected to result in total pre-tax charges of approximately $375 million to $475 million and reduce gross annual pre-tax operating expenses by approximately $200 million to $250 million by the end of 2023 as program benefits are realized. We expect a substantial portion of the savings to be reinvested in strategic growth initiatives. These measures could yield unintended consequences, such as distraction of our management and employees, business disruption, inability to attract or retain key personnel and reduced employee productivity, which could negatively affect our business, sales, financial condition and results of operations. Moreover, our restructuring and optimization initiatives result in charges and expenses some of which impact our operating results. We cannot guarantee that the activities under our restructuring plans or other optimization initiatives will result in the desired efficiencies and estimated cost savings.

***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 may be 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 enhancement of 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 that 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.

Additionally, certain products or groups of products, in particular new products or enhancements of existing products, may have a disproportionate impact on our business, financial condition and results of operations. Failure to meet growth projections, poor clinical outcomes, increasing regulatory requirements, launch delays and inability to effectively scale manufacturing and achieve targeted margins with respect to any of these products or groups of products in particular may materially adversely impact on our business, financial condition and results of operations.

***Interruption of our supply chain or manufacturing operations, including resulting from natural disasters, further public heath crises and other catastrophic events or other events outside of our control 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 any specific product 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 a 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 the majority 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.

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, including federal and state regulations on the use of ethylene oxide, we may be unable to transition to other internal resources, contract sterilizers, sterilizer locations or sterilization methods in a timely or cost effective manner or at all, which could have a material impact on our results of operations and financial condition.

**Legal and Regulatory Risk Factors**

***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 policy influences are leading the healthcare industry to make substantial structural and financial changes that will continue affecting 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 and evidence necessary to demonstrate value to our customers, patients, payers and other stakeholders may be significant, and it 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 (ACA) and Health Care and Education Affordability Reconciliation Act of 2010 were enacted into law in the U.S. in March 2010. Certain provisions of this law, including comparative effectiveness research, pilot programs to evaluate alternative payment methodologies and other changes to the payment systems, have started changing the way healthcare is delivered, reimbursed and funded. While the extent to which it has affected our business is not clear, these changes, over the long-term, may adversely affect our business and results of operations. The new U.S. Administration may attempt to reverse some of the previous Administration’s changes to the ACA, particularly related to healthcare coverage for the uninsured, and is further expected to introduce more ambitious healthcare legislation, which could include what is commonly referred to as a “public option” or changes to Medicare age requirements. If passed, this legislation would lead to increased coverage levels and utilization of services; however, at this point, the impact of any such changes is unclear because specific changes have not been enacted or implemented.

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 and/or increase cost containment pressures on us or others in the healthcare sector could adversely affect our business and 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 or an exemption from such clearance or approval before they can be commercially marketed in the U.S. In the EU, we will be required to comply with the new Medical Device Regulation (MDR or EU MDR) effective May 2021 (extended from May 2020) which will supersede the current Medical Device Directives. Medical devices which have a valid CE Certificate to the current Directives (issued before May 2021) can continue to be sold until May 2024 or until the CE Certificate expires, whichever comes first, providing there are no significant changes to the design or intended use. 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 can take action against a company that promotes "off-label" uses. The FDA may also enjoin and restrain a company for certain violations of the FDC Act and other amending Acts pertaining to medical devices, or initiate action for criminal prosecution of such violations. Any adverse regulatory action, depending on its magnitude, may restrict a company from effectively marketing and selling its products, may limit a company's ability to obtain future premarket clearances or approvals and could result in a substantial modification to our business practices and operations. 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 or approvals, 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 and other analyses conducted by us, our competitors or other third parties, the results of which may be unexpected, 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 and new indications for existing products, we conduct and participate in numerous clinical trials with a variety of study designs, patient populations and trial endpoints. Unexpected or inconsistent clinical data from existing or future clinical trials or other analyses conducted by us, by our competitors or by third parties, including acquired businesses prior to acquisition by us, or the FDA's 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.

***The medical device industry and its customers continue to face 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 closely scrutinize our industry. We have received and in the future may receive, subpoenas and other requests for information from Congress and state and federal governmental agencies, including, among others, the U.S. Department of Justice (DOJ), the Office of Inspector General of the Department of Health and Human Services (HHS) and the Department of Defense, as well as from foreign governments and agencies. The requests and/or subpoenas we have received relate primarily to financial arrangements with healthcare providers, regulatory compliance and sale and/or 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 a matter will be resolved, the outcome of the matter or its impact on us and cooperation may involve significant costs, including document production costs. An adverse outcome in any matter 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 any existing CIAs. In addition, resolution of any matter could involve the imposition of additional and costly compliance obligations. 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, they 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.

We anticipate that governmental authorities will continue to scrutinize our industry closely and that additional regulation may increase compliance and legal cost and exposure to litigation and have additional adverse effects on our operations.

***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 and tariffs, in both the U.S. and various foreign jurisdictions. We are subject to ongoing 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 to determine the appropriateness of our tax provision, and we have established contingency reserves for material, known tax exposures. However, the calculation of such tax exposures involves the application of complex tax laws and regulations in many jurisdictions, as well as interpretations as to the legality under European Union state aid rules of tax advantages granted in certain jurisdictions. Therefore, 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.

Changes in tax laws and regulations, or their interpretation and application, in the jurisdictions where we are subject to tax could materially impact our effective tax rate. The U.S. enacted the Tax Cuts and Jobs Act (TCJA) on December 22, 2017 and we expect the U.S. Treasury to issue future notices and regulations under the TCJA. Certain provisions of the TCJA and the regulations issued thereunder could have a significant impact on our future results of operations as could interpretations made by the Company in the absence of regulatory guidance and judicial interpretations. The change in administration and control of Congress in the U.S. may result in additional U.S. tax law changes that could have a material impact on our future effective tax rate.

Additionally, the Organization for Economic Co-operation and Development (OECD), the European Commission (EC) and individual taxing jurisdictions where we and our affiliates do business have recently focused on issues related to the taxation of multinational corporations. The OECD has released its comprehensive plan to create an agreed set of international rules for fighting base erosion and profit shifting. In addition, the OECD, the EC and individual countries are examining changes to how taxing rights should be allocated among countries considering the digital economy. As a result, the tax laws in the U.S. and other countries in which we and our affiliates do business could change on a prospective or retroactive basis and any such changes could materially adversely affect our business. Furthermore, changes in customs laws and regulations in the U.S. and various foreign jurisdictions could have a material impact on our results of operations or financial condition.

Our operations in Puerto Rico and Costa Rica presently benefit from various tax incentives and grants. Unless these incentives and grants are extended, they will expire between 2027 and 2035. If we are unable to renew, extend, or obtain new incentive and grants, the expiration of the existing incentives and grants could have a material impact on our financial results in future periods.

***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 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. Finally, our ability to protect novel business models is uncertain.

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.

A number of 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 own numerous U.S. and foreign patents and have numerous patent applications pending. We also are party to 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 U.S. 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 and 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, products 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.

***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, including technology from third party vendors, 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 or disrupt performance of our products or to access our proprietary information and the technology from third party vendors that we rely upon may have defects or vulnerabilities which, in turn, create vulnerabilities or disruptions in our system. Any failure by us to maintain or protect our information technology systems, products 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, or, in the worst case, could result in harm to patients. Such failure, or demonstration of vulnerability to such failure, may also result in additional regulatory scrutiny. We also grow our company through acquisitions and may face risks associated with defects and vulnerabilities in their systems as we work to integrate the acquisitions into our information technology system.

In the U.S., federal and state privacy and security laws require certain of our operations to protect the confidentiality of personal information including patient medical records and other health information, and to comply with other requirements with respect to personal data. In Europe, the Data Protection Directive requires us to manage individually identifiable information in the EU and, the new General Data Protection Regulation (GDPR) may impose fines of up to four percent of our global revenue. Internationally, some countries have also passed laws that require individually identifiable data on their citizens to be maintained on local servers and that may restrict transfer or processing of that data. We believe that we meet the expectations of applicable regulations and that the ongoing costs and impacts of ensuring compliance with such rules are not material to our

business. However, there is no guarantee that we will avoid enforcement actions by governmental bodies or civil actions based on this growing body of regulations. Enforcement actions could be costly and interrupt regular operations of our business. 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 healthcare 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.

***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. We are currently the subject of various patent litigation proceedings and other proceedings described in more detail under *Note K – Commitments and Contingencies* to our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data 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, stockholder derivative suits and contract litigation, may adversely affect our financial condition and results of operations or liquidity.***

The design, manufacturing 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 market 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, off-label use 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 *Note K – Commitments and Contingencies* to our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data 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 U.S. 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.

***Our business could be negatively impacted by corporate social responsibility and sustainability matters.***

In recent years, there has been an increased focus from certain investors, customers, employees, and other stakeholders concerning corporate social responsibility and sustainability matters. From time to time, we announce certain initiatives, including goals, regarding our focus areas, which include environmental matters, responsible sourcing, social investments and diversity, equity and inclusion. We could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could fail in accurately reporting our progress on such initiatives and goals. Such failures could be due to changes in our business. Moreover, the standards by which corporate social responsibility and sustainability efforts and related matters are measured are developing and evolving, and certain areas are subject to assumptions that could change over time. In addition, we could be criticized for the scope of such initiatives or goals or perceived as not acting responsibly in connection with these matters. Any such matters, or related corporate social responsibility and sustainability matters, could have a material adverse impact on our future results of operations, financial position and cash flows.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

Our world headquarters is located in Marlborough, Massachusetts, with principal regional headquarters located in Singapore and Voisins-le-Bretonneux, France. As of December 31, 2020, 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, Puerto Rico, Malaysia, Brazil and Switzerland. Our products are distributed worldwide from primary customer fulfillment centers in Massachusetts, the Netherlands, and Japan. As of December 31, 2020, we maintained 16 principal manufacturing facilities, including seven in the U.S., three in Ireland, two in Costa Rica, one in Puerto Rico, one in Malaysia, one in Brazil and one in Switzerland, 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 also perform research activities. The following is a summary of our facilities as of December 31, 2020 (in approximate square feet):

| | Owned[(1)] | Leased[(2)] | Total |
|---|---|---|---|
| U.S. | 4,043,041 | 1,319,960 | 5,363,001 |
| International[(3)] | 2,200,044 | 1,653,732 | 3,853,776 |
| | **6,243,085** | **2,973,692** | **9,216,777** |

(1) Includes our principal manufacturing facilities in Minnesota, Ireland, Puerto Rico and one facility in Costa Rica, our manufacturing facility in Malaysia, our primary customer fulfillment centers in Massachusetts, the Netherlands and Japan, and our global headquarters location in Marlborough, Massachusetts.

(2) Includes our principal manufacturing facilities in California, Indiana, Brazil, Switzerland and one in Costa Rica, and our regional headquarters located in Singapore and Voisins-le-Bretonneux, France.

(3) International facilities includes Puerto Rico.

## ITEM 3. LEGAL PROCEEDINGS

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

## ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

## PART II

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

Market Information

The principal market on which our common stock is traded is the New York Stock Exchange (NYSE) under the symbol "BSX."

Holders of Record

As of January 29, 2021, there were 6,943 holders of record of our common stock.

Dividends

We did not pay a cash dividend in 2020, 2019 or 2018 on our common stock and currently we do not intend to pay cash dividends on our common stock. We may consider declaring and paying a cash dividend in the future; however, there can be no assurance that we will do so.

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

In the fourth quarter of 2020, we repurchased approximately 15.7 million shares of our common stock pursuant to our share repurchase authorization for a total of approximately $535 million in cash. We made no share repurchases in 2019 or 2018. Refer to *Note L – Stockholders' Equity* to our consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data of this Annual Report for additional information.

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 2020:

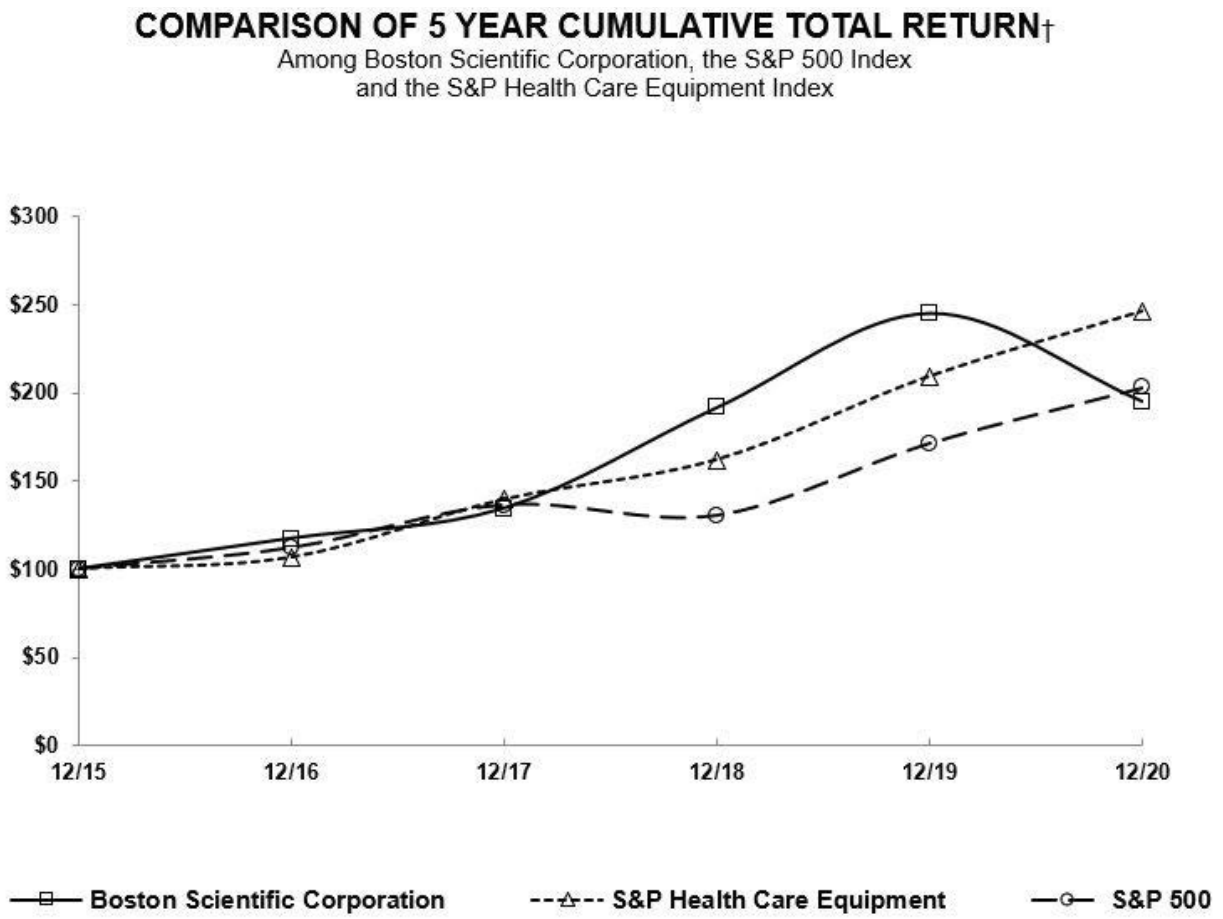
| Period | Total Number of Shares Purchased | Average Price Paid per Share[1] | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[2] | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs[2] |
|---|---|---|---|---|
| 10/1/20 - 10/31/20 | 0 | $ — | 0 | $ 534,535,954 |
| 11/1/20 - 11/30/20 | 0 | — | 0 | 534,535,954 |
| 12/1/20 - 12/31/20 | 15,723,578 | 33.98 | 15,723,578 | 1,000,000,000 |
| **Total** | **15,723,578** | **$ 33.98** | **15,723,578** | **$ 1,000,000,000** |

(1) Excludes any fees, commissions or other expenses related to such repurchases.

(2) On December 14, 2020, our Board of Directors approved, and we announced, a new stock repurchase program authorizing the repurchase of up to $1.000 billion of our common stock (2020 share repurchase program). As of December 31, 2020, we had $1.000 billion remaining available under the 2020 share repurchase program. On January 25, 2013, our Board of Directors approved, and on January 29, 2013, we announced, a program authorizing the repurchase of up to $1.000 billion of our common stock (2013 share repurchase program). During the fourth quarter of 2020, we repurchased approximately $535 million of our common stock under the 2013 share repurchase program, which represented the full amount remaining under that authorization.

**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 Healthcare Equipment Index. The graph assumes $100 was invested in our common stock and in each of the named indices on December 31, 2015 and that any dividends were reinvested.




†$100 invested on 12/31/15 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.



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 Section 18 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, | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Net sales | $ 9,913 | $ 10,735 | $ 9,823 | $ 9,048 | $ 8,386 |
| Gross profit | 6,448 | 7,620 | 7,011 | 6,455 | 5,962 |
| Total operating expenses | 6,528 | 6,102 | 5,504 | 5,170 | 5,515 |
| Operating income (loss) | (80) | 1,518 | 1,506 | 1,285 | 447 |
| Income (loss) before income taxes | (79) | 687 | 1,422 | 933 | 177 |
| Net income (loss) | (82) | 4,700 | 1,671 | 104 | 347 |
| Net income (loss) available to common stockholders | (115) | 4,700 | 1,671 | 104 | 347 |
| Net income (loss) per common share: | | | | | |
| Basic | $ (0.08) | $ 3.38 | $ 1.21 | $ 0.08 | $ 0.26 |
| Assuming dilution | $ (0.08) | $ 3.33 | $ 1.19 | $ 0.08 | $ 0.25 |

## Balance Sheet Data

| As of December 31, | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Cash, cash equivalents and marketable securities | $ 1,734 | $ 217 | $ 146 | $ 188 | $ 196 |
| Working capital (deficit) | 3,013 | (168) | (1,257) | (1,832) | (348) |
| Total assets | 30,777 | 30,565 | 20,999 | 19,042 | 18,096 |
| Borrowings (short-term) | 13 | 1,416 | 2,253 | 1,801 | 64 |
| Borrowings (long-term) | 9,130 | 8,592 | 4,803 | 3,815 | 5,420 |
| Stockholders' equity | 15,326 | 13,877 | 8,726 | 7,012 | 6,733 |

The data above should be read in conjunction with our consolidated financial statements, including the notes thereto, included in Item 8. Financial Statements and Supplementary Data of our Annual Report on Form 10-K.

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

The following discussion and analysis provides information management believes to be relevant to understanding the financial condition and results of operations of Boston Scientific Corporation and its subsidiaries for the years ended December 31, 2020 and 2019. For a full understanding of our financial condition and results of operations, this discussion should be read in conjunction with our consolidated financial statements and accompanying notes included in Item 8. Financial Statements and Supplementary Data of this Annual Report.

For additional information on our financial condition and results of operations for the year ended December 31, 2018, refer to our previously filed Annual Report on Form 10-K.

### COVID-19 Pandemic

In December 2019, the novel strain of coronavirus (SARS-Cov-2), and its disease commonly known as COVID-19 (COVID-19), was reported in China and has since widely impacted the global public health and economic environment. In March 2020, the World Health Organization (WHO) declared COVID-19, including all additional variations and strains thereof, a global pandemic (COVID-19 pandemic). While the majority of procedures using our products are deferrable, most of the conditions that we treat are generally fairly acute and cannot be deferred for extended periods. As the pandemic spread worldwide and with COVID-19 cases confirmed in all major geographies, many elective and semi-emergent procedures were postponed, enabling hospital staff to focus critical resources on caring for COVID-19 patients. Some jurisdictions mandated elective procedure bans that included financial penalties for non-compliance, certain of which continued to be in effect throughout the year, or evolved to reduce capacity available for elective procedures, including in some cases restricting elective procedures to those that are outpatient procedures only. In other jurisdictions, the timing of the pandemic and public health measures resulted in lower levels of COVID-19 cases, while hospitals developed protocols such that elective procedures could be conducted safely.

The ongoing pandemic and accompanying restrictions negatively impacted our net sales and our results of operations in 2020. We experienced some improvement in our global sales trends in the second half of 2020 as previously deferred procedures resumed and referral rates improved. However, as COVID-19 cases re-surged in many locations around the world and new, more contagious variant strains of COVID-19 emerged in late 2020, renewed restrictions were implemented in areas that had previously reopened, including in parts of Europe and the U.S. In the fourth quarter of 2020, the U.S. Food and Drug Administration (FDA) issued emergency use authorizations for two COVID-19 vaccines and regulatory bodies in other geographies around the world have also authorized COVID-19 vaccines for use. The timing and success of efforts to distribute and administer these vaccines to broad portions of the population, enabling widespread immunity to COVID-19, will impact the duration and extent of the pandemic and its effect on demand for our products.

In response to the COVID-19 pandemic, we implemented cost reduction initiatives, including decreases in travel, meetings and customer events, hiring, clinical programs and certain research and development projects. We also implemented a temporary four-day work week for many employees globally and reduced employee compensation, including temporary significant cuts in the salaries of our executive officers and the cash retainer paid to our Board of Directors. In addition, we temporarily closed and/or reduced production levels at certain of our manufacturing sites in an effort to align our build plans to the current and expected demand environment. As COVID-19 cases began to decrease in certain geographies mid-year, we implemented a careful and tiered approach for employees to return to our sites following state and local ordinances, and continue to adjust for the recent resurgence in COVID-19 cases, including outbreaks of new variants of the disease. Employees with the greatest need to access onsite resources to perform their roles have returned first, while those who can effectively work remotely will continue to do so in order to facilitate maximum social distancing in our sites and within our communities. For non-executive officer employees, in those jurisdictions where temporary four-day work weeks and reductions in employee compensation were in effect, those measures concluded at the beginning of the third quarter. We also announced the end of the aforementioned reductions in executive officer pay and further announced that a portion of the annual cash retainer for our Board of Directors would be restored, beginning with a payment made during the fourth quarter of 2020. While we have implemented measures to reduce costs, our operating expenses as a percentage of net sales increased during 2020, as compared to the prior year, as approximately 70 percent of our operating expenses are fixed in nature. Our gross profit margin was also unfavorably impacted by the COVID-19 pandemic, due primarily to manufacturing costs associated with abnormally low production levels in our plants. All of our plants have now resumed manufacturing and have returned to more normalized production levels exiting 2020.

Because the severity, magnitude, and duration of the COVID-19 pandemic and its economic consequences are uncertain and rapidly changing, the pandemic's impact on our operations and financial performance, as well as its impact on our ability to

execute our business strategies and initiatives successfully, remains uncertain and difficult to predict. Procedural delays from the further resurgence of COVID-19 infections and the emergence of new, more contagious variant strains of COVID-19 may continue to negatively impact demand for our products, net sales, gross profit margin and operating expenses as a percentage of net sales in 2021.

We have evaluated the recoverability of the assets in our consolidated balance sheet in accordance with relevant authoritative accounting literature. We considered the disruptions caused by COVID-19, including revised forecasted sales and customer demand, a decline in the price of our common stock and macroeconomic factors potentially impacting accounts receivable, inventory, investments, intangible assets, goodwill and other assets and liabilities. Where forward-looking estimates are required, we made a good-faith estimate based on information available as of the balance sheet date. We have continued to monitor for indicators of impairment through the date of this Annual Report filed on Form 10-K, and reflected accordingly in the accompanying consolidated financial statements.

We continue to focus our efforts on the health and safety of patients, healthcare providers and employees, while executing our mission of transforming lives through innovative medical solutions to improve the health of patients around the world. Since the onset of COVID-19, our global crisis management team has focused on protecting our employees and customers, optimizing our operations and securing our supply chain. We have successfully implemented business continuity plans including establishing a medical advisory group for employees, leveraging work from home infrastructure to facilitate social distancing, limiting sales visits to critical cases and accelerating capabilities to provide remote physician support. While we expect the COVID-19 pandemic will continue to negatively impact our 2021 performance, we continue to believe our long-term fundamentals remain strong and we will manage through these challenges with strategic focus and the winning spirit of our global team.

**Executive Summary**

Financial Highlights and Trends

In 2020, we generated net sales of $9.913 billion, as compared to $10.735 billion in 2019. This decrease of $823 million, or 7.7 percent, included operational declines of 7.8 percent and the positive impact of 10 basis points from foreign currency fluctuations.[1] Operational net sales included $413 million in 2020 associated with our acquisition of Vertiflex, Inc. (Vertiflex) for the period prior to June 2020 and our acquisition of BTG plc (BTG) for the period prior to mid-August 2020, for both of which there were no prior period net sales. Operational net sales also included $41 million in 2019 associated with our global embolic microspheres portfolio, for which there were no comparable period sales in 2020 following our divestiture in the third quarter of 2019, and our intra-uterine health business, for which there were no comparable period sales in 2020 following our divestiture in the second quarter of 2020. Refer to the *Business and Market Overview* section for further discussion of our net sales by global business.

Our reported net loss available to common stockholders in 2020 was $115 million, or $0.08 per diluted share. Our reported results for 2020 included certain charges and/or credits totaling $1.492 billion (after-tax), or $1.04 per diluted share. Excluding these items, adjusted net income available to common stockholders for 2020 was $1.378 billion, or $0.96 per diluted share. [1,2]

Our reported net income in 2019 was $4.700 billion, or $3.33 per diluted share. Our reported results for 2019 included certain charges and/or credits totaling $2.466 billion (after-tax), or $1.75 per diluted share. Excluding these items, adjusted net income for 2019 was $2.234 billion, or $1.58 per diluted share.[1]

[1] Operational net sales growth rates, which exclude the impact of foreign currency fluctuations and adjusted measures, which exclude certain items required by generally accepted accounting principles in the United States (U.S. GAAP), are not 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 measure. Refer to *Additional Information* for a discussion of management's use of these non-GAAP financial measures.

[2]In May 2020, we completed an offering of 10,062,500 shares of 5.50% Mandatory Convertible Preferred Stock, Series A (MCPS) at a price to the public and liquidation preference of $100 per share. Refer to the reconciliations below for the impact of the MCPS cumulative preferred stock dividends on our calculations of earnings per share (EPS).

The following is a reconciliation of our results of operations prepared in accordance with 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, 2020 | |
|---|---|---|
| *(in millions, except per share data)* | **Earnings** | **Impact per Share[3]** |
| **Reported Net income (loss)** | **$ (82)** | |
| **Reported Preferred stock dividends** | **(33)** | |
| **Reported Net income (loss) available to common stockholders** | **$ (115)** | **$ (0.08)** |
| Non-GAAP adjustments: | | |
| Amortization expense | 701 | 0.49 |
| Goodwill and other intangible asset impairment charges | 465 | 0.32 |
| Acquisition/divestiture-related net charges (credits) | 115 | 0.08 |
| Restructuring and restructuring-related net charges (credits) | 146 | 0.10 |
| Litigation-related net charges (credits) | 261 | 0.18 |
| Investment portfolio net losses (gains) | (331) | (0.23) |
| EU MDR implementation costs | 25 | 0.02 |
| Deferred tax expenses (benefits) | 41 | 0.03 |
| Discrete tax items | 69 | 0.05 |
| **Adjusted net income (loss) available to common stockholders** | **$ 1,378** | **$ 0.96** |

(3) For 2020, the effect of assuming the conversion of MCPS into shares of common stock was anti-dilutive, and therefore excluded from the calculation of EPS. Accordingly, GAAP *Net loss* and Adjusted net income were reduced by cumulative *Preferred stock dividends*, as presented in our consolidated statements of operations, for purposes of calculating GAAP *Net loss available to common stockholders*. We have assumed dilution of 13.8 million common stock equivalents related to employee stock options for all or a portion of the non-GAAP adjustments, which were anti-dilutive for GAAP purposes due to our *Net loss* position.

| | Year Ended December 31, 2019 | |
|---|---|---|
| *(in millions, except per share data)* | **Earnings** | **Impact per Share** |
| **Reported Net income (loss)** | **$ 4,700** | **$ 3.33** |
| Non-GAAP adjustments: | | |
| Amortization expense | 628 | 0.44 |
| Intangible asset impairment charges | 102 | 0.07 |
| Acquisition/divestiture-related net charges (credits) | 672 | 0.48 |
| Restructuring and restructuring-related net charges (credits) | 68 | 0.05 |
| Litigation-related net charges (credits) | 72 | 0.05 |
| Investment portfolio net losses (gains) | 3 | 0.00 |
| EU MDR implementation costs | 5 | 0.00 |
| Debt extinguishment net charges (credits) | 67 | 0.05 |
| Deferred tax expenses (benefits) | (4,102) | (2.91) |
| Discrete tax items | 18 | 0.01 |
| **Adjusted net income (loss)** | **$ 2,234** | **1.58** |

*Cash provided by operating activities* was $1.508 billion in 2020. As of December 31, 2020, we had total debt of $9.143 billion, *Cash and cash equivalents* of $1.734 billion and working capital of $3.013 billion. Refer to *Liquidity and Capital Resources* for further information.

**Business and Market Overview**

The following section describes our results of operations by reportable segment and business unit. For additional information on our businesses and their product offerings, see *Item 1. Business* of this Annual Report.

**MedSurg**

***Endoscopy***

Our Endoscopy business develops and manufactures devices to diagnose and treat a broad range of gastrointestinal (GI) and pulmonary conditions with innovative, less invasive technologies. Our net sales of Endoscopy products of $1.780 billion represented 18 percent of our consolidated net sales in 2020. Our Endoscopy net sales decreased $114 million, or 6.0 percent, in 2020, as compared to 2019. This decrease included operational net sales declines of 6.3 percent and the positive impact of 30 basis points from foreign currency fluctuations, as compared to 2019. These year-over-year changes were primarily driven by declines in elective or semi-emergent upper endoscopy and colonoscopy procedures due to the COVID-19 pandemic environment, partially offset by growth in our infection prevention franchise.

***Urology and Pelvic Health***

Our Urology and Pelvic Health business develops and manufactures devices to treat various urological and pelvic conditions for both male and female anatomies. Our net sales of Urology and Pelvic Health products of $1.286 billion represented 13 percent of our consolidated net sales in 2020. Urology and Pelvic Health net sales decreased $127 million, or 9.0 percent on an as reported and operational basis in 2020, as compared to 2019. These year-over-year changes were due primarily to a reduction in sales of our prosthetic urology and pelvic floor franchises which were negatively impacted by the COVID -19 pandemic given their elective or semi-emergent nature and the divestiture of our Intrauterine Health business in the second quarter of 2020. These decreases were partially offset by growth in our prostate health franchise.

**Rhythm and Neuro**

***Cardiac Rhythm Management***

Our Cardiac Rhythm Management (CRM) business develops and manufactures a variety of implantable devices that monitor the heart and deliver electricity to treat cardiac abnormalities. Our net sales of CRM products of $1.704 billion represented 17 percent of our consolidated net sales in 2020. Our net sales of CRM products decreased $235 million, or 12.1 percent, in 2020, as compared to 2019. This decrease included operational net sales declines of 12.4 percent and the positive impact of 20 basis points from foreign currency fluctuations, as compared to 2019. These year-over-year changes were driven by a decline in both defibrillator and pacemaker procedures due to the deferral of semi-emergent and emergent procedures in the COVID-19 pandemic environment.

***Electrophysiology***

Our Electrophysiology business develops and manufactures less-invasive medical technologies used in the diagnosis and treatment of rate and rhythm disorders of the heart. Our net sales of Electrophysiology products of $287 million represented three percent of our consolidated net sales in 2020. Our Electrophysiology net sales decreased $42 million, or 12.8 percent, in 2020, as compared to 2019. This decrease included operational net sales declines of 13.5 percent and the positive impact of 80 basis points from foreign currency fluctuations, as compared to 2019. Sales of our mapping and navigation products and our core diagnostic and therapeutic devices declined year over year due to the impact of COVID-19 and deferral of elective Electrophysiology procedures.

***Neuromodulation***

Our Neuromodulation business develops and manufactures devices to treat various neurological movement disorders and manage chronic pain. Our net sales of Neuromodulation products of $761 million represented 8 percent of our consolidated net sales in 2020. Neuromodulation net sales decreased $112 million, or 12.8 percent, in 2020, as compared to 2019. This decrease included operational net sales declines of 13.0 percent and the positive impact of 10 basis points from foreign currency fluctuations, as compared to 2019. These year-over-year changes were primarily due to sales declines in our spinal cord stimulation (SCS) systems due to deferral of elective procedures in the COVID-19 pandemic environment. The unfavorable

impact was partially offset by higher Superion™ Indirect Decompression System sales, which was purchased as part of our Vertiflex acquisition in the second quarter of 2019, and deep brain stimulation (DBS) system sales.

**Cardiovascular**

***Interventional Cardiology***

Our Interventional Cardiology business develops and manufactures technologies for diagnosing and treating coronary artery disease and structural heart conditions. Our net sales of Interventional Cardiology products of $2.299 billion represented 23 percent of our consolidated net sales in 2020. Our Interventional Cardiology net sales decreased $517 million, or 18.4 percent, in 2020, as compared to 2019. This decrease included operational net sales declines of 18.2 percent and the negative impact of 10 basis points from foreign currency fluctuations, as compared to 2019. These year-over-year changes were primarily driven by our coronary stent and other complex percutaneous coronary intervention (PCI) franchises, with a significant slowdown in procedural volumes in the COVID-19 pandemic environment. Within our structural heart business, sales of our WATCHMAN™ Left Atrial Appendage Closure (LAAC) Device were also negatively impacted by the COVID-19 pandemic, particularly during the first half of 2020. They were further negatively impacted by $179 million in revenue reserves primarily related to our conversion to a consignment inventory model for our LAAC franchise with the launch of our next-generation WATCHMAN FLX™ Device in the U.S. This program to shift to a consignment model, whereby revenue will be recognized in the future as units are consumed by the customer, has now concluded. In the fourth quarter of 2020, we announced a voluntary recall of our LOTUS Edge™ Aortic Value System and the discontinuation of our LOTUS program due to complexities associated with the product delivery system and given the additional time and investment required to develop and reintroduce an enhanced delivery system. We will instead focus our resources and efforts on the remainder of the portfolio and are encouraged by the successful launch of our ACURATE neo2 Aortic Valve System in Europe, initiated in the third quarter of 2020.

***Peripheral Interventions***

Our Peripheral Interventions business develops and manufactures products to diagnose and treat peripheral arterial and venous diseases, as well as products to diagnose, treat and ease various forms of cancer. In the third quarter of 2019, we completed the acquisition of BTG plc (BTG). We integrated BTG's Interventional Medicine (IM) portfolio into our Peripheral Interventions division, adding complementary technologies in the areas of venous disease and interventional oncology. Our net sales of Peripheral Interventions products of $1.577 billion represented 16 percent of our consolidated net sales in 2020. Our Peripheral Interventions net sales increased $185 million, or 13.3 percent, in 2020, as compared to 2019. This increase included operational net sales growth of 13.1 percent and the positive impact of 20 basis points from foreign currency fluctuations, as compared to 2019. These year-over-year changes were primarily driven by the Interventional Oncology franchise, including our TheraSphere™ Y-90 radioactive glass microspheres acquired with BTG, as well as growth in our drug-eluting portfolio, including the Eluvia™ Drug-Eluting Stent and Ranger™ Drug-Coated Balloon. Excluding BTG for the period prior to mid-August 2020, for which there were no prior year net sales and the related divestiture of our drug-eluting and bland embolic microsphere portfolio, our Peripheral Interventions net sales decreased $35 million, or 2.5 percent, in 2020, compared to 2019, primarily due to the deferral of semi-emergent and elective procedures in the COVID-19 pandemic environment, notably impacting core peripheral technologies and stents.

**Specialty Pharmaceuticals**

Following the closing of our BTG acquisition, we have presented the Specialty Pharmaceuticals business as a standalone operating segment alongside our reportable segments. Our Specialty Pharmaceuticals business develops and manufactures acute care antidotes to treat overexposure to certain medications and toxins. These products are sold primarily in the U.S. through small, specialist sales teams and through commercial partners elsewhere, where approved or permitted. Our net sales of Specialty Pharmaceuticals products of $219 million represented 2 percent of our consolidated net sales in 2020. On December 1, 2020, we announced the execution of a definitive agreement pursuant to which we agreed to sell our Specialty Pharmaceuticals business for a purchase price of $800 million, subject to certain adjustments, including cash on hand at the closing date of the transaction. The transaction is expected to close during the first half of 2021, subject to customary closing conditions.

**Emerging Markets**

As part of our strategic imperatives to drive global expansion, described in *Item 1. Business* 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 the 20 countries that we believe have strong growth potential based on their economic conditions, healthcare sectors and our global capabilities. We have increased our investment in infrastructure in these countries in order to maximize opportunities. Periodically, we assess our list of Emerging Markets which is currently comprised of the following countries: Argentina, Brazil, Chile, China, Colombia, Czech Republic, India, Indonesia, Malaysia, Mexico, Philippines, Poland, Russia, Saudi Arabia, Slovakia, South Africa, South Korea, Thailand, Turkey and Vietnam. Our Emerging Markets net sales represented 11 percent of our consolidated net sales in 2020 and 12 percent in 2019. In 2020, our Emerging Markets net sales declined 12.7 percent on a reported basis including operational net sales declines of 9.2 percent and the negative impact of 350 basis points from foreign currency fluctuations, as compared to 2019. The decline in 2020 was largely driven by the impact of the COVID-19 pandemic on our sales in Brazil, India and China. In addition, during 2020, our net sales in China were negatively impacted by recent national tenders driving down prices for drug-eluting stent products, including the impact of customer price concessions and inventory repurchases associated with business model changes. Our future net sales in Emerging Markets may continue to be negatively impacted by the COVID-19 pandemic, as well as geopolitical and economic instability and a number of other factors.

**Results of Operations**

***Net Sales***

The following table provides our net sales by business and the relative change in growth on a reported basis:

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| *(in millions)* | **2020** | **2019** | **2018** | **2020 versus 2019** | **2019 versus 2018** |
| Endoscopy | $ 1,780 | $ 1,894 | $ 1,762 | (6.0)% | 7.5% |
| Urology and Pelvic Health | 1,286 | 1,413 | 1,245 | (9.0)% | 13.4% |
| **MedSurg** | 3,066 | 3,307 | 3,007 | (7.3)% | 10.0% |
| Cardiac Rhythm Management | 1,704 | 1,939 | 1,951 | (12.1)% | (0.6)% |
| Electrophysiology | 287 | 329 | 311 | (12.8)% | 5.5% |
| Neuromodulation | 761 | 873 | 779 | (12.8)% | 12.0% |
| **Rhythm and Neuro** | 2,752 | 3,140 | 3,041 | (12.4)% | 3.3% |
| Interventional Cardiology | 2,299 | 2,816 | 2,590 | (18.4)% | 8.7% |
| Peripheral Interventions | 1,577 | 1,392 | 1,187 | 13.3% | 17.3% |
| **Cardiovascular** | 3,876 | 4,208 | 3,777 | (7.9)% | 11.4% |
| **Medical Devices** | 9,694 | 10,654 | 9,823 | (9.0)% | 8.5% |
| **Specialty Pharmaceuticals** | 219 | 81 | n/a | n/a | n/a |
| **Net Sales** | **$ 9,913** | **$ 10,735** | **$ 9,823** | **(7.7)%** | **9.3%** |

Refer to *Executive Summary* for further discussion of our net sales and a comparison of our 2020 and 2019 net sales.

In 2019, we generated net sales of $10.735 billion, as compared to $9.823 billion in 2018. This increase of $912 million, or 9.3 percent, included operational growth of 11.1 percent and the negative impact of 180 basis points from foreign currency fluctuations. Operational net sales included approximately $378 million in 2019 associated with the acquisitions of NxThera, Inc. (NxThera) in the second quarter of 2018, Claret Medical, Inc. (Claret) in the third quarter of 2018, Augmenix, Inc. (Augmenix) in the fourth quarter of 2018, Vertiflex in the second quarter of 2019, and BTG in the third quarter of 2019, each with less than a full year of prior period related net sales.

***Gross Profit***

Our gross profit was $6.448 billion in 2020 and $7.620 billion in 2019. As a percentage of net sales, our gross profit decreased to 65.0 percent in 2020, as compared to 71.0 percent in 2019. The following is a rollforward of our gross profit margins and a description of the drivers of the change from period to period:

| | Gross Profit Margin |
|---|---|
| **Year Ended December 31, 2018** | **71.4%** |
| Manufacturing cost reductions | 0.8% |
| Sales pricing and mix | (0.6)% |
| Inventory step-up amortization | (0.4)% |
| Net impact of foreign currency fluctuations | 0.7% |
| All other, including other period expense | (0.8)% |
| **Year Ended December 31, 2019** | **71.0%** |
| Manufacturing cost reductions | 0.6% |
| Sales pricing and mix | (1.4)% |
| Abnormal production variances | (1.5)% |
| WATCHMAN FLX™ transition | (0.5)% |
| LOTUS Edge™ discontinuation | (1.2)% |
| Inventory step-up amortization | (0.6)% |
| Net impact of foreign currency fluctuations | 0.2% |
| All other, including other period expense | (1.6)% |
| **Year Ended December 31, 2020** | **65.0%** |

A significant factor contributing to the decrease in our gross profit margin for 2020 as compared to 2019 was manufacturing costs of $149 million associated with abnormally low production levels resulting from plant shutdowns and reduced operations. In addition, we recorded $119 million of inventory charges associated with the global, voluntary recall of all unused inventory of our LOTUS Edge™ Aortic Valve System and discontinuation of the LOTUS platform. Our gross margin was further negatively impacted in 2020 due to our conversion to a consignment inventory model for our LAAC franchise with the launch of our next-generation WATCHMAN FLX™ Device. In addition, the unfavorable product mix due to the deferral of procedures using higher-margin products, price declines related primarily to sales of our coronary drug-eluting stent products, excess and obsolete inventory charges due to lower forecasted demand for certain of our products as well as the amortization of the inventory fair value step up recorded in connection with our acquisition of BTG contributed to a decrease in gross margin. These decreases were partially offset by manufacturing cost reductions driven by our process improvement programs in each period as well as favorable foreign currency fluctuations.

The primary factors contributing to the decrease in our gross profit margin for 2019 as compared to 2018 were the negative impacts of pricing declines related primarily to sales of our coronary drug-eluting stent products, as well as increased levels of scrap associated with recently launched products and excess and obsolete inventory. In addition, in connection with our recent acquisitions, we adjusted acquired inventory from manufacturing cost to fair value. The step-up in value is amortized through gross profit over an average estimated inventory turnover period. In 2019, we recorded increased cost of $46 million associated with these step-ups. This was partially offset by manufacturing cost reductions driven by our process improvement programs as well as favorable foreign currency fluctuations.

*EU MDR Implementation Costs*

The European Union Medical Device Regulation (EU MDR) is a replacement of the existing European Medical Devices Directive (MDD) regulatory framework, and manufacturers of medical devices are required to comply with EU MDR beginning in May 2021 (previously May 2020) for new product registrations and by May 2024 for medical devices which have a valid CE Certificate to the current Directives (issued before May 2021).

We consider the adoption of EU MDR to be a significant change to a regulatory framework, and therefore, certain incremental costs specific to complying with EU MDR for previously registered products are not considered to be ordinary course expenditures in connection with regulatory matters. As such, certain of these costs are excluded from management's assessment of operating performance and from our operating segments' measures of profit and loss used for making operating decisions and

assessing performance. We began our implementation efforts in late-2019 and incurred associated expenses of $51 million in 2020. We expect to incur total expenses of approximately $150 million to $200 million over the four year implementation period, which will be recorded primarily within *Cost of products sold*.

***Operating Expenses***

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

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | 2019 | | 2018 | |
| *(in millions)* | $ | % of Net Sales | $ | % of Net Sales | $ | % of Net Sales |
| Selling, general and administrative expenses | $ 3,787 | 38.2 % | $ 3,941 | 36.7 % | $ 3,569 | 36.3 % |
| Research and development expenses | 1,143 | 11.5 % | 1,174 | 10.9 % | 1,113 | 11.3 % |
| Royalty expense | 45 | 0.5 % | 65 | 0.6 % | 70 | 0.7 % |

*Selling, General and Administrative (SG&A) Expenses*

In 2020, our *SG&A expenses* decreased $154 million, or 4 percent, as compared to 2019 and were 150 basis points higher as a percentage of net sales. The decrease in *SG&A expenses* was due primarily to our efforts to reduce expenditures to minimize the impact of the COVID-19 pandemic on our results of operations. We implemented several cost reduction initiatives, including decreases in travel, meetings and customer events, hiring and other variable spending. We also implemented a temporary four-day work week for many employees globally and reduced employee compensation, including temporary significant cuts in the salaries of our executive officers and the cash retainer paid to our Board of Directors. For non-executive officer employees, in those jurisdictions where temporary four-day work weeks and reductions in employee compensation were in effect, those measures concluded at the beginning of the third quarter. We also announced the end of the aforementioned reductions in executive officer pay and further announced that a portion of the annual cash retainer for our Board of Directors would be restored, beginning with a payment made during the fourth quarter of 2020.

In 2019, our *SG&A expenses* increased $371 million, or 10 percent, as compared to 2018 and were 40 basis points higher as a percentage of net sales. This increase in *SG&A expenses* as a percentage of net sales was primarily due to acquisition-related charges primarily associated with our acquisition and integration of BTG, partially offset by savings from ongoing cost optimization initiatives. These increased *SG&A expenses* were also partially offset by a $25 million net gain recorded in the first quarter primarily associated with a portion of a litigation settlement with Edwards Lifesciences Corporation (Edwards). For further details regarding the presentation of the Edwards litigation settlement see *Litigation-related net charges (credits)* below.

*Research and Development (R&D) Expenses*

We remain committed to advancing medical technologies and investing in meaningful research and development projects across our businesses. In 2020, our *R&D expenses* decreased $31 million, or 3 percent, as compared to 2019, and were 60 basis points higher as a percentage of net sales. We expect to continue to make investments across our businesses in order to maintain a pipeline of new products that we believe will contribute to profitable sales growth.

In 2019, our *R&D expenses* increased $61 million, or 6 percent, as compared to 2018, and were 40 basis points lower as a percentage of sales as a result of investments across our businesses.

*Royalty Expense*

In 2020, our *Royalty expense* decreased $20 million, or 31 percent, as compared to 2019 and was 10 basis points lower as a percentage of net sales and relates primarily to the expiration of certain royalty agreements.

In 2019, our *Royalty expense* decreased $5 million, or 7 percent, as compared to 2018 and was 10 basis points lower as a percentage of net sales. The decrease in *Royalty expense* in 2019, as compared to 2018, relates primarily to contractual reductions in royalty rates associated with certain products.

*Other Operating Expenses*

The following table provides a summary of certain of our other operating expenses, which are excluded by management for purposes of evaluating operating performance, refer to *Additional Information* for a further description of certain operating expenses:

| | Year Ended December 31, | | |
|---|---|---|---|
| *(in millions)* | **2020** | **2019** | **2018** |
| Amortization expense | $ 789 | $ 699 | $ 599 |
| Goodwill impairment charges | 73 | — | — |
| Intangible asset impairment charges | 460 | 105 | 35 |
| Contingent consideration net expense (benefit) | (100) | (35) | (21) |
| Restructuring net charges (credits) | 52 | 38 | 36 |
| Litigation-related net charges (credits) | 278 | 115 | 103 |

*Amortization Expense*

In 2020, our *Amortization expense* increased $90 million, or 13 percent, as compared to 2019. In 2019, our *Amortization expense* increased $101 million, or 17 percent, as compared to 2018. The increases in each period were driven by an increase in the balance of amortizable intangible assets due to recent acquisitions, including BTG.

*Goodwill Impairment Charges*

In 2020, we recorded *Goodwill impairment charges* of $73 million related to the execution of a definitive agreement to sell our Specialty Pharmaceuticals business. We did not record any *Goodwill impairment charges* in 2019 or 2018. Refer to *Note A – Significant Accounting Policies* to our consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data of this Annual Report for additional information and *Critical Accounting Estimates* for a discussion of key assumptions used in our goodwill impairment testing and future events that could have a negative impact on the recoverability of our goodwill.

*Intangible Asset Impairment Charges*

In 2020, our *Intangible asset impairment charges* were $460 million, primarily associated with our acquisitions of Apama Medical Inc. and nVision Medical Corporation (nVision) following management's decision to cancel the programs due to cost to complete, time to market, overall economic viability or, specific to nVision, our understanding of the clinical evidence necessary to commercialize the technology. *Intangible asset impairment charges* in 2020 also included charges related to our acquisition of Sadra Medical, Inc. (Sadra Medical) as a result of lower sales forecasts, as well as the cost of quality remediation efforts following the voluntary recall of our LOTUS Edge™ Aortic Valve System and subsequent discontinuation of the LOTUS platform.

Refer to *Critical Accounting Estimates* for a discussion of key assumptions used in our intangible asset impairment testing and future events that could have a negative impact on the recoverability of our intangible assets.

*Contingent Consideration Net Expense (Benefit)*

The $100 million benefit recorded in 2020 related to a reduction in the contingent consideration liability for certain prior acquisitions for which we reduced the probability of achievement of associated revenue and/or regulatory milestones upon which payment is conditioned, or in the case of nVision, for milestones that would not be achieved due to discontinuation of the R&D program. In 2019 and 2018, we recorded net benefits related to the change in fair value of our contingent consideration liability. Refer to *Note B – Acquisitions and Strategic Investments* to our consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data of this Annual Report for additional details related to our contingent consideration arrangements.

*Restructuring Net Charges (Credits)*

In June 2016, our Board of Directors approved, and we committed to a restructuring initiative (the 2016 Restructuring Plan), which was initiated in the second quarter of 2016 and substantially completed in 2019. The 2016 Restructuring Plan resulted in total pre-tax charges of $271 million and approximately $255 million in cash outlays.

In addition, in November 2018, our Board of Directors approved, and we committed to, a new global restructuring program (the 2019 Restructuring Plan). The 2019 Restructuring Plan, for which our Board of Directors approved an expansion in February 2021, is expected to result in total pre-tax charges of approximately $375 million to $475 million and approximately $340 million to $440 million of these charges are expected to result in cash outlays. A substantial portion of the savings are being reinvested in strategic growth initiatives.

Total restructuring and restructuring-related net charges pursuant to these programs were $116 million in 2020, $82 million in 2019 and $96 million in 2018. In addition, on November 17, 2020, we announced a global, voluntary recall of all unused inventory of our LOTUS Edge™ Aortic Valve System, and our decision to retire the entire LOTUS platform. We estimate the decision will result in total pre-tax restructuring and restructuring-related net charges of approximately $80 million to $90 million, which includes $30 million to $40 million of estimated charges expected to result in future cash outlays. We recorded $55 million of restructuring and restructuring-related net charges associated with the product discontinuation in 2020, and expect the remaining activity to be substantially complete during early 2021. See *Note H – Restructuring-related Activities* to our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report for additional details on our restructuring plans.

*Litigation-related Net Charges (Credits)*

We recorded litigation-related net charges of $278 million in 2020, primarily related to transvaginal mesh products, inclusive of a reserve related to claims made by a coalition of state attorneys general.

We recorded litigation-related net charges of $115 million in 2019, which included a net charge of $223 million in the fourth quarter of 2019, primarily related to litigation with Channel Medsystems, Inc. (Channel), net charges of $25 million in the third quarter of 2019 and $15 million in the second quarter of 2019, primarily related to transvaginal surgical mesh product liability litigation, and a gain of $148 million recorded in the first quarter of 2019, which represents a portion of the total $180 million one-time settlement payment received from Edwards Lifesciences Corporation (Edwards) in January 2019. We record certain legal and product liability charges, credits and costs of defense, which we consider to be unusual or infrequent and significant as *Litigation-related net charges (credits)* in our consolidated financial statements. All other legal and product liability charges, credits and costs are recorded within *SG&A expenses*. As such, a portion of the related gain from the Edwards settlement was recorded in *SG&A expenses* in our consolidated statements of operations.

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 the financial covenant required by our credit agreements. Refer to *Note K – Commitments and Contingencies* to our consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data of this Annual Report for additional discussion of our material legal proceedings.

***Interest Expense***

The following table provides a summary of our *Interest expense* and average borrowing rate:

| | Year Ended December 31, | | |
|---|---|---|---|
| *(in millions)* | **2020** | **2019** | **2018** |
| **Interest expense** | $ (361) | $ (473) | $ (241) |
| **Weighted average borrowing rate** | 3.6 % | 4.8 % | 3.6 % |

*Interest expense* and our average borrowing rate decreased in 2020, as compared to 2019, primarily due to our euro-denominated senior notes offering in November 2019, which carry lower interest rates than the senior notes we partially repaid with proceeds from the offering. In 2019, we incurred debt extinguishment charges of $86 million presented in *Interest expense* in our consolidated statements of operations associated with repayments of debt using proceeds from our November 2019 offering.

Refer to *Liquidity and Capital Resources* in this Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and *Note E – Hedging Activities and Fair Value Measurements* and *Note F – Contractual Obligations and Commitments* to our consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data of this Annual Report for information regarding our debt obligations.

***Other, net***

The following are the components of *Other, net*:

| | Year Ended December 31, | | |
|---|---|---|---|
| *(in millions)* | **2020** | **2019** | **2018** |
| Interest income | $ 3 | $ 30 | $ 3 |
| Net foreign currency gain (loss) | (32) | (358) | 11 |
| Net gains (losses) on investments | 383 | (30) | 155 |
| Other income (expense), net | 7 | (1) | (14) |
| | **$ 362** | **$ (358)** | **$ 156** |

In 2020, we recorded a $363 million gain on our investment in Pulmonx Corporation presented in *Other, net* to remeasure to fair value based on observable market prices. Certain gains and losses associated with our investment portfolio are included in *Investment portfolio net losses (gains)* presented in the reconciliation of our results of operations prepared in accordance with U.S. GAAP to those adjusted results considered by management. Refer to *Financial Summary* for the reconciliation and *Additional Information* for a discussion of management's use of non-GAAP financial measures.

In 2019, we settled all outstanding non-designated forward currency contracts that we entered into for the purpose of managing our exposure to currency exchange rate risk related to the British pound sterling-denominated purchase price of BTG. We recognized a $323 million loss in *Other, net* due to changes in fair value of the contracts. These amounts are included in *Acquisition/divestiture-related net charges (credits)* presented in the reconciliation of our results of operations prepared in accordance with U.S. GAAP to those adjusted results considered by management. Refer to *Financial Summary* for the reconciliation and *Additional Information* for a discussion of management's use of non-GAAP financial measures.

***Tax Rate***

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Reported tax rate | **2.9 %** | **(584.0)%** | **(17.5)%** |
| Impact of certain receipts/charges[(1)] | 8.3 % | 594.2 % | 30.7 % |
| | **11.2 %** | **10.2 %** | **13.2 %** |

(1) These receipts/charges are taxed at different rates than our effective tax rate.

The change in our reported tax rate for 2020, as compared to 2019, relates primarily to the deferred tax benefit of intra-entity transfers of intellectual property rights realized in 2019, as well as a shift in geographical mix of earnings to higher-tax jurisdictions. This is partially offset by the impact of certain receipts and charges that are taxed at different rates than our effective tax rate. These receipts and charges include goodwill and intangible asset impairment charges, acquisition/divestiture-related net charges, restructuring and restructuring-related net charges, litigation-related net charges, as well as certain discrete tax items primarily related to the resolution of an Internal Revenue Service (IRS) audit, as explained below, tax windfall benefits associated with share-based payments, and impacts of the Coronavirus Aid, Relief and Economic Security (CARES) Act, enacted on March 27, 2020.

The change in our reported tax rate for 2019, as compared to 2018, relates primarily to the deferred tax benefit of intra-entity transfers of intellectual property rights partially offset by increased current tax expense related to the U.S. taxation of current foreign earnings.

In the second quarter of 2018, a decision was entered by the U.S. Tax Court resolving all disputes for Guidant Corporation for its 2001 through 2006 tax years and our 2006 and 2007 tax years as well as the tax issues related to our 2006 transaction with Abbott Laboratories. Additionally, we resolved all issues with the IRS Office of Appeals for our 2008 through 2010 tax years. The final settlement calculation resulted in a final net tax payment of $303 million plus $307 million of estimated interest,

which was remitted in the second quarter of 2018. Due to the final settlement of these disputes, we recorded a net tax benefit of $250 million in 2018 to remove a reserve related to these years.

In the fourth quarter of 2018, we received a Revenue Agent Report (RAR) from the IRS for our 2011 through 2013 tax years. We remitted $93 million to the IRS in the fourth quarter of 2018 reflecting the net balance of tax and interest due for these years after consideration of amounts owed to us by the IRS. Due to the resolution of these tax years, we recorded a net tax benefit of $90 million to remove a reserve related to these years.

In the third quarter of 2020, we received notification from the IRS regarding the examination of our 2014 through 2016 tax years stating that the Joint Committee on Taxation completed its review on July 21, 2020, and the IRS examination was resolved. Due to the resolution of these tax years, we recorded a net tax benefit of $91 million in the third quarter of 2020 to release the reserves related to these years. We received a refund of $62 million from the IRS in the fourth quarter of 2020 reflecting the net balance of amounts owed to us by the IRS after consideration of tax and interest due for these years.

Economic stimulus legislation has been enacted in many countries in response to the COVID-19 pandemic. In the U.S., the CARES Act was signed into law on March 27, 2020 and provided an estimated $2.2 trillion in COVID-19 pandemic related relief, and included tax relief and government loans, subsidies and other relief for entities in affected industries. While we have not applied for government loans, we have taken advantage of the benefits offered in multiple jurisdictions, including the U.S. provision allowing taxpayers to defer payment of the employer portion of certain payroll taxes through the end of 2020. This allowed us to preserve cash generated from operations to service our debt obligations and other near-term commitments.

See *Note J – Income Taxes* to our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report for additional details on our tax rate.

**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, access to capital markets and existing credit facilities will be sufficient to fund our operations, invest in our infrastructure, pay our legal-related liabilities, pay taxes due and service and repay our existing debt for at least the next 12 months. Please refer to *Contractual Obligations and Commitments* below for additional details on our future payment obligations and commitments.

Due to the uncertainty of the impact of the COVID-19 pandemic on our business, we took proactive steps to reduce costs and ensure we are in a strong position to support customers and patients as healthcare systems recover and elective and semi-emergent procedures resume. These actions included taking steps to manage outstanding borrowings and increase available liquidity, preemptively amending our financial covenant requirement for our outstanding credit arrangements, implementing significant cost reductions as described above in *COVID-19 Pandemic* and slowing planned capital expenditures. We also created a cross-functional strategic cash management team to take appropriate actions to ensure we continue to optimize funds to execute our core mission.

In May 2020, we completed an offering of $1.700 billion in aggregate principal amount of senior notes and used the net proceeds to prepay $1.250 billion of amounts outstanding under our February 2021 and April 2021 Term Loan and pay related fees, expenses and premiums, as well as to refinance $450 million of amounts outstanding under our Revolving Credit Facility. We now have full access to the $2.750 billion of available liquidity under our Revolving Credit Facility. In May 2020, we also completed public equity offerings of our preferred stock and common stock, as discussed below, and used a portion of the combined net proceeds to repay in full the remaining amounts outstanding under the April 2021 Term Loan. During the third quarter of 2020, we made a further prepayment of the remaining $250 million outstanding under our February 2021 Term Loan.

In the fourth quarter of 2020, we redeemed $250 million of our $500 million 3.375% senior notes due 2022 (May 2022 Notes) at a redemption price calculated in accordance with the terms of the May 2022 Notes and its indenture, plus accrued and unpaid interest through, but excluding, the date of redemption. Also in the fourth quarter of 2020, we repurchased approximately 15.7 million shares of our common stock pursuant to the 2013 share repurchase program for a total of approximately $535 million in cash, which represented the full amount remaining under that authorization. Refer to *Equity* for additional information below.

As of December 31, 2020, we had $1.734 billion of unrestricted *Cash and cash equivalents* on hand, comprised of $1.584 billion invested in money market funds and time deposits and $150 million in interest bearing and non-interest-bearing bank accounts. We invest excess cash on hand in short-term financial instruments that earn at 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. As of December 31, 2020, we had no commercial paper debt outstanding, resulting in an additional $2.750 billion of available liquidity.

For additional details related to our debt obligations, including our financial covenant requirement, refer to *Note F – Contractual Obligations and Commitments* to our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K, which is incorporated herein by reference.

The following provides a summary and description of our net cash inflows (outflows):

| | Year Ended December 31, | | |
|---|---|---|---|
| *(in millions)* | **2020** | **2019** | **2018** |
| Cash provided by (used for) operating activities | $ 1,508 | $ 1,836 | $ 310 |
| Cash provided by (used for) investing activities | (411) | (5,041) | (1,921) |
| Cash provided by (used for) financing activities | 293 | 2,973 | 1,432 |

*Operating Activities*

In 2020, cash provided by operating activities decreased $328 million, as compared to 2019. This decrease was primarily due to revenue declines resulting from the COVID-19 pandemic, partially offset by implementation of spend controls. In addition, included in 2020 was a settlement payment related to litigation with Channel, whereas 2019 included a litigation-related receipt of $180 million from Edwards.

*Investing Activities*

In 2020, cash used for investing activities primarily included *Purchases of property, plant and equipment* of $376 million, *Payments for investments and acquisitions of certain technologies* of $146 million, partially offset by *Proceeds from royalty rights* of $87 million.

In 2019, cash used for investing activities primarily included *Payments for acquisitions of businesses, net of cash acquired* of $4.382 billion relating to our acquisitions of BTG, Vertiflex and Millipede, *Purchases of property, plant and equipment* of $461 million, *Payments for investments and acquisitions of certain technologies* of $149 million, partially offset by *Proceeds from divestiture of certain businesses* of $90 million relating to the sale of our drug-eluting and bland embolic microsphere portfolio to Varian Medical Systems, Inc. (Varian) in connection with our acquisition of BTG. Cash used for investing activities also included *Payments for settlements of hedge contracts* of $199 million, of which $95 million relates to the termination and settlement of our outstanding forward currency contracts designated as net investment hedges in our Euro-denominated entities and $294 million relates to the settlement of our non-designated forward currency contracts entered into for the purpose of managing our exposure to currency exchange rate risk related to the British-pound sterling (GBP) denominated purchase price of BTG. Refer to *Note E – Hedging Activities and Fair Value Measurements* consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report for further information.

*Financing Activities*

Our cash flows provided by financing activities reflect issuances and repayments of debt, including our senior notes, term loans, commercial paper program and Revolving Credit Facility as well as net proceeds from issuances of our common stock and preferred stock in connection with public offerings, *Payments for repurchase of common stock* and *Proceeds from issuances of shares of common stock pursuant to employee stock compensation and purchase plans* as discussed in *Note L – Stockholders' Equity* to our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report.

In addition, our financing activities included *Payment of contingent consideration previously established in purchase accounting* of $49 million in 2020, $66 million in 2019 and $19 million in 2018 and *Payments for royalty rights* of $97 million in 2020 and $69 million in 2019. In 2019, we also sold our rights to future royalties associated with the Zytiga™ Drug for $256 million in cash presented within *Proceeds from royalty rights transfer*.

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 tax and litigation matter outcomes and other risks and uncertainties could limit our ability to successfully execute our business plans and adversely affect our liquidity plans.

Debt

The following table presents the current and long-term portions of our total debt:

| | As of | |
|---|---|---|
| *(in millions)* | **December 31, 2020** | **December 31, 2019** |
| *Current debt obligations* | $ 13 | $ 1,416 |
| *Long-term debt* | 9,130 | $ 8,592 |
| Total debt | **$ 9,143** | **$ 10,008** |

The following table presents the portions of our total debt that are comprised of fixed and variable rate debt instruments, which are presented on an amortized cost basis:

| | As of | |
|---|---|---|
| *(in millions)* | **December 31, 2020** | **December 31, 2019** |
| Fixed-rate debt instruments | $ 9,123 | $ 7,587 |
| Variable rate debt instruments | 20 | 2,421 |
| Total debt | **$ 9,143** | **$ 10,008** |

As of and through December 31, 2020, we were in compliance with the financial covenant required by our credit facilities described above. For additional details related to our debt obligations, including our financial covenant requirements, refer to *Note F – Contractual Obligations and Commitments* to our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report.

Equity

On May 27, 2020, we completed an offering of 10,062,500 shares of 5.50% Mandatory Convertible Preferred Stock, Series A (MCPS) at a price to the public and liquidation preference of $100 per share. The net proceeds from the MCPS offering were approximately $975 million after deducting underwriting discounts and commissions and offering expenses. On May 27, 2020, we also completed an offering of 29,382,500 shares of our common stock at a public offering price of $34.25 per share. The net proceeds from the common stock offering were approximately $975 million after deducting underwriting discounts and commissions and offering expenses.

In addition, during 2020 we received $111 million in proceeds from stock issuances related to our stock option and employee stock purchase plans, as compared to $123 million in 2019. 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. Stock-based compensation expense related to our stock ownership plans was $170 million in 2020 and $157 million in 2019. 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, as well as the retirement eligibility of stock award recipients.

On January 25, 2013, our Board of Directors approved and on January 29, 2013, we announced a program authorizing the repurchase of up to $1.000 billion of our common stock (2013 share repurchase program). In the fourth quarter of 2020, we repurchased approximately 15.7 million shares of our common stock pursuant to the 2013 share repurchase program for a total of approximately $535 million in cash, which represented the full amount remaining under that authorization.

On December 14, 2020, our Board of Directors approved a new stock repurchase program authorizing the repurchase of up to $1.000 billion of our common stock (2020 share repurchase program). As of December 31, 2020, we had the full amount remaining available under the 2020 share repurchase program.

We did not repurchase any shares of our common stock during 2019. There were approximately 263 million shares in treasury as of December 31, 2020 and 248 million shares in treasury as of December 31, 2019.

**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, 2020:

| *(in millions)* | 2021 | 2022 | 2023 | 2024 | 2025 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Debt obligations[1] | $ — | $ 250 | $ 244 | $ 850 | $ 1,023 | $ 6,839 | $ 9,205 |
| Interest payments[2] | 330 | 326 | 322 | 294 | 264 | 2,466 | 4,002 |
| Lease obligations | 86 | 75 | 60 | 49 | 43 | 218 | 530 |
| Purchase obligations[2] | 403 | 53 | 41 | 26 | 13 | — | 535 |
| Minimum royalty obligations[2] | 3 | 2 | 2 | 2 | 2 | 2 | 13 |
| License and software commitments[2] | 2 | 2 | 2 | 2 | 2 | — | 11 |
| Legal reserves | 505 | — | — | — | — | — | 505 |
| One-time transition tax | 40 | 40 | 75 | 100 | 125 | — | 380 |
| | **$ 1,369** | **$ 748** | **$ 745** | **$ 1,323** | **$ 1,472** | **$ 9,525** | **$ 15,181** |

(1) Debt obligations are comprised of our senior notes outstanding as of December 31, 2020. This does not include unamortized debt issuance discounts, deferred financing costs and gain on fair value hedges or capital lease obligations. Refer to *Note F – Contractual Obligations and Commitments* to our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report for additional information.

(2) In accordance with U.S. GAAP, these obligations relate to expenses associated with future periods and are not reflected in our consolidated balance sheets. Interest payments included above are calculated based on rates and required fees applicable to our outstanding debt obligations as of December 31, 2020 described in *Note F – Contractual Obligations and Commitments* to our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report. Interest payments above do not include interest on variable rate debt instruments.

The amounts in the table above with respect to 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 include:

- Our long-term liability for legal matters that are probable and estimable of $64 million due to the timing of payment being uncertain. Refer to *Note K – Commitments and Contingencies* to our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report for more information,

- Any future obligations to make payments of contingent consideration pursuant to certain of our acquisition agreements, due to the exact amount and timing of payments being uncertain. Refer to *Note B – Acquisitions and Strategic Investments* to our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report for more information,

- Adjustments to increase our estimated one-time transition tax totaling $97 million, which are pending review by the U.S. Internal Revenue Service (IRS), and unrecognized tax benefits, accrued interest and penalties and other related items totaling $159 million because the timing of their future cash settlement is uncertain. Refer to *Note J – Income Taxes* to our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report for more information,

- With certain of our acquisitions, we acquired IPR&D projects that require future funding to complete. We estimate that the total remaining cost to complete acquired IPR&D projects is between $130 million and $140 million. Net cash inflows from the projects currently in development are expected to continue through 2038, following the respective launches of these technologies in the U.S., Europe and Japan. Certain of our acquisitions also involve the potential payment of contingent consideration, but the timing and amounts are uncertain. See *Note B – Acquisitions and Strategic Investments* to our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report for more information,

- Holders of our MCPS will be entitled to receive, when, as and if declared by our Board of Directors, or an authorized committee thereof, out of funds legally available for payment, cumulative dividends at the annual rate of 5.50% of the liquidation preference of $100 per share, payable in cash or, subject to certain limitations, by delivery of shares of

common stock or any combination of cash and shares of common stock, at our election; provided, however, that any unpaid dividends on the MCPS will continue to accumulate as described in the Certificate of Designations, and

- On January 21, 2021, we announced our entrance into a definitive agreement to acquire Preventice Solutions, Inc. (Preventice). We have been an investor in Preventice since 2015 and currently hold an equity stake of approximately 22 percent. The transaction price to acquire the remaining stake is expected to result in a net cash payment of approximately $720 million upon closing and up to an additional $230 million payment upon achievement of a commercial milestone. The acquisition is expected to close during the first half of 2021, subject to customary closing conditions.

**Legal Matters**

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

**Critical Accounting Policies and Estimates**

Our financial results are affected by the selection and application of accounting policies and methods. 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, including our contingent liabilities, as of the date of our financial statements and the reported amounts of our revenues and expenses during the reporting periods. Our actual results may differ from these estimates. We consider estimates to be critical (i) if we are required to make assumptions about material matters that are uncertain at the time of estimation or (ii) if 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 Intangible Assets and Contingent Consideration Liability, Goodwill Valuation, Legal and Product Liability Accruals and Income Taxes.

See *Note A – Significant Accounting Policies* to our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report for additional information related to our accounting policies and our consideration of these critical accounting areas. In addition, see *Note B – Acquisitions and Strategic Investments* and *Note D – Goodwill and Other Intangible Assets* for further discussion of the valuation of goodwill and intangible assets and contingent consideration, *Note J – Income Taxes* for further discussion of income tax related matters, *Note K – Commitments and Contingencies* for further discussion of legal and product liability matters and *Note P – Revenue* for further discussion of revenue recognition.

Revenue Recognition

*Deferred Revenue*

We record a contract liability, or deferred revenue, when we have an obligation to provide a product or service to the customer and payment is received or due in advance of our performance. When we sell a device with a future service obligation, we defer revenue on the unfulfilled performance obligation and recognize this revenue over the related service period. Generally, we do not have observable evidence of the standalone selling price related to our future service obligations; therefore, we estimate the selling price using an expected cost plus a margin approach. We allocate the transaction price using the relative standalone selling price method. The use of alternative estimates could result in a different amount of revenue deferral.

Our contractual liabilities are primarily composed of deferred revenue related to the LATITUDE™ Patient Management System, within our Cardiac Rhythm Management (CRM) business. Revenue is recognized over the average service period which is based on device and patient longevity. Our contractual liabilities also include deferred revenue related to the LUX-Dx™ Insertable Cardiac Monitor (ICM) system, also within our CRM business, for which revenue is recognized over the average service period based on device longevity and usage. The use of alternative assumptions could impact the period over which revenue is recognized.

*Variable Consideration*

We generally 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 the amount as a reduction to 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 of product 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.

We also offer sales rebates and discounts to certain customers and record these as a reduction of revenue and classify the corresponding liability as current. We estimate rebates for products where there is sufficient historical information available to predict the volume of expected future rebates. If we are unable to reasonably estimate the expected rebates, we record a liability for the maximum rebate percentage offered.

*Post-Implant Services*

We provide non-contractual services to customers to ensure the safe and effective use of certain implanted devices. We forward accrue the costs to provide these services at the time the devices are sold by estimating the amount of time spent by our representatives performing these services and their compensation throughout the device life to determine the service cost. Changes to our business practice or the use of alternative estimates could result in a different amount of accrued cost.

Refer to *Note A – Significant Accounting Policies* and *Note P – Revenue* to our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report for further information on our revenue recognition accounting policies.

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 Liability

We base the fair value of identifiable intangible assets acquired in a business combination, including IPR&D, 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 pay 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 rates, periods, timing and amount of projected revenue or 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, discount rates, useful life or probability of achieving clinical, regulatory or revenue-based milestones could result in different purchase price allocations and recognized amortization expense and contingent consideration expense or benefit 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 adjustment to the remaining useful life. If we determine it is more likely than not that the asset is impaired based on our qualitative assessment of impairment indicators, we test the intangible asset for recoverability. If the carrying value of the intangible asset is determined 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, or more frequently if 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 FASB ASC Topic 350, *Intangibles - Goodwill and Other* (FASB ASC Topic 350). If the carrying value exceeds the fair value of the indefinite-lived intangible asset, we write the carrying value down to fair value. The use of alternative valuation assumptions, including estimated revenue projections, growth rates, cash flows and discount rates could result in different fair value estimates.

Goodwill Valuation

We test our goodwill balances in the second quarter of each year as of April 1 for impairment, or more frequently if impairment indicators are present or changes in circumstances suggest an impairment may exist.

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 identified the following reporting units in our 2020 annual goodwill impairment test: Interventional Cardiology, Peripheral Interventions, Cardiac Rhythm Management, Electrophysiology, Endoscopy, Urology and Pelvic Health, Neuromodulation and Specialty Pharmaceuticals. We aggregated the Cardiac Rhythm Management and Electrophysiology reporting units, components of the Rhythm Management operating segment, based on the criteria prescribed in FASB ASC Topic 350.

In 2020, we utilized the qualitative assessment approach to test all of our reporting units. We assessed recent events, including the COVID-19 pandemic, as well as changes in macroeconomic factors, industry and market conditions, overall financial performance and other entity-specific factors since the most recently performed quantitative test. After assessing the totality of events, when performing our annual goodwill impairment test, we determined that it was more likely than not that the fair value of each of our reporting units had sufficient excess over its carrying value, and concluded that goodwill was not impaired or at risk of impairment.

On December 1, 2020, we announced the execution of a definitive agreement pursuant to which we agreed to sell our Specialty Pharmaceuticals business (disposal group) for a purchase price of $800 million, subject to certain adjustments including cash on hand as of the closing date of the transaction. The sale is expected to close in the first half of 2021, subject to customary closing conditions. We acquired our Specialty Pharmaceuticals business in conjunction with the BTG acquisition on August 19, 2019. In connection with the execution of a definitive agreement to sell the disposal group for a specified amount, we performed an impairment assessment of our goodwill and intangible assets, which resulted in a goodwill impairment of $73 million. As of December 31, 2020, we classified the remaining assets and liabilities of the disposal group as held for sale within our consolidated balance sheets at their respective carrying values, which approximates fair value, less cost to sell.

Refer to *Note A – Significant Accounting Policies* to our consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data of this Annual Report for additional details related to our annual goodwill impairment assessments performed in 2020.

Although it was not applicable to our annual impairment test performed in 2020, if it is determined that impairment is more likely than not, then we perform the quantitative impairment test. When allocating goodwill from business combinations to our reporting units, we assign goodwill to the reporting units that we expect to benefit from the respective business combination at the time of acquisition. In addition, for purposes of performing our goodwill impairment tests, assets and liabilities, including corporate assets, which relate to a reporting unit's operations, and would be considered in determining its fair value, are allocated to the individual reporting units. We allocate assets and liabilities not directly related to a specific reporting unit, but from which the reporting unit benefits, based primarily on the respective revenue contribution of each reporting unit.

In performing annual impairment assessments, for those reporting units for which a quantitative test is performed, we typically use only the income approach, specifically the Discounted Cash Flow method, to derive the fair value of each of our reporting units in preparing our goodwill impairment assessments. We historically 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 Discounted Cash Flow analysis is based on our most recent operational budgets, long range strategic plans and other estimates. The terminal value growth rate 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 as a basis for determining the discount rates to apply to our reporting units' future expected cash flows.

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.

Future events that could have a negative impact on the levels of excess fair value over carrying value of our reporting units include, but are not limited to, the following:

- decreases in estimated market sizes or market growth rates due to greater-than-expected declines in procedural volumes inclusive of those resulting from the ongoing COVID-19 pandemic, pricing pressures, reductions in reimbursement levels, product actions and/or competitive technology developments,

- declines in our market share and penetration assumptions due to increased competition, an inability to develop or launch new and next-generation products and technology features in line with our commercialization strategies and market and/or regulatory conditions that may cause significant launch delays or product recalls,

- decreases in our forecasted profitability due to an inability to implement successfully and achieve timely and sustainable cost improvement measures consistent with our expectations,

- negative developments in intellectual property litigation that may impact our ability to market certain products or increase our costs to sell certain products,

- the level of success of ongoing and future research and development efforts, including those related to recent acquisitions and increases in the research and development costs necessary to obtain regulatory approvals and launch new products,

- the level of success in managing the growth of acquired companies, achieving sustained profitability consistent with our expectations, establishing government and third-party payer reimbursement, supplying the market and increases in the costs and time necessary to integrate acquired businesses into our operations successfully,

- 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 and

- increases in our market-participant risk-adjusted weighted average cost of capital (WACC) and increases in our market-participant tax rate and/or changes in tax laws or macroeconomic conditions.

Negative changes in one or more of these factors, among others, could result in future impairment charges.

Refer to *Note D – Goodwill and Other Intangible Assets* to our consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data of this Annual Report for additional details related to our annual goodwill 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 or impact our ability to sell our products. 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 establish reserves when we believe that certain positions are likely to be challenged despite our belief that our tax return positions are fully supportable. The calculation of our tax liabilities involves significant judgment based on individual facts, circumstances and information available in addition to applying complex tax regulations in various jurisdictions across our global operations. Under U.S. GAAP, in order to recognize an uncertain tax benefit, the taxpayer must determine it is more likely than not the position will be sustained, and the measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. Although we believe that we have adequately provided for liabilities resulting from tax assessments by taxing authorities, positions taken by these tax authorities could have a material impact on our effective tax rate, results of operations, financial position and/or cash flows.

As part of the Tax Cut and Jobs Act (TCJA), we are subject to a territorial tax system in which we are required to establish an accounting policy in providing for tax on Global Intangible Low Taxed Income (GILTI) earned by certain foreign subsidiaries. We have elected to treat the impact of GILTI as a period cost and report it as a part of continuing operations.

**New Accounting Pronouncements**

See *Note R – New Accounting Pronouncements* to our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report for additional information on standards implemented since December 31, 2019 and standards to be implemented.

**Additional Information**

Cybersecurity

We have established controls and procedures to escalate enterprise level issues, including cybersecurity matters, to the appropriate management levels within our organization and our Board of Directors, or members or committees thereof, as appropriate. Under our framework, cybersecurity issues are analyzed by subject matter experts and a crisis committee for potential financial, operational, and reputational risks, based on, among other factors, the nature of the matter and breadth of impact. Matters determined to present potential material impacts to the Company's financial results, operations, and/or reputation are immediately reported by management to the Board of Directors, or individual members or committees thereof, as appropriate, in accordance with our escalation framework. In addition, we have established procedures to ensure that members of management responsible for overseeing the effectiveness of disclosure controls are informed in a timely manner of known cybersecurity risks and incidents that may materially impact our operations and that timely public disclosure is made, as appropriate.

Use of Non-GAAP Financial Measures

To supplement our consolidated financial statements presented on a GAAP basis, we disclose certain non-GAAP financial measures, including adjusted net income (loss), adjusted net income (loss) available to common stockholders and adjusted net income (loss) per share that exclude certain amounts, and operational net sales, which exclude the impact of foreign currency fluctuations. These non-GAAP financial measures are not in accordance with generally accepted accounting principles in the United States 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.

To calculate adjusted net income (loss), adjusted net income (loss) available to common stockholders and adjusted net income (loss) per share we exclude certain charges (credits) from GAAP net income and GAAP net income available to common stockholders as detailed below. Amounts are presented after-tax using our effective tax rate, unless the amount is a significant unusual or infrequently occurring item in accordance with FASB ASC section 740-270-30, "General Methodology and Use of Estimated Annual Effective Tax Rate."

The GAAP financial measure most directly comparable to adjusted net income (loss), adjusted net income (loss) available to common stockholders and adjusted net income (loss) per share are GAAP net income (loss), GAAP net income (loss) available to common stockholders and GAAP net income (loss) per common share - assuming dilution, respectively.

To calculate operational net sales growth rates, which exclude the impact of foreign currency fluctuations, we convert actual net sales from local currency to U.S. dollars using constant foreign currency exchange rates in the current and prior periods. The GAAP financial measure most directly comparable to operational net sales and operational net sales growth is net sales and net sales growth on a GAAP basis.

Reconciliations of each of these non-GAAP financial measures to the corresponding GAAP financial measure are included in the relevant sections of this Annual Report.

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 reported to our chief operating decision maker that are used to make operating decisions and assess performance.

We believe that presenting adjusted net income (loss), adjusted net income (loss) available to common stockholders adjusted net income (loss) per share that exclude certain amounts, and operational net sales growth rates that exclude 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 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. In each case, management has excluded the item for purposes of calculating the relevant non-GAAP financial measure to facilitate an evaluation of our current operating performance and a comparison to our past operating performance:

*Adjusted Net Income (loss), Adjusted Net Income (loss) Available to Common Stockholders and Adjusted Net Income (loss) per Share*

- Amortization expense - We record intangible assets at historical cost and amortize them over their estimated useful lives. Amortization expense is excluded from management's assessment of operating performance and is also excluded from our operating segments' measures of profit and loss used for making operating decisions and assessing performance.

- Goodwill and other intangible asset impairment charges - These amounts represent write-downs of certain goodwill and/or other intangible asset balances. 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 and test our goodwill and other indefinite-lived intangible assets at least annually for impairment. If we determine the carrying value of the amortizable intangible asset is not recoverable, goodwill of a reporting unit is impaired or it is more likely than not that the indefinite-lived asset is impaired, we will write the carrying value down to fair value in the period identified. Impairment charges are excluded from management's assessment of operating performance and from our operating segments' measures of profit and loss used for making operating decisions and assessing performance.

- Acquisition/divestiture-related net charges (credits) - These adjustments may consist of (a) contingent consideration fair value adjustments; (b) gains on previously held investments; (c) due diligence, deal fees and other fees and costs related to our acquisition and divestiture transactions; (d) inventory step-up amortization and accelerated compensation expense; (e) integration and exit costs; and (f) separation costs and gains primarily associated with the sale of a business or portion of a business. The contingent consideration fair value 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. Gains on previously held investments, due diligence, deal fees and other fees and costs, inventory step-up amortization, accelerated compensation expense, and other expenses and gains associated with prior and potential future acquisitions and divestitures can be highly variable and not representative of ongoing operations. Integration and exit costs, include

contract cancellations, severance and other compensation-related charges and costs, project management fees and costs, and other direct costs associated with the integration of our acquisitions. These integration and exit activities take place over a defined timeframe and have distinct project timelines, are incremental to activities and costs that arise in the ordinary course of our business and are not considered part of our core, ongoing operations. These acquisition/divestiture-related net charges (credits) are excluded from management's assessment of operating performance and from our operating segments' measures of profit and loss used for making operating decisions and assessing performance.

- Restructuring and restructuring-related net charges (credits) - These adjustments primarily represent compensation-related charges, fixed asset write-offs, contract cancellations, project management fees and other direct costs associated with our restructuring plans. These restructuring plans each consist of distinct initiatives that are fundamentally different from our ongoing, core cost reduction initiatives in terms of, among other things, the frequency with which each action is performed and the required planning, resourcing, cost and timing. Examples of such initiatives include the movement of business activities, facility consolidations and closures and the transfer of product lines between manufacturing facilities, which, due to the highly regulated nature of our industry, requires a significant investment in time and cost to create duplicate manufacturing lines, run product validations and seek regulatory approvals. Restructuring initiatives take place over a defined timeframe and have a distinct project timeline that begins subsequent to approval by our Board of Directors. In contrast to our ongoing cost reduction initiatives, restructuring initiatives typically result in duplicative cost and exit costs over the defined timeframe and are not considered part of our core, ongoing operations. In addition, during the fourth quarter of 2020, we incurred restructuring and restructuring-related net charges associated with management’s decision to retire the LOTUS platform. These restructuring plans are incremental to the core activities that arise in the ordinary course of our business. Restructuring and restructuring-related net charges (credits) are excluded from management's assessment of operating performance and from our operating segments' measures of profit and loss used for making operating decisions and assessing performance.

- Litigation-related net charges (credits) - These adjustments include certain significant product liability and other litigation-related charges and credits. We record these charges and credits, which we consider to be unusual or infrequent and significant, within the litigation-related charges line in our consolidated statements of operations; all other legal and product liability charges, credits and costs are recorded within selling general and administrative expenses. Certain litigation-related net charges (credits) are excluded from management's assessment of operating performance and from our operating segments' measures of profit and loss used for making operating decisions and assessing performance.

- EU MDR implementation costs - These adjustments represent certain incremental costs specific to complying with new regulatory requirements in the EU. EU MDR is a replacement of the existing European Medical Devices Directive (MDD) regulatory framework, and manufacturers of medical devices are required to comply with EU MDR beginning in May 2021 (previously May 2020) for new product registrations and by May 2024 for medical devices which have a valid CE Certificate to the current Directives (issued before May 2021). We expect to incur significant expenditures in connection with the adoption of the EU MDR requirements and we consider the adoption of EU MDR to be a significant change to a regulatory framework, and therefore, these expenditures are not considered to be ordinary course expenditures in connection with regulatory matters. As such, certain of these costs are excluded from management's assessment of operating performance and from our operating segments' measures of profit and loss used for making operating decisions and assessing performance.

- Debt extinguishment net charges (credits) - These amounts relate to the early extinguishment of certain outstanding principal amounts of our senior notes. Certain debt extinguishment net charges (credits) are excluded from management's assessment of operating performance and from our operating segments' measures of profit and loss used for making operating decisions and assessing performance.

- Investment portfolio net losses (gains) - These amounts represent certain write-downs or fair value remeasurement gains and losses related to our investment portfolio. Each reporting period, we evaluate our investments without a readily determinable fair value to determine if there are any events or circumstances that are likely to have a significant adverse effect on the fair value of the investment. If we identify an impairment indicator, we will estimate the fair value of the investment and compare it to its carrying value and determine if the impairment is other-than-temporary, and recognize an impairment loss. In addition, for those investments accounted for under the measurement alternative method of accounting, we record gains and losses to remeasure the carrying value of the investments to their fair values based on observable market prices or implied market values. Investment impairment

charges and fair value remeasurements can be highly variable dependent on external market factors and conditions relative to the underlying investee, which are generally outside of the control of management, as such certain of these amounts are excluded from management's assessment of performance.

- Deferred tax expenses (benefits) - This adjustment relates to a significant non-cash tax benefit arising from an intra-entity asset transfer of intellectual property completed in the fourth quarter of 2019 which resulted in our recording a $4.102 billion net deferred tax asset. The deferred tax benefit associated with the establishment of the net deferred tax asset as well as any deferred tax expense resulting from the reversal of the deferred tax asset are excluded from management's assessment of operating performance and from our operating segments' measures of profit and loss used for making operating decisions and assessing performance.

- Discrete tax items - These items represent adjustments of certain tax positions including those which a) are related to the finalization of the enactment date impact of the TCJA, or b) are related to the tax consequences of a non-GAAP adjustment item booked in a prior period. These discrete tax items are excluded from management's assessment of operating performance and from our operating segments' measures of profit and loss used for making operating decisions and assessing performance.

*Operational Net Sales Excluding the Impact of Foreign Currency Fluctuations*

- The impact of foreign currency fluctuations is highly variable and difficult to predict. Accordingly, management excludes the impact of foreign currency fluctuations for purposes of reviewing net sales and growth rates to facilitate an evaluation of our current operating performance and a comparison to our past operating performance.

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 our company. We disclose details regarding individual Rule 10b5-1 Trading Plans on the Investor Relations section of our website.

**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, 2020. 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, 2020, 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

Michael F. Mahoney

President and Chief Executive Officer

/s/ Daniel J. Brennan

Daniel J. Brennan

Executive Vice President and Chief Financial Officer

## Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Boston Scientific Corporation

**Opinion on Internal Control Over Financial Reporting**

We have audited Boston Scientific Corporation's internal control over financial reporting as of December 31, 2020, 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). In our opinion, Boston Scientific Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2020 consolidated financial statements of the Company and our report dated February 23, 2021 expressed an unqualified opinion thereon.

**Basis for Opinion**

The Company'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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

**Definition and Limitations of Internal Control Over Financial Reporting**

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 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.

/s/ Ernst & Young LLP
Boston, Massachusetts
February 23, 2021

## 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 manufacturing operations outside the U.S.) 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 $10.481 billion as of December 31, 2020 and $9.221 billion as of December 31, 2019. A ten percent appreciation in the U.S. dollar's value relative to the hedged currencies would increase the derivative instruments' fair value by $333 million as of December 31, 2020 as compared to $337 million as of December 31, 2019. A ten percent depreciation in the U.S. dollar's value relative to the hedged currencies would decrease the derivative instruments' fair value by $407 million as of December 31, 2020 as compared to $412 million as of December 31, 2019. 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 had no interest rate derivative instruments outstanding as of December 31, 2020 and December 31, 2019. As of December 31, 2020, $9.205 billion in aggregate principal amount of our outstanding debt obligations were at fixed interest rates, representing approximately 100 percent of our total debt, on an amortized cost basis. As of December 31, 2020, our outstanding debt obligations at fixed interest rates were comprised of senior notes.

See *Note E – Hedging Activities and Fair Value Measurements* to our consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data of this Annual Report for further information regarding our derivative financial instruments.

## Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
Boston Scientific Corporation

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Boston Scientific Corporation (the Company) as of December 31, 2020 and 2019, 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, 2020, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, 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 23, 2021 expressed an unqualified opinion thereon.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Description of the Matter*

***Contingent Consideration***

As disclosed in Note B to the consolidated financial statements, the Company has recognized a liability for acquisition consideration that is contingent upon achieving either research and development and commercialization milestones, or sales-based milestones. The Company determines the fair value of these arrangements, both as part of the initial purchase price allocation, and on an ongoing basis each reporting period until the arrangements are settled. Subsequent changes to the fair value of the contingent consideration liabilities are recorded within the consolidated statement of earnings in the period of change. As of December 31, 2020, the amount accrued for future estimated contingent consideration is $196 million which represents a Level 3 estimate in the fair value hierarchy due to the significant unobservable inputs used in determining the fair value and the use of management judgment about the assumptions market participants would use in pricing the liabilities.

The significance of the estimations used by management to determine the fair value of contingent consideration was primarily due to the sensitivity of the respective fair values to the significant underlying assumptions. The significant assumptions include estimation of the probability and timing of payment, future sales forecasts, as well as the appropriate discount rate based on the estimated timing of payments. These significant assumptions are forward looking and could be affected by future economic and market conditions.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of the controls over the Company's accounting for the valuation of the contingent consideration liabilities, including the valuation models and underlying assumptions used to develop such estimates.

In testing the valuation of contingent consideration, we assessed, among other things, the terms of the arrangements and the conditions that must be met for the arrangements to become payable. We evaluated the completeness and accuracy of the underlying data used in the analyses. For example, we compared the significant assumptions such as revenue growth rates to current industry, market and economic trends, to the assumptions used to value similar assets in other acquisitions when relevant, and to the historical results of the acquired business where available. We involved our valuation professionals to assist with our evaluation of the methodology used by the Company and significant assumptions included in the fair value estimates.

/s/ Ernst & Young LLP
We have served as the Company's auditor since 1992.
Boston, Massachusetts
February 23, 2021

**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)* | **2020** | **2019** | **2018** |
| Net sales | $ 9,913 | $ 10,735 | $ 9,823 |
| Cost of products sold | 3,465 | 3,116 | 2,813 |
| Gross profit | 6,448 | 7,620 | 7,011 |
| | | | |
| Operating expenses: | | | |
| Selling, general and administrative expenses | 3,787 | 3,941 | 3,569 |
| Research and development expenses | 1,143 | 1,174 | 1,113 |
| Royalty expense | 45 | 65 | 70 |
| Amortization expense | 789 | 699 | 599 |
| Goodwill impairment charges | 73 | — | — |
| Intangible asset impairment charges | 460 | 105 | 35 |
| Contingent consideration net expense (benefit) | (100) | (35) | (21) |
| Restructuring net charges (credits) | 52 | 38 | 36 |
| Litigation-related net charges (credits) | 278 | 115 | 103 |
| | 6,528 | 6,102 | 5,504 |
| Operating income (loss) | (80) | 1,518 | 1,506 |
| | | | |
| Other income (expense): | | | |
| Interest expense | (361) | (473) | (241) |
| Other, net | 362 | (358) | 156 |
| Income (loss) before income taxes | (79) | 687 | 1,422 |
| Income tax (benefit) expense | 2 | (4,013) | (249) |
| **Net income (loss)** | **(82)** | **4,700** | **1,671** |
| Preferred stock dividends | **(33)** | — | — |
| **Net income (loss) available to common stockholders** | **$ (115)** | **$ 4,700** | **$ 1,671** |
| | | | |
| **Net income (loss) per common share — basic** | **$ (0.08)** | **$ 3.38** | **$ 1.21** |
| **Net income (loss) per common share — assuming dilution** | **$ (0.08)** | **$ 3.33** | **$ 1.19** |
| | | | |
| **Weighted-average shares outstanding** | | | |
| Basic | 1,416.7 | 1,391.5 | 1,381.0 |
| Assuming dilution | 1,416.7 | 1,410.6 | 1,401.4 |

See notes to the consolidated financial statements.

BOSTON SCIENTIFIC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| | Year Ended December 31, | | |
|---|---|---|---|
| *(in millions)* | **2020** | **2019** | **2018** |
| Net income (loss) | $ (82) | $ 4,700 | $ 1,671 |
| Other comprehensive income (loss), net of tax: | | | |
| Foreign currency translation adjustment | 76 | 195 | (21) |
| Net change in derivative financial instruments | (137) | 62 | 110 |
| Net change in defined benefit pensions and other items | (1) | (20) | 2 |
| Total other comprehensive income (loss) | (63) | 237 | 91 |
| **Total comprehensive income (loss)** | **$ (145)** | **$ 4,937** | **$ 1,761** |

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, 2020 | 2019 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 1,734 | $ 217 |
| Trade accounts receivable, net | 1,531 | 1,828 |
| Inventories | 1,351 | 1,579 |
| Prepaid income taxes | 194 | 195 |
| Assets held for sale | 1,133 | — |
| Other current assets | 751 | 880 |
| Total current assets | 6,694 | 4,699 |
| Property, plant and equipment, net | 2,084 | 2,079 |
| Goodwill | 9,951 | 10,176 |
| Other intangible assets, net | 5,917 | 7,886 |
| Deferred tax assets | 4,210 | 4,196 |
| Other long-term assets | 1,921 | 1,529 |
| **TOTAL ASSETS** | **$ 30,777** | **$ 30,565** |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Current debt obligations | $ 13 | $ 1,416 |
| Accounts payable | 513 | 542 |
| Accrued expenses | 2,197 | 2,109 |
| Other current liabilities | 958 | 800 |
| Total current liabilities | 3,681 | 4,866 |
| Long-term debt | 9,130 | 8,592 |
| Deferred tax liabilities | 330 | 595 |
| Other long-term liabilities | 2,309 | 2,635 |
| | | |
| Commitments and contingencies | | |
| | | |
| Stockholders' equity: | | |
| Preferred stock, $0.01 par value - authorized 50,000,000 shares - issued 10,062,500 shares as of December 31, 2020 and none as of December 31, 2019 | — | — |
| Common stock, $0.01 par value - authorized 2,000,000,000 shares; issued 1,679,911,918 shares as of December 31, 2020 and 1,642,488,911 shares as of December 31, 2019 | 17 | 16 |
| Treasury stock, at cost - 263,289,848 shares as of December 31, 2020 and 247,566,270 shares as of December 31, 2019 | (2,251) | (1,717) |
| Additional paid-in capital | 19,732 | 17,561 |
| Accumulated deficit | (2,378) | (2,253) |
| Accumulated other comprehensive income (loss), net of tax: | | |
| Foreign currency translation adjustment | 218 | 142 |
| Unrealized gain (loss) on derivative financial instruments | 36 | 173 |
| Unrealized costs associated with defined benefit pensions and other items | (47) | (45) |
| Total stockholders' equity | 15,326 | 13,877 |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | **$ 30,777** | **$ 30,565** |

See notes to the consolidated financial statements.

BOSTON SCIENTIFIC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| *(in millions, except share data)* | Preferred Stock | | Common Stock | | Treasury Stock | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss), Net of Tax |
|---|---|---|---|---|---|---|---|---|
| | Shares Issued | Par Value | Shares Issued | Par Value | | | | |
| **As of December 31, 2017** | **—** | **$ —** | **1,621,062,898** | **$ 16** | **$ (1,717)** | **$ 17,161** | **$ (8,390)** | **$ (59)** |
| Net income (loss) | | | | | | | 1,671 | |
| Cumulative effect adjustments for ASC Update Adoptions[1] | | | | | | | (233) | |
| Changes in other comprehensive income (loss), net of tax: | | | | | | | | |
| Foreign currency translation adjustment | | | | | | | | (21) |
| Derivative financial instruments | | | | | | | | 110 |
| Defined benefit pensions and other items | | | | | | | | 2 |
| Impact of stock-based compensation plans, net of tax | | | 11,085,132 | | | 185 | | |
| **As of December 31, 2018** | **—** | **$ —** | **1,632,148,030** | **$ 16** | **$ (1,717)** | **$ 17,346** | **$ (6,953)** | **$ 33** |
| Net income (loss) | | | | | | | 4,700 | |
| Changes in other comprehensive income (loss), net of tax: | | | | | | | | |
| Foreign currency translation adjustment | | | | | | | | 195 |
| Derivative financial instruments | | | | | | | | 62 |
| Defined benefit pensions and other items | | | | | | | | (20) |
| Impact of stock-based compensation plans, net of tax | | | 10,340,881 | | | 215 | | |
| **As of December 31, 2019** | **—** | **$ —** | **1,642,488,911** | **$ 16** | **$ (1,717)** | **$ 17,561** | **$ (2,253)** | **$ 270** |
| Net income (loss) | | | | | | | (82) | |
| Cumulative effect adjustments for adoption of ASC 2016-13 | | | | | | | (10) | |
| Changes in other comprehensive income (loss), net of tax: | | | | | | | | |
| Foreign currency translation adjustment | | | | | | | | 76 |
| Derivative financial instruments | | | | | | | | (137) |
| Defined benefit pensions and other items | | | | | | | | (1) |
| Preferred stock issuance | 10,062,500 | — | | | | 975 | | |
| Common stock issuance | | | 29,382,500 | — | | 975 | | |
| Preferred stock dividends | | | | | | | (33) | |
| Repurchase of common stock | | | | | (535) | | | |
| Impact of stock-based compensation plans, net of tax | | | 8,040,507 | | | 221 | | |
| **As of December 31, 2020** | **10,062,500** | **$ —** | **1,679,911,918** | **$ 17** | **$ (2,251)** | **$ 19,732** | **$ (2,378)** | **$ 207** |

(1) In 2018, we recorded cumulative effect adjustments to retained earnings to reflect the adoption of Accounting Standards Codification (ASC) Update No. 2014-09, Update No. 2016-16 and Update No. 2016-01. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2019 for additional information.

See notes to the consolidated financial statements.

BOSTON SCIENTIFIC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

| *(in millions)* | Year Ended December 31, 2020 | 2019 | 2018 |
|---|---|---|---|
| Net income (loss) | $ (82) | $ 4,700 | $ 1,671 |
| *Adjustments to reconcile net income (loss) to cash provided by (used for) operating activities* | | | |
| Gain on sale of businesses | — | (8) | — |
| Depreciation and amortization | 1,123 | 1,011 | 894 |
| Deferred and prepaid income taxes | (82) | (4,301) | (87) |
| Stock-based compensation expense | 170 | 157 | 140 |
| Goodwill and other intangible asset impairment charges | 533 | 105 | 35 |
| Net loss (gain) on investments and notes receivable | (398) | 30 | (155) |
| Contingent consideration net expense (benefit) | (100) | (35) | (21) |
| Inventory step-up amortization | 58 | 46 | 6 |
| Foreign exchange (gain) loss | 32 | 358 | (11) |
| Other, net | 213 | 63 | 8 |
| *Increase (decrease) in operating assets and liabilities, excluding purchase accounting:* | | | |
| Trade accounts receivable | 335 | (130) | (110) |
| Inventories | (65) | (290) | (83) |
| Other assets | (200) | 45 | (172) |
| Accounts payable and accrued expenses | 88 | 105 | (640) |
| Other liabilities | (116) | (18) | (1,164) |
| **Cash provided by (used for) operating activities** | **1,508** | **1,836** | **310** |
| Purchases of property, plant and equipment | (376) | (461) | (316) |
| Proceeds on disposals of property, plant and equipment | 12 | 7 | 14 |
| Payments for acquisitions of businesses, net of cash acquired | (3) | (4,382) | (1,448) |
| Proceeds from divestiture of certain businesses | 15 | 90 | — |
| Proceeds from royalty rights | 87 | 52 | — |
| Payments for settlements of hedge contracts | — | (199) | — |
| Payments for investments and acquisitions of certain technologies | (146) | (149) | (172) |
| **Cash provided by (used for) investing activities** | **(411)** | **(5,041)** | **(1,921)** |
| Payment of contingent consideration previously established in purchase accounting | (49) | (66) | (19) |
| Payments for royalty rights | (97) | (69) | — |
| Proceeds from royalty rights transfer | — | 256 | — |
| Payments on short-term borrowings | (2,950) | (1,000) | — |
| Proceeds from short-term borrowings, net of debt issuance costs | 2,245 | 700 | 999 |
| Net increase (decrease) in commercial paper | (714) | (575) | 21 |
| Payments on borrowings from credit facilities | (1,919) | — | (569) |
| Proceeds from borrowings on credit facilities | 1,916 | — | 569 |
| Payments on long-term borrowings and debt extinguishment costs | (1,260) | (3,560) | (602) |
| Proceeds from long-term borrowings, net of debt issuance costs | 1,683 | 7,229 | 987 |
| Cash dividends paid on preferred stock | (28) | — | — |
| Net proceeds from issuance of preferred stock in connection with public offering | 975 | — | — |
| Net proceeds from issuance of common stock in connection with public offering | 975 | — | — |
| Payments for repurchase of common stock | (535) | — | — |
| Cash used to net share settle employee equity awards | (59) | (65) | (56) |
| Proceeds from issuances of shares of common stock pursuant to employee stock compensation and purchase plans | 111 | 123 | 101 |
| **Cash provided by (used for) financing activities** | **293** | **2,973** | **1,432** |
| Effect of foreign exchange rates on cash | (2) | 10 | (8) |
| Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents | 1,388 | (222) | (188) |
| Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period | 607 | 829 | 1,017 |
| **Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period** | **$ 1,995** | **$ 607** | **$ 829** |

See notes to the consolidated financial statements.

BOSTON SCIENTIFIC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (SUPPLEMENTAL INFORMATION)

| *(in millions)* | Year Ended December 31, 2020 | 2019 | 2018 |
|---|---|---|---|
| **Supplemental Information** | | | |
| Cash (received) paid for income taxes, net | $ 207 | $ 242 | $ 1,037 |
| Cash paid for interest | 359 | 449 | 262 |
| Fair value of contingent consideration recorded in purchase accounting | — | 127 | 248 |
| Non-cash impact of transferred royalty rights | (87) | — | — |

| **Reconciliation to amounts within the consolidated balance sheets:** | As of December 31, 2020 | 2019 | 2018 |
|---|---|---|---|
| *Cash and cash equivalents* | $ 1,734 | $ 217 | $ 146 |
| Restricted cash and restricted cash equivalents included in *Other current assets* | 208 | 346 | 655 |
| Restricted cash equivalents included in *Other long-term assets* | 52 | 43 | 27 |
| **Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period** | **$ 1,995** | **$ 607** | **$ 829** |

See notes to the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE A – SIGNIFICANT ACCOUNTING POLICIES

***Principles of Consolidation***

Our consolidated financial statements include the accounts of Boston Scientific Corporation and our wholly-owned subsidiaries, after the elimination of intercompany transactions. When used in this report, the terms "we," "us," "our" and "the Company" mean Boston Scientific Corporation and its divisions and subsidiaries. We assess the terms of our investment interests to determine if any of our investees meet the definition of a variable interest entity (VIE). For any VIEs, we perform an analysis to determine whether our variable interests give us a controlling financial interest. The analysis identifies the primary beneficiary of a VIE as the enterprise that has both 1) the power to direct activities of a VIE that most significantly impact the entity's economic performance and 2) the obligation to absorb losses of the entity or the right to receive benefits from the entity. Based on our assessments under the applicable guidance, we did not have controlling financial interests in any VIEs and, therefore, did not consolidate any VIEs during 2020, 2019 or 2018.

***Basis of Presentation***

The accompanying consolidated financial statements and notes thereto have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) and with the instructions to Form 10-K and Regulation S-X.

Amounts reported in millions within this report are computed based on the amounts in thousands. As a result, the sum of the components reported in millions may not equal the total amount reported in millions due to rounding. Certain columns and rows within tables may not add due to the use of rounded numbers. Percentages presented are calculated from the underlying numbers in dollars.

***Subsequent Events***

We evaluate events occurring after the date of our accompanying consolidated balance sheets for potential recognition or disclosure in our consolidated financial statements. Those items requiring recognition in the financial statements have been recorded and disclosed accordingly. Those items requiring disclosure (non-recognized subsequent events) in the financial statements have been disclosed accordingly. Refer to *Note B – Acquisitions and Strategic Investments*, *Note H – Restructuring-related Activities*, *Note K – Commitments and Contingencies* and *Note L – Stockholders' Equity* for further details.

***Accounting Estimates***

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 consolidated financial statements and the reported amounts of our revenues and expenses during the reporting period. Our actual results may differ from these estimates. Refer to *Critical Accounting Estimates* included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of this Annual Report for further discussion.

***Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents***

*Cash and Cash Equivalents*

We record *Cash and cash equivalents* in our consolidated balance sheets at cost, which approximates fair value. Our policy is to invest excess cash in short-term marketable securities earning a market rate of interest without assuming undue risk of loss of principal amounts invested and we limit our direct exposure to securities in any one industry or issuer. We consider to be cash equivalents all short-term marketable securities with remaining days to maturity of 90 days or less from the purchase date that can be readily converted to cash.

*Restricted Cash*

Amounts included in restricted cash represent cash on hand required to be set aside by a contractual agreement related to receivable factoring arrangements and deferred compensation plans and are included in the *Other current assets* caption within our consolidated balance sheets. Generally, the restrictions related to the factoring arrangements lapse at the time we remit the

customer payments collected by us for servicing previously sold customer receivables to the purchaser. Restrictions for deferred compensation lapse when amounts are paid to the employee.

*Restricted Cash Equivalents*

Restricted cash equivalents primarily represent amounts paid into various qualified settlement funds related to our ongoing transvaginal surgical mesh litigation and current amounts related to our non-qualified pension plan and are included in the *Other current assets* caption within our consolidated balance sheets. The restrictions related to the various qualified settlement funds will lapse as we approve amounts payable to claimants, at which time we no longer have rights to a return of the amounts paid into the various qualified settlement funds. Restricted cash equivalents included in the *Other long-term assets* caption within our consolidated balance sheets are related to deferred compensation plans.

***Concentrations of Credit Risk***

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, derivative financial instruments and accounts and notes receivable. Our investment policy limits exposure to concentrations of credit risk and changes in market conditions. Counterparties to financial instruments expose us to credit-related losses in the event of nonperformance. We transact our financial instruments with a diversified group of major financial institutions with investment grade credit ratings and actively monitor their credit ratings and our outstanding positions to limit our credit exposure. In the normal course, our payment terms with customers, including hospitals, healthcare agencies, clinics, doctors' offices and other private and governmental institutions, are typically 30 days in the U.S. but may be longer in international markets and generally do not require collateral.

We record credit loss reserves to *Allowance for credit losses* when we establish *Trade accounts receivable* if credit losses are expected over the asset's contractual life. We base our estimates of credit loss reserves on historical experience and adjust, as necessary, to reflect current conditions using reasonable and supportable forecasts not already reflected in the historical loss information. We utilize an accounts receivable aging approach to determine the reserve to record at accounts receivable commencement for certain customers, applying country or region-specific factors. In performing the assessment of outstanding accounts receivable, regardless of country or region, we may consider significant factors relevant to collectability, including those specific to a customer such as bankruptcy, lengthy average payment cycles and type of account.

We write-off amounts determined to be uncollectible against this reserve. Write-offs of uncollectible accounts receivable were immaterial in 2020, 2019 and 2018. We are not dependent on any single institution, and no single customer accounted for more than ten percent of our net sales in 2020, 2019 and 2018; however, large group purchasing organizations, hospital networks, international distributors and dealers and other buying groups have become increasingly important to our business and represent a substantial portion of our net sales.

We closely monitor outstanding receivables for potential collection risks, including those that may arise from economic conditions, in both the U.S. and international economies. Our sales to government-owned or supported customers, particularly in southern Europe, are subject to an increased number of days outstanding prior to payment relative to other countries. More recently, the COVID-19 pandemic has accelerated an ongoing site-of-service trend of shifting procedure volumes toward non-hospital settings, particularly ambulatory surgery centers, driven by considerations surrounding costs, reimbursement policies, advances in minimally invasive treatments and remote patient monitoring. We have seen an increase in the volume of our U.S. business conducted in ambulatory surgery centers. Many of these customers are smaller than those we have historically done business with and may have limited liquidity. While certain ambulatory surgery centers are performing an increasing number of procedures in response to the COVID-19 pandemic, others have been negatively impacted by COVID-19 restrictions and mitigation measures. We have adjusted our estimates of credit loss reserves for these customers, regions and conditions, as appropriate. We believe our *Allowance for credit losses* is adequate as of December 31, 2020 and 2019; however, if significant changes were to occur in the payment practices of government customers, or if there is an increase in bankruptcies among our ambulatory surgery center customers, we may not be able to collect on receivables due to us from these customers, and our write-offs of uncollectible accounts may increase.

***Revenue Recognition***

We sell our products primarily through a direct sales force. In certain international markets, we sell our products through independent distributors or dealers. We consider revenue to be earned when all of the following criteria are met in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*:

- We have a contract with a customer that creates enforceable rights and obligations,
- Promised products or services are identified,
- The transaction price, or the amount we expect to receive, is determinable and
- We have transferred control of the promised items to the customer.

Transfer of control is evidenced upon passage of title and risk of loss to the customer unless we are required to provide additional services. We treat shipping and handling costs performed after a customer obtains control of the good as a fulfillment cost and record these costs as a selling expense when incurred. We recognize revenue from consignment arrangements based on product usage, or implant, which indicates that the sale is complete. We recognize a receivable at the point in time we have an unconditional right to payment. Payment terms are typically 30 days in the U.S. but may be longer in international markets.

*Deferred Revenue*

We record a contract liability, or deferred revenue, when we have an obligation to provide a product or service to the customer and payment is received or due in advance of our performance. When we sell a device with a future service obligation, we defer revenue on the unfulfilled performance obligation and recognize this revenue over the related service period. Many of our Cardiac Rhythm Management product offerings combine the sale of a device with our LATITUDE™ Patient Management System, within our Cardiac Rhythm Management (CRM) business, which represents a future service obligation. Generally, we do not have observable evidence of the standalone selling price related to our future service obligations; therefore, we estimate the selling price using an expected cost plus a margin approach. We allocate the transaction price using the relative standalone selling price method. The use of alternative estimates could result in a different amount of revenue deferral.

Contract liabilities are classified within *Other current liabilities* and *Other long-term liabilities* on our accompanying consolidated balance sheets. Our contractual liabilities are primarily composed of deferred revenue related to the LATITUDE Patient Management System. Revenue is recognized over the average service period which is based on device and patient longevity. Our contractual liabilities also include deferred revenue related to the LUX-Dx™ Insertable Cardiac Monitor (ICM) system, also within our CRM business, for which revenue is recognized over the average service period based on device longevity and usage. We have elected not to disclose the transaction price allocated to unsatisfied performance obligations when the original expected contract duration is one year or less. In addition, we have not identified material unfulfilled performance obligations for which revenue is not currently deferred.

*Variable Consideration*

We generally 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 the amount as a reduction to 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 of product 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.

We also offer sales rebates and discounts to certain customers. We treat sales rebates and discounts as a reduction of revenue and classify the corresponding liability as current. We estimate rebates for products where there is sufficient historical information available to predict the volume of expected future rebates. If we are unable to reasonably estimate the expected rebates, we record a liability for the maximum rebate percentage offered. We have entered certain agreements with group purchasing organizations to sell our products to participating hospitals at negotiated prices. We recognize revenue from these agreements following the same revenue recognition criteria discussed above.

*Post-Implant Services*

We provide non-contractual services to customers to ensure the safe and effective use of certain implanted devices. Because the revenue related to the immaterial services is recognized before they are delivered, we forward accrue the costs to provide these

services at the time the devices are sold. We record these costs to *Selling, general and administrative expenses* within our consolidated statements of operations. We estimate the amount of time spent by our representatives performing these services and their compensation throughout the device life to determine the service cost. Changes to our business practice or the use of alternative estimates could result in a different amount of accrued cost.

***Warranty Obligations***

We offer warranties on certain of our product offerings. The majority of our warranty liability relates to implantable devices offered by our CRM business, which include implantable defibrillator and pacemaker systems. These products come with a standard limited warranty covering the replacement of these devices. We offer a full warranty for a portion of the period post-implant and a partial warranty for a period of time thereafter. We estimate the costs that we may incur under our warranty programs based on the number of units sold, historical and anticipated rates of warranty claims and cost per claim and record a liability equal to these estimated costs as cost of products sold at the time the product sale occurs. We assess the adequacy of our recorded warranty liabilities on a quarterly basis and adjust these amounts as necessary.

***Inventories***

We state inventories at the lower of first-in, first-out cost or net realizable value. We utilize a standard costing system, capitalizing variances between estimated and actual production costs during periods of normal production, and amortize to *Cost of products sold* over inventory turns. We expense manufacturing variances during periods of abnormal production, or less than 75 percent of manufacturing capacity. During the year ended December 31, 2020, we recorded $149 million of abnormal manufacturing variances attributable to lower production levels resulting from the COVID-19 pandemic and lower than forecasted demand for our products. We did not record any abnormal production variances during the years ended December 31, 2019 or 2018.

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.

***Property, Plant and Equipment***

We state property, plant, equipment and leasehold improvements at historical cost. We charge expenditures for maintenance and repairs to expense and capitalize additions and improvements that extend the life of the underlying asset. We provide for depreciation using the straight-line method at rates that approximate the estimated useful lives of the assets. We depreciate buildings over a maximum life of 40 years; building improvements over the remaining useful life of the building structure; equipment, furniture and fixtures over a three to seven year life; and leasehold improvements over the shorter of the useful life of the improvement or the term of the related lease.

***Valuation of Business Combinations***

We allocate the amounts we pay for each acquisition to the assets we acquire and liabilities we assume based on their fair values at the date of acquisition, including identifiable intangible assets and in-process research and development (IPR&D), which either arise from a contractual or legal right or are separable from goodwill. We base the fair value of identifiable intangible assets acquired in a business combination, including IPR&D, 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. We allocate to goodwill any excess purchase price over the fair value of the net tangible and identifiable intangible assets acquired. Transaction costs associated with these acquisitions are expensed as incurred through *Selling, general and administrative expenses*.

In those circumstances where an acquisition involves a contingent consideration arrangement, we recognize a liability equal to the fair value of the contingent payments we expect to make as of the acquisition date. We re-measure this liability each reporting period and record changes in the fair value through *Contingent consideration net expense (benefit)* on our consolidated statements of operations. Increases or decreases in the fair value of the contingent consideration liability can result from changes in discount rates, periods, timing and amount of projected revenue or timing or likelihood of achieving regulatory, revenue or commercialization-based milestones. Payment of additional consideration is generally contingent on the acquired company reaching certain performance milestones after the acquisition date, including attaining specified revenue

levels, achieving product development targets and/or obtaining regulatory approvals for products in development at the date of the acquisition.

***Indefinite-lived Intangibles and IPR&D***

Our indefinite-lived intangible assets, which are not subject to amortization, include acquired balloon and other technology, which is foundational to our ongoing operations within our Cardiovascular and MedSurg businesses, and IPR&D intangible assets acquired in a business combination. Our IPR&D represents intangible assets that are used in research and development activities but have not yet reached technological feasibility, regardless of whether they have alternative future use. 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 classify IPR&D as an indefinite-lived intangible asset until the completion or abandonment of the associated research and development efforts. Upon completion of the associated research and development efforts, we will determine the useful life of the technology and begin amortizing the assets to reflect their use over their remaining lives. Upon permanent abandonment, we write-off the remaining carrying amount of the associated IPR&D intangible asset.

We test our indefinite-lived intangible assets at least annually during the third quarter for impairment and reassess their classification as indefinite-lived assets. In addition, we review our indefinite-lived intangible assets for classification and impairment more frequently if impairment 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 FASB 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.

We use the income approach to determine the fair values of our IPR&D. We base our revenue assumptions on estimates of relevant market sizes, expected market growth rates, expected trends in technology and expected levels of market share. In arriving at the value of the in-process projects, we consider, among other factors, the in-process projects' stage of completion, the complexity of the work completed as of the acquisition date, the costs already incurred, the projected costs to complete, the contribution of other acquired assets, the expected regulatory path and introduction dates by region and the estimated useful life of the technology. See *Note D – Goodwill and Other Intangible Assets* for more information related to indefinite-lived intangibles, including IPR&D.

For asset purchases outside of business combinations, we expense any purchased research and development assets as of the acquisition date.

***Amortization and Impairment of Intangible Assets***

We record definite-lived intangible assets at historical cost and amortize them over their estimated useful lives. We use a straight-line method of amortization, unless a method that better reflects the pattern in which the economic benefits of the intangible asset are consumed or otherwise used up can be reliably determined. The approximate useful lives for amortization of our intangible assets are as follows: patents and licenses, two to 20 years; amortizable technology-related and customer relationships, five to 25 years; other intangible assets, various.

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. Conditions that may indicate impairment include, but are not limited to, a significant adverse change in legal factors or business climate that could affect the value of an asset, a product recall or an adverse action or assessment by a regulator. If we determine it is more likely than not that the asset is impaired based on our qualitative assessment of impairment indicators, we test the intangible asset for recoverability. For purposes of the recoverability test, we group our amortizable intangible assets with other assets and liabilities at the lowest level of identifiable cash flows if the intangible asset does not generate cash flows independent of other assets and liabilities. If the carrying value of the intangible asset or asset group exceeds the undiscounted cash flows expected to result from the use and eventual disposition of the intangible asset or asset group, we will write the carrying value down to fair value in the period impairment is 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. In determining our estimated future cash flows associated with our intangible assets, we use estimates and assumptions about future revenue contributions, cost structures and remaining useful lives of the asset or asset group. See *Note D – Goodwill and Other Intangible Assets* for more information related to impairments of intangible assets.

For patents developed internally, we capitalize costs incurred to obtain patents, including attorney fees, registration fees, consulting fees and other expenditures directly related to securing the patent.

***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 in the second quarter of each year as of April 1 for impairment, or more frequently if impairment indicators are present or changes in circumstances suggest an impairment may exist.

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. For our 2020 annual impairment assessment, we identified the following reporting units: Interventional Cardiology, Peripheral Interventions, Cardiac Rhythm Management, Electrophysiology, Endoscopy, Urology and Pelvic Health, Neuromodulation and Specialty Pharmaceuticals. We aggregated the Cardiac Rhythm Management and Electrophysiology reporting units, components of the Rhythm Management operating segment, based on the criteria prescribed in FASB ASC Topic 350, *Intangibles - Goodwill and Other*.

In the second quarter of 2020, we performed our annual goodwill impairment test utilizing the qualitative assessment approach to test all of our reporting units. We assessed recent events, including the COVID-19 pandemic, as well as changes in macroeconomic factors, industry and market conditions, overall financial performance and other entity-specific factors since the most recently performed quantitative test. After assessing the totality of events, we determined that it is more likely than not that the fair value of each of our reporting units has sufficient excess over its carrying value, and concluded that goodwill was not impaired or at risk of impairment.

On December 1, 2020, we announced the execution of a definitive agreement pursuant to which we agreed to sell our Specialty Pharmaceuticals business (disposal group) for a purchase price of $800 million, subject to certain adjustments including cash on hand as of the closing date of the transaction. The sale is expected to close in the first half of 2021, subject to customary closing conditions. We acquired our Specialty Pharmaceuticals business in conjunction with the BTG acquisition on August 19, 2019. In connection with the execution of a definitive agreement to sell the disposal group for a specified amount, we performed an impairment assessment of our goodwill and intangible assets, which resulted in a goodwill impairment of $73 million. As of December 31, 2020, we classified the remaining assets and liabilities of the disposal group as held for sale within our consolidated balance sheets at their respective carrying values, which approximates fair value, less cost to sell. Refer to *Note D – Goodwill and Other Intangible Assets* to our consolidated financial statements for additional details related to our goodwill balances.

***Investments in Publicly Traded and Privately Held Entities***

For publicly-held equity securities for which we do not have the ability to exercise significant influence, we measure at fair value with changes in fair value recognized currently in *Other, net* within our accompanying consolidated statements of operations. For privately-held equity securities for which we do not have the ability to exercise significant influence, we apply the measurement alternative approach and measure these investments at cost minus impairment, if any, adjusted to fair value for any, observable price changes in orderly transactions for the identical or a similar investment of the same issuer. We account for investments in entities over which we have the ability to exercise significant influence under the equity method if we hold 50 percent or less of the voting stock and the entity is not a VIE in which we are the primary beneficiary in accordance with FASB ASC Topic 323, *Investments - Equity Method and Joint Ventures*. We record these investments initially at cost and adjust the carrying amount to reflect our share of the earnings or losses of the investee, including all adjustments similar to those made in preparing consolidated financial statements. Lastly, we have notes receivable from certain companies that we account for in accordance with FASB ASC Topic 320*, Investments - Debt and Equity Securities*. Refer to *Note B – Acquisitions and Strategic Investments* for additional details on our investment balances.

Each reporting period, we evaluate our investments to determine if there are any events or circumstances that are likely to have a significant adverse effect on the fair value of the investment. Examples of such impairment indicators include, but are not limited to, a significant deterioration in earnings performance, recent financing rounds at reduced valuations, a significant adverse change in the regulatory, economic or technological environment of an investee or a significant doubt about an investee's ability to continue as a going concern. If we identify an impairment indicator, we will estimate the fair value of the investment and compare it to its carrying value. Our estimation of fair value considers financial information related to the investee available to us, including valuations based on recent third-party equity investments in the investee. For our investments for which we apply the measurement alternative, if the fair value of the investment is less than its carrying value, the investment

is impaired and we recognize an impairment loss equal to the difference between an investment's carrying value and its fair value. For our equity method investments, if we determine an impairment is other-than-temporary, we recognize an impairment loss equal to the difference between an investment's carrying value and its fair value. We deem an impairment to be other-than-temporary unless available evidence indicates that the valuation is more likely than not to recover up to the carrying value of the investment in a reasonable period of time, and we have both the ability and intent to hold the investment for at least the period of time needed to recover the value.

Net gains and losses and impairments associated with our investment portfolio are included in *Other, net* in our consolidated statements of operations.

***Income Taxes***

We utilize the asset and liability method of accounting for income taxes. Under this method, we determine deferred tax assets and liabilities based on differences between the financial reporting and tax bases of our assets and liabilities. We measure deferred tax assets and liabilities using the enacted tax rates and laws that will be in effect when we expect the differences to reverse. We reduce our deferred tax assets by a valuation allowance if, based upon the weight of available evidence, it is more likely than not that we will not realize some portion or all of the deferred tax assets. We consider relevant evidence, both positive and negative, to determine the need for a valuation allowance. Information evaluated includes our financial position and results of operations for the current and preceding years, the availability of deferred tax liabilities and tax carrybacks, as well as estimates of the impact of future taxable income and available prudent and feasible tax-planning strategies. We recognize interest and penalties related to income taxes as a component of income tax expense. As part of the Tax Cuts and Jobs Act (TCJA), we are subject to a territorial tax system in which we are required to establish an accounting policy in providing for tax on Global Intangible Low Taxed Income (GILTI) earned by certain foreign subsidiaries. We have elected to treat the impact of GILTI as a period cost and report it as part of continuing operations. See *Note J – Income Taxes* for further information and discussion of our income tax provision and balances including a discussion of the impacts of the TCJA.

***Legal and Product Liability Costs***

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 or impact our ability to sell our products. We are also the subject of certain governmental investigations, which could result in substantial fines, penalties and administrative remedies. 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. 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 our best estimate of the minimum amount of the range. We analyze litigation settlements to identify each element of the arrangement. We allocate arrangement consideration to patent licenses received based on estimates of fair value and capitalize these amounts as assets if the license will provide an ongoing future benefit. We record certain legal and product liability charges, credits and costs of defense, which we consider to be unusual or infrequent and significant as *Litigation-related charges (credits)* in our consolidated statements of operations; all other legal and product liability charges, credits and costs are recorded within *Selling, general and administrative expenses* within our consolidated statements of operations. See *Note K – Commitments and Contingencies* for discussion of our individual material legal proceedings.

***Costs Associated with Exit Activities***

We record employee termination costs in accordance with FASB ASC Topic 712*, Compensation - Nonretirement and Postemployment Benefits*, if we pay the benefits as part of an ongoing benefit arrangement, which includes benefits provided as part of our established severance policies or that we provide in accordance with international statutory requirements. We accrue employee termination costs associated with an ongoing benefit arrangement if the obligation is attributable to prior services rendered, the rights to the benefits have vested, the payment is probable and we can reasonably estimate the liability. We account for involuntary employee termination benefits that represent a one-time benefit in accordance with FASB ASC Topic 420*, Exit or Disposal Cost Obligation*s. We record such costs into expense over the employee's future service period, if any.

Other costs associated with exit activities may include contract termination costs and consulting fees, which are expensed in accordance with FASB ASC Topic 420 and are included in *Restructuring net charges (credits)* in our consolidated statements of operations. Additionally, costs directly related to our active restructuring initiatives, including program management costs, accelerated depreciation, fixed asset write-offs and costs to transfer product lines among facilities are included within *Costs of*

*products sold* and *Selling, general and administrative expenses* within our consolidated statements of operations. Impairment of right of use lease assets and lease termination costs directly related to our active restructuring initiatives are expensed in accordance with FASB ASC Topic 842 and included within *Costs of products sold* or *Selling, general and administrative expenses* in our consolidated statements of operations. See *Note H – Restructuring-related Activities* for further information and discussion of our restructuring plans.

***Translation of Foreign Currency***

We translate all assets and liabilities of foreign subsidiaries from the functional currency, which is generally the local currency, into U.S. dollars using the year-end exchange rate. We show the net effect of these translation adjustments in our consolidated financial statements as a component of *Accumulated other comprehensive income (loss), net of tax*. We translate revenues and expenses at the average exchange rates in effect during the year. For any significant foreign subsidiaries located in highly inflationary economies, we would re-measure their financial statements as if the functional currency were the U.S. dollar.

Foreign currency transaction gains and losses are included in *Other, net* in our consolidated statements of operations, net of losses and gains from any related derivative financial instruments.

***Financial Instruments***

We recognize all derivative financial instruments in our consolidated financial statements at fair value in accordance with FASB ASC Topic 815*, Derivatives and Hedging*, and we present assets and liabilities associated with our derivative financial instruments on a gross basis in our financial statements. In accordance with FASB ASC Topic 815, for those derivative instruments that are designated and qualify as hedging instruments, the hedging instrument must be designated, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation. The accounting for changes in the fair value of a derivative instrument depends on whether it qualifies for, and has been designated as part of a hedging relationship, as well as on the type of hedging relationship. Our derivative instruments do not subject our earnings to material risk, as gains and losses on these derivatives generally offset gains and losses on the item being hedged, and we do not enter into derivative transactions for speculative purposes. Refer to *Note E – Hedging Activities and Fair Value Measurements* for more information on our hedging instruments.

***Shipping and Handling Costs***

We generally do not bill customers for shipping and handling of our products. We treat shipping and handling costs incurred after a customer obtains control of the good as a fulfillment cost and record in *Selling, general and administrative expenses* within our consolidated statements of operations. Shipping and handling costs were $146 million in 2020, $144 million in 2019 and $124 million in 2018.

***Research and Development***

We expense research and development (R&D) costs, including new product development programs, regulatory compliance and clinical research as incurred. Refer to *Indefinite-lived Intangibles and IPR&D* above for our policy regarding R&D projects acquired in connection with our business combinations and asset purchases.

**NOTE B – ACQUISITIONS AND STRATEGIC INVESTMENTS**

Our consolidated financial statements include the operating results for acquired entities from the respective dates of acquisition. We did not complete any material acquisitions during 2020. We have not presented supplemental pro forma financial information for prior acquisitions given their results are not material to our consolidated financial statements. Transaction costs for all acquisitions completed during 2020, 2019 and 2018 were immaterial to our consolidated financial statements and were expensed as incurred. In 2020, we recorded immaterial purchase price adjustments during the measurement period for the preliminary purchase price allocations associated with prior acquisitions.

On January 21, 2021, we announced our entrance into a definitive agreement to acquire Preventice Solutions, Inc. (Preventice), a privately-held company which offers a full portfolio of mobile cardiac health solutions and services, ranging from ambulatory cardiac monitors, to cardiac event monitors and mobile cardiac telemetry. We have been an investor in Preventice since 2015 and currently hold an equity stake of approximately 22 percent. The transaction price to acquire the remaining stake is expected to result in a net cash payment of approximately $720 million upon closing and up to an additional $230 million payment upon achievement of a commercial milestone. The acquisition is expected to close during the first half of 2021, subject to customary

closing conditions. Following the closing of the acquisition, the Preventice business will be managed by our Cardiac Rhythm Management division.

2019 Acquisitions

BTG plc

On August 19, 2019, we announced the closing of our acquisition of BTG plc (BTG), a public company organized under the laws of England and Wales. BTG had three key portfolios, the largest of which is its interventional medicine portfolio (Interventional Medicine) that encompasses interventional oncology therapeutic technologies for patients with liver and kidney cancers, as well as a vascular portfolio for treatment of deep vein thrombosis, pulmonary embolism, deep venous obstruction and superficial venous disease. Following the closing of the acquisition, we integrated BTG's Interventional Medicine business into our Peripheral Interventions division.

In addition to the Interventional Medicine product lines, the BTG portfolio also included a specialty pharmaceutical business (Specialty Pharmaceuticals) comprised of acute care antidotes to treat overexposure to certain medications and toxins. On December 1, 2020, we announced the execution of a definitive agreement pursuant to which we agreed to sell our Specialty Pharmaceuticals business (disposal group) for a purchase price of $800 million , subject to certain adjustments including cash on hand as of the closing date of the transaction. The sale is expected to close in the first half of 2021, subject to customary closing conditions. Refer to *Note C – Assets and Liabilities Held for Sale* for additional information.

The BTG portfolio further included a licensing portfolio (Licensing arrangements) that generated net royalties related to BTG intellectual property and product license agreements. In connection with the acquisition, we acquired rights to future royalties associated with the Zytiga™ Drug used to treat certain forms of prostate cancer. In the fourth quarter of 2019, we sold our rights to these royalties for $256 million in cash, included in *Proceeds from royalty rights transfer* in our consolidated statements of cash flows. Refer to *Note E – Hedging Activities and Fair Value Measurements* for additional information.

The transaction price for the acquisition of BTG consisted of upfront cash in the aggregate amount of £3.312 billion (or $4.023 billion based on the exchange rate at closing on August 19, 2019) for the entire issued ordinary share capital of BTG, whereby BTG stockholders received 840 pence (or $10.20 based on the exchange rate at closing) in cash for each BTG share. The transaction price included $404 million of cash and cash equivalents acquired. We implemented our acquisition of BTG by way of a court-sanctioned scheme of arrangement under Part 26 of the United Kingdom Companies Act 2006, as amended.

*Purchase Price Allocation*

We accounted for the acquisition of BTG as a business combination, and in accordance with FASB ASC Topic 805*, Business Combinations*, (FASB ASC Topic 805), we recorded the assets acquired and liabilities assumed at their respective fair values as of the acquisition date. The final purchase price was comprised of the following components:

| *(in millions)* | | |
|---|---|---|
| Payment for acquisition, net of cash acquired | $ | 3,619 |

The final purchase price allocation was comprised of the following components:

| *(in millions)* | | |
|---|---|---|
| Goodwill | $ | 1,635 |
| Trade accounts receivable, net | | 108 |
| Inventories | | 232 |
| Other current assets | | 252 |
| Other intangible assets, net | | 1,785 |
| Other long-term assets | | 538 |
| Accrued expenses and other current liabilities | | (308) |
| Other long-term liabilities | | (274) |
| Deferred tax liability | | (349) |
| | **$** | **3,619** |

We allocated a portion of the purchase price to the specific intangible asset categories as follows:

| | | **Amount Assigned** *(in millions)* | **Amortization Period** *(in years)* | **Risk-Adjusted Discount Rates used in Purchase Price Allocation** |
|---|---|---|---|---|
| **Amortizable intangible assets:** | | | | |
| Technology-related | $ | 1,709 | 10 - 18 | 11 % - 12% |
| Other intangible assets | | 75 | 2 - 11 | 11% |
| | **$** | **1,785** | | |

We recognized goodwill of $1.635 billion, which is attributable to the synergies expected to arise from the acquisition and revenue and cash flow projections associated with future technologies. We allocated $1.399 billion to our Peripheral Interventions reporting unit and $236 million to the Specialty Pharmaceuticals reporting unit. In 2020, we recorded *Goodwill impairment charges* of $73 million related to our Specialty Pharmaceuticals business. Refer to *Note A – Significant Accounting Policies* for additional information.

*Transaction with Varian Medical Systems, Inc.*

On August 21, 2019, we completed the sale of our drug-eluting and bland embolic microsphere portfolio to Varian Medical Systems, Inc. (Varian) in connection with our acquisition of BTG. The transaction price consisted of an upfront cash payment of $90 million, a portion of which is allocated to the fair value of the services to be rendered under the Transition Services Agreement and Transition Manufacturing Agreement entered into with Varian as part of this transaction. Additionally, we transferred certain contingent consideration arrangements arising from our initial acquisition of the portfolio to Varian and agreed to indemnify Varian for any payments ultimately arising under the terms of the contingent consideration arrangement. Accordingly, as part of the disposal, we recorded a liability of $16 million to recognize the fair value of this guarantee based on our potential obligation resulting from the indemnifications. The maximum amount payable under this guarantee is $200 million in accordance with FASB ASC Topic 460, *Guarantees*, which is consistent with the contingent consideration arrangement executed with our initial acquisition of the portfolio in accordance with FASB ASC Topic 805.

*Vertiflex, Inc.*

On June 11, 2019, we announced the closing of our acquisition of Vertiflex, Inc. (Vertiflex), a privately-held company which developed and commercialized the Superion™ Indirect Decompression System, a minimally-invasive device used to improve physical function and reduce pain in patients with lumbar spinal stenosis (LSS). The transaction price consisted of an upfront cash payment of $465 million and contingent payments that are based on a percentage of Vertiflex sales growth in the first three years following the acquisition close. At the time of acquisition, we estimated the sales-based contingent payments to be in a range of zero to $100 million; however, the payments are uncapped over the three year earn-out period. Through December 31, 2020, we have made incremental payments of $20 million to the prior shareholders of Vertiflex in accordance with the terms of the agreement. Following the closing of the acquisition, we integrated the Vertiflex business into our Neuromodulation division.

*Millipede, Inc.*

On January 29, 2019, we announced the closing of our acquisition of Millipede, Inc. (Millipede), a privately-held company that has developed the IRIS Transcatheter Annuloplasty Ring System for the treatment of severe mitral regurgitation. We were an investor in Millipede since the first quarter of 2018 as part of an investment and acquisition option agreement, whereby we purchased a portion of the outstanding shares of Millipede, along with newly issued shares of the company, for an upfront cash payment of $90 million. In the fourth quarter of 2018, upon the successful completion of a first-in-human clinical study, we exercised our option to acquire the remaining shares of Millipede. We held an interest of approximately 20 percent immediately prior to the acquisition date. We remeasured the fair value of our previously-held investment based on the implied enterprise value and allocation of purchase price consideration according to priority of equity interests. The transaction price for the remaining stake consisted of an upfront cash payment of $325 million and up to an additional $125 million payment upon achievement of a commercial milestone. Through December 31, 2020, we have not made any incremental payments to the prior shareholders of Millipede, as the commercial milestone has not yet been achieved. Following the closing of the acquisition, we integrated the Millipede business into our Interventional Cardiology division.

*Purchase Price Allocation*

We accounted for the acquisitions of Vertiflex and Millipede as business combinations, and in accordance with FASB ASC Topic 805, we recorded the assets acquired and liabilities assumed at their respective fair values as of the acquisition dates. The final purchase prices were comprised of the following components:

| *(in millions)* | | |
|---|---|---|
| Payments for acquisitions, net of cash acquired | $ | 763 |
| Fair value of contingent consideration | | 127 |
| Fair value of prior interests | | 102 |
| | **$** | **992** |

The final combined purchase price allocation was comprised of the following components:

| *(in millions)* | | |
|---|---|---|
| Goodwill | $ | 577 |
| Amortizable intangible assets | | 220 |
| Indefinite-lived intangible assets | | 240 |
| Other assets acquired | | 24 |
| Liabilities assumed | | (12) |
| Net deferred tax liabilities | | (58) |
| | **$** | **992** |

We allocated a portion of the combined purchase price to the specific intangible asset categories as follows:

| | Amount Assigned *(in millions)* | Amortization Period *(in years)* | Risk-Adjusted Discount Rates used in Purchase Price Allocation |
|---|---|---|---|
| **Amortizable intangible assets:** | | | |
| Technology-related | $ 210 | 12 | 15% |
| Other intangible assets | 10 | 12 | 15% |
| **Indefinite-lived intangible assets:** | | | |
| In-process research and development | 240 | N/A | 19% |
| | **$ 461** | | |

2018 Acquisitions

*Augmenix, Inc.*

On October 16, 2018, we announced the closing of our acquisition of Augmenix, Inc. (Augmenix), a privately-held company that developed and commercialized the SpaceOAR™ Hydrogel System to help reduce common and debilitating side effects that men may experience after receiving radiotherapy to treat prostate cancer. The transaction price consisted of an upfront cash payment of $500 million and up to $100 million in payments contingent upon achieving certain revenue-based milestones. Through December 31, 2020, we made incremental payments of $24 million to the prior shareholders of Augmenix in accordance with the terms of the agreement. Following the closing of the acquisition, we integrated the Augmenix business into our Urology and Pelvic Health division.

*Claret Medical, Inc.*

On August 2, 2018, we announced the closing of our acquisition of Claret Medical, Inc. (Claret), a privately-held company that has developed and commercialized the Sentinel™ Cerebral Embolic Protection System. The device is used to protect the brain during certain interventional procedures, predominately in patients undergoing transcatheter aortic valve replacement (TAVR). The transaction price consisted of an upfront cash payment of $220 million and an additional $50 million payment for achieving a reimbursement-based milestone that was achieved in the third quarter of 2018. Following the closing of the acquisition, we integrated the Claret business into our Interventional Cardiology division.

*Cryterion Medical, Inc.*

On July 5, 2018, we announced the closing of our acquisition of Cryterion Medical, Inc. (Cryterion), a privately-held company developing a single-shot cryoablation platform for the treatment of atrial fibrillation. We had been an investor in Cryterion since 2016 and held an interest of approximately 35 percent immediately prior to the acquisition date. The transaction price to acquire the remaining stake consisted of an upfront cash payment of $202 million. Following the closing of the acquisition, we integrated the Cryterion business into our Electrophysiology division.

*NxThera, Inc.*

On April 30, 2018, we announced the closing of our acquisition of NxThera, Inc. (NxThera), a privately-held company that developed the Rezūm™ System, a minimally invasive therapy in a growing category of treatment options for patients with benign prostatic hyperplasia (BPH). We held a minority interest immediately prior to the acquisition date. The transaction price to acquire the remaining stake consisted of an upfront cash payment of approximately $240 million and up to approximately $85 million in future potential payments contingent upon achieving commercial milestones over the four years following the date of acquisition. Through December 31, 2020, we have made incremental payments of $12 million to the prior shareholders of NxThera in accordance with the terms of the agreement. Following the closing of the acquisition, we integrated the NxThera business into our Urology and Pelvic Health division.

*nVision Medical Corporation*

On April 16, 2018, we announced the closing of our acquisition of nVision Medical Corporation (nVision), a privately-held company focused on women's health. nVision developed the first and only device cleared by the U.S. Food and Drug Administration (FDA) to collect cells from the fallopian tubes, offering a potential platform for earlier diagnosis of ovarian cancer. The transaction price consisted of an upfront cash payment of $150 million and up to an additional $125 million in future potential payments contingent upon achieving certain clinical and commercial milestones over the four years following the date of acquisition. Following the closing of the acquisition, we integrated the nVision business into our Urology and Pelvic Health division. We discontinued the nVision R&D program during 2020 and do not expect to make any incremental payments to the prior shareholders.

*Other Acquisitions*

In addition, we completed other individually immaterial acquisitions in 2018 for total consideration of $158 million in cash at closing plus aggregate future potential contingent consideration of up to $62 million.

We recorded gains of $184 million in 2018 within *Other, net* on our consolidated statements of operations based on the difference between the book values and the fair values of our previously-held investments immediately prior to the acquisition dates. The aggregate fair value of our previously-held investments immediately prior to the acquisition dates was $251 million. We remeasured the fair value of each previously-held investment based on the implied enterprise value and allocation of purchase price consideration according to priority of equity interests.

*Purchase Price Allocation*

We accounted for our 2018 acquisitions as business combinations, and in accordance with FASB ASC Topic 805, we recorded the assets acquired and liabilities assumed at their respective fair values as of the acquisition dates. The final purchase prices were comprised of the following components:

| *(in millions)* | | |
|---|---|---|
| Payments for acquisitions, net of cash acquired | $ | 1,449 |
| Fair value of contingent consideration | | 248 |
| Fair value of prior interests | | 251 |
| | **$** | **1,948** |

The final combined purchase price allocation was comprised of the following components:

| *(in millions)* | | |
|---|---|---|
| Goodwill | $ | 939 |
| Amortizable intangible assets | | 939 |
| In-process research and development | | 213 |
| Other assets acquired | | 38 |
| Liabilities assumed | | (19) |
| Net deferred tax liabilities | | (162) |
| | **$** | **1,948** |

We allocated a portion of the combined purchase price to the specific intangible asset categories as follows:

| | Amount Assigned *(in millions)* | Amortization Period *(in years)* | Risk-Adjusted Discount Rates used in Purchase Price Allocation |
|---|---|---|---|
| **Amortizable intangible assets** | | | |
| Technology-related | $ 908 | 6 - 14 | 14 % - 23% |
| Other intangible assets | 31 | 6 - 13 | 13 % - 15% |
| **Indefinite-lived intangible assets** | | | |
| In-process research and development | 213 | n/a | 15% |
| | **$ 1,153** | | |

Our technology-related intangible assets consist of technical processes, intellectual property and institutional understanding with respect to products and processes that we intend to leverage in future products or processes and will carry forward from one product generation to the next. We used the multi-period excess earnings method, a form of the income approach, to derive the fair value of the technology-related intangible assets and are amortizing them on a straight-line basis over their assigned estimated useful lives.

Goodwill was primarily established due to synergies expected to be gained from leveraging our existing operations, as well as revenue and cash flow projections associated with future technologies. The goodwill recorded relating to our acquisitions is not deductible for tax purposes.

Contingent Consideration

Changes in the fair value of our contingent consideration liability were as follows:

| *(in millions)* | |
|---|---|
| **Balance as of December 31, 2018** | **$ 347** |
| Amounts recorded related to current year acquisitions | 127 |
| Contingent consideration arrangements transferred | (16) |
| Contingent consideration net expense (benefit) | (35) |
| Contingent consideration payments | (68) |
| **Balance as of December 31, 2019** | **$ 354** |
| Contingent consideration net expense (benefit) | (100) |
| Contingent consideration payments | (58) |
| **Balance as of December 31, 2020** | **$ 196** |

As of December 31, 2020, the maximum amount of future contingent consideration (undiscounted) that we could be required to pay associated with our prior acquisitions was $532 million.

The $100 million benefit recorded in 2020 related to a reduction in the contingent consideration liability for certain prior acquisitions for which we reduced the probability of achievement of associated revenue and/or regulatory milestones upon which payment is conditioned, or in the case of nVision, for milestones that would not be achieved due to discontinuation of the R&D program.

The recurring Level 3 fair value measurements of our contingent consideration liability that we expect to be required to settle include the following significant unobservable inputs:

| Contingent Consideration Liability | Fair Value as of December 31, 2020 | Valuation Technique | Unobservable Input | Range | Weighted Average[1] |
|---|---|---|---|---|---|
| **R&D, Regulatory and Commercialization-based Milestones** | $104 million | Discounted Cash Flow | Discount Rate | 2% | 2% |
| | | | Probability of Payment | 90% | 90% |
| | | | Projected Year of Payment | 2027 | 2027 |
| **Revenue-based Payments** | $93 million | Discounted Cash Flow | Discount Rate | 12 % - 14% | 13% |
| | | | Probability of Payment | 80 % - 100% | 100% |
| | | | Projected Year of Payment | 2021 - 2024 | 2022 |

(1) Unobservable inputs were weighted by the relative fair value of the contingent consideration liability. For projected year of payment, the amount represents the median of the inputs and is not a weighted average.

Projected contingent payment amounts related to our R&D, commercialization-based and revenue-based milestones are discounted back to the current period, primarily using a discounted cash flow model. Significant increases or decreases in projected revenues, probabilities of payment, discount rates or the time until payment is made would have resulted in a significantly lower or higher fair value measurement as of December 31, 2020.

Strategic Investments

The aggregate carrying amount of our strategic investments was comprised of the following:

| | As of December 31, | |
|---|---|---|
| *(in millions)* | **2020** | **2019** |
| Equity method investments | $ 319 | $ 264 |
| Measurement alternative investments[1] | 183 | 171 |
| Publicly-held securities[2] | 414 | 1 |
| Notes receivable | 2 | 23 |
| | **$ 918** | **$ 458** |

(1) Measurement alternative investments are privately-held equity securities without readily determinable fair values that are measured at cost less impairment, if any, adjusted to fair value for any observable price changes in orderly transactions for the identical or a similar investment of the same issuer, recognized in *Other, net* within our accompanying consolidated statements of operations.

(2) Publicly-held equity securities are measured at fair value with changes in fair value recognized in *Other, net* within our consolidated statements of operations.

These investments are classified as *Other long-term assets* within our consolidated balance sheets, in accordance with U.S. GAAP and our accounting policies.

In 2020, we recorded a $363 million gain on our investment in Pulmonx Corporation presented in *Other, net* to remeasure to fair value based on observable market prices. As of December 31, 2020, the cost of our aggregated equity method investments exceeded our share of the underlying equity in net assets by $272 million, which represents amortizable intangible assets, IPR&D, goodwill and deferred tax liabilities.

**NOTE C – ASSETS AND LIABILITIES HELD FOR SALE**

On December 1, 2020, we announced the execution of a definitive agreement pursuant to which we agreed to sell our Specialty Pharmaceuticals business to Stark International Lux S.A.R.L., and SERB SAS, affiliates of SERB, a European specialty pharmaceutical group, for a purchase price of $800 million, subject to certain adjustments including cash on hand at the closing of the transaction. The agreement includes the transfer of five facilities and approximately 280 employees globally. The transaction is expected to close during the first half of 2021, subject to customary closing conditions.

As of December 31, 2020, we have classified the assets and liabilities of our Specialty Pharmaceuticals business (disposal group) as held for sale within our consolidated balance sheets at their respective carrying values, which approximates fair value, less costs to sell. Assets within the disposal group are presented within *Assets held for sale* and liabilities are presented within *Other current liabilities* within our consolidated balance sheets. Refer to *Note A – Significant Accounting Policies* for additional information.

The carrying amounts of the major classes of assets and liabilities of the disposal group as of December 31, 2020 are presented below:

| *(in millions)* | As of December 31, 2020 |
|---|---|
| Cash | $ 37 |
| Trade accounts receivable, net | 24 |
| Inventories | 79 |
| Other current assets | 17 |
| Goodwill | 175 |
| Other intangible assets, net | 758 |
| Other long-term assets | 45 |
| **Assets held for sale** | **$ 1,133** |
| | |
| Accrued expenses and other current liabilities | $ 25 |
| Other long-term liabilities | 27 |
| Deferred tax liability | 148 |
| **Liabilities held for sale included in *Other current liabilities*** | **$ 200** |

In addition, as of December 31, 2020, we had foreign currency translation adjustments of $107 million contained within *Accumulated other comprehensive income (loss), net of tax* attributable to the Specialty Pharmaceuticals business to be released upon the closing of the transaction.

**NOTE D – GOODWILL AND OTHER INTANGIBLE ASSETS**

The gross carrying amount of goodwill and other intangible assets and the related accumulated amortization for intangible assets subject to amortization and accumulated goodwill impairment charges are as follows:

| | As of December 31, 2020 | | As of December 31, 2019 | |
|---|---|---|---|---|
| *(in millions)* | Gross Carrying Amount | Accumulated Amortization/Goodwill Impairment Charges | Gross Carrying Amount | Accumulated Amortization/Goodwill Impairment Charges |
| Technology-related | $ 11,059 | $ (6,179) | $ 12,020 | $ (5,706) |
| Patents | 511 | (407) | 525 | (408) |
| Other intangible assets | 1,775 | (1,220) | 1,754 | (1,081) |
| **Amortizable intangible assets** | **$ 13,345** | **$ (7,806)** | **$ 14,299** | **$ (7,195)** |
| | | | | |
| **Goodwill** | **$ 19,924** | **$ (9,973)** | **$ 20,076** | **$ (9,900)** |
| | | | | |
| IPR&D | 257 | | 662 | |
| Technology-related | 120 | | 120 | |
| **Indefinite-lived intangible assets** | **$ 377** | | **$ 782** | |

During 2020, following receipt of regulatory approvals, we reclassified certain of our IPR&D intangible assets to amortizable technology-related assets and began amortization to reflect their use over their remaining lives.

*Intangible asset impairment charges* were $460 million in 2020, $105 million in 2019 and $35 million in 2018. The impairment charges recorded in 2020 were primarily associated with our acquisitions of Apama Medical Inc. and nVision Medical Corporation (nVision) following management's decision to cancel the programs due to cost to complete, time to market, overall economic viability or, specific to nVision, our understanding of the clinical evidence necessary to commercialize the technology. *Intangible asset impairment charges* in 2020 also included charges related to our acquisition of Sadra Medical, Inc. (Sadra Medical) as a result of lower sales forecasts, as well as the cost of quality remediation efforts following the voluntary recall of our LOTUS Edge™ Aortic Valve System and subsequent discontinuation of the LOTUS platform.

The following represents our goodwill balance by global reportable segment and our separately presented Specialty Pharmaceuticals operating segment:

| *(in millions)* | MedSurg | Rhythm and Neuro | Cardiovascular | Specialty Pharmaceuticals | Total |
|---|---|---|---|---|---|
| **Balance as of December 31, 2018** | **$ 2,063** | **$ 1,924** | **$ 3,925** | **$ —** | **$ 7,911** |
| Foreign currency fluctuations and other changes | (1) | — | 58 | 9 | 66 |
| Goodwill acquired | — | 268 | 1,712 | 238 | 2,218 |
| Goodwill divested | — | — | (19) | — | (19) |
| **Balance as of December 31, 2019** | **$ 2,061** | **$ 2,192** | **$ 5,676** | **$ 247** | **$ 10,176** |
| Foreign currency fluctuations and other changes | (2) | 3 | 22 | — | 22 |
| Goodwill impairment charges | — | — | — | (73) | (73) |
| Goodwill reclassified to *Current assets held for sale* | — | — | — | (175) | (175) |
| **Balance as of December 31, 2020** | **$ 2,059** | **$ 2,194** | **$ 5,697** | **$ —** | **$ 9,951** |

In 2020, we recorded *Goodwill impairment charges* of $73 million related to our Specialty Pharmaceuticals business. We did not record any *Goodwill impairment charges* in 2019 or 2018. Refer to *Note A – Significant Accounting Policies* for further discussion of our goodwill and intangible asset impairment testing.

Estimated *Amortization expense* for each of the five succeeding fiscal years based upon our amortizable intangible asset portfolio as of December 31, 2020 is as follows (in millions):

| **Fiscal Year** | |
|---|---|
| 2021 | $ 689 |
| 2022 | 664 |
| 2023 | 651 |
| 2024 | 613 |
| 2025 | 560 |

## NOTE E – HEDGING ACTIVITIES AND FAIR VALUE MEASUREMENTS

### *Derivative Instruments and Hedging Activities*

We address market risk from changes in foreign currency exchange rates and interest rates through risk management programs which include the use of derivative and nonderivative financial instruments. We operate these programs pursuant to documented corporate risk management policies and do not enter into derivative transactions for speculative purposes. Our derivative instruments do not subject our earnings to material risk, as the gains or losses on these derivatives generally offset losses or gains recognized on the hedged item.

We manage concentration of counterparty credit risk by limiting acceptable counterparties to major financial institutions with investment grade credit ratings, limiting the amount of credit exposure to individual counterparties and by actively monitoring counterparty credit ratings and the amount of individual credit exposure. We also employ master netting arrangements that limit the risk of counterparty non-payment on a particular settlement date to the net gain that would have otherwise been received from the counterparty. Although not completely eliminated, we do not consider the risk of counterparty default to be significant as a result of these protections. Further, none of our derivative instruments are subject to collateral or other security arrangements, nor do they contain provisions that are dependent on our credit ratings from any credit rating agency.

Currency Hedging Instruments

*Risk Management Strategy*

Our risk from changes in currency exchange rates consists primarily of monetary assets and liabilities; forecasted intercompany and third-party transactions; net investments in certain subsidiaries; and, during 2019 prior to our acquisition of BTG, the purchase price of BTG, which was denominated in a currency other than the U.S. dollar. We manage currency exchange rate risk at a consolidated level to reduce the cost of hedging by taking advantage of offsetting transactions. We employ derivative and nonderivative instruments, primarily forward currency contracts, to reduce the risk to our earnings and cash flows associated with changes in currency exchange rates.

The success of our currency risk management program depends, in part, on forecast transactions denominated primarily in Euro, Japanese yen, Chinese renminbi, Australian dollar and British pound sterling. We may experience unanticipated currency exchange gains or losses to the extent the actual activity is different than forecast, particularly resulting from the impact of COVID-19 on transaction volumes. In addition, changes in currency exchange rates related to any unhedged transactions may impact our earnings and cash flows.

*Hedge Designations and Relationships*

Certain of our currency derivative instruments are designated as cash flow hedges under FASB ASC Topic 815*, Derivatives and Hedging* (FASB ASC Topic 815), and are intended to protect the U.S. dollar value of forecasted transactions. The gain or loss on a derivative instrument designated as a cash flow hedge is recorded in the *Net change in derivative financial instruments* component of *Other comprehensive income (loss), net of tax (OCI)* within our consolidated statements of comprehensive income (loss) until the underlying third-party transaction occurs. When the underlying third-party transaction occurs, we recognize the gain or loss in earnings within *Cost of products sold* in our consolidated statements of operations. In the event the hedging relationship is no longer effective, or if the occurrence of the hedged forecast transaction becomes no longer probable, we reclassify the gains or losses within *AOCI* to earnings at that time.

We also designate certain forward currency contracts as net investment hedges to hedge a portion of our net investments in certain of our entities with functional currencies denominated in the Euro, Swiss franc, Japanese yen, British pound sterling, South Korean won and Taiwan dollar. We elected to use the spot method to assess effectiveness for our derivatives that are designated as net investment hedges. Under the spot method, the change in fair value attributable to changes in the spot rate is recorded in the *Foreign currency translation adjustment (CTA)* component of *OCI*. We have elected to exclude the spot-forward difference from the assessment of hedge effectiveness and are amortizing this amount separately, as calculated at the date of designation, on a straight-line basis over the term of the currency forward contracts. Amortization of the spot-forward difference is then reclassified from *AOCI* to current period earnings as a component of *Interest expense* in our consolidated statements of operations.

In November 2019, we completed an offering of €900 million (approximately $1.000 billion) in aggregate principal amount of 0.625% senior notes due in 2027 (December 2027 Notes). The euro-denominated debt principal is a nonderivative instrument designated as a net investment hedge of our net investments in certain of our euro functional entities. We dedesignated a portion of the net investment hedge in 2020.

We also use forward currency contracts that are not part of designated hedging relationships under FASB ASC Topic 815 as a part of our strategy to manage our exposure to currency exchange rate risk related to monetary assets and liabilities and related forecast transactions. These non-designated currency forward contracts have an original time to maturity consistent with the hedged currency transaction exposures, generally less than one year, and are marked-to-market with changes in fair value recorded to earnings within *Other, net* in our consolidated statements of operations.

Certain of our non-designated forward currency contracts were entered into for the purpose of managing our exposure to currency exchange rate risk related to the British pound sterling-denominated purchase price of BTG. In 2019, we settled all outstanding contracts, for $294 million, which is presented within *Payments for settlements of hedge contracts* in our consolidated statements of cash flows. Upon settlement in 2019, we received £3.312 billion of cash to fund our acquisition of BTG, which translated into $4.303 billion based on hedged currency exchange rates. We recognized a $323 million loss in 2019 and a $29 million gain in 2018 in *Other, net* due to changes in fair value of the contracts.

Interest Rate Hedging Instruments

*Risk Management Strategy*

Our interest rate risk relates primarily to U.S. dollar borrowings partially offset by U.S. dollar cash investments. We use interest rate derivative instruments to mitigate the risk to our earnings and cash flows associated with exposure to changes in interest rates. Under these agreements, we and the counterparty, at specified intervals, exchange the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount. We designate these derivative instruments either as fair value or cash flow hedges in accordance with FASB ASC Topic 815.

*Hedge Designations and Relationships*

We had no interest rate derivative instruments designated as cash flow hedges outstanding as of December 31, 2020 and December 31, 2019. Prior to 2020, we terminated interest rate derivative instruments that were designated as cash flow hedges and are continuing to recognize the amortization of the gains or losses originally recorded within *AOCI* to earnings as a component of *Interest expense* over the same period that the hedged item affects earnings, provided the hedge relationship remains effective. If we determine the hedge relationship is no longer effective, or if the occurrence of the hedged forecast transaction becomes no longer probable, we reclassify the amount of gains or losses from *AOCI* to earnings at that time.

In the event that we designate outstanding interest rate derivative instruments as cash flow hedges we record the changes in the fair value of the derivatives within *OCI* until the underlying hedged transaction occurs. The balance of the deferred amounts on our terminated cash flow hedges within *AOCI* was a $29 million loss as of December 31, 2020 and a $34 million loss as of December 31, 2019. We recognized immaterial gains and losses in *Interest expense* relating to the amortization of our terminated cash flow hedges in the current and prior periods.

We had no interest rate derivative instruments designated as fair value hedges outstanding as of December 31, 2020 and December 31, 2019. Prior to 2018, we terminated interest rate derivative instruments that were designated as fair value hedges and are continuing to recognize the amortization of the gains or losses originally recorded within *Long-term debt* in our consolidated balance sheets into earnings as a component of *Interest expense* over the same period that the discount or premium associated with the hedged items affects earnings. In the event that we designate outstanding interest rate derivative instruments as fair value hedges, we record the changes in the fair values of interest rate derivatives designated as fair value hedges and of the underlying hedged debt instruments in *Interest expense*, which generally offset. The balance of the deferred gains on our terminated fair value hedges within *Long-term debt* was immaterial as of December 31, 2020 and December 31, 2019. We recognized immaterial gains in *Interest expense* relating to the amortization of the terminated fair value hedges in the current and prior periods.

The following table presents the contractual amounts of our hedging instruments outstanding:

| *(in millions)* | **FASB ASC Topic 815 Designation** | **As of December 31, 2020** | **2019** |
|---|---|---|---|
| Forward currency contracts | Cash flow hedge | $ 4,531 | $ 3,891 |
| Forward currency contracts | Net investment hedge | 1,004 | 953 |
| Foreign currency-denominated debt[(1)] | Net investment hedge | 868 | 997 |
| Forward currency contracts | Non-designated | 4,946 | 4,377 |
| **Total Notional Outstanding** | | **$ 11,349** | **$ 10,218** |

(1) The €900 million (approximately $1.000 billion) debt principal is a nonderivative instrument designated as a net investment hedge of our net investments in certain of our euro functional subsidiaries. We dedesignated a portion of the net investment hedges in 2020.

The remaining time to maturity as of December 31, 2020 is within 60 months for all forward currency contracts designated as cash flow hedges and generally less than one year for all non-designated forward currency contracts. The forward currency contracts designated as net investment hedges generally mature within the next two years. The euro-denominated debt principal designated as a net investment hedge has a contractual maturity of December 1, 2027.

The following presents the effect of our derivative and nonderivative instruments designated as cash flow and net investment hedges under FASB ASC Topic 815 in our accompanying consolidated statements of operations. Refer to *Note Q – Changes in Other Comprehensive Income* for the total amounts relating to derivative and nonderivative instruments presented within our consolidated statements of comprehensive income (loss).

| | Effect of Hedging Relationships on Accumulated Other Comprehensive Income | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Amount Recognized in OCI on Hedges | | | Consolidated Statements of Operations[1] | | | Amount Reclassified from AOCI into Earnings | | |
| | Pre-Tax Gain (Loss) | Tax Benefit (Expense) | Gain (Loss) Net of Tax | Location of Amount Reclassified and Total Amount of Line Item | | | Pre-Tax (Gain) Loss | Tax (Benefit) Expense | (Gain) Loss Net of Tax |
| **Year Ended December 31, 2020** | | | | | | | | | |
| **Forward currency contracts** | | | | | | | | | |
| Cash flow hedges | $ (99) | $ 22 | $ (77) | Cost of products sold | $3,465 | | $ (83) | $ 19 | $ (64) |
| Net investment hedges[2] | (37) | 8 | (29) | Interest expense | 361 | | (24) | 5 | (19) |
| **Foreign currency-denominated debt** | | | | | | | | | |
| Net investment hedges[3] | (89) | 21 | (68) | Other, net | (362) | | — | — | — |
| **Interest rate derivative contracts** | | | | | | | | | |
| Cash flow hedges | — | — | — | Interest expense | 361 | | 5 | (1) | 4 |
| **Year Ended December 31, 2019** | | | | | | | | | |
| **Forward currency contracts** | | | | | | | | | |
| Cash flow hedges | $ 150 | $ (34) | $ 117 | Cost of products sold | $3,116 | | $ (73) | $ 16 | $ (56) |
| Net investment hedges[2] | 68 | (15) | 53 | Interest expense | 473 | | (43) | 10 | (33) |
| **Foreign currency-denominated debt** | | | | | | | | | |
| Net investment hedges[3] | (14) | 3 | (11) | Other, net | 358 | | — | — | — |
| **Interest rate derivative contracts** | | | | | | | | | |
| Cash flow hedges | — | — | — | Interest expense | 473 | | 3 | (1) | 2 |
| **Year Ended December 31, 2018** | | | | | | | | | |
| **Forward currency contracts** | | | | | | | | | |
| Cash flow hedges | $ 167 | $ (38) | $ 130 | Cost of products sold | $2,813 | | $ 19 | $ (4) | $ 15 |
| Net investment hedges[2] | 56 | (13) | 43 | Interest expense | 241 | | (27) | 6 | (21) |
| **Interest rate derivative contracts** | | | | | | | | | |
| Cash flow hedges | (44) | 10 | (34) | Interest expense | 241 | | (1) | — | (1) |

(1) In all periods presented in the table above, the pre-tax (gain) loss amounts reclassified from *AOCI* to earnings represent the effect of the hedging relationships on earnings. All other amounts included in earnings related to hedging relationships were immaterial.

(2) For our outstanding forward currency contracts designated as net investment hedges, the net gain or loss reclassified from *AOCI* to earnings as a reduction of *Interest expense* represents the straight-line amortization of the excluded component as calculated at the date of designation. This initial value of the excluded component has been excluded from the assessment of effectiveness in accordance with FASB ASC Topic 815. In the current period, we did not recognize any gains or losses on the components included in the assessment of hedge effectiveness in earnings.

(3) For our outstanding euro-denominated debt principal designated as a net investment hedge, the change in fair value attributable to changes in the spot rate is recorded in the *Foreign currency translation adjustment (CTA)* component of *OCI*. No amounts were reclassified from *AOCI* to current period earnings.

As of December 31, 2020, pre-tax net gains or losses for our derivative instruments designated, or previously designated, as cash flow and net investment hedges under FASB ASC Topic 815 that may be reclassified from *AOCI* to earnings within the next twelve months are presented below (in millions):

| Designated Hedging Instrument | FASB ASC Topic 815 Designation | Location on Consolidated Statements of Operations | Amount of Pre-Tax Gain (Loss) that may be Reclassified to Earnings |
|---|---|---|---|
| Forward currency contracts | Cash flow hedge | Cost of products sold | $ 21 |
| Forward currency contracts | Net investment hedge | Interest expense | 13 |
| Interest rate derivative contracts | Cash flow hedge | Interest expense | (5) |

Net gains and losses on currency hedge contracts not designated as hedging instruments offset by net gains and losses from currency transaction exposures are presented below:

| *(in millions)* | Location on Consolidated Statements of Operations | Year Ended December 31, 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Net gain (loss) on currency hedge contracts | Other, net | $ 73 | $ (343) | $ 41 |
| Net gain (loss) on currency transaction exposures | Other, net | (105) | (15) | (30) |
| **Net currency exchange gain (loss)** | | **$ (32)** | **$ (358)** | **$ 11** |

***Fair Value Measurements***

FASB ASC Topic 815 requires all derivative and nonderivative instruments to be recognized at their fair values as either assets or liabilities on the balance sheet. We determine the fair value of our derivative and nonderivative instruments using the framework prescribed by FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, and considering the estimated amount we would receive or pay to transfer these instruments at the reporting date with respect to current currency exchange rates, interest rates, the creditworthiness of the counterparty for unrealized gain positions and our own creditworthiness for unrealized loss positions. In certain instances, we may utilize financial models to measure fair value of our derivative and nonderivative instruments. In doing so, we use inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability and inputs derived principally from, or corroborated by, observable market data by correlation or other means. The following are the balances of our derivative and nonderivative assets and liabilities:

| *(in millions)* | Location on Consolidated Balance Sheets[1] | As of December 31, 2020 | As of December 31, 2019 |
|---|---|---|---|
| **Derivative and Nonderivative Assets:** | | | |
| Designated Hedging Instruments | | | |
| Forward currency contracts | Other current assets | $ 53 | $ 72 |
| Forward currency contracts | Other long-term assets | 109 | 216 |
| | | 162 | 288 |
| Non-Designated Hedging Instruments | | | |
| Forward currency contracts | Other current assets | 79 | 33 |
| **Total Derivative and Nonderivative Assets** | | **$ 242** | **$ 321** |
| | | | |
| **Derivative and Nonderivative Liabilities:** | | | |
| Designated Hedging Instruments | | | |
| Forward currency contracts | Other current liabilities | $ 44 | $ 3 |
| Forward currency contracts | Other long-term liabilities | 54 | 8 |
| Foreign currency-denominated debt[2] | Other long-term liabilities | 1,094 | 998 |
| | | 1,191 | 1,009 |
| Non-Designated Hedging Instruments | | | |
| Forward currency contracts | Other current liabilities | 71 | 29 |
| **Total Derivative and Nonderivative Liabilities** | | **$ 1,262** | **$ 1,037** |

(1) We classify derivative and nonderivative assets and liabilities as current when the settlement date of the contract is one year or less.
(2) The €900 million (approximately $1.000 billion) debt principal is a nonderivative instrument designated as a net investment hedge of our net investments in certain of our euro functional subsidiaries. We dedesignated a portion of the net investment hedges in 2020.

Recurring Fair Value Measurements

On a recurring basis, we measure certain financial assets and financial liabilities at fair value based upon quoted market prices. Where quoted market prices or other observable inputs are not available, we apply valuation techniques to estimate fair value. FASB ASC Topic 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The category of a financial asset or a financial liability within the valuation hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The three levels of the hierarchy are defined as follows:

- Level 1 – Inputs to the valuation methodology are quoted market prices for identical assets or liabilities.
- Level 2 – Inputs to the valuation methodology are other observable inputs, including quoted market prices for similar assets or liabilities and market-corroborated inputs.
- Level 3 – Inputs to the valuation methodology are unobservable inputs based on management's best estimate of inputs market participants would use in pricing the asset or liability at the measurement date, including assumptions about risk.

Assets and liabilities measured at fair value on a recurring basis consist of the following:

| | As of | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | December 31, 2020 | | | | December 31, 2019 | | | |
| *(in millions)* | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | | | | | |
| Money market funds and time deposits | $ 1,584 | $ — | $ — | $ 1,584 | $ 50 | $ — | $ — | $ 50 |
| Publicly-held securities | 414 | — | — | 414 | 1 | — | — | 1 |
| Hedging instruments | — | 242 | — | 242 | — | 321 | — | 321 |
| Licensing arrangements | — | — | 365 | 365 | — | — | 518 | 518 |
| | **$ 1,998** | **$ 242** | **$ 365** | **$ 2,605** | **$ 51** | **$ 321** | **$ 518** | **$ 890** |
| **Liabilities** | | | | | | | | |
| Hedging instruments | $ — | $ 1,262 | $ — | $ 1,262 | $ — | $ 1,037 | $ — | $ 1,037 |
| Contingent consideration liability | — | — | 196 | 196 | — | — | 354 | 354 |
| Licensing arrangements | — | — | 407 | 407 | — | — | 571 | 571 |
| | **$ —** | **$ 1,262** | **$ 603** | **$ 1,865** | **$ —** | **$ 1,037** | **$ 925** | **$ 1,963** |

Our investments in money market funds and time deposits are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. These investments are classified as *Cash and cash equivalents* within our accompanying consolidated balance sheets, in accordance with U.S. GAAP and our accounting policies. In addition to $1.584 billion invested in money market funds and time deposits as of December 31, 2020 and $50 million as of December 31, 2019, we held $150 million in interest-bearing and non-interest-bearing bank accounts as of December 31, 2020 and $165 million as of December 31, 2019.

Our recurring fair value measurements using Level 3 inputs related to our contingent consideration liability. Refer to *Note B – Acquisitions and Strategic Investments* for a discussion of the changes in the fair value of our contingent consideration liability. In addition, our recurring fair value measurements using Level 3 inputs related to our licensing arrangements, principally the contractual right to receive future royalty payments related to Zytiga™ Drug acquired with BTG. Prior to our acquisition of BTG, BTG agreed to pay 50 percent of the Zytiga royalty stream, net of certain offsets, to the inventors associated with the intellectual property. In the fourth quarter of 2019, we sold the remaining 50 percent we acquired through our acquisition with BTG of the future Zytiga royalty stream for an upfront cash payment of $256 million to the Ontario Municipal Employees Retirement System (OMERS). In accordance with FASB ASC Topic 860, *Transfers and Servicing*, we are accounting for the transfer of the royalty stream to OMERS as a secured borrowing, continue to recognize the financial asset and associated liability in our consolidated balance sheets and do not expect to receive any future cash benefit from Zytiga royalties.

We have elected the fair value option to account for our licensing arrangements' financial asset and financial liability in accordance with FASB ASC Topic 825, *Financial Instruments.* As of December 31, 2020, we have recorded the fair values using a discounted cash flow approach considering the probability-weighted expected future cash flows to be generated by the royalty stream. The fair value of the financial liability also considers the related contractual provisions that govern our payment obligations.

The recurring Level 3 fair value measurements of our licensing arrangements recognized in our consolidated balance sheets as of December 31, 2020 include the following significant unobservable inputs:

| Licensing Arrangements | Fair Value as of December 31, 2020 | Valuation Technique | Unobservable Input | Range | Weighted Average[(1)] |
|---|---|---|---|---|---|
| **Financial Asset** | $365 million | Discounted Cash Flow | Discount Rate | 15% | 15% |
| | | | Projected Year of Payment | 2021 - 2025 | 2023 |
| **Financial Liability** | $407 million | Discounted Cash Flow | Discount Rate | 12% - 15% | 13% |
| | | | Projected Year of Payment | 2021 - 2027 | 2024 |

(1) Unobservable inputs relate to a single financial asset and liability. As such, unobservable inputs were not weighted by the relative fair value of the instruments. For projected year of payment, the amount represents the median of the inputs and is not a weighted average.

Significant increases or decreases in projected cash flows of the royalty stream and the related contractual provisions that govern our payment obligations, discount rates or the time until payment is made would have resulted in a significantly lower or higher fair value measurement of the licensing arrangements' financial asset and liability as of December 31, 2020. However, increases or decreases in the financial asset would be offset by increases or decreases in the financial liability, other than for timing of receipt and remittance; as such our earnings are not subject to material gains or losses from the licensing arrangement.

Changes in the fair value of our licensing arrangements' financial asset were as follows:

| *(in millions)* | | |
|---|---|---|
| **Balance as of December 31, 2018** | **$** | **—** |
| Amounts recorded related to current year acquisition | | 567 |
| Proceeds from royalty rights | | (52) |
| Fair value adjustment (expense) benefit | | 3 |
| **Balance as of December 31, 2019** | **$** | **518** |
| Proceeds from royalty rights | | (175) |
| Fair value adjustment (expense) benefit | | 22 |
| **Balance as of December 31, 2020** | **$** | **365** |

Changes in the fair value of our licensing arrangements' financial liability were as follows:

| *(in millions)* | | |
|---|---|---|
| **Balance as of December 31, 2018** | **$** | **—** |
| Amounts recorded related to current year acquisition | | 315 |
| Proceeds from royalty rights transfer | | 256 |
| **Balance as of December 31, 2019** | **$** | **571** |
| Payments for royalty rights | | (186) |
| Fair value adjustment expense (benefit) | | 22 |
| **Balance as of December 31, 2020** | **$** | **407** |

Non-Recurring Fair Value Measurements

We hold certain assets and liabilities that are measured at fair value on a non-recurring basis in periods after initial recognition. The fair value of a measurement alternative investment is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment. Refer to *Note B – Acquisitions and Strategic Investments* for a discussion of our strategic investments and *Note D – Goodwill and Other Intangible Assets* for a discussion of the fair values of our intangible assets including goodwill.

The fair value of our outstanding debt obligations was $10.774 billion as of December 31, 2020, including $1.118 billion relating to the euro-denominated December 2027 Notes, and $11.020 billion as of December 31, 2019, including $1.004 billion relating to our euro-denominated December 2027 Notes. We determined fair value by using quoted market prices for our publicly registered senior notes, classified as Level 1 within the fair value hierarchy, and face value for commercial paper, term loans and credit facility borrowings outstanding. Refer to *Note F – Contractual Obligations and Commitments* for a discussion of our debt obligations.

## NOTE F – CONTRACTUAL OBLIGATIONS AND COMMITMENTS

***Borrowings and Credit Arrangements***

We had total debt outstanding of $9.143 billion as of December 31, 2020 and $10.008 billion as of December 31, 2019, with current maturities of $13 million as of December 31, 2020 and $1.416 billion as of December 31, 2019. The debt maturity schedule for our long-term debt obligations is presented below:

| *(in millions, except interest rates)* | Issuance Date | Maturity Date | As of December 31, 2020 | As of December 31, 2019 | Coupon Rate[1] |
|---|---|---|---|---|---|
| May 2022 Notes | May 2015 | May 2022 | $ 250 | $ 500 | 3.375% |
| October 2023 Notes | August 2013 | October 2023 | 244 | 244 | 4.125% |
| March 2024 Notes | February 2019 | March 2024 | 850 | 850 | 3.450% |
| May 2025 Notes | May 2015 | May 2025 | 523 | 523 | 3.850% |
| June 2025 Notes | May 2020 | June 2025 | 500 | — | 1.900% |
| March 2026 Notes | February 2019 | March 2026 | 850 | 850 | 3.750% |
| December 2027 Notes | November 2019 | December 2027 | 1,105 | 1,011 | 0.625% |
| March 2028 Notes | February 2018 | March 2028 | 434 | 434 | 4.000% |
| March 2029 Notes | February 2019 | March 2029 | 850 | 850 | 4.000% |
| June 2030 Notes | May 2020 | June 2030 | 1,200 | — | 2.650% |
| November 2035 Notes[2] | November 2005 | November 2035 | 350 | 350 | 7.000% |
| March 2039 Notes | February 2019 | March 2039 | 750 | 750 | 4.550% |
| January 2040 Notes | December 2009 | January 2040 | 300 | 300 | 7.375% |
| March 2049 Notes | February 2019 | March 2049 | 1,000 | 1,000 | 4.700% |
| August 2022 Term Loan | August 2019 | August 2022 | — | 1,000 | |
| Unamortized Debt Issuance Discount and Deferred Financing Costs | | 2022 - 2049 | (88) | (83) | |
| Unamortized Gain on Fair Value Hedges | | 2023 | 5 | 7 | |
| Finance Lease Obligation | | Various | 7 | 6 | |
| **Long-term debt** | | | **$ 9,130** | **$ 8,592** | |

**Note:** The table above does not include unamortized amounts related to interest rate contracts designated as cash flow hedges.

(1) Coupon rates are semi-annual, except for the euro-denominated December 2027 Notes, which bear an annual coupon, and the August 2022 Term Loan, which was a variable-rate instrument based on LIBOR.

(2) Corporate credit rating improvements may result in a decrease in the adjusted interest rate on our November 2035 Notes to the extent that our lowest credit rating is above BBB- or Baa3. The interest rates on our November 2035 Notes will be permanently reinstated to the issuance rate if the lowest credit ratings assigned to these senior notes is either A- or A3 or higher.

*Revolving Credit Facility*

We maintain a $2.750 billion revolving credit facility (Revolving Credit Facility) with a global syndicate of commercial banks that matures on December 19, 2023 with one-year extension options, subject to certain conditions. This facility provides backing for our commercial paper program, and outstanding commercial paper directly reduces borrowing capacity under the Revolving Credit Facility. The credit agreement requires that we comply with certain covenants, including a financial covenant described within *Financial Covenant* below. In the first quarter of 2020, we refinanced $1.360 billion of commercial paper using proceeds from the Revolving Credit Facility. In April 2020, we entered into the April 2021 Term Loan, described below, and used the proceeds to repay a portion of the amounts outstanding under the Revolving Credit Facility. On May 28, 2020, we entered into an amendment of the credit agreement to permit payment of regularly scheduled quarterly cash dividends and other limited cash payments on our issued 5.50% Mandatory Convertible Preferred Stock, Series A (MCPS) and other capital stock issued by us, which is or becomes mandatorily convertible into or exchangeable for shares of our common stock. In May 2020, we completed our senior notes offering described below and used a portion of the proceeds to repay $450 million outstanding under the Revolving Credit Facility. There were no amounts outstanding under the Revolving Credit Facility as of December 31, 2020 or December 31, 2019.

*Term Loans*

On April 21, 2020, in a proactive step to offset the potential impact of the COVID-19 pandemic on our short-term liquidity, we entered into a $1.250 billion term loan credit agreement scheduled to mature on April 20, 2021 (April 2021 Term Loan). We used proceeds from the April 2021 Term Loan to repay a portion of the amounts outstanding under the Revolving Credit Facility and the remaining amount under the December 2020 Term Loan described below. In May 2020, as described in further detail below, we used a portion of the proceeds from the May 2020 senior notes offering to prepay $500 million of amounts outstanding under the April 2021 Term Loan, and a portion of the combined net proceeds from our MCPS and common stock offerings to repay in full the remaining $750 million outstanding under the April 2021 Term Loan and to pay related fees, expenses and premiums, after which it was terminated.

On February 27, 2020, we entered into a $1.000 billion term loan credit agreement scheduled to mature on February 25, 2021 (February 2021 Term Loan). We used the proceeds from the February 2021 Term Loan to repay the remaining amounts outstanding on the Three-Year Delayed Draw Term Loan, described below. On May 28, 2020, we entered into an amendment of the credit agreement to permit payment of regularly scheduled quarterly cash dividends and other limited cash payments on our issued MCPS and other capital stock issued by us, which is or becomes mandatorily convertible into or exchangeable for shares of our common stock. The February 2021 Term Loan bears interest at an annual rate of LIBOR plus a margin of 0.85%. The credit agreement is subject to a financial covenant described below under *Financial Covenant*, and also contains customary events of default, which may result in the acceleration of any outstanding commitments. We used a portion of the proceeds from our May 2020 senior notes offering, described below, to prepay $750 million of amounts outstanding under the February 2021 Term Loan in the second quarter of 2020. In the third quarter of 2020, we prepaid the remaining $250 million and terminated the February 2021 Term Loan.

On December 5, 2019, we entered into a $700 million term loan credit agreement, which was scheduled to mature on December 3, 2020 (December 2020 Term Loan). As of December 31, 2019, we had $700 million outstanding under the December 2020 Term Loan, and we used the proceeds to repay a portion of the Two-Year Delayed Draw Term Loan, described below. In January 2020, we repaid $300 million of the outstanding balance of the December 2020 Term Loan with proceeds from our commercial paper program. In April 2020, we used the proceeds from the April 2021 Term Loan to repay the remaining amounts outstanding under the December 2020 Term Loan and terminated the December 2020 Term Loan.

On December 19, 2018, we entered into a $2.000 billion senior unsecured delayed-draw term loan facility consisting of a $1.000 billion two-year delayed draw term loan credit facility maturing in two years from the date of the closing of the acquisition of BTG (Two-Year Delayed Draw Term Loan) and a $1.000 billion three-year delayed draw term loan credit facility maturing in three years from the date of the closing of the acquisition of BTG (Three-Year Delayed Draw Term Loan). On August 19, 2019, for the purpose of funding the acquisition of BTG, we borrowed $1.000 billion under the Two-Year Delayed Draw Term Loan and $1.000 billion under the Three-Year Delayed Draw Term Loan. In 2019, we repaid all amounts outstanding on the Two-Year Delayed Draw Term Loan with proceeds from the sale of the Zytiga-related royalty interests, the December 2020 Term Loan and commercial paper and terminated the facility. As of December 31, 2019, we had $1.000 billion outstanding under the Three-Year Delayed Draw Term Loan (also referred to as the "August 2022 Term Loan" in the debt maturity schedule above). In the first quarter of 2020, we repaid all amounts outstanding on the Three-Year Delayed Draw Term Loan with proceeds from the February 2021 Term Loan and terminated the facility. As of December 31, 2020, we had no amounts outstanding under the Two and Three-Year Delayed Draw Term Loans and the facilities were terminated.

*Financial Covenant*

As of and through December 31, 2020, we were in compliance with the financial covenant required by our credit facilities described above.

| | Covenant Requirement as of December 31, 2020 | Actual as of December 31, 2020 |
|---|---|---|
| Maximum permitted leverage ratio[(1)] | 4.75 times | 3.48 times |

(1) Ratio of total debt to deemed consolidated EBITDA, as defined by the credit agreements, as amended.

On April 21, 2020, we entered into an agreement with our banking syndicates to amend the financial covenant requirement for all of our outstanding credit arrangements as follows: (i) established a deemed Consolidated EBITDA of $671 million for the second, third and fourth quarters of 2020, reflecting average quarterly Consolidated EBITDA, as defined in the credit agreements, for 2018 and 2019; and (ii) maintain the maximum permitted leverage ratio of 4.75 times through the remainder of 2020, with a step-down for each succeeding fiscal quarter end to 4.50 times, 4.25 times, 4.00 times and ultimately 3.75 times for the fourth quarter of 2021 and through the remaining term of the facility. In addition, pursuant to the April 21, 2020

Revolving Credit Facility and February 2021 Term Loan amendments, the definition of "Material Adverse Effect" has been amended to exclude the direct and indirect effects of the COVID-19 pandemic from what constitutes a material adverse effect through the remainder of 2020.

The financial covenant requirement provides for an exclusion from the calculation of consolidated EBITDA, as defined by the agreements, through maturity, of any non-cash charges and up to $500 million in restructuring and restructuring-related net charges related to our current or future restructuring plans. As of December 31, 2020, we had $101 million of the restructuring net charges exclusion remaining. In addition, any cash litigation payments (net of any cash litigation receipts), as defined by the agreements, are excluded from the calculation of consolidated EBITDA, as defined by the agreements, provided that the sum of any excluded net cash litigation payments do not exceed $2.624 billion in the aggregate. As of December 31, 2020, we had $926 million of the litigation exclusion remaining.

Any inability to maintain compliance with this amended covenant could require us to seek to further renegotiate the terms of our Revolving Credit Facility or seek waivers from compliance with this covenant, 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 on terms acceptable to us. In this case, all Revolving Credit Facility commitments would terminate, and any amounts borrowed under the facility would become immediately due and payable. Furthermore, any termination of our Revolving Credit Facility may negatively impact the credit ratings assigned to our commercial paper program which may impact our ability to refinance any then outstanding commercial paper as it becomes due and payable.

*Commercial Paper*

Our commercial paper program is backed by the Revolving Credit Facility, as discussed above. Outstanding commercial paper directly reduces borrowing capacity under the Revolving Credit Facility. In the first quarter of 2020, we refinanced $1.360 billion of commercial paper using proceeds from the Revolving Credit Facility and did not have any commercial paper outstanding as of December 31, 2020.

| | As of December 31, | |
|---|---|---|
| *(in millions, except maturity and yield)* | **2020** | **2019** |
| Commercial paper outstanding (at par) | $ — | $ 711 |
| Maximum borrowing capacity | 2,750 | 2,750 |
| Borrowing capacity available | 2,750 | 2,039 |
| Weighted average maturity | 0 days | 55 days |
| Weighted average yield | — % | 2.21 % |

*Senior Notes*

We had senior notes outstanding of $9.205 billion as of December 31, 2020 and $7.661 billion as of December 31, 2019.

On December 29, 2020, we redeemed $250 million of our $500 million 3.375% senior notes due 2022 (May 2022 Notes) at a redemption price calculated in accordance with the terms of the May 2022 Notes and its indenture, plus accrued and unpaid interest through, but excluding, the date of redemption.

In May 2020, we completed an offering of $1.700 billion in aggregate principal amount of senior notes comprised of $500 million of 1.900% senior notes due June 2025 and $1.200 billion of 2.650% senior notes due June 2030. We used the net proceeds from the offering to refinance $450 million of amounts outstanding under the Revolving Credit Facility, prepay $750 million of amounts outstanding under the $1.000 billion February 2021 Term Loan, prepay $500 million of amounts outstanding under the $1.250 billion April 2021 Term Loan and pay related fees, expenses and premiums.

In November 2019, we completed an offering of €900 million (approximately $1.000 billion) in aggregate principal amount of 0.625% senior notes due in 2027 (December 2027 Notes). The euro-denominated debt principal is a nonderivative instrument designated as a net investment hedge of our net investments in certain of our euro functional entities. Refer to *Note E – Hedging Activities and Fair Value Measurements* for additional information. We used a portion of the net proceeds from our November 2019 senior notes offering to repay certain outstanding principal amounts of our senior notes including $206 million of our $450 million 4.125% senior notes due 2023, $566 million of our $1.000 billion 4.000% senior notes due 2028 and $227 million of our $750 million 3.850% senior notes due 2025 and pay accrued and unpaid interest, premiums, fees and expenses in

connection with the transaction. In 2019, we incurred associated debt extinguishment charges of $86 million presented in *Interest expense* in our consolidated statements of operations.

In February 2019, we completed an offering of $4.300 billion in aggregate principal amount of senior notes comprised of $850 million of 3.450% senior notes due March 2024, $850 million of 3.750% senior notes due March 2026, $850 million of 4.000% senior notes due March 2029, $750 million of 4.550% senior notes due March 2039 and $1.000 billion of 4.700% senior notes due March 2049. We used a portion of the net proceeds from the offering to repay the $850 million plus accrued interest and premium of our 6.000% senior notes due in January 2020, the $600 million plus accrued interest and premium of our 2.850% senior notes due in May 2020 and the $1.000 billion plus accrued interest of our August 2019 Term Loan. In 2019, the remaining proceeds were used to finance a portion of our acquisition of BTG.

Our senior notes were issued in public offerings, are redeemable prior to maturity and are not subject to sinking fund requirements. Our senior notes are unsecured, unsubordinated obligations and rank on parity with each other. These notes are effectively junior to liabilities of our subsidiaries (see *Other Arrangements* below).

Our $8.855 billion of senior notes issued in 2009, 2013, 2015, 2018, 2019 and 2020 contain a change-in-control provision, which provides that each holder of the senior notes may require us to repurchase all or a portion of the notes at a price equal to 101 percent of the aggregate repurchased principal, plus accrued and unpaid interest, if a rating event, as defined in the indenture, occurs as a result of a change-in-control, as defined in the indenture. Any other credit rating changes may impact our borrowing cost, but do not require us to repay any borrowings.

*Other Arrangements*

We have accounts receivable factoring programs in certain European countries and with commercial banks in China and Japan which include promissory notes discounting programs. We account for our factoring programs as sales under FASB ASC Topic 860, *Transfers and Servicing*. We have no retained interest in the transferred receivables, other than collection and administration, and once sold, the accounts receivable are no longer available to satisfy creditors in the event of bankruptcy. Amounts de-recognized for accounts and notes receivable, which are excluded from *Trade accounts receivable, net* in our accompanying consolidated balance sheets, are aggregated by contract denominated currency below (in millions):

| | As of December 31, 2020 | | As of December 31, 2019 | |
|---|---|---|---|---|
| **Factoring Arrangements** | **Amount De-recognized** | **Weighted Average Interest Rate** | **Amount De-recognized** | **Weighted Average Interest Rate** |
| Euro denominated | $ 148 | 1.9 % | $ 171 | 1.4 % |
| Yen denominated | 240 | 0.6 % | 226 | 0.6 % |
| Renminbi denominated[(1)] | — | 3.5 % | n/a | n/a |

(1) The Renminbi denominated factoring arrangement was entered into in 2020 and had remaining capacity available as of December 31, 2020. There were no amounts de-recognized for accounts receivable as of December 31, 2020 associated with this arrangement.

***Other Contractual Obligations and Commitments***

We had outstanding letters of credit of $124 million as of December 31, 2020 and $105 million as of December 31, 2019, which consisted primarily of bank guarantees and collateral for workers' compensation insurance arrangements. As of December 31, 2020 and December 31, 2019, none of the beneficiaries had drawn upon the letters of credit or guarantees, accordingly, we have not recognized a related liability for our outstanding letters of credit in our consolidated balance sheets as of December 31, 2020 and December 31, 2019.

Future minimum purchase obligations, relating primarily to non-cancellable inventory commitments and capital expenditures entered in the normal course of business, were as of December 31, 2020 (in millions):

| Fiscal Year | Unrecorded Purchase Obligations |
|---|---|
| 2021 | $ 403 |
| 2022 | 53 |
| 2023 | 41 |
| 2024 | 26 |
| 2025 | 13 |
| Thereafter | — |
| | **$ 535** |

**NOTE G – LEASES**

We have operating and finance leases for real estate including corporate offices, land, warehouse space, and vehicles and certain equipment. Leases with an initial term of 12 months or less are generally not recorded on the balance sheet, unless the arrangement includes an option to purchase the underlying asset, or an option to renew the arrangement, that we are reasonably certain to exercise (short-term leases). We recognize lease expense on a straight-line basis over the lease term for short-term leases that we do not record on our balance sheet. If there is a change in our assessment of the lease term and, as a result, the remaining lease term extends more than 12 months from the end of the previously determined lease term, or we subsequently become reasonably certain that we will exercise an option to purchase the underlying asset, the lease no longer meets the definition of a short-term lease and is accounted for as either an operating or finance lease and recognized on the balance sheet. In accordance with FASB ASC Topic 842, *Leases*, we account for the lease components and the non-lease components as a single lease component, with the exception of our warehouse leases. Our leases have remaining lease terms of less than 1 year to approximately 56 years, some of which may include options to extend the leases for up to 10 years. If we are reasonably certain we will exercise an option to extend the lease, the time period covered by the extension option is included in the lease term.

We determine whether an arrangement is or contains a lease based on the unique facts and circumstances present at the inception of the arrangement. Operating lease liabilities and their corresponding right-of-use assets are recorded based on the present value of lease payments over the expected lease term. The interest rate implicit in lease contracts is typically not readily determinable. As such, we utilize the appropriate incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term at an amount equal to the lease payments in a similar economic environment. Certain adjustments to the right-of-use asset may be required for items such as initial direct costs paid or incentives received.

Our operating lease right-of-use assets are presented within *Other long-term assets* and corresponding liabilities are presented within *Other current liabilities* and *Other long-term liabilities* on our consolidated balance sheets. Finance leases are immaterial to our consolidated financial statements. Refer to *Note F – Contractual Obligations and Commitments* for additional information. The following table presents supplemental balance sheet information related to our operating leases:

| | As of December 31, | |
|---|---|---|
| *(in millions)* | **2020** | **2019** |
| **Assets** | | |
| Operating lease right-of-use assets in *Other long-term assets* | $ 458 | $ 336 |
| **Liabilities** | | |
| Operating lease liabilities in *Other current liabilities* | 70 | 67 |
| Operating lease liabilities in *Other long-term liabilities* | 401 | 276 |

The following table presents the weighted average remaining lease term and discount rate information related to our operating leases:

| | As of December 31, | |
|---|---|---|
| | **2020** | **2019** |
| Weighted average remaining lease term | 10.5 years | 5.8 years |
| Weighted average discount rate | 2.4% | 3.7% |

Our operating lease cost under FASB ASC Topic 842 was $92 million in 2020 and $80 million in 2019. Rent expense under FASB ASC Topic 840 amounted to $92 million in 2018.

The following table presents supplemental cash flow information related to our operating leases:

| | Year Ended December 31, | |
|---|---|---|
| *(in millions)* | **2020** | **2019** |
| **Cash paid for amounts included in the measurement of operating lease liabilities** | | |
| Operating cash flows from operating leases | $ 91 | $ 77 |

Right-of-use assets obtained in exchange for operating lease obligations were $202 million as of December 31, 2020 and $137 million as of December 31, 2019.

The following table presents the maturities of our operating lease liabilities as of December 31, 2020 (in millions):

| **Fiscal year** | **Operating Leases** |
|---|---|
| 2021 | $ 86 |
| 2022 | 75 |
| 2023 | 60 |
| 2024 | 49 |
| 2025 | 43 |
| Thereafter | 218 |
| **Total future minimum operating lease payments** | **530** |
| Less: imputed interest | (59) |
| **Present value of operating lease liabilities** | **$ 471** |

As of December 31, 2020, we have additional leases for office space and warehouse space, that have not yet commenced, of approximately $25 million. These leases will commence in 2021 and thereafter with lease terms of up to 15 years.

**NOTE H – RESTRUCTURING-RELATED ACTIVITIES**

*2019 Restructuring Plan*

On November 15, 2018, our Board of Directors approved, and we committed to a global restructuring program (the 2019 Restructuring Plan). The 2019 Restructuring Plan is intended to support our effort to improve operating performance and meet anticipated market demands by ensuring that we are appropriately structured and resourced to deliver sustainable value to patients and customers. Key activities under the 2019 Restructuring Plan include supply chain network optimization intended to maximize our global manufacturing and distribution network capacity and building functional capabilities that support business growth. These activities were initiated in 2019, with the majority of activity expected to be complete by the end of 2022, following a one-year extension approved by our Board of Directors on February 22, 2021.

On February 22, 2021, our Board of Directors approved an extension and expansion of the 2019 Restructuring Plan to include additional cost optimization activities, including the centralization of certain functional capabilities within the international regions in which we operate, and a one-year extension of the program to complete these activities along with certain other initiatives that were delayed in 2020 due to restrictions related to the COVID-19 pandemic. We expect the majority of activity associated with our 2019 Restructuring Plan, including the expansion, to be substantially complete by the end of 2022.

The following table provides a summary of our estimates of total pre-tax charges associated with the 2019 Restructuring Plan, including the expansion, by major type of cost, of which approximately $340 million to $440 million are expected to result in cash outlays:

| Type of Cost *(in millions)* | Total Estimated Amount Expected to be Incurred | | |
|---|---|---|---|
| **Restructuring charges:** | | | |
| Termination benefits | $75 | - | $100 |
| Other[(1)] | 25 | - | 50 |
| **Restructuring-related expenses:** | | | |
| Other[(2)] | 275 | - | 325 |
| | **$375** | **-** | **$475** |

(1) Consists primarily of consulting fees and costs associated with contractual cancellations.
(2) Comprised of other costs directly related to the restructuring program, including program management, accelerated depreciation, fixed asset write-offs, and costs to transfer product lines among facilities.

*2016 Restructuring Plan*

On June 6, 2016, our Board of Directors approved, and we committed to a restructuring initiative (the 2016 Restructuring Plan). The 2016 Restructuring Plan was intended to develop global commercialization, technology and manufacturing capabilities in key growth markets, build on our Plant Network Optimization (PNO) strategy which is intended to simplify our manufacturing plant structure by transferring certain production lines among facilities and expand operational efficiencies in support of our operating income margin goals. Key activities under the 2016 Restructuring Plan included strengthening global infrastructure through evolving global real estate assets and workplaces, developing global commercial and technical competencies, enhancing manufacturing and distribution expertise in certain regions and continuing implementation of our PNO strategy. These activities were initiated in the second quarter of 2016 and substantially completed in 2019.

The following table provides a summary of total pre-tax charges associated with the 2016 Restructuring Plan by major type of cost, of which approximately $255 million resulted in cash outlays:

| Type of cost *(in millions)* | Total Amount Incurred |
|---|---|
| **Restructuring charges:** | |
| Termination benefits | $ 86 |
| Other[(1)] | 21 |
| **Restructuring-related expenses:** | |
| Other[(2)] | 164 |
| | **$ 271** |

(1) Consists primarily of consulting fees and costs associated with contract cancellations.
(2) Comprised of other costs directly related to the 2016 Restructuring Plan, including program management, accelerated depreciation, fixed asset write-offs and costs to transfer product lines among facilities.

The following presents the restructuring and restructuring-related net charges (credits) by major type and line item within our accompanying consolidated statements of operations (in millions):

| Year Ended December 31, 2020 | Termination Benefits | Transfer Costs | Other | Total |
|---|---|---|---|---|
| **Restructuring charges** | **$ 27** | **$ —** | **$ 24** | **$ 52** |
| **Restructuring-related expenses:** | | | | |
| Cost of products sold | — | 64 | — | 64 |
| Selling, general and administrative expenses | — | — | 51 | 51 |
| Research and development expenses | — | — | 4 | 4 |
| | **—** | **64** | **55** | **119** |
| | **$ 27** | **$ 64** | **$ 79** | **$ 171** |

| Year Ended December 31, 2019 | Termination Benefits | Transfer Costs | Other | Total |
|---|---|---|---|---|
| **Restructuring charges** | **$ 38** | $ — | **$ —** | **$ 38** |
| **Restructuring-related expenses:** | | | | |
| Cost of products sold | — | 32 | — | 32 |
| Selling, general and administrative expenses | — | — | 13 | 13 |
| | **—** | **32** | **13** | **44** |
| | **$ 38** | **$ 32** | **$ 13** | **$ 82** |

| Year Ended December 31, 2018 | Termination Benefits | Transfer Costs | Other | Total |
|---|---|---|---|---|
| **Restructuring charges** | **$ 32** | **$ —** | **$ 4** | **$ 36** |
| **Restructuring-related expenses:** | | | | |
| Cost of products sold | — | 47 | — | 47 |
| Selling, general and administrative expenses | — | — | 12 | 12 |
| | **—** | **47** | **12** | **59** |
| | **$ 32** | **$ 47** | **$ 16** | **$ 96** |

*LOTUS Discontinuation*

On November 17, 2020, we announced a global, voluntary recall of all unused inventory of our LOTUS Edge™ Aortic Valve System, and our decision to retire the entire LOTUS platform. We estimate the decision will result in total pre-tax restructuring and restructuring-related net charges of approximately $80 million to $90 million, which includes $30 million to $40 million of estimated charges expected to result in future cash outlays. We recorded $55 million of restructuring and restructuring-related net charges associated with the product discontinuation in 2020, which is included in the table above for the year ended December 31, 2020, and expect the remaining activity to be substantially complete during early 2021.

In addition, during 2020 we recorded $119 million of inventory charges within *Cost of products sold* and $8 million of *Intangible asset impairment charges* associated with the product discontinuation.

The following table presents cumulative restructuring and restructuring-related net charges incurred as of December 31, 2020, related to our ongoing Restructuring Plans by major type:

| *(in millions)* | 2016 Restructuring Plan | 2019 Restructuring Plan | Total |
|---|---|---|---|
| Termination benefits | $ 86 | $ 38 | $ 124 |
| Other[(1)] | 21 | 26 | 46 |
| **Total restructuring charges** | 106 | 64 | 171 |
| Transfer costs | 126 | 87 | 213 |
| Other[(2)] | 39 | 28 | 66 |
| **Restructuring-related charges** | 164 | 115 | 279 |
| | **$ 271** | **$ 179** | **$ 450** |

(1) Consists primarily of consulting fees and costs associated with contract cancellations.
(2) Comprised of other costs directly related to our Restructuring Plans, including program management, accelerated depreciation, and fixed asset write-offs.

Cumulative cash payments associated with our ongoing Restructuring Plans were made using cash generated from operations and are comprised of the following:

| *(in millions)* | 2016 Restructuring Plan | 2019 Restructuring Plan | Total |
|---|---|---|---|
| Termination benefits | $ 89 | $ 12 | $ 100 |
| Transfer costs | 125 | 77 | 202 |
| Other | 41 | 25 | 67 |
| | **$ 255** | **$ 114** | **$ 369** |

**NOTE I – SUPPLEMENTAL BALANCE SHEET INFORMATION**

Components of selected captions in our accompanying consolidated balance sheets are as follows:

Trade accounts receivable, net

| | As of December 31, | |
|---|---|---|
| *(in millions)* | **2020** | **2019** |
| Trade accounts receivable | $ 1,637 | $ 1,902 |
| Allowance for credit losses | (105) | (74) |
| | **$ 1,531** | **$ 1,828** |

The following is a rollforward of our *Allowance for credit losses*:

| | Year Ended December 31, | | |
|---|---|---|---|
| *(in millions)* | **2020** | **2019** | **2018** |
| **Beginning balance** | **$ 74** | **$ 68** | **$ 68** |
| Cumulative effect adjustment for adoption of ASU 2016-13 | 10 | n/a | n/a |
| Credit loss expense | 49 | 23 | 19 |
| Write-offs | (27) | (17) | (19) |
| **Ending balance** | **$ 105** | **$ 74** | **$ 68** |

Note: Effective January 1, 2020, we adopted FASB ASC Topic 326 using the modified retrospective method, which requires that we recognize credit loss reserves when financial assets are established if credit losses are expected over the asset's contractual life. Prior period amounts have not been restated and are presented in accordance with FASB ASC Topic 310. Please refer to *Note R – New Accounting Pronouncements* for additional information.

Inventories

| | As of December 31, | |
|---|---|---|
| *(in millions)* | **2020** | **2019** |
| Finished goods | $ 893 | $ 971 |
| Work-in-process | 109 | 192 |
| Raw materials | 349 | 416 |
| | **$ 1,351** | **$ 1,579** |

Approximately 33 percent of our finished goods inventory as of December 31, 2020 and approximately 32 percent as of December 31, 2019 was at customer locations pursuant to consignment arrangements or held by sales representatives.

Other current assets

| | As of December 31, | |
|---|---|---|
| *(in millions)* | **2020** | **2019** |
| Restricted cash and restricted cash equivalents | $ 208 | $ 346 |
| Derivative assets | 133 | 105 |
| Licensing arrangements | 148 | 186 |
| Other | 263 | 243 |
| | **$ 751** | **$ 880** |

Property, plant and equipment, net

| *(in millions)* | As of December 31, 2020 | 2019 |
|---|---|---|
| Land | $ 104 | $ 117 |
| Buildings and improvements | 1,292 | 1,198 |
| Equipment, furniture and fixtures | 3,465 | 3,411 |
| Capital in progress | 446 | 442 |
| | 5,308 | 5,169 |
| Less: accumulated depreciation | 3,224 | 3,089 |
| | **$ 2,084** | **$ 2,079** |

Depreciation expense was $333 million in 2020, $311 million in 2019 and $296 million in 2018.

Other long-term assets

| *(in millions)* | As of December 31, 2020 | 2019 |
|---|---|---|
| Restricted cash equivalents | $ 52 | $ 43 |
| Operating lease right-of-use assets | 458 | 336 |
| Derivative assets | 109 | 216 |
| Investments | 918 | 458 |
| Licensing arrangements | 218 | 332 |
| Other | 166 | 144 |
| | **$ 1,921** | **$ 1,529** |

Accrued expenses

| *(in millions)* | As of December 31, 2020 | 2019 |
|---|---|---|
| Legal reserves | $ 505 | $ 470 |
| Payroll and related liabilities | 681 | 708 |
| Rebates | 331 | 298 |
| Contingent consideration | 26 | 56 |
| Other | 656 | 576 |
| | **$ 2,197** | **$ 2,109** |

Other current liabilities

| *(in millions)* | As of December 31, 2020 | 2019 |
|---|---|---|
| Deferred revenue | $ 138 | $ 144 |
| Licensing arrangements | 153 | 197 |
| Taxes payable | 158 | 265 |
| Liabilities held for sale | 200 | — |
| Other | 307 | 195 |
| | **$ 958** | **$ 800** |

Other long-term liabilities

| | As of December 31, | |
|---|---|---|
| *(in millions)* | **2020** | **2019** |
| Accrued income taxes | $ 547 | $ 667 |
| Legal reserves | 64 | 227 |
| Contingent consideration | 171 | 299 |
| Licensing arrangements | 253 | 374 |
| Operating lease liabilities | 401 | 276 |
| Deferred revenue | 257 | 257 |
| Other | 615 | 535 |
| | **$ 2,309** | **$ 2,635** |

## NOTE J – INCOME TAXES

Our *Income (loss) before income taxes* consisted of the following:

| | Year Ended December 31, | | |
|---|---|---|---|
| *(in millions)* | **2020** | **2019** | **2018** |
| Domestic | $ (660) | $ (1,145) | $ 35 |
| Foreign | 581 | 1,832 | 1,387 |
| | **$ (79)** | **$ 687** | **$ 1,422** |

The related expense (benefit) for income taxes consisted of the following:

| | Year Ended December 31, | | |
|---|---|---|---|
| *(in millions)* | **2020** | **2019** | **2018** |
| **Current** | | | |
| Federal | $ (29) | $ 120 | $ (221) |
| State | (35) | 54 | (27) |
| Foreign | 151 | 101 | 160 |
| | 87 | 275 | (87) |
| **Deferred** | | | |
| Federal | (26) | (146) | (124) |
| State | (6) | (18) | 4 |
| Foreign | (53) | (4,124) | (42) |
| | (85) | (4,288) | (162) |
| | **$ 2** | **$ (4,013)** | **$ (249)** |

The reconciliation of income taxes at the federal statutory rate to the actual expense (benefit) for income taxes is as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | | (reclassified)[1] | (reclassified)[1] |
| U.S. federal statutory income tax rate | (21.0) % | 21.0 % | 21.0 % |
| State income taxes, net of federal benefit | 16.6 % | 6.7 % | 0.1 % |
| Domestic taxes on foreign earnings | 155.4 % | 21.9 % | 0.5 % |
| Effect of foreign taxes | (40.7) % | (47.6) % | (8.4) % |
| Acquisition-related | (16.7) % | 12.2 % | 2.1 % |
| Research credit | (43.0) % | (4.2) % | (2.6) % |
| Valuation allowance | (42.0) % | 1.1 % | (5.2) % |
| Goodwill impairment charges | 3.7 % | — % | — % |
| Compensation-related | (7.7) % | (0.3) % | (1.0) % |
| Non-deductible expenses | 64.4 % | 3.6 % | 0.8 % |
| Uncertain tax positions | (96.8) % | 1.4 % | (22.0) % |
| TCJA net impact | — % | — % | (4.7) % |
| Intra-entity asset transfers | 10.2 % | (597.0) % | — % |
| Return to provision | (37.3) % | (0.2) % | (0.2) % |
| Change in tax rates | 51.8 % | (0.2) % | 0.5 % |
| Other, net | 6.0 % | (2.4) % | 1.6 % |
| | **2.9 %** | **(584.0)%** | **(17.5)%** |

(1) Due to the disclosure of additional rate reconciling items in 2020, we have reclassified select items in prior years to align with the new categories disclosed in the current year.

Significant components of our deferred tax assets and liabilities are as follows:

| *(in millions)* | As of December 31, 2020 | 2019 |
|---|---|---|
| **Deferred Tax Assets:** | | |
| Inventory costs and related reserves | $ 10 | $ — |
| Tax benefit of net operating loss and credits | 557 | 545 |
| Reserves and accruals | 308 | 258 |
| Restructuring-related charges | 23 | 20 |
| Litigation and product liability reserves | 82 | 168 |
| Investment write-down | — | 42 |
| Compensation related | 134 | 121 |
| Federal benefit of uncertain tax positions | 9 | 10 |
| Intangible assets | 3,551 | 3,447 |
| Other | (6) | — |
| | 4,668 | 4,611 |
| Less: valuation allowance | (887) | (915) |
| | 3,781 | 3,696 |
| **Deferred Tax Liabilities:** | | |
| Property, plant and equipment | 1 | 16 |
| Unrealized gains and losses on derivative financial instruments | 12 | 52 |
| Investment write-up | 34 | — |
| Inventory costs and related reserves | — | 2 |
| Other | — | 25 |
| | 47 | 95 |
| **Net Deferred Tax Assets** | 3,734 | 3,601 |
| Prepaid on intercompany profit | 194 | 195 |
| **Net Deferred Tax Assets and Prepaid on Intercompany Profit** | **$ 3,928** | **$ 3,796** |

Our deferred tax assets, deferred tax liabilities and prepaid on intercompany profit, are included in the following locations within our accompanying consolidated balance sheets (in millions):

| **Component** | **Location on Consolidated Balance Sheets** | As of December 31, 2020 | 2019 |
|---|---|---|---|
| Prepaid on intercompany profit | Prepaid income taxes | $ 194 | $ 195 |
| Non-current deferred tax asset | Assets held for sale | 2 | — |
| Non-current deferred tax asset | Deferred tax assets | 4,210 | 4,196 |
| **Deferred Tax Assets and Prepaid on Intercompany Profit** | | 4,406 | 4,391 |
| | | | |
| Non-current deferred tax liability | Deferred tax liabilities | 330 | 595 |
| Non-current deferred tax liability | Liabilities held for sale in *Other current liabilities* | 148 | — |
| **Deferred Tax Liabilities** | | 478 | 595 |
| | | | |
| **Net Deferred Tax Assets and Prepaid on Intercompany Profit** | | **$ 3,928** | **$ 3,796** |

As of December 31, 2020, we had U.S. federal and state tax net operating loss carryforwards and tax credits, the tax effect of which was $474 million. As of December 31, 2019, we had U.S. federal and state tax net operating loss carryforwards and tax credits, the tax effect of which was $449 million. In addition, we had foreign tax net operating loss carryforwards and tax credits, the tax effect of which was $83 million as of December 31, 2020, as compared to $105 million as of December 31, 2019. These tax attributes expire periodically beginning in 2021.

During the fourth quarter of 2019, we completed intra-entity asset transfers of certain intellectual property rights among various wholly owned subsidiaries. These transactions occurred to more closely align the global economic ownership of our intellectual property rights with our current and future business operations. These transactions did not result in a taxable gain in any jurisdiction, however, some of the transactions did create a step-up in the tax-deductible basis in the transferred intellectual property rights in certain jurisdictions. As a result, we recorded deferred tax assets in the amount of $4.102 billion, which represents the book and tax basis differences measured at applicable statutory tax rates, net of a valuation allowance of $542 million.

After consideration of all positive and negative evidence, we believe that it is more likely than not that a portion of our deferred tax assets will not be realized. As a result, we established a valuation allowance of $887 million as of December 31, 2020 and $915 million as of December 31, 2019, representing a decrease of $28 million. The decrease in the valuation allowance as of December 31, 2020, as compared to December 31, 2019, is primarily due to current year utilization of loss carryforwards and the concurrent release of the related valuation allowance. The income tax impact of the unrealized gain or loss component of other comprehensive income and stockholders' equity was a benefit of $78 million in 2020, a charge of $13 million in 2019 and a charge of $37 million in 2018.

We obtain tax incentives through Free Trade Zone Regime offered in Costa Rica which allows 100.0 percent exemption from income tax in the first eight years of operations and 50.0 percent exemption in the following four years. This tax incentive resulted in income tax savings of $64 million for 2020, $173 million for 2019 and $146 million for 2018. The tax incentive for 100.0 percent exemption from income tax was renewed during 2019 and is expected to expire in 2027. The impact on *Net income (loss) per common share - assuming dilution* was $0.04 for 2020, $0.12 for 2019 and $0.10 for 2018. Additionally, we benefit from tax incentives in Puerto Rico resulting in income tax savings of $30 million for 2020, and immaterial amounts for 2019 and 2018.

As of December 31, 2020, we had $261 million of gross unrecognized tax benefits, of which a net $183 million, if recognized, would affect our effective tax rate. As of December 31, 2019, we had $455 million of gross unrecognized tax benefits, of which a net $355 million, if recognized, would affect our effective tax rate. As of December 31, 2018, we had $427 million of gross unrecognized tax benefits, of which a net $332 million, if recognized, would affect our effective tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| *(in millions)* | **2020** | **2019** | **2018** |
| **Beginning Balance** | **$ 455** | **$ 427** | **$ 1,238** |
| Additions based on positions related to the current year | 28 | 30 | 79 |
| Additions based on positions related to prior years | 6 | 45 | 4 |
| Reductions for tax positions of prior years | (186) | (34) | (433) |
| Settlements with taxing authorities | (27) | (4) | (459) |
| Statute of limitation expirations | (15) | (9) | (3) |
| **Ending Balance** | **$ 261** | **$ 455** | **$ 427** |

We are subject to U.S. Federal income tax as well as income tax of multiple state and foreign jurisdictions. We have concluded all U.S. federal income tax matters through 2016 and substantially all material state and local income tax matters through 2010. We have concluded all foreign income tax matters through 2013, with the exception of issues for Italy, which have concluded through 2002.

In the second quarter of 2018, a decision was entered by the U.S. Tax Court resolving all disputes for Guidant Corporation for its 2001 through 2006 tax years and our 2006 and 2007 tax years as well as the tax issues related to our 2006 transaction with Abbott Laboratories. Additionally, we resolved all issues with the IRS Office of Appeals for our 2008 through 2010 tax years. The final settlement calculation resulted in a final net tax payment of $303 million plus $307 million of estimated interest, which was remitted in the second quarter of 2018. Due to the final settlement of these disputes, we recorded a net tax benefit of $250 million in 2018 to remove a reserve related to these years.

In the fourth quarter of 2018, we received a Revenue Agent Report (RAR) from the IRS for our 2011 through 2013 tax years. We remitted $93 million to the IRS in the fourth quarter of 2018 reflecting the net balance of tax and interest due for these years after consideration of amounts owed to us by the IRS. Due to the resolution of these tax years, we recorded a net tax benefit of $90 million in 2018 to remove a reserve related to these years.

In the third quarter of 2020, we received notification from the IRS regarding the examination of our 2014 through 2016 tax years stating that the Joint Committee on Taxation completed its review on July 21, 2020, and the IRS examination was resolved. Due to the resolution of these tax years, we recorded a net tax benefit of $91 million in the third quarter of 2020 to release the reserves related to these years. We received a refund of $62 million from the IRS in the fourth quarter of 2020 reflecting the net balance of amounts owed to us by the IRS after consideration of tax and interest due for these years.

We recognize interest and penalties related to income taxes as a component of income tax expense. We had $41 million accrued for gross interest and penalties as of December 31, 2020 and $19 million as of December 31, 2019. We recognized net tax expense related to interest and penalties of $7 million in 2020, as compared to a net tax benefit of $1 million in 2019 and a net tax benefit of $498 million in 2018. The increase in our net tax expense related to interest and penalties as of December 31, 2020, as compared to December 31, 2019, is related to reaching favorable settlements with the taxing authorities during 2019.

It is reasonably possible that within the next 12 months we will resolve transactional- related issues with foreign and state taxing authorities, in which case we could record a reduction in our balance of unrecognized tax benefits of up to approximately $27 million.

During 2018, we completed our analysis and recording of all tax effects related to the TCJA, as required under SAB 118, and recorded a net benefit of $67 million, exclusive of the one-time transition tax adjustment described below.

For the year ended December 31, 2017, we were required under the TCJA to calculate a one-time transition tax based on our total post-1986 foreign subsidiaries' earnings and profits (E&P) that we previously deferred from U.S. income taxes. As a result of various audit activities, the revised amount of transition tax was approximately $939 million as of December 31, 2020 as compared to $856 million as of December 31, 2018. We anticipate offsetting this liability against existing tax attributes reducing the required payment to approximately $597 million, which will be remitted over an eight-year period. We have begun remitting the required installment payments, with a balance remaining of $477 million as of December 31, 2020. In addition, we have provided for U.S. state income taxes of $20 million on all U.S. dollar-denominated E&P accumulated through December 31, 2017, which constitutes the preponderance of our foreign subsidiaries' accumulated E&P through December 31, 2017. We intend to indefinitely reinvest the unremitted foreign earnings of all other subsidiaries as of December 31, 2017, as well as all subsequent earnings generated by all of our foreign subsidiaries. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings and additional outside basis difference in these entities is not practicable.

We are subject to a territorial tax system under the TCJA, in which we are required to provide for tax on Global Intangible Low Taxed Income (GILTI) earned by certain foreign subsidiaries. We have established an accounting policy election to provide for the tax expense related to GILTI in the year the tax is incurred as a period expense.

Economic stimulus legislation has been enacted in many countries in response to the COVID-19 pandemic. In the U.S., the CARES Act was signed into law on March 27, 2020 and provided an estimated $2.2 trillion in COVID-19 pandemic related relief, and included tax relief and government loans, subsidies and other relief for entities in affected industries. While we have not applied for government loans, we have taken advantage of the benefits offered in multiple jurisdictions, including the U.S. provision allowing taxpayers to defer payment of the employer portion of certain payroll taxes through the end of 2020. This allowed us to preserve cash generated from operations to service our debt obligations and other near-term commitments.

**NOTE K – COMMITMENTS AND CONTINGENCIES**

The medical device market in which we participate is largely technology driven. As a result, intellectual property rights, particularly patents and trade secrets, play a significant role in product development and differentiation. Over the years, there has been litigation initiated against us by others, including our competitors, claiming that our current or former product offerings infringe patents owned or licensed by them. Intellectual property litigation is inherently complex and unpredictable. In addition, competing parties 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 dynamics frequently drive settlement not only for individual cases, but also for a series of pending and potentially related and unrelated cases. 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.

During recent years, we successfully negotiated closure of several long-standing legal matters and have received favorable rulings in several other matters; however, there continues to be outstanding intellectual property litigation. 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 position, results of operations and/or liquidity.

In the normal course of business, product liability, securities and commercial claims are asserted against us. Similar claims may be asserted against us in the future related to events not known to management at the present time. 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 absence of significant third-party insurance coverage increases our potential exposure to unanticipated claims or adverse decisions. Product liability claims, securities and commercial litigation and other legal proceedings in the future, regardless of their outcome, could have a material adverse effect on our ability to sell certain products and on our operating margins, financial position, results of operations and/or liquidity.

In addition, like other companies in the medical device industry, we are subject to extensive regulation by national, state and local government agencies in the U.S. and other countries in which we operate. From time to time we are the subject of qui tam actions and governmental investigations often involving regulatory, marketing and other business practices. These qui tam actions and governmental investigations could result in the commencement of civil and criminal proceedings, substantial fines, penalties and administrative remedies and have a material adverse effect on our financial position, results of operations and/or liquidity.

In accordance with FASB ASC Topic 450, *Contingencies*, 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.

Our accrual for legal matters that are probable and estimable was $569 million as of December 31, 2020 and $697 million as of December 31, 2019 and includes certain estimated costs of settlement, damages and defense. The decrease in our legal accrual was mainly due to settlement payments related to litigation with Channel Medsystems, Inc. (Channel), partially offset by charges associated with product liability cases or claims related to transvaginal surgical mesh products. A portion of our legal accrual is already funded through our qualified settlement fund (QSF), which is included in restricted cash and restricted cash equivalents in *Other current assets* of $208 million as of December 31, 2020 and $346 million as of December 31, 2019. Refer to *Note A – Significant Accounting Policies* for additional information.

We recorded litigation-related net charges of $278 million in 2020, primarily related to transvaginal mesh products, inclusive of a reserve related to claims made by a coalition of state attorneys general. Those claims settled in principle in the fourth quarter of 2020.

We recorded litigation-related net charges of $115 million in 2019, which included a net charge of $223 million in the fourth quarter of 2019, primarily related to litigation with Channel, net charges of $25 million in the third quarter of 2019 and $15 million in the second quarter of 2019, primarily related to transvaginal surgical mesh product liability litigation, and a gain of $148 million recorded in the first quarter of 2019, which represents a portion of the total $180 million one-time settlement payment received from Edwards Lifesciences Corporation (Edwards) in January 2019. We record certain legal and product liability charges, credits and costs of defense, which we consider to be unusual or infrequent and significant as *Litigation-related net charges (credits)* in our consolidated financial statements. All other legal and product liability charges, credits and costs are recorded within *Selling, general and administrative expenses*. As such, a portion of the related gain from this settlement was recorded in *Selling, general and administrative expenses* in our consolidated statements of operations.

We recorded litigation-related net charges of $103 million in 2018, primarily related to transvaginal surgical mesh product liability litigation. 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 financial covenant.

In management's opinion, we are not currently involved in any legal proceedings other than those specifically identified below, which, individually or in the aggregate, could have a material adverse effect on our financial condition, operations and/or cash flows. Unless included in our legal accrual or otherwise indicated below, a range of loss associated with any individual material legal proceeding cannot be reasonably estimated.

**Patent Litigation**

On October 28, 2015, BSC filed suit against Cook Group Limited and Cook Medical LLC (collectively, "Cook") in the United States District Court for the District of Delaware (1:15-cv-00980) alleging infringement of certain Company patents regarding Cook's Instinct Endoscopic Hemoclip. The case was transferred to the District Court for the Southern District of Indiana. Cook filed seven Inter Partes Review ("IPR") requests with the U.S. Patent and Trademark Office against the four asserted patents. All IPRs have concluded, and Cook and Boston Scientific both appealed the Patent Office's IPR decisions to the Federal Circuit Court of Appeals. On April 30, 2020, the U.S. Court of Appeals ruled that claims from two of the Boston Scientific patents remain valid, remanding two of the patents for further review by the USPTO's Patent Trial and Appeal Board. In November, the Patent Office issued remand rulings invalidating several additional claims. The district court had stayed the case pending the appeals court decision on the IPRs, which is now complete. In the first or second quarter of 2021, the case will proceed before the United States District Court for the Southern District of Indiana, with BSC asserting two patents against Cook. Trial is anticipated in 2022.

On December 9, 2016, the Company and Boston Scientific Neuromodulation Corporation filed a patent infringement action against Nevro in United States District Court for the District of Delaware (16-cv-1163) alleging that ten U.S. patents owned by Boston Scientific Neuromodulation Corporation are infringed by Nevro's Senza™ Spinal Cord Stimulation System. On June 22, 2020, this action was consolidated with case 18-cv-664, described below. The court set trial for October 2021.

On November 20, 2017, The Board of Regents, University of Texas System (UT) and TissueGen. Inc., served a lawsuit against us in the Western District of Texas. The complaint against us alleges patent infringement of two U.S. patents owned by UT, relating to "Drug Releasing Biodegradable Fiber Implant" and "Drug Releasing Biodegradable Fiber for Delivery of Therapeutics," and affects the manufacture, use and sale of our Synergy™ Stent System. On March 12, 2018, the District Court for the Western District of Texas dismissed the action and transferred it to the United States District Court for the District of Delaware. On September 5, 2019, the Court of Appeals for the Federal Circuit affirmed the dismissal of the District Court for the Western District of Texas. In April 2020, the United States Supreme Court denied the University's Petition for Certiorari. UT is proceeding with its case against BSC in Delaware.

On April 21, 2018, the Company and Boston Scientific Neuromodulation Corporation filed a patent infringement, theft of trade secrets and tortious interference with a contract action against Nevro in United States District Court for the District of Delaware (18-cv-664), and amended the complaint on July 18, 2018, alleging that nine U.S. patents owned by Boston Scientific Neuromodulation Corporation are infringed by Nevro's Senza™ I and Senza™ II Spinal Cord Stimulation Systems. On December 9, 2019, Nevro filed an answer and counterclaims, in which it alleged that our Spinal Cord Stimulation systems infringe five Nevro patents. On June 22, 2020, this action was consolidated with case 16-cv-1163. The theft of trade secrets, patent counterclaims, and patent infringement claims from case 16-cv-1163 were set for trial in October 2021. The patent infringement claims from case 18-cv-664 were stayed pending IPRs. On January 6, 2021, the court stayed one of the patent infringement claims from case 16-cv-1163, such that it will proceed with the stayed patent infringement claims from case 18-cv-664.

On November 2, 2020, Koninklijke Philips N.V. and IP2IPO Innovations, Ltd. ("Philips") served a complaint against the Company in the United States District Court for the District of Delaware. The complaint alleges that certain BSC cardiovascular diagnostic devices infringe six Philips patents.

**Product Liability Litigation**

As of January 27, 2021, approximately 54,000 product liability cases or claims related to transvaginal surgical mesh products designed to treat stress urinary incontinence and pelvic organ prolapse have been asserted against us. As of January 27, 2021, we have entered into master settlement agreements in principle or are in the final stages of entering one with certain plaintiffs' counsel to resolve an aggregate of approximately 52,000 cases and claims, adjusted to reflect the Company's analysis of expected non-participation and duplicate claims. These master settlement agreements provide that the settlement and distribution of settlement funds to participating claimants are conditional upon, among other things, achieving minimum required claimant participation thresholds. Of the approximately 52,000 cases and claims, approximately 48,000 have met the conditions of the settlement and are final. All settlement agreements were entered into solely by way of compromise and without any admission or concession by us of any liability or wrongdoing. The pending cases are in various federal and state courts in the U.S. Generally, the plaintiffs allege personal injury associated with use of our transvaginal surgical mesh products. The plaintiffs assert design and manufacturing claims, failure to warn, breach of warranty, fraud, violations of state consumer protection laws and loss of consortium claims. Over 3,100 of the cases were specially assigned to one judge in state court in Massachusetts. On February 7, 2012, the Judicial Panel on Multi-District Litigation (MDL) established MDL-2326 in the U.S.

District Court for the Southern District of West Virginia and transferred the federal court transvaginal surgical mesh cases to MDL-2326 for coordinated pretrial proceedings. During the fourth quarter of 2013, we received written discovery requests from certain state attorneys general offices regarding our transvaginal surgical mesh products. We have responded to those requests. On December 12, 2019 the Mississippi Attorney General filed suit against BSC in State Court alleging violations of the Mississippi Consumer Protection Act which the Company plans to vigorously defend. There are fewer than 60 claims in the United Kingdom and fewer than 125 cases in Australia. There are also fewer than 10 cases in Canada, inclusive of one certified class action, which has settled and received Court approval. On April 16, 2019, the U.S. Food and Drug Administration (FDA) ordered that all manufacturers of surgical mesh products indicated for the transvaginal repair of pelvic organ prolapse stop selling and distributing their products in the United States immediately, stemming from the FDA's 2016 reclassification of these devices to class III (high risk) devices, and as a result, the Company ceased global sales and distribution of surgical mesh products indicated for transvaginal pelvic organ prolapse.

We have established a product liability accrual for known and estimated future cases and claims asserted against us as well as with respect to the actions that have resulted in verdicts against us and the costs of defense thereof associated with our transvaginal surgical mesh products. While we believe that our accrual associated with this matter is adequate, changes to this accrual may be required in the future as additional information becomes available. We have also established an accrual related to the claims made by the coalition of state attorneys general. While we continue to engage in discussions with plaintiffs' counsel regarding potential resolution of pending cases and claims and intend to vigorously contest the cases and claims asserted against us that do not settle, the final resolution of the cases and claims is uncertain and could have a material impact on our results of operations, financial condition and/or liquidity. Initial trials involving our transvaginal surgical mesh products have resulted in both favorable and unfavorable judgments for us. We do not believe that the judgment in any one trial is representative of potential outcomes of all cases or claims related to our transvaginal surgical mesh products.

We are currently named a defendant in 118 filed product liability cases involving our Greenfield Vena Cava Filter, alleging various injuries, including perforation of the vena cava, post-implant deep vein thrombosis, fracture, and other injuries. Most of the filed cases are part of a consolidated matter in Middlesex County, Massachusetts. We have received notice of an additional 597 claims, none of which have been filed.

**Governmental Investigations and Qui Tam Matters**

On May 5, 2014, we were served with a subpoena from the U.S. Department of Health and Human Services, Office of the Inspector General. The subpoena seeks information relating to the launch of the Cognis™ and Teligen™ line of devices in 2008, the performance of those devices from 2007 to 2009 and the operation of the Physician Guided Learning Program. We are cooperating with this request. On May 6, 2016, a qui tam lawsuit in this matter was unsealed in the United States District Court for the District of Minnesota. At the same time, we learned that the U.S. government and the State of California had earlier declined to intervene in that lawsuit on April 15, 2016. The complaint was served on us on July 21, 2016. On October 7, 2016, the plaintiff/relator served an amended complaint that dropped the allegations relating to the Physician Guided Learning Program. We filed a motion to dismiss the amended complaint on December 7, 2016 and the court heard our motion to dismiss on April 5, 2017. On August 29, 2017, the Court granted the motion to dismiss, without prejudice and on September 19, 2017, the relator filed a Second Amended Complaint. We filed a motion to dismiss the Second Amended Complaint on October 10, 2017 and the Court denied that motion on December 13, 2017. On July 31, 2018, the relator filed a motion seeking leave to file a Third Amended Complaint. The Court denied the motion on October 30, 2018.

On February 23, 2015, a judge for the Court of Modena (Italy) ordered a trial for Boston Scientific and three of its employees, as well as numerous other defendants charged in criminal proceedings. The charges arise from allegations that the defendants made improper donations to certain healthcare providers and other employees of the Hospital of Modena in order to induce them to conduct unauthorized clinical trials, as well as related government fraud in relation to the financing of such clinical trials. A trial began on February 24, 2016. On November 10, 2017, the Court issued a ruling that convicted one Boston Scientific employee but acquitted two others and levied a fine of €245 thousand against us and imposed joint and several civil damages of €620 thousand on all defendants. We continue to deny these allegations, and timely appealed the decision on May 10, 2018. On November 9, 2020, the Court of Appeal in Bologna reversed the judgements against Boston Scientific and its employee and acquitted them of all charges.

On December 1, 2015, the Brazilian governmental entity known as CADE (the Administrative Council of Economic Defense), served a search warrant on the offices of our Brazilian subsidiary, as well as on the Brazilian offices of several other major medical device makers who do business in Brazil, in furtherance of an investigation into alleged anti-competitive activity with respect to certain tender offers for government contracts. On June 20, 2017, CADE, through the publication of a "technical note," announced that it was launching a formal administrative proceeding against Boston Scientific's Brazilian subsidiary, Boston Scientific do Brasil Ltda., as well as against the Brazilian operations of Medtronic, Biotronik and St. Jude Medical, two

Brazilian associations, ABIMED and AMBIMO and 29 individuals for alleged anti-competitive behavior. We deny the allegations and intend to defend ourselves vigorously.

**Other Proceedings**

On May 16, 2018, Arthur Rosenthal et al., filed a plenary summons against Boston Scientific Corporation and Boston Scientific Limited with the High Court of Ireland alleging that payments are due pursuant a transaction agreement regarding Labcoat Limited, a company Boston Scientific purchased in 2008 that provided coating technology for drug-eluting stents.

On September 6, 2019, Boston Scientific Corporation, Boston Scientific Scimed, Inc., and Fortis Advisors, LLC, as a Securityholder Representative for the former Securityholders of nVision Medical Corp. filed a declaratory judgment action against BioCardia, Inc. in the United States District Court for the Northern District of California to address threats and allegations by BioCardia challenging inventorship and ownership of various patents that Boston Scientific Corporation acquired through an April 13, 2018 merger with nVision as well as related threats and allegations by BioCardia of trade secret misappropriation and unjust enrichment. On December 11, 2019, BioCardia filed an amended answer and counterclaims. On April 23, 2020, BioCardia filed a complaint against nVision, which had not been named as a defendant in the original case. On May 22, 2020, BioCardia amended its complaint against nVision to add twenty former nVision shareholders as defendants. On August 20, 2020, BioCardia again amended its complaint against Boston Scientific Corporation/Boston Scientific Scimed, Inc./ Fortis Advisors, LLC and its complaint against nVision/nVision shareholders.

On April 18, 2019, Blue Cross & Blue Shield of Louisiana and HMO Louisiana, Inc. filed a class action complaint against Janssen Biotech, Inc, Janssen Oncology, Inc, Janssen Research & Development, LLC and BTG International Limited in the United States District Court for the Eastern District of Virginia. The complaint alleges that the defendants violated the Sherman Act and the antitrust and consumer protections laws of several states by pursuing patent litigation relating to ZYTIGA™ in order to delay generic entry. On June 21, 2019, the case was transferred to the United States District Court for the District of New Jersey and has been consolidated with similar complaints.

On December 21, 2017, Janssen Biotech, Inc., Janssen Oncology, Inc, Janssen Research & Development, LLC, and Johnson & Johnson (collectively, Janssen) were served with a *qui tam* complaint filed on behalf of the United States, 28 states, and the District of Columbia. The complaint, which was filed in the United States District Court for the Northern District of California, alleges that Janssen violated the federal False Claims Act and state law when providing pricing information for ZYTIGA to the government in connection with direct government sales and government-funded drug reimbursement programs. The case has been transferred to United States District Court for the District of New Jersey. On June 20, 2019, the complaint was amended to include BTG International Limited as a defendant. In May 2020, a class action complaint was filed in New Jersey federal court against Johnson & Johnson and BTG by two direct purchasers of Zytiga on behalf of similarly situated entities. The complaint alleges that BTG and J&J violated antitrust laws by attempting to enforce certain patents against potential generic competitors.

On December 4, 2020 Enrique Jevons, individually and on behalf of all others similarly situated, filed a class action complaint against Boston Scientific Corporation, Michael F. Mahoney and Daniel J. Brennan, stemming from the recall and retirement of the LOTUS Edge™ Aortic Valve System (LOTUS System) in United States District Court for the Eastern District of New York. On December 14, 2020, the parties agreed to transfer the case to the United States District Court for the District of Massachusetts. On December 16, 2020, Mariano Errichiello, individually and on behalf of all other similarly situated, filed a second, materially similar class action complaint against Boston Scientific Corporation, Michael F. Mahoney, Joseph M. Fitzgerald, and Daniel J. Brennan in the United States District Court for the District of Massachusetts. The Company expects these cases to be superseded by a single amended and consolidated class action complaint in the first or second quarter of 2021. On December 15, 2020, the Securities and Exchange Commission's Boston Regional Office (Boston SEC) notified the Company that it is conducting an investigation related to Boston Scientific's decision to retire the LOTUS System, and issued a voluntary request for documents and information related to that decision. On February 10, 2021, the Boston SEC issued a second voluntary request for additional documents and information. The Company is cooperating fully with the investigation. On February 8, 2021, the Company received a letter from The Vladimir Gusinsky Revocable Trust, a shareholder, demanding that the Company's Board of Directors conduct an investigation into actions by the Company's directors and executive officers regarding statements made about the effectiveness and commercial viability of the LOTUS System.

On December 16, 2020 Mariano Errichiello, individually and on behalf of all others similarly situated, filed a class action complaint against Boston Scientific Corporation, Michael F. Mahoney, Joseph M. Fitzgerald and Daniel J. Brennan stemming from the recall and retirement of the LOTUS Edge™ Aortic Valve System in United States District Court for the District of Massachusetts.

Refer to *Note J – Income Taxes* for information regarding our tax litigation.

**Matters Concluded Since December 31, 2019**

On April 30, 2019, Tissue Anchor Innovations filed a complaint for patent infringement in the United States District Court Central District of California against Fountain Valley Regional Hospital and Medical Center, Los Alamitos Medical Center and us. The complaint alleged that the Solyx™ Sling System infringes US Patent 6,506,190. We reached a confidential settlement in this matter in July 2020, pursuant to which the action was dismissed.

On March 10, 2017, Imran Niazi filed a patent infringement action against us in the United States District Court for the Western District of Wisconsin alleging that a U.S. patent owned by him is infringed by our Acuity™ Lead Delivery System. On June 30, 2017, we filed a motion to dismiss for improper venue and on November 7, 2017 the Wisconsin Court granted the motion to dismiss. On November 13, 2017 Niazi refiled the same action in the U.S. District of Minnesota. We reached a confidential settlement on this matter on February 3, 2020 pursuant to which the action was dismissed.

On November 1, 2017, we entered into a definitive agreement with Channel pursuant to which we could have been obligated to pay $145 million in cash up-front and a maximum of $130 million in contingent payments to acquire Channel. The agreement contained a provision allowing Channel to sell the remaining equity interests of Channel to us upon achievement of a regulatory milestone and an option allowing us to acquire the remaining equity interests. We sent a notice of termination of that agreement to Channel in the second quarter of 2018. On September 12, 2018, Channel filed a complaint in Delaware Chancery Court against us for alleged breach of the agreement. Channel alleged that we breached the agreement by terminating it. We answered the complaint, denied the claims by Channel and counterclaimed to recover part of our investment in Channel, alleging fraud in the inducement. On April 2, 2019, Channel announced its receipt of FDA approval of the Cerene™ Cryotherapy Device. Trial testimony was taken in April 2019, and the post-trial briefing and hearing were completed. During the third quarter of 2019, Channel notified us that they were exercising their option to sell the remaining equity interests in Channel to us. We responded to the notification that we did not intend to purchase Channel since the previous agreement had been terminated. On December 18, 2019, the Chancery Court ruled that Boston Scientific was in breach of the agreement and granted Channel's request for specific performance to require the Company to complete the purchase. On January 10, 2020, we filed a Notice of Appeal of the Chancery Court’s decision to the Delaware Supreme Court. On February 4, 2020, the Company settled the dispute with Channel resulting in termination of the agreement, payment by the Company of an undisclosed sum and surrender of the Company's equity interest in Channel.

On November 29, 2016 Nevro Corp. (Nevro) filed a patent infringement action against us and one of our subsidiaries, Boston Scientific Neuromodulation Corporation, in the U.S. District Court for the Northern District of California alleging that six U.S. patents (Alataris) owned by Nevro are infringed by our spinal cord stimulation systems. On June 29, 2017, Nevro amended the complaint to add an additional patent (Fang). On July 24, 2018, summary judgment was entered in favor of the Company and on July 31, 2018, we received final judgment and dismissal of the action. On July 31, 2018, Nevro filed an appeal. On April 9, 2020, the Court of Appeals for the Federal Circuit vacated the finding of indefiniteness as to certain patents, provided claim constructions for those patents, and remanded the case. On December 16, 2020, the district court dismissed all remaining claims with prejudice, ending the case with Nevro receiving none of its requested relief.

**NOTE L – STOCKHOLDERS' EQUITY**

***Preferred Stock***

We are authorized to issue 50 million shares of preferred stock in one or more series and to fix the powers, designations, preferences and relative participating, option or other rights thereof, including dividend rights, conversion rights, voting rights, redemption terms, liquidation preferences and the number of shares constituting any series, without any further vote or action by our stockholders. As of December 31, 2019, we had no shares of preferred stock issued or outstanding.

On May 27, 2020, we completed an offering of 10,062,500 shares of 5.50% Mandatory Convertible Preferred Stock (MCPS), Series A at a price to the public and liquidation preference of $100 per share. The net proceeds from the MCPS offering were approximately $975 million after deducting underwriting discounts and commissions and offering expenses. As of December 31, 2020, our MCPS had an aggregate liquidation preference of $1.006 billion.

Holders of MCPS will be entitled to receive, when, as and if declared by our Board of Directors, or an authorized committee thereof, out of funds legally available for payment, cumulative dividends at the annual rate of 5.50% of the liquidation preference of $100 per share, payable in cash or, subject to certain limitations, by delivery of shares of common stock or any combination of cash and shares of common stock, at our election; provided, however, that any unpaid dividends on the MCPS will continue to accumulate as described in the Certificate of Designations.

Subject to certain exceptions, no dividend or distribution will be declared or paid on shares of our common stock, and no common stock will be purchased, redeemed or otherwise acquired for consideration by us or any of our subsidiaries unless, in each case, all accumulated and unpaid dividends for all preceding dividend periods have been declared and paid, or a sufficient amount of cash or number of shares of common stock has been set apart for the payment of such dividends, on all outstanding shares of MCPS. In the event of our voluntary or involuntary liquidation, winding-up or dissolution, no distribution of our assets may be made to holders of our common stock until we have paid holders of our MCPS, each of which will be entitled to receive a liquidation preference in the amount of $100 per share plus accumulated and unpaid dividends.

Unless earlier converted, each share of MCPS will automatically convert on June 1, 2023, subject to postponement for certain market disruption events, into between 2.3834 and 2.9197 shares of common stock, subject to customary anti-dilution adjustments. The number of shares of common stock issuable upon conversion will be determined based on the average volume-weighted average price per share of common stock over the 20 consecutive trading day period beginning on, and including, the 21st scheduled trading day immediately preceding June 1, 2023.

The MCPS is not subject to any redemption, sinking fund or other similar provisions. However, at our option, we may purchase or exchange the MCPS from time to time in the open market, by tender or exchange offer or otherwise, without the consent of, or notice to, holders of MCPS. The holders of the MCPS will not have any voting rights, with limited exceptions.

On September 1, 2020, we paid to holders of our MCPS as of August 15, 2020 a cash dividend of $1.4361 per MCPS share (or $14 million in aggregate cash dividends), representing a dividend period beginning on the May 27, 2020 issuance date through August 31, 2020. On December 1, 2020, we paid to holders of our MCPS as of November 15, 2020 a cash dividend of $1.3750 per MCPS share (or $14 million in aggregate cash dividends), representing a dividend period beginning on September 1, 2020 through November 30, 2020. On February 1, 2021, the Audit Committee of our Board of Directors, pursuant to authority delegated to such committee by our Board of Directors, declared a cash dividend of $1.375 per MCPS share (or $14 million in aggregate cash dividends) to be paid on March 1, 2021 to holders of our MCPS as of February 15, 2021, representing a dividend period beginning December 1, 2020 through February 28, 2021. We have presented cumulative, unpaid dividends covering this period from December 1, 2020 through December 31, 2020 totaling $5 million within *Accrued expenses* within our consolidated balance sheets as of December 31, 2020.

***Common Stock***

We are authorized to issue 2.000 billion shares of common stock, $0.01 par value per share. Holders of common stock are entitled to one vote per share. Holders of common stock are entitled to receive dividends, if and when declared by our Board of Directors, and to share ratably in our assets legally available for distribution to our stockholders in the event of liquidation. Holders of common stock have no preemptive, subscription, redemption, or conversion rights. The holders of common stock do not have cumulative voting rights. The holders of a majority of the shares of common stock can elect all of the directors and can control our management and affairs. Holders of common stock are junior to holders of MCPS in terms of liquidation preference.

On May 27, 2020, we completed an offering of 29,382,500 shares of common stock at a public offering price of $34.25 per share. The net proceeds from the common stock offering were approximately $975 million after deducting underwriting discounts and commissions and offering expenses. We used a portion of the net proceeds from the May 27, 2020 MCPS and common stock offerings to repay remaining amounts outstanding under the April 2021 Term Loan and to pay related fees, expenses and premiums as discussed in *Note F – Contractual Obligations and Commitments*. The remaining proceeds are being used for general corporate purposes.

On January 25, 2013, our Board of Directors approved and on January 29, 2013, we announced a program authorizing the repurchase of up to $1.000 billion of our common stock (2013 share repurchase program). In the fourth quarter of 2020, we repurchased approximately 15.7 million shares of our common stock pursuant to the 2013 share repurchase program for a total of approximately $535 million in cash, which represented the full amount remaining under that authorization.

On December 14, 2020, our Board of Directors approved a new stock repurchase program authorizing the repurchase of up to $1.000 billion of our common stock (2020 share repurchase program). As of December 31, 2020, we had the full amount remaining available under the 2020 share repurchase program.

We did not repurchase any shares of our common stock during 2019 or 2018. There were approximately 263 million shares in treasury as of December 31, 2020 and 248 million shares in treasury as of December 31, 2019.

## NOTE M – STOCK INCENTIVE AND PURCHASE PLANS

***Employee and Director Stock Incentive Plans***

In 2020, our Board of Directors and stockholders approved amendments to our 2011 Long-Term Incentive Plan effective October 1, 2020 (Amended and Restated 2011 LTIP), authorizing for issuance up to 171 million shares of our common stock. The Amended and Restated 2011 LTIP covers officers, directors, employees and consultants and provides for the grant of restricted or unrestricted common stock, restricted stock units (RSUs), options to acquire our common stock, stock appreciation rights, performance awards (market-based and performance-based RSUs) and other stock and non-stock awards. Shares reserved under our current and former stock incentive plans totaled approximately 187 million as of December 31, 2020. The Executive Compensation and Human Resources Committee (the Committee) of the Board of Directors, consisting of independent, non-employee directors may authorize the issuance of common stock and cash awards under the Amended and Restated 2011 LTIP in recognition of the achievement of long-term performance objectives established by the Committee.

Non-qualified options issued to employees are generally granted with an exercise price equal to the market price of our stock on the grant date, vest over a four-year service period and have a ten-year contractual life. In the case of qualified options, if the recipient owns more than ten percent of the voting power of all classes of stock, the option granted will be at an exercise price of 110 percent of the fair market value of our common stock on the date of grant and will expire over a period not to exceed five years. Non-vested stock awards, including restricted stock awards (RSAs), RSUs and deferred stock units (DSUs) issued to employees are generally granted with an exercise price of zero and typically vest in four or five equal annual installments. These awards represent our commitment to issue shares to recipients after the vesting period. Upon each vesting date, such awards are no longer subject to risk of forfeiture and we issue shares of our common stock to the recipient.

The following presents the impact of stock-based compensation on our consolidated statements of operations:

| | Year Ended December 31, | | |
|---|---|---|---|
| *(in millions, except per share data)* | **2020** | **2019** | **2018** |
| Cost of products sold | $ 9 | $ 8 | $ 7 |
| Selling, general and administrative expenses | 130 | 120 | 109 |
| Research and development expenses | 30 | 28 | 24 |
| | 170 | 157 | 140 |
| Income tax (benefit) expense | (28) | (24) | (21) |
| | **$ 142** | **$ 133** | **$ 119** |
| Net impact per common share - basic | $ 0.10 | $ 0.10 | $ 0.09 |
| Net impact per common share - assuming dilution | $ 0.10 | $ 0.09 | $ 0.08 |

**Stock Options**

We use the Black-Scholes option-pricing model to calculate the grant-date fair value of stock options granted to employees under our stock incentive plans. We calculated the fair value for options granted using the following estimated weighted-average assumptions:

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Options granted *(in thousands)* | 3,819 | 2,992 | 3,491 |
| Weighted-average exercise price | $ 41.79 | $ 40.20 | $ 27.26 |
| Weighted-average grant-date fair value | $ 10.44 | $ 11.76 | $ 8.55 |
| Black-Scholes Assumptions | | | |
| Expected volatility | 23 % | 24 % | 26 % |
| Expected term *(in years, weighted)* | 5.8 | 6.1 | 6.0 |
| Risk-free interest rate | 0.27% - 1.72% | 1.38% - 2.61% | 2.61% - 3.01% |

Expected Volatility

We use our historical volatility and implied volatility as a basis to estimate expected volatility in our valuation of stock options.

Expected Term

We estimate the expected term of options using historical exercise and forfeiture data. We believe that this historical data provides the best estimate of the expected term of new option grants.

Risk-Free Interest Rate

We use yield rates on U.S. Treasury securities for a period approximating the expected term of the award to estimate the risk-free interest rate in our grant-date fair value assessment.

Expected Dividend Yield

We have not historically paid cash dividends on our common stock and currently we do not intend to pay cash dividends on our common stock. Therefore, we have assumed an expected dividend yield of zero in our grant-date fair value assessment.

Information related to stock options under stock incentive plans are as follows:

| | **Stock Options** *(in thousands)* | **Weighted Average Exercise Price** | **Weighted Average Remaining Contractual Life** *(in years)* | **Aggregate Intrinsic Value** *(in millions)* |
|---|---|---|---|---|
| **Outstanding as of December 31, 2017** | **26,716** | **$ 13** | | |
| Granted | 3,491 | 27 | | |
| Exercised | (4,385) | 11 | | |
| Cancelled/forfeited | (519) | 22 | | |
| **Outstanding as of December 31, 2018** | **25,304** | **$ 16** | | |
| Granted | 2,992 | 40 | | |
| Exercised | (4,872) | 12 | | |
| Cancelled/forfeited | (359) | 24 | | |
| **Outstanding as of December 31, 2019** | **23,065** | **$ 19** | | |
| Granted | 3,819 | 42 | | |
| Exercised | (3,096) | 13 | | |
| Cancelled/forfeited | (666) | 27 | | |
| **Outstanding as of December 31, 2020** | **23,122** | **$ 24** | **5.5** | **$ 312** |
| Exercisable as of December 31, 2020 | 15,105 | 17 | 4.1 | 290 |
| Expected to vest as of December 31, 2020 | 7,683 | 37 | 8.2 | 22 |
| **Total vested and expected to vest as of December 31, 2020** | **22,787** | **$ 24** | **5.4** | **$ 312** |

The total intrinsic value of stock options exercised was $84 million in 2020, $140 million in 2019 and $90 million in 2018.

**Non-Vested Stock**

We value RSAs, RSUs and DSUs based on the closing trading value of our shares on the date of grant. Information related to non-vested stock awards is as follows:

| | Non-Vested Stock Award Units *(in thousands)* | Weighted Average Grant-Date Fair Value |
|---|---|---|
| **Balance as of December 31, 2017** | **15,250** | **$ 18** |
| Granted | 4,375 | 28 |
| Vested[(1)] | (6,194) | 16 |
| Forfeited | (748) | 22 |
| **Balance as of December 31, 2018** | **12,683** | **$ 22** |
| Granted | 3,656 | 39 |
| Vested[(1)] | (4,811) | 20 |
| Forfeited | (449) | 27 |
| **Balance as of December 31, 2019** | **11,079** | **$ 29** |
| Granted | 3,609 | 41 |
| Vested[(1)] | (4,147) | 25 |
| Forfeited | (554) | 34 |
| **Balance as of December 31, 2020** | **9,987** | **$ 34** |

(1) The number of shares vested includes shares withheld on behalf of employees to satisfy statutory tax withholding requirements.

The total vesting date fair value of shares that vested was approximately $172 million in 2020, $193 million in 2019 and $170 million in 2018.

***Market-based DSU Awards***

During 2020, 2019 and 2018, we granted market-based DSU awards to certain members of our senior management team. The number of shares ultimately issued to the recipient is based on the total stockholder return (TSR) of our common stock as compared to the TSR of the common stock of the other companies in the S&P 500 Healthcare Index over a three-year performance period. The number of DSUs ultimately granted under this program range from 0 percent to 200 percent of the target number of performance-based DSUs awarded to the participant as determined by achievement of the performance criteria of the program. In addition, in general, award recipients must remain employed by us throughout the three-year performance period to attain the full amount of the market-based DSUs that satisfied the market performance criteria.

We determined the fair value of the market-based DSU awards to be approximately $8 million for 2020, $10 million for 2019 and $7 million for 2018. We determined these fair values based on Monte Carlo simulations as of the date of grant, utilizing the following assumptions:

| | 2020 Awards | 2019 Awards | 2018 Awards |
|---|---|---|---|
| Stock price on date of grant | $ 42.16 | $ 40.12 | $ 27.09 |
| Measurement period *(in years)* | 2.9 | 2.9 | 2.9 |
| Risk-free rate | 1.37 % | 2.48 % | 2.36 % |

We recognize the expense on these awards in our consolidated statements of operations on a straight-line basis over the three-year measurement period.

***Free Cash Flow Performance-based DSU Awards***

During 2020, 2019 and 2018, we granted free cash flow performance-based DSU awards to certain members of our senior management team. The attainment of these performance-based DSUs is based on our adjusted free cash flow (AFCF) measured against our internal annual financial plan performance for AFCF. AFCF is measured over a one-year performance period beginning January 1st of each year and ending December 31st. The number of DSUs ultimately granted under this program range from 0 percent to 150 percent of the target number of performance-based DSUs awarded to the participant as determined by achievement of the performance criteria of the program. In addition, in general, award recipients must remain employed by us throughout a three-year service period (inclusive of the one-year performance period) to attain the full amount of the performance-based DSUs that satisfied the performance criteria.

The following table presents our assumptions used in determining the fair value of our AFCF awards currently expected to vest as of December 31, 2020:

| | 2020 AFCF | 2019 AFCF | 2018 AFCF |
|---|---|---|---|
| Fair value, net of forfeitures to date *(in millions)* | $ 6 | $ 8 | $ 11 |
| Achievement of target payout | 89 % | 90 % | 118 % |
| Year-end stock price used in determining fair value | $ 35.95 | $ 45.22 | $ 35.34 |

We recognize the expense on these awards in our consolidated statements of operations over the vesting period which is three years after the date of grant.

**Expense Attribution**

We recognize compensation expense for our stock incentive plan using a straight-line method over the substantive vesting period. Most of our stock awards provide for immediate vesting upon death or disability of the participant. In addition, our stock grants to employees provide for accelerated vesting of our stock-based awards, other than performance-based and market-based awards, upon retirement, if the stock award has been held for at least one year by the recipient. In accordance with the terms of our stock grants, for employees who will become retirement eligible prior to the vest date we expense stock-based awards, other than performance-based and market-based awards, over the greater of one year or the period between grant date and retirement-eligibility. The performance-based and market-based awards discussed above do not contain provisions that would accelerate the full vesting of the awards upon retirement-eligibility.

We recognize stock-based compensation expense for the value of the portion of awards that are ultimately expected to vest. FASB ASC Topic 718, *Compensation – Stock Compensation* allows forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The term "forfeitures" is distinct from "cancellations" or "expirations" and represents only the unvested portion of the surrendered stock-based award. We have applied, based on an analysis of our historical forfeitures, a weighted-average annual forfeiture rate of approximately five percent to all unvested stock-based awards as of December 31, 2020, which represents the portion that we expect will be forfeited each year over the vesting period. We re-evaluate this analysis annually or more frequently if there are significant changes in circumstances and adjust the forfeiture rate as necessary. Ultimately, we will only recognize expense for those shares that vest.

**Unrecognized Compensation Cost**

We expect to recognize the following future expense for awards outstanding as of December 31, 2020:

| | Unrecognized Compensation Cost *(in millions)* (1) | Weighted Average Remaining Vesting Period *(in years)* |
|---|---|---|
| Stock options | $ 35 | |
| Non-vested stock awards | 169 | |
| | **$ 204** | **1.7** |

(1) Amounts presented represent compensation cost, net of estimated forfeitures.

**Employee Stock Purchase Plans**

Our global employee stock purchase plan provides for the granting of options to purchase up to 50 million shares of our common stock to all eligible employees. Under the global employee stock purchase plan, we grant each eligible employee, at the beginning of each six-month offering period, an option to purchase shares of our common stock equal to not more than ten percent of the employee's eligible compensation or the statutory limit under the U.S. Internal Revenue Code. Such options may be exercised only to the extent of accumulated payroll deductions at the end of the offering period, at a purchase price equal to 85 percent of the fair market value of our common stock at the beginning or end of each offering period, whichever is less. As of December 31, 2020, there were approximately 6 million shares available for future issuance under the employee stock purchase plan. We temporarily suspended our global employee stock purchase plan for the offering period for the second half of 2020 due to cost-savings initiatives in response to the COVID-19 pandemic and have resumed for the offering period for the first half of 2021.

Information related to shares issued or to be issued in connection with the employee stock purchase plan based on employee contributions and the range of purchase prices is as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Shares issued or to be issued *(in thousands)* | 1,387 | 2,196 | 2,452 |
| Range of purchase prices | $ 29.84 | $29.29 - $36.47 | $21.49 - $27.91 |
| Expense recognized *(in millions)* | $ 10 | $ 19 | $ 17 |

We use the Black-Scholes option-pricing model to calculate the grant-date fair value of shares issued under the employee stock purchase plan. We recognize expense related to shares purchased through the employee stock purchase plan ratably over the offering period.

**NOTE N – WEIGHTED AVERAGE SHARES OUTSTANDING**

| | Year Ended December 31, | | |
|---|---|---|---|
| *(in millions)* | **2020** | **2019** | **2018** |
| Weighted average shares outstanding - basic | 1,416.7 | 1,391.5 | 1,381.0 |
| Net effect of common stock equivalents | — | 19.0 | 20.4 |
| **Weighted average shares outstanding - assuming dilution** | **1,416.7** | **1,410.6** | **1,401.4** |

The following securities were excluded from the calculation of weighted average shares outstanding - assuming dilution because their effect in the periods presented below would have been antidilutive:

| | Year Ended December 31, | | |
|---|---|---|---|
| *(in millions)* | **2020** | **2019** | **2018** |
| Common stock equivalents[(1)] | 14 | n/a | n/a |
| Stock options outstanding[(2)] | 6 | 0 | 0 |
| MCPS[(3)] | 14 | n/a | n/a |

(1) Represents common stock equivalents pursuant to our employee stock-based compensation plans, which are anti-dilutive in 2020 due to our *Net loss* position in this period.
(2) Represents stock options outstanding pursuant to our employee stock-based compensation plans with exercise prices that were greater than the average fair market value of our common stock for the related periods.
(3) Represents common stock issuable upon the conversion of MCPS. Refer to *Note L – Stockholders' Equity* for additional information.

We base *Net income (loss) per common share - assuming dilution* upon the weighted-average number of common shares and common stock equivalents outstanding during each year. Potential common stock equivalents are determined using the treasury stock method. We exclude stock options, stock awards and MCPS from the calculation if the effect would be anti-dilutive. The dilutive effect of MCPS is calculated using the if-converted method. The if-converted method assumes that these securities were converted to shares of common stock at the later of the May 27, 2020 issuance date or the beginning of the reporting period to the extent that the effect is dilutive.

In 2020, the effect of assuming the conversion of MCPS into shares of common stock was anti-dilutive, and therefore excluded from the calculation of earnings per share (EPS). Accordingly, *Net loss* was reduced by cumulative *Preferred stock dividends*, as presented in our consolidated statements of operations, for purposes of calculating *Net loss available to common stockholders*.

**NOTE O – SEGMENT REPORTING**

Our seven core businesses are organized into three reportable segments: MedSurg, Rhythm and Neuro, and Cardiovascular, which represent an aggregation of our operating segments that generate revenues from the sale of medical devices. We measure and evaluate our reportable segments based on net sales of reportable segments, operating income of reportable segments, excluding intersegment profits, and operating income of reportable segments as a percentage of net sales of reportable segments. Operating income of reportable segments as a percentage of net sales of reportable segments is defined as operating income of reportable segments divided by net sales of reportable segments. We exclude from operating income of reportable segments certain corporate-related expenses and certain transactions or adjustments that our chief operating decision maker (CODM) considers to be non-operational, such as amounts related to amortization expense, goodwill and other intangible asset impairment charges, acquisition/divestiture-related net charges (credits), restructuring and restructuring-related net charges (credits), certain litigation-related net charges (credits), certain investment portfolio net losses (gains) and EU Medical Device Regulation (MDR) implementation costs. Although we exclude these amounts from operating income of reportable segments, they are included in reported *Income (loss) before income taxes* in our consolidated statements of operations and are included in the reconciliation below.

Following our acquisition of BTG, we have included BTG's Interventional Medicine business within our Peripheral Interventions operating segment, within the Cardiovascular reportable segment. We present BTG's Specialty Pharmaceuticals business as a standalone operating segment alongside our reportable segments.

A reconciliation of the totals reported for the reportable segments to the applicable line items in our accompanying consolidated statements of operations is as follows (in millions, except percentages):

| | Year Ended December 31, | | |
|---|---|---|---|
| **Net sales** | **2020** | **2019** | **2018** |
| MedSurg | $ 3,066 | $ 3,307 | $ 3,007 |
| Rhythm and Neuro | 2,752 | 3,140 | 3,041 |
| Cardiovascular | 3,876 | 4,208 | 3,777 |
| Total net sales of reportable segments | 9,694 | 10,654 | 9,823 |
| All other (Specialty Pharmaceuticals) | 219 | 81 | n/a |
| **Consolidated net sales** | **$ 9,913** | **$ 10,735** | **$ 9,823** |

| | Year Ended December 31, | | |
|---|---|---|---|
| **Depreciation expense** | **2020** | **2019** | **2018** |
| MedSurg | $ 80 | $ 75 | $ 72 |
| Rhythm and Neuro | 96 | 92 | 91 |
| Cardiovascular | 154 | 138 | 133 |
| Total depreciation expense of reportable segments | 330 | 306 | 296 |
| All other (Specialty Pharmaceuticals) | 3 | $ 6 | n/a |
| **Consolidated depreciation expense** | **$ 333** | **$ 311** | **$ 296** |

| Income (loss) before income taxes | Year Ended December 31, 2020 | 2019 | 2018 |
|---|---|---|---|
| MedSurg | $ 1,079 | $ 1,204 | $ 1,102 |
| Rhythm and Neuro | 439 | 666 | 655 |
| Cardiovascular | 661 | 1,137 | 1,117 |
| Total operating income of reportable segments | 2,179 | 3,007 | 2,875 |
| All other (Specialty Pharmaceuticals) | 143 | 56 | n/a |
| Unallocated amounts: | | | |
| Corporate expenses, including hedging activities | (405) | (264) | (372) |
| Goodwill and other intangible asset impairment charges, acquisition/ divestiture-related net charges (credits), restructuring and restructuring-related net charges (credits), certain litigation-related net charges (credits) and EU Medical Device Regulation (MDR) implementation costs | (1,208) | (582) | (398) |
| Amortization expense | (789) | (699) | (599) |
| Operating income (loss) | (80) | 1,518 | 1,506 |
| Other expense, net | 1 | (831) | (85) |
| **Income (loss) before income taxes** | **$ (79)** | **$ 687** | **$ 1,422** |

| Operating income of reportable segments as a percentage of net sales of reportable segments | Year Ended December 31, 2020 | 2019 | 2018 |
|---|---|---|---|
| MedSurg | 35.2 % | 36.4 % | 36.7 % |
| Rhythm and Neuro | 15.9 % | 21.2 % | 21.5 % |
| Cardiovascular | 17.1 % | 27.0 % | 29.6 % |

| Total assets | As of December 31, 2020 | 2019 |
|---|---|---|
| MedSurg | $ 1,638 | $ 1,803 |
| Rhythm and Neuro | 1,827 | 1,873 |
| Cardiovascular | 2,461 | 2,535 |
| Total assets of reportable segments | 5,926 | 6,211 |
| All other (Specialty Pharmaceuticals) | 1,133 | 211 |
| Goodwill | 9,951 | 10,176 |
| Other intangible assets, net | 5,917 | 7,886 |
| All other corporate assets | 7,850 | 6,082 |
| | **$ 30,777** | **$ 30,565** |

Following the announcement of our plan to sell our Specialty Pharmaceuticals business, as of December 31, 2020, we have classified the assets and liabilities of our Specialty Pharmaceuticals business (disposal group) as held for sale within our consolidated balance sheets at their respective carrying values, which approximates fair value, less costs to sell. Accordingly, the total assets of the Specialty Pharmaceuticals business as of December 31, 2020 reflected above include goodwill and intangible assets attributable to the disposal group that were not previously allocated to our reportable segments.

| Long-lived assets | As of December 31, 2020 | 2019 | 2018 |
|---|---|---|---|
| U.S. | $ 1,151 | $ 1,148 | $ 1,061 |
| Ireland | 382 | 327 | 242 |
| Other countries | 551 | 604 | 478 |
| Property, plant and equipment, net | 2,084 | 2,079 | 1,782 |
| Goodwill | 9,951 | 10,176 | 7,911 |
| Other intangible assets, net | 5,917 | 7,886 | 6,372 |
| Operating lease right-of-use assets in *Other long-term assets* | 458 | 336 | — |
| | **$ 18,409** | **$ 20,477** | **$ 16,064** |

**NOTE P – REVENUE**

We generate revenue primarily from the sale of single-use medical devices and present revenue net of sales taxes in our consolidated statements of operations. The following tables disaggregate our revenue from contracts with customers by business and geographic region (in millions):

| | Year Ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | | 2018 | | |
| **Businesses** | **U.S.** | **OUS** | **Total** | **U.S.** | **OUS** | **Total** | **U.S.** | **OUS** | **Total** |
| Endoscopy | $ 1,000 | $ 780 | $ 1,780 | $ 1,080 | $ 814 | $ 1,894 | $ 980 | $ 781 | $ 1,762 |
| Urology and Pelvic Health | 918 | 368 | 1,286 | 1,005 | 408 | 1,413 | 864 | 381 | 1,245 |
| Cardiac Rhythm Management | 992 | 712 | 1,704 | 1,135 | 804 | 1,939 | 1,159 | 792 | 1,951 |
| Electrophysiology | 118 | 169 | 287 | 148 | 180 | 329 | 150 | 161 | 311 |
| Neuromodulation | 610 | 151 | 761 | 695 | 178 | 873 | 624 | 155 | 779 |
| Interventional Cardiology | 981 | 1,317 | 2,299 | 1,293 | 1,522 | 2,816 | 1,154 | 1,436 | 2,590 |
| Peripheral Interventions | 888 | 689 | 1,577 | 741 | 651 | 1,392 | 608 | 579 | 1,187 |
| Specialty Pharmaceuticals | 193 | 27 | 219 | 70 | 11 | 81 | n/a | n/a | n/a |
| **Net Sales** | **$ 5,701** | **$ 4,212** | **$ 9,913** | **$ 6,167** | **$ 4,569** | **$10,735** | **$ 5,538** | **$ 4,286** | **$ 9,823** |

| | Year Ended December 31, | | |
|---|---|---|---|
| **Geographic Regions** | **2020** | **2019** | **2018** |
| U.S. | $ 5,508 | $ 6,097 | $ 5,538 |
| EMEA (Europe, Middle East and Africa) | 2,097 | 2,264 | 2,176 |
| APAC (Asia-Pacific) | 1,781 | 1,898 | 1,727 |
| LACA (Latin America and Canada) | 307 | 395 | 383 |
| **Medical Devices** | **9,694** | **10,654** | **9,823** |
| U.S. | 193 | 70 | n/a |
| International | 27 | 11 | n/a |
| **Specialty Pharmaceuticals** | **219** | **81** | **n/a** |
| **Net Sales** | **$ 9,913** | **$ 10,735** | **$ 9,823** |
| | | | |
| Emerging Markets[(1)] | $ 1,093 | $ 1,252 | $ 1,097 |

(1) We define Emerging Markets as the 20 countries that we believe have strong growth potential based on their economic conditions, healthcare sectors and our global capabilities. Periodically, we assess our list of Emerging Markets which is currently comprised of the following countries: Argentina, Brazil, Chile, China, Colombia, Czech Republic, India, Indonesia, Malaysia, Mexico, Philippines, Poland, Russia, Saudi Arabia, Slovakia, South Africa, South Korea, Thailand, Turkey and Vietnam.

Contract liabilities are classified within *Other current liabilities* and *Other long-term liabilities* in our accompanying consolidated balance sheets. Our deferred revenue balance was $395 million as of December 31, 2020 and $400 million as of

December 31, 2019. Our contractual liabilities are primarily composed of deferred revenue related to the LATITUDE™ Patient Management System. Revenue is recognized over the average service period which is based on device and patient longevity. We recognized revenue of $135 million in 2020 that was included in the above December 31, 2019 contract liability balance. We have elected not to disclose the transaction price allocated to unsatisfied performance obligations when the original expected contract duration is one year or less. In addition, we have not identified material unfulfilled performance obligations for which revenue is not currently deferred.

We capitalize sales force commissions related to contracts with customers when the associated revenue is expected to be earned over a period that exceeds one year. Deferred commissions are primarily related to the sale of devices enabled with our LATITUDE™ Patient Management System. We have elected to expense commission costs when incurred for contracts with an expected duration of one year or less. Capitalized commission fees are amortized over the period the associated products or services are transferred. Similarly, we capitalize certain recoverable costs related to the delivery of the LATITUDE™ Remote Monitoring Service. These fulfillment costs are amortized over the average service period. Our total capitalized contract costs are immaterial to our consolidated financial statements.

We received FDA approval in mid-2020 and began the U.S. launch of our next generation WATCHMAN FLX™ Left Atrial Appendage Closure (LAAC) Device within our Interventional Cardiology business. The next generation WATCHMAN FLX™ Device is indicated to reduce the risk of stroke in patients with non-valvular atrial fibrillation (NVAF) who need an alternative to oral anticoagulation therapy by permanently closing off the left atrial appendage. In 2020, we recorded $179 million in revenue reserves primarily related to our conversion to a consignment commercial model for our LAAC franchise with the launch of our next-generation WATCHMAN FLX™ Device in the U.S. In connection with the conversion, we repurchased customer-owned inventory and will recognize revenue for consigned units as they are consumed by customers.

Refer to *Note A – Significant Accounting Policies* for additional information on our accounting policies relating to revenue recognition.

## NOTE Q – CHANGES IN OTHER COMPREHENSIVE INCOME

The following table provides the reclassifications out of *Other comprehensive income, net of tax*:

| *(in millions)* | Foreign Currency Translation Adjustments | Net Change in Derivative Financial Instruments | Net Change in Defined Benefit Pensions and Other Items | Total |
|---|---|---|---|---|
| **Balance as of December 31, 2019** | **$ 142** | **$ 173** | **$ (45)** | **$ 270** |
| Other comprehensive income (loss) before reclassifications | 95 | (77) | (5) | 13 |
| (Income) loss amounts reclassified from accumulated other comprehensive income | (19) | (60) | 3 | (76) |
| Total other comprehensive income (loss) | 76 | (137) | (1) | (63) |
| **Balance as of December 31, 2020** | **$ 218** | **$ 36** | **$ (47)** | **$ 207** |

| *(in millions)* | Foreign Currency Translation Adjustments | Net Change in Derivative Financial Instruments | Net Change in Defined Benefit Pensions and Other Items | Total |
|---|---|---|---|---|
| **Balance as of December 31, 2018** | **$ (53)** | **$ 111** | **$ (25)** | **$ 33** |
| Other comprehensive income (loss) before reclassifications | 228 | 116 | (22) | 322 |
| (Income) loss amounts reclassified from accumulated other comprehensive income | (33) | (54) | 2 | (86) |
| Total other comprehensive income (loss) | 195 | 62 | (20) | 237 |
| **Balance as of December 31, 2019** | **$ 142** | **$ 173** | **$ (45)** | **$ 270** |

Refer to *Note E – Hedging Activities and Fair Value Measurements* for further detail on our net investment hedges recorded in *Foreign currency translation adjustments* and our cash flow hedges recorded in *Net change in derivative financial instruments*.

The gains and losses on defined benefit and pension items before reclassifications and gains and losses on defined benefit and pension items reclassified from *Accumulated other comprehensive income (loss), net of tax* were reduced by immaterial income tax impacts in 2020 and in 2019.

**NOTE R – NEW ACCOUNTING PRONOUNCEMENTS**

Periodically, new accounting pronouncements are issued by the FASB or other standard setting bodies. Recently issued standards typically do not require adoption until a future effective date. Prior to their effective date, we evaluate the pronouncements to determine the potential effects of adoption on our consolidated financial statements.

Accounting Standards Implemented Since December 31, 2019

*ASC Update No. 2016-13*

In June 2016, the FASB issued ASC Update No. 2016-13, *Financial Instruments - Credit Losses* (FASB ASC Topic 326*, Financial Instruments - Credit Losses*). We adopted the standard as of January 1, 2020 using the modified retrospective method. Under this method, we applied the new credit loss measurement guidance to financial assets measured at amortized cost on the date of adoption and recognized the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings. Results for reporting periods beginning after January 1, 2020 are presented in accordance with FASB ASC Topic 326. Prior period amounts have not been restated and are reported in accordance with legacy GAAP requirements in FASB ASC Topic 310, *Receivables*.

Upon the adoption of FASB ASC Topic 326, credit loss reserves are recorded when financial assets are established if credit losses are expected over the asset's contractual life. These losses were previously expensed when it became probable that a loss would be incurred. As a result of the adoption of FASB ASC Topic 326, we recorded a net reduction to opening retained earnings on January 1, 2020 related to the establishment of credit loss reserves on *Trade accounts receivable* and recorded a corresponding increase in the *Allowance for credit losses*, a contra *Trade accounts receivable* account. The adoption had an immaterial impact on our financial position and results of operations.

*ASC Update No. 2018-15*

In August 2018, the FASB issued ASC Update No. 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40)*: *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The purpose of Update No. 2018-15 is to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). Update No. 2018-15 is effective for annual periods beginning after December 15, 2019, including interim periods within those annual periods. Early adoption is permitted, including adoption in any interim period. We adopted Update No. 2018-15 in the first quarter of 2020. The adoption had an immaterial impact on our financial position and results of operations.

*ASC Update No. 2018-18*

In November 2018, the FASB issued ASC Update No. 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the Interaction Between Topic 808 and Topic 606.* The purpose of Update No. 2018-18 is to clarify the interaction between FASB ASC Topic 808 and FASB ASC Topic 606, *Revenue from Contracts with Customers* (FASB ASC Topic 606) as FASB ASC Topic 808 did not provide comprehensive recognition or measurement guidance for collaborative arrangements, and the accounting for those arrangements was often based on an analogy to other accounting literature or an accounting policy election. Update No. 2018-18 is effective for annual periods beginning after December 15, 2019. We adopted Update No. 2018-18 in the first quarter of 2020. The adoption had an immaterial impact on our financial position and results of operations.

Standards to be Implemented

*ASC Update No. 2020-10*

In October 2020, the FASB issued ASC Update No. 2020-10, *Codification Improvements*. Update No. 2020-10 amends a wide variety of Topics in the Codification in order to improve the consistency of the Codification and the application thereof, while leaving Generally Accepted Accounting Principles unchanged. Update No. 2020-10 is effective for annual periods beginning

after December 15, 2020, for public business entities. We plan to adopt Update No. 2020-10 in the first quarter of 2021 and expect it will have an immaterial impact on our financial position and results of operations.

*ASC Update No. 2020-06*

In August 2020, the FASB issued ASC Update No. 2020-06, *Debt - Debt with Conversion and Other Options* (Subtopic 470-20) *and Derivatives and Hedging - Contracts in Entity's Own Equity* (Subtopic 815-40): *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. The amendments in Update No. 2020-06 simplify the complexity associated with applying U.S. GAAP for certain financial instruments with characteristics of liabilities and equity. More specifically, the amendments focus on the guidance for convertible instruments and derivative scope exception for contracts in an entity's own equity. Update No. 2020-06 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. We plan to early adopt Update No. 2020-06 in the first quarter of 2021 and expect it will have an immaterial impact on our financial position and results of operations.

*ASC Update No. 2019-12*

In December 2019, the FASB issued ASC Update No. 2019-12, *Income Taxes* (Topic 740): *Simplifying the Accounting for Income Taxes*. The purpose of Update No. 2019-12 is to continue the FASB's Simplification Initiative to reduce complexity in accounting standards. The amendments in Update No. 2019-12 simplify the accounting for income taxes by removing certain exceptions related to the incremental approach for intraperiod tax allocation, the requirement to recognize or derecognize deferred tax liabilities related to equity method investments that are also foreign subsidiaries, and the methodology for calculating income taxes in an interim period. In addition to removing these exceptions, Update No. 2019-12 also clarifies and simplifies other aspects of the accounting for income taxes. Update No. 2019-12 is effective for annual periods beginning after December 15, 2020, including interim periods within those annual periods. We plan to adopt Update No. 2019-12 in the first quarter of 2021 and expect it will have an immaterial impact on our financial position and results of operations.

No other new accounting pronouncements, issued or effective, during the period had, or is expected to have, a material impact on our consolidated financial statements.

**NOTE S – EMPLOYEE RETIREMENT PLANS**

***Defined Benefit Pension Plans***

*Domestic Retirement Plans*

Following our 2006 acquisition of Guidant, we assumed the Guidant Supplemental Retirement Plan, a frozen, non-qualified defined benefit plan for certain former officers and employees of Guidant. The Guidant Supplemental Retirement Plan was partially funded through a Rabbi Trust that contains segregated company assets within restricted cash used to pay the benefit obligations related to the plan.

We also maintain an Executive Retirement Plan, a defined benefit plan covering executive officers and division presidents. Participants may retire with benefits once retirement conditions have been satisfied.

*U.K. Plan*

As a result of our acquisition of BTG, we assumed a benefit obligation related to a defined benefit pension plan sponsored by BTG for eligible United Kingdom (U.K.) employees (U.K. Plan). The U.K. Plan was closed to new entrants as of June 1, 2004. Prior to the acquisition close date of August 19, 2019, the Trustees of the U.K. Plan executed buy-in arrangements (Buy-in Contracts), which effectively, as structured under the Buy-in Contracts, are intended to provide payments designed to equal all future designated contractual benefit payments to covered participants. The benefit obligation of the pension plan is not transferred to the insurers, and we remain responsible for paying pension benefits. We do not anticipate any additional material contributions or payments to the U.K. Plan or the insurer.

In connection with the final purchase price allocation of BTG, we recorded the assets acquired and liabilities assumed at their respective fair values as of the acquisition date. The following assumptions were used to measure the fair value of the benefit obligation and associated plan assets as of the August 19, 2019 measurement date:

| | Discount Rate | Expected Return on Plan Assets | Rate of Compensation Increase |
|---|---|---|---|
| U.K. Plan | 0.4% | 0.4% | 3.4% |

As of the measurement date of August 19, 2019, the funded status was as follows:

| *(in millions)* | | |
|---|---|---|
| Fair value of plan assets | $ | 213 |
| Benefit obligation | | (216) |
| Funded status | **$** | **(3)** |

Refer to *Note B – Acquisitions and Strategic Investments* for additional information on our acquisition of BTG.

Information about the U.K. Plan presented below are as of the December 31, 2020 and 2019 measurement dates.

*Other International Retirement Plans*

In addition, we maintain retirement plans covering certain international employees.

We use a December 31 measurement date for these plans and record the net unfunded and underfunded portion as a liability within non-current liabilities, with the current portion within accrued expenses, on the consolidated balance sheets, recognizing changes primarily through *OCI*. As of December 31, 2020 and 2019, the funded status of our plans were unfunded or underfunded in aggregate. The outstanding obligation is as follows:

| | As of December 31, 2020 | | | |
|---|---|---|---|---|
| (*in millions*) | Accumulated Benefit Obligation (ABO) | Projected Benefit Obligation (PBO) | Fair value of Plan Assets | Unfunded/ Underfunded PBO Recognized |
| Domestic Retirement Plans | $ 54 | $ 58 | $ — | $ 58 |
| U.K. Plan | 226 | 226 | 223 | 3 |
| Other International Retirement Plans | 225 | 247 | 132 | 115 |
| | **$ 506** | **$ 532** | **$ 355** | **$ 177** |

| | As of December 31, 2019 | | | |
|---|---|---|---|---|
| (*in millions*) | Accumulated Benefit Obligation (ABO) | Projected Benefit Obligation (PBO) | Fair value of Plan Assets | Unfunded/ Underfunded PBO Recognized |
| Domestic Retirement Plans | $ 50 | $ 54 | $ — | $ 54 |
| U.K. Plan | 212 | 212 | 209 | 3 |
| Other International Retirement Plans | 204 | 223 | 123 | 100 |
| | **$ 466** | **$ 488** | **$ 332** | **$ 156** |

A rollforward of the changes in the PBO for our retirement plans is as follows:

| | Year Ended December 31, | |
|---|---|---|
| *(in millions)* | **2020** | **2019** |
| **Beginning obligations** | **$ 488** | **$ 232** |
| Acquired plans | — | 216 |
| Service costs | 19 | 15 |
| Interest costs | 5 | 5 |
| Actuarial (gain) loss | 22 | — |
| Plan amendments and assumption changes | (5) | 11 |
| Benefits paid | (23) | (10) |
| Impact of foreign currency fluctuations | 26 | 19 |
| **Ending obligation** | **$ 532** | **$ 488** |

The critical assumptions associated with our employee retirement plans for 2020 are as follows:

| | Weighted Average Discount Rate | Weighted Average Expected Return on Plan | Weighted Average Rate of Compensation Increase[1] |
|---|---|---|---|
| Domestic Retirement Plans | 1.90% | n/a | 1.50% |
| U.K. Plan | 0.10% | 0.10% | n/a |
| Other International Retirement Plans | 0.67% | 1.98% | 2.40% |

(1) Rates of compensation increase were not weighted by the relative fair value of the instruments. As such, the amount represents the median of the inputs and is not a weighted average.

The critical assumptions associated with our employee retirement plans for 2019 are as follows:

| | Weighted Average Discount Rate | Weighted Average Expected Return on Plan | Weighted Average Rate of Compensation Increase[1] |
|---|---|---|---|
| Domestic Retirement Plans | 2.94% | n/a | 1.50% |
| U.K. Plan | 0.60% | 0.60% | 3.00% |
| Other International Retirement Plans | 0.75% | 2.05% | 2.65% |

(1) Rates of compensation increase were not weighted by the relative fair value of the instruments. As such, the amount represents the median of the inputs and is not a weighted average.

A rollforward of the changes in the fair value of plan assets for our funded retirement plans is as follows:

| | Year Ended December 31, | |
|---|---|---|
| *(in millions)* | **2020** | **2019** |
| **Beginning fair value** | **$ 332** | **$ 107** |
| Acquired plans | — | 213 |
| Actual return on plan assets | 2 | 7 |
| Employer contributions | 12 | 13 |
| Participant contributions | 2 | 2 |
| Actuarial gain (loss) | 14 | (20) |
| Benefits paid | (23) | (10) |
| Impact of foreign currency fluctuations | 16 | 19 |
| **Ending fair value** | **$ 355** | **$ 332** |

For our defined benefit plans excluding our U.K. Plan, we base our discount rate on the rates of return available on high-quality bonds with maturities approximating the expected period over which benefits will be paid. The rate of compensation increase is based on historical and expected rate increases. We base our rate of expected return on plan assets on historical experience, our

investment guidelines and expectations for long-term rates of return. Our assets are invested in a variety of securities, primarily equity securities and government bonds. These securities are considered Level 1 and Level 2 investments.

For our U.K. Plan, we utilize the insurance buy-in methodology and base our discount rate on a yield curve reflective of the market pricing obtained in the most recent buy-in transaction, which occurred prior to the acquisition of BTG, and movements in market-observed buy-in pricing as of December 31, 2020. We believe this is a reasonable proxy for an effective settlement rate of the buy-in assets. The discount rate is calculated as the single equivalent assumption that gives the same value of the liabilities as if the figures were calculated using the full yield curve. We assume that all pension increases will continue to be linked to the Retail Price Inflation (RPI), both before and after retirement, for all members, with the exception of post-88 Guaranteed Minimum Pensions (GMP), which will be based on Consumer Price Inflation (CPI). We base our rate of expected return on plan assets as equal to the discount rate used to value the buy-in assets. The U.K. Plan assets' investment policy is to invest in fully matching assets. This has been achieved through the purchase of two buy-in policies (Buy-in contracts), which provide payments designed to equal all future benefit payments due from the fund. As of December 31, 2020, the Buy-in contracts represented 100% of the total plan assets, as compared to the target percentage of 100 percent, and are considered Level 3 investments. As of December 31, 2019, the Buy-in contracts represented 99 percent of the total plan assets, as compared to the target percentage of 100 percent, and are considered Level 3 investments.

The following table presents the fair value hierarchy of the U.K. Plan assets measured at fair value as of December 31, 2020:

| | As of December 31, 2020 | | | |
|---|---|---|---|---|
| *(in millions)* | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Buy-in contracts | $ — | $ — | $ 223 | $ 223 |
| **Total assets** | **$ —** | **$ —** | **$ 223** | **$ 223** |

The following table presents the fair value hierarchy of the U.K. Plan assets measured at fair value as of December 31, 2019:

| | As of December 31, 2019 | | | |
|---|---|---|---|---|
| *(in millions)* | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Buy-in contracts | $ — | $ — | $ 207 | $ 207 |
| Cash | 1 | — | — | 1 |
| **Total assets** | **$ 1** | **$ —** | **$ 207** | **$ 209** |

Changes in the fair value of the U.K. Plan Level 3 assets were as follows:

| *(in millions)* | **Buy-in Contracts** |
|---|---|
| **Balance as of December 31, 2019** | **$ 209** |
| Actual return on plan assets | 1 |
| Actuarial gain (loss) | 15 |
| Transfers out for benefits paid | (9) |
| Impact of foreign currency fluctuations | 7 |
| **Balance as of December 31, 2020** | **$ 223** |

***Defined Contribution Plan***

We also sponsor a voluntary 401(k) Retirement Savings Plan for eligible employees. We match 200 percent of employee elective deferrals for the first two percent of employee eligible compensation and 50 percent of employee elective deferrals greater than two percent, but not exceeding six percent, of employee eligible compensation. Total expense for our matching contributions to the plan was $102 million in 2020, $98 million in 2019 and $87 million in 2018.

**QUARTERLY RESULTS OF OPERATIONS**
*(in millions, except per share data)*
*(unaudited)*

| | Three Months Ended | | | |
|---|---|---|---|---|
| | **Mar 31,** | **June 30,** | **Sept 30,** | **Dec 31,** |
| **2020** | | | | |
| Net sales | $ 2,543 | $ 2,003 | $ 2,659 | $ 2,708 |
| Gross profit | 1,737 | 1,212 | 1,790 | 1,708 |
| Operating income (loss) | 146 | (71) | (205) | 50 |
| Net income (loss) | 11 | (147) | (155) | 210 |
| Net income (loss) available to common stockholders | 11 | (153) | (169) | 196 |
| Net income (loss) per common share - basic | $ 0.01 | $ (0.11) | $ (0.12) | $ 0.14 |
| Net income (loss) per common share - assuming dilution | $ 0.01 | $ (0.11) | $ (0.12) | $ 0.14 |
| **2019** | | | | |
| Net sales | $ 2,493 | $ 2,631 | $ 2,707 | $ 2,905 |
| Gross profit | 1,763 | 1,873 | 1,930 | 2,054 |
| Operating income (loss) | 541 | 384 | 383 | 210 |
| Net income (loss) | 424 | 154 | 126 | 3,996 |
| Net income (loss) per common share - basic | $ 0.31 | $ 0.11 | $ 0.09 | $ 2.87 |
| Net income (loss) per common share - assuming dilution | $ 0.30 | $ 0.11 | $ 0.09 | $ 2.83 |

Our reported results for 2020 included amortization expense, goodwill and other intangible asset impairment charges, acquisition/divestiture-related net charges (credits), restructuring and restructuring-related net charges (credits), and certain litigation-related net charges (credits), investment portfolio net losses (gains), EU MDR implementation costs, deferred tax expenses (benefits) and discrete tax items (after tax) of: $380 million in charges in the first quarter, $273 million in charges in the second quarter, $698 million in charges in the third quarter and $141 million of charges in the fourth quarter.

Our reported results for 2019 included amortization expense, intangible asset impairment charges, acquisition/divestiture-related net charges (credits), restructuring and restructuring-related net charges (credits), certain litigation-related net charges (credits), investment portfolio net losses (gains), EU MDR implementation costs, certain debt extinguishment net charges (credits), deferred tax expenses (benefits) and discrete tax items (after tax) of: $66 million in charges in the first quarter, $396 million in charges in the second quarter, $424 million in charges in the third quarter and $3.353 billion of credits in the fourth quarter. These after-tax net credits consisted primarily of: deferred tax benefits of $4.102 billion arising from an intra-entity asset transfer of intellectual property.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (CEO) and Executive Vice President and Chief Financial Officer (CFO), evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2020 pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended. Disclosure controls and procedures are designed to ensure that material information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and ensure that such material information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Based on their evaluation, our CEO and CFO concluded that as of December 31, 2020, our disclosure controls and procedures were effective.

### Management's Annual Report on Internal Control over Financial Reporting

Management's annual report on our internal control over financial reporting is contained in Item 7 of this Annual Report.

### Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

The report of Ernst & Young LLP on our internal control over financial reporting is contained in Item 7 of this Annual Report.

### Changes in Internal Control over Financial Reporting

During the quarter ended December 31, 2020, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Further, while many of our employees worked remotely to adhere to COVID-19 social distancing requirements, this did not affect our ability to maintain financial reporting systems, internal controls over financial reporting or disclosure controls and procedures. Prior to the COVID-19 pandemic, we were leveraging electronic tools to facilitate our global close process and to connect our physically dispersed team of finance professionals in offices around the world. While the quarterly close cycle was performed remotely, fundamentally, the work performed, and the processes and controls executed did not change.

## ITEM 9B. OTHER INFORMATION

None.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is set forth in our Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days of December 31, 2020 and is incorporated into this Annual Report by reference.

### ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is set forth in our Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days of December 31, 2020 and is incorporated into this Annual Report by reference.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is set forth in our Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days of December 31, 2020 and is incorporated into this Annual Report by reference.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item is set forth in our Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days of December 31, 2020 and is incorporated into this Annual Report by reference.

### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is set forth in our Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days of December 31, 2020 and is incorporated into this Annual Report by reference.

## PART IV

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements.

The response to this portion of Item 15 is set forth under Item 8.

(a)(2) Financial Statement Schedules.

The response to this portion of Item 15 (Schedule II) follows the signature page to this report. All other financial statement schedules are not required under the related instructions or are inapplicable and therefore have been omitted.

(a)(3) Exhibits (* documents filed or furnished with this report, ** certain schedules and exhibits omitted pursuant to Item 601(b)(2) of Regulation S-K. We agree to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon request, # compensatory plans or arrangements)

| EXHIBIT NO. | TITLE |
|---|---|
| 2.1 | Purchase Agreement among American Medical Systems Holdings, Inc., Endo Health Solutions Inc. and the Company, dated as of March 2, 2015 (incorporated by reference to Exhibit 2.1, Quarterly Report on Form 10-Q for the quarter ended March 30, 2015, File No. 1-11083).** |
| 3.1 | Third Restated Certificate of Incorporation (incorporated herein by reference to Exhibit 3.2, Annual Report on Form 10-K for the year ended December 31, 2007, File No. 1-11083). |
| 3.2 | Amended and Restated By-Laws of the Company (incorporated herein by reference to Exhibit 3.1, Current Report on Form 8-K dated May 15, 2019, File No. 1-11083). |
| 3.3 | Certificate of Designations of the 5.50% Mandatory Convertible Preferred Stock, Series A, filed with the Secretary of State of the State of Delaware on May 26, 2020 (incorporated herein by reference to Exhibit 3.1, Current Report on Form 8-K dated May 27, 2020, File No. 1-11083). |
| 4.1 | Specimen Certificate for shares of the Company's Common Stock (incorporated herein by reference to Exhibit 4.1, Registration No. 33-46980). |
| 4.2* | Description of the Registrant’s Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934. |
| 4.3 | Indenture dated as of June 25, 2004, between the Company and JPMorgan Chase Bank, as Trustee (incorporated herein by reference to Exhibit 4.1, Current Report on Form 8-K dated June 25, 2004, File No. 1-11083). |
| 4.4 | Indenture dated as of November 18, 2004, between the Company and J.P. Morgan Trust Company, National Association, as Trustee (incorporated herein by reference to Exhibit 4.1, Current Report on Form 8-K dated November 18, 2004, File No. 1-11083). |
| 4.5 | First Supplemental Indenture dated as of April 21, 2006 (incorporated herein by reference to Exhibit 99.4, Current Report on Form 8-K dated April 21, 2006, File No. 1-11083). |
| 4.6 | Second Supplemental Indenture dated as of April 21, 2006 (incorporated herein by reference to Exhibit 99.6, Current Report on Form 8-K dated April 21, 2006, File No. 1-11083). |

| | |
|---|---|
| 4.7 | Form of Global Security for the 6.25% Notes due 2035 in the aggregate principal amount of $350,000,000, and form of Notice to holders thereof (incorporated herein by reference to Exhibit 4.2, Current Report on Form 8-K dated November 17, 2005 and Exhibit 99.7, Current Report on Form 8-K dated April 21, 2006, File No. 1-11083). |
| 4.8 | Indenture dated as of June 1, 2006, between the Company and JPMorgan Chase Bank, N.A., as Trustee (incorporated herein by reference to Exhibit 4.1, Current Report on Form 8-K dated June 9, 2006, File No. 1-11083). |
| 4.9 | 7.375% Senior Note due January 15, 2040 in the aggregate principal amount of $300,000,000 (incorporated herein by reference to Exhibit 4.4, Current Report on Form 8-K dated December 10, 2009, File No. 1-11083). |
| 4.10 | 4.125% Senior Note Due October 1, 2023 in the aggregate principle amount of $450,000,000 (incorporated herein by reference to Exhibit 4.3, Current Report on Form 8-K dated August 8, 2013, File No. 1-11083). |
| 4.11 | 3.375% Senior Notes due 2022 (incorporated herein by reference to Exhibit 4.3, Current Report on Form 8-K dated May 12, 2015, File No. 1-11083). |
| 4.12 | 3.850% Senior Notes due 2025 (incorporated herein by reference to Exhibit 4.4, Current Report on Form 8-K dated May 12, 2015, File No. 1-11083). |
| 4.13 | Indenture dated as of May 29, 2013, between the Company and U.S. Bank Association, as Trustee (incorporated herein by reference to Exhibit 4.1, Registration Statement on Form S-3 (File No 333-188918) filed on May 29, 2013). |
| 4.14 | 4.000% Senior Notes Due 2028 (incorporated herein by reference to Exhibit 4.2, Current Report on Form 8-K dated February 26, 2018, File No. 1-11083). |
| 4.15 | 3.450% Senior Note due 2024 (incorporated herein by reference to exhibit 4.2, Current Report on Form 8-K dated February 21, 2019, File No. 1-11083). |
| 4.16 | 3.750% Senior Note due 2026 (incorporated herein by reference to exhibit 4.3, Current Report on Form 8-K dated February 21, 2019, File No. 1-11083). |
| 4.17 | 4.000% Senior Note due 2029 (incorporated herein by reference to exhibit 4.4, Current Report on Form 8-K dated February 21, 2019, File No. 1-11083). |
| 4.18 | 4.550% Senior Note due 2039 (incorporated herein by reference to exhibit 4.5, Current Report on Form 8-K dated February 21, 2019, File No. 1-11083). |
| 4.19 | 4.700% Senior Note Due 2049 (incorporated herein by reference to Exhibit 4.6, Current Report on Form 8-K dated February 21, 2019, File No. 1-11083). |
| 4.20 | Form of 0.625% Senior Note Due 2027 (incorporated herein by reference to Exhibit 4.2, Current Report on Form 8-K dated November 6, 2019, File No. 1-11083). |
| 4.21 | Form of 1.900% Senior Note due 2025 (incorporated herein by reference to Exhibit 4.2, Current Report on Form 8-K dated May 14, 2020, File No. 1-11083). |
| 4.22 | Form of 2.650% Senior Note due 2030 (incorporated herein by reference to Exhibit 4.3, Current Report on Form 8-K dated May 14, 2020, File No. 1-11083). |
| 4.23 | Specimen Certificate of the Mandatory Convertible Preferred Stock (incorporated herein by reference to Exhibit 4.1, Current Report on Form 8-K dated May 27, 2020, File No. 1-11083). |

10.1 Form of Omnibus Amendment dated as of December 21, 2006, among the Company, Boston Scientific Funding Corporation, Variable Funding Capital Company LLC, Victory Receivables Corporation and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch (Amendment No. 1 to Receivables Sale Agreement and Amendment No. 9 to Credit and Security Agreement) (incorporated herein by reference to Exhibit 10.2, Annual Report on 10-K for the year ended December 31, 2006, File No. 1-11083).

10.2 Form of Amended and Restated Receivables Sale Agreement dated as of November 7, 2007 between the Company and each of its Direct or Indirect Wholly-Owned Subsidiaries that Hereafter Becomes a Seller Hereunder, as the Sellers, and Boston Scientific Funding LLC, as the Buyer (incorporated herein by reference to Exhibit 10.2, Current Report on Form 8-K dated November 7, 2007, File No. 1-11083).

10.3 Credit Agreement dated as of April 18, 2012, by and among the Company, the several lenders parties thereto, and Bank of America, N.A., as Syndication Agent, and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K dated April 18, 2012, File No. 1-11083).

10.4 Credit Agreement dated as of April 10, 2015, by and among Boston Scientific Corporation, the several lenders parties thereto, Bank of America, N.A., as Syndication Agent and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K dated April 14, 2015, File No. 1-11083).

10.5 First Amendment, dated as of October 23, 2015, to the Credit Agreement, dated as of April 10, 2015, among Boston Scientific Corporation, the several lenders party thereto, Bank of America, N.A., as Syndication Agent, and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.5, Annual Report on Form 10-K for the year ended December 31, 2015, File No. 1-11083).

10.6 License Agreement among Angiotech Pharmaceuticals, Inc., Cook Incorporated and the Company dated July 9, 1997, and related Agreement dated December 13, 1999 (incorporated herein by reference to Exhibit 10.6, Annual Report on Form 10-K for the year ended December 31, 2002, File No. 1-11083).

10.7 Amendment between Angiotech Pharmaceuticals, Inc. and the Company dated November 23, 2004 modifying July 9, 1997 License Agreement among Angiotech Pharmaceuticals, Inc., Cook Incorporated and the Company (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K dated November 23, 2004, File No. 1-11083).

10.8 Transaction Agreement, dated as of January 8, 2006, as amended, between the Company and Abbott Laboratories (incorporated herein by reference to Exhibit 10.47, Exhibit 10.48, Exhibit 10.49 and Exhibit 10.50, Annual Report on Form 10-K for year ended December 31, 2005 and Exhibit 10.1, Current Report on Form 8-K dated April 7, 2006, File No. 1-11083).

10.9 Settlement Agreement among Johnson & Johnson, Guidant LLC and the Company, dated as of February 13, 2015 (incorporated by reference to Exhibit 10.1, Quarterly Report on Form 10-Q for the quarter ended March 30, 2015, File No. 1-11083).

10.10 Form of Non-Qualified Stock Option Agreement (Non-Employee Directors) (incorporated herein by reference to Exhibit 10.5, Current Report on Form 8-K dated December 10, 2004, File No. 1-11083).#

10.11 Form of Restricted Stock Award Agreement (Non-Employee Directors) (incorporated herein by reference to Exhibit 10.6, Current Report on Form 8-K dated December 10, 2004, File No. 1-11083).#

10.12 Form of Restricted Stock Award Agreement (Non-Employee Directors) under the 2011 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.1, Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, File No. 1-11083).#

10.13 Form of Boston Scientific Corporation Excess Benefit Plan, as amended (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K dated June 29, 2005 and Exhibit 10.4, Current Report on Form 8-K dated December 16, 2008, File No. 1-11083).#

10.14 Form of Trust under the Boston Scientific Corporation Excess Benefit Plan (incorporated herein by reference to Exhibit 10.2, Current Report on Form 8-K dated June 29, 2005, File No. 1-11083).#

10.15 Boston Scientific Corporation Deferred Bonus Plan (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K dated May 11, 2010, File No. 1-11083).#

10.16 Boston Scientific Corporation 401(k) Retirement Savings Plan, Amended and Restated, effective as of January 1, 2011 (incorporated herein by reference to Exhibit 10.39, Annual Report on Form 10-K for year ended December 31, 2010, File No. 1-11083).#

10.17 Amendment to Boston Scientific Corporation 401(k) Retirement Savings Plan, Amended and Restated, effective as of January 1, 2011 (incorporated herein by reference to Exhibit 10.44, Annual Report on Form 10-K for the year ended December 31, 2011, File No. 1-11083).#

10.18 Form of Second Amendment of Boston Scientific Corporation 401(k) Retirement Savings Plan, Amended and Restated (incorporated herein by reference to Exhibit 10.2, Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, File No. 1-11083).#

10.19 Form of Third Amendment of the Boston Scientific Corporation 401(k) Retirement Savings Plan, Amended and Restated (incorporated herein by reference to Exhibit 10.1, Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, File No. 1-11083).#

10.20 Boston Scientific Corporation 2000 Long-Term Incentive Plan, as amended (incorporated herein by reference to Exhibit 10.20, Annual Report on Form 10-K for the year ended December 31, 1999, Exhibit 10.18, Annual Report on Form 10-K for the year ended December 31, 2001, Exhibit 10.1, Current Report on Form 8-K dated December 22, 2004, Exhibit 10.3, Current Report on Form 8-K dated May 9, 2005, and Exhibit 10.3, Current Report on Form 8-K dated December 16, 2008, File No. 1-11083).#

10.21 Boston Scientific Corporation 2003 Long-Term Incentive Plan, as Amended and Restated, Effective June 1, 2008 (incorporated herein by reference to Exhibit 10.1, Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, File No. 1-11083).#

10.22 Boston Scientific Corporation 2011 Long-Term Incentive Plan, as amended (incorporated herein by reference to Exhibit 10.49, Annual Report on Form 10-K for the year ended December 31, 2011, File No. 1-11083).#

10.23 Form of Non-Qualified Stock Option Agreement (vesting over three years) (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K dated December 10, 2004, File No. 1-11083).#

10.24 Form of Non-Qualified Stock Option Agreement (vesting over four years) (incorporated herein by reference to Exhibit 10.2, Current Report on Form 8-K dated December 10, 2004, File No. 1-11083).#

10.25 Form of Non-Qualified Stock Option Agreement (vesting over two years) (incorporated herein by reference to Exhibit 10.20, Annual Report on Form 10-K for the year ended December 31, 2007, File No. 1-11083).#

10.26 Form of Non-Qualified Stock Option Agreement dated July 1, 2005 (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K dated July 1, 2005, File No. 1-11083).#

10.27 Form of Stock Option Agreement (with one year service requirement for vesting upon Retirement) (incorporated herein by reference to Exhibit 10.6, Quarterly Report on Form 10-Q dated September 30, 2010, File No. 1-11083).#

10.28 Form of Restricted Stock Award Agreement (Non-Employee Directors) under the 2003 and 2011 Long-Term Incentive Plans (incorporated herein by reference to Exhibit 10.4, Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, File No. 1-11083).#

10.29 Form of Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.5, Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, File No. 1-11083).#

10.30 Form of Performance Share Unit Award Agreement under the 2011 Long-Term Incentive Plan (Total Shareholder Return) (incorporated herein by reference to Exhibit 10.70, Annual Report on Form 10-K for the year ended December 31, 2011, File No. 1-11083).#

10.31 Form of Performance Share Unit Award Agreement under the 2011 Long-Term Incentive Plan (Free Cash Flow) (incorporated herein by reference to Exhibit 10.71, Annual Report on Form 10-K for the year ended December 31, 2011, File No. 1-11083).#

10.32 Form of Deferred Stock Unit Award Agreement under the 2011 Long-Term Incentive Plan (Special) (incorporated herein by reference to Exhibit 10.72, Annual Report on Form 10-K for the year ended December 31, 2011, File No. 1-11083).#

10.33 Form of Change in Control Agreement between the Company and certain Executive Officers (incorporated herein by reference to Exhibit 10.3, Current Report on Form 8-K dated December 15, 2009, File No. 1-11083).#

10.34 Form of Offer Letter dated September 6, 2011 between the Company and Michael F. Mahoney, as supplemented September 13, 2011 (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K dated September 19, 2011, File No. 1-11083).#

10.35 Form of Amendment, dated February 14, 2012, to Offer Letter dated September 6, 2011 between the Company and Michael F. Mahoney, as supplemented September 13, 2011 (incorporated herein by reference to Exhibit 10.100, Annual Report on Form 10-K for the year ended December 31, 2011, File No. 1-11083).#

10.36 Form of Offer Letter by and between the Company and Joseph M. Fitzgerald dated February 27, 2014 (incorporated by reference to Exhibit 10.2, Quarterly Report on Form 10-Q for the quarter ended March 30, 2015, File No. 1-11083). #

10.37 Form of Offer Letter by and between the Company and Kevin J. Ballinger dated December 14, 2012 (incorporated by reference to Exhibit 10.3, Quarterly Report on Form 10-Q for the quarter ended March 30, 2015, File No. 1-11083).#

10.38 The Boston Scientific Deferred Compensation Option Program (incorporated herein by reference to Exhibit 4.1, Registration No. 333-98755).#

10.39 Boston Scientific Corporation Domestic Relocation Policy Tier 5 Executive Officer Homeowner, effective January 2007 (incorporated herein by reference to Exhibit 10.118, Annual Report on Form 10-K for the year ended December 31, 2012, File No. 1-11083).#

10.40 Form of Letter to Key Management Personnel re: Change in Control Agreement (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K dated February 28, 2013, File No. 1-11083).

10.41 Form of Offer Letter by and between the Company and Daniel J. Brennan, dated October 22, 2013 (incorporated herein by reference to Exhibit 10.2, Current Report on Form 8-K dated October 24, 2013 File No. 1-11083). #

10.42 Boston Scientific Corporation Total Shareholder Return Performance Share Program, Performance Period January 1, 2014 - December 31, 2016 (incorporated herein by reference to Exhibit 10.2, Current Report on Form 8-K dated October 22, 2013 File No. 1-11083).#

10.43 Boston Scientific Corporation Free Cash Flow Performance Share Program, Performance Period January 1, 2014 - December 31, 2014 (incorporated herein by reference to Exhibit 10.3, Current Report on Form 8-K dated October 22, 2013 File No. 1-11083).#

10.44 Form of 2011 Long-Term Incentive Plan Global Deferred Stock Unit Award Agreement (incorporated herein by reference to Exhibit 10.3, Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 File No. 1-11083).#

10.45 Form of 2011 Long-Term Incentive Plan Global Non-Qualified Stock Option Agreement (incorporated herein by reference to Exhibit 10.4, Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 File No. 1-11083).#

10.46 Boston Scientific Corporation U.S. Severance Plan for Exempt Employees, as amended and restated, effective August 1, 2013 (incorporated herein by reference to Exhibit 10.6, Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 File No. 1-11083).#

10.47 Boston Scientific Corporation Non-Employee Director Deferred Compensation Plan, as amended and restated, effective January 1, 2009 (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K dated October 28, 2008, File No. 1-11083).#

10.48 Boston Scientific Corporation Non-Employee Director Deferred Compensation Plan, as amended and restated, effective January 1, 2014 (incorporated herein by reference to Exhibit 10.6, Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 File No. 1-11083).#

10.49 Form of Performance Share Unit Award Agreement under the 2011 Long-Term Incentive Plan (2014 Total Shareholder Return) incorporated herein by reference to Exhibit 10.99, Annual Report on Form 10-K for the year ended December 31, 2013 File No. 1-11083).#

10.50 Form of Performance Share Unit Award Agreement under the 2011 Long-Term Incentive Plan (2014 Free Cash Flow) incorporated herein by reference to Exhibit 10.100, Annual Report on Form 10-K for the year ended December 31, 2013 File No. 1-11083).#

10.51 Boston Scientific Corporation 2006 Global Employee Stock Ownership Plan, as amended and restated, effective July 1, 2014 (incorporated herein by reference to Exhibit 10.1, Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, File No. 1-11083). #

10.52 Boston Scientific Corporation 2015 Annual Bonus Plan, effective as of January 1, 2015 (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K dated October 28, 2014, File No. 1-11083). #

10.53 Boston Scientific Corporation 2015 Total Shareholder Return Performance Share Program (incorporated herein by reference to Exhibit 10.2, Current Report on Form 8-K dated October 28, 2014, File No. 1-11083). #

10.54 Boston Scientific Corporation 2015 Free Cash Flow Performance Share Program (incorporated herein by reference to Exhibit 10.3, Current Report on Form 8-K dated October 28, 2014, File No. 1-11083). #

10.55 Boston Scientific Corporation Executive Retirement Plan, as amended and restated effective August 1, 2016 (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K dated July 25, 2016, File No. 1-11083). #

10.56 Form of Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan (Non-Employee Directors) (incorporated herein by reference to Exhibit 10.1, Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, File No. 1-11083). #

10.57 Form of Restricted Stock Award Agreement under the 2011 Long-Term Incentive Plan (Non-Employee Directors) (incorporated herein by reference to Exhibit 10.2, Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, File No. 1-11083). #

10.58 Form of Deferred Stock Unit Award Agreement under the 2011 Long-Term Incentive Plan (Non-Employee Directors) (incorporated herein by reference to Exhibit 10.3, Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, File No. 1-11083). #

10.59 Form of Performance Share Unit Award Agreement under the 2011 Long-Term Incentive Plan (Total Shareholder Return) (incorporated herein by reference to Exhibit 10.4, Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, File No. 1-11083). #

10.60 Form of Performance Share Unit Award Agreement under the 2011 Long-Term Incentive Plan (Free Cash Flow) (incorporated herein by reference to Exhibit 10.5, Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, File No. 1-11083). #

10.61 First Amendment to Boston Scientific Corporation Deferred Bonus Plan, effective January 1, 2015 (incorporated herein by reference to Exhibit 10.6, Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, File No. 1-11083). #

10.62 Boston Scientific Corporation 2016 Annual Bonus Plan, effective as of January 1, 2016 (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K filed October 5, 2015, File No. 001-11083).#

10.63 Boston Scientific Corporation 2016 Total Shareholder Return Performance Share Program (incorporated herein by reference to Exhibit 10.2, Current Report on Form 8-K filed October 5, 2015, File No. 001-11083)#

10.64 Boston Scientific Corporation 2016 Free Cash Flow Performance Share Program (incorporated herein by reference to Exhibit 10.3, Current Report on Form 8-K filed October 5, 2015, File No. 001-11083)#

10.65 Form of Performance Share Unit Award Agreement under the 2011 Long-Term Incentive Plan (Total Shareholder Return) (incorporated by reference to Exhibit 10.4, Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, File No. 1-11083). #

10.66 Form of Performance Share Unit Award Agreement under the 2011 Long-Term Incentive Plan (Free Cash Flow) (incorporated by reference to Exhibit 10.5, Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, File No. 1-11083). #

10.67 Form of Offer Letter by and between the Company and Edward Mackey dated December 24, 2014 (incorporated herein by reference to Exhibit 10.1, Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, File No. 1-11083). #

10.68 Form of Global Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.2, Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, File No. 1-11083). #

10.69 Form of Global Deferred Stock Unit Award Agreement under the 2011 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.3, Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, File No. 1-11083). #

10.70 Form of 2016 Performance Share Unit Award Agreement under the 2011 Long-Term Incentive Plan (Total Shareholder Return) (incorporated herein by reference to Exhibit 10.4, Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, File No. 1-11083). #

10.71 Form of 2016 Performance Share Unit Award Agreement under the 2011 Long-Term Incentive Plan (Free Cash Flow) (incorporated herein by reference to Exhibit 10.5, Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, File No. 1-11083). #

10.72 Boston Scientific Corporation 2017 Annual Bonus Plan, effective as of January 1, 2017 (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K filed November 22, 2016, File No. 001-11083). #

10.73 Boston Scientific Corporation 2017 Total Shareholder Return Performance Share Program (incorporated herein by reference to Exhibit 10.2, Current Report on Form 8-K filed November 22, 2016, File No. 001-11083). #

10.74 Boston Scientific Corporation 2017 Free Cash Flow Performance Share Program (incorporated herein by reference to Exhibit 10.3, Current Report on Form 8-K filed November 22, 2016, File No. 001-11083). #

10.75 Credit Agreement dated as of August 4, 2017 by and among Boston Scientific Corporation, the several lenders party thereto, Bank of America, N.A. and Wells Fargo Bank, National Association, as Syndication Agents and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K filed on August 7, 2017, File No. 1-11083).

10.76 Boston Scientific Corporation 2018 Annual Bonus Plan, effective as of January 1, 2018 (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K filed November 17, 2017, File No. 001-11083).#

10.77 Boston Scientific Corporation 2018 Total Shareholder Return Performance Share Program (incorporated herein by reference to Exhibit 10.2, Current Report on Form 8-K filed November 17, 2017 File No. 1-11083).#

10.78 Boston Scientific Corporation 2018 Free Cash Flow Performance Share Program (incorporated herein by reference to Exhibit 10.3, Current Report on Form 8-K filed November 17, 2017, File No. 001-11083). #

10.79 Form of Global Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.1, Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, File No. 1-11083).#

10.80 Form of Global Deferred Stock Unit Award Agreement under the 2011 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.2, Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, File No. 1-11083).#

10.81 Form of 2017 Performance Share Unit Award Agreement under the 2011 Long-Term Incentive Plan (Total Shareholder Return) (incorporated herein by reference to Exhibit 10.3, Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, File No. 1-11083).#

10.82 Form of 2017 Performance Share Unit Award Agreement under the 2011 Long-Term Incentive Plan (Free Cash Flow) (incorporated herein by reference to Exhibit 10.4, Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, File No. 1-11083).#

10.83 Second Amended and Restated Credit and Security Agreement, dated as of February 7, 2017, by and among Boston Scientific Funding LLC, Boston Scientific Corporation, Wells Fargo Bank, National Association and Sumitomo Mitsui Banking Corporation, New York Branch, as Lenders, Wells Fargo Bank, National Association and SMBC Nikko Securities America, Inc., as Co-Agents, and Wells Fargo Bank, National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K dated February 10, 2017, File No. 1-11083).

10.84 Second Amended and Restated Receivables Sale Agreement, dated as of February 7, 2017, by and among Boston Scientific Corporation, each of its direct or indirect wholly-owned subsidiaries that become a seller thereunder and Boston Scientific Funding LLC (incorporated herein by reference to Exhibit 10.2, Current Report on Form 8-K dated February 10, 2017, File No. 1-11083).

10.85 Form of Global Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.1, Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, File No. 1-11083).#

10.86 Form of Global Deferred Stock Unit Award Agreement under the 2011 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.2, Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, File No. 1-11083).#

10.87 Form of 2018 Performance Share Unit Award Agreement under the 2011 Long-Term Incentive Plan (Total Shareholder Return) (incorporated herein by reference to Exhibit 10.3, Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, File No. 1-11083).#

10.88 Form of 2018 Performance Share Unit Award Agreement under the 2011 Long-Term Incentive Plan (Free Cash Flow) (incorporated herein by reference to Exhibit 10.4, Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, File No. 1-11083).#

10.89 Form of Acquisition-Related Non-Qualified Stock Option Award Agreement under the 2011 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.5, Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, File No. 1-11083). #

10.90 Form of Acquisition-Related Deferred Stock Unit Award Agreement under the 2011 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.6, Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, File No. 1-11083). #

10.91 Form of Restricted Stock Award Agreement for Non-Employee Directors under the 2011 Long-Term Incentive Plan incorporated herein by reference to Exhibit 10.7, Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, File No. 1-11083). #

10.92 Form of Deferred Stock Unit Award Agreement for Non-Employee Directors under the 2011 Long-Term Incentive Plan incorporated herein by reference to Exhibit 10.8, Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, File No. 1-11083). #

10.93 Form of Non-Qualified Stock Option Award Agreement for Non-Employee Directors under the 2011 Long-Term Incentive Plan# (incorporated herein by reference to Exhibit 10.9, Current Report on Form 10-Q quarter ended March 31, 2018, File No. 1-11083). #

10.94 Boston Scientific Corporation 2019 Annual Bonus Plan, effective as of January 1, 2019 (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K filed November 19, 2018, File No. 001-11083).#

10.95 Boston Scientific Corporation 2019 Total Shareholder Return Performance Share Program (incorporated herein by reference to Exhibit 10.2, Current Report on Form 8-K filed November 19, 2018 File No. 1-11083).#

10.96 Boston Scientific Corporation 2019 Free Cash Flow Performance Share Program (incorporated herein by reference to Exhibit 10.3, Current Report on Form 8-K filed November 19, 2018, File No. 1-11083).#

10.97 Credit Agreement dated as of August 20, 2018, by and among Boston Scientific Corporation, the several lenders parties thereto, Bank of America, N.A., MUFG Bank, LTD., and Sumitomo Mitsui Banking Corporation, as Syndication Agents, and Wells Fargo Bank, N.A., as Administrative Agent (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K filed August 21, 2018, File No. 1-11083.)

10.98 BTG plc Acquisition Rule 2.7 Announcement, dated November 20, 2018. (incorporated herein by reference to Exhibit 2.1, Current Report on Form 8-K filed November 23, 2018, File No. 1-11083).

10.99 BTG plc Cooperation Agreement, dated November 20, 2018. (incorporated herein by reference to Exhibit 2.2, Current Report on Form 8-K filed November 23, 2018, File No. 1-11083).

10.100 BTG plc Shareholder Undertaking of Invesco Asset Management Limited, dated November 20, 2018 (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K filed November 23, 2018, File No. 1-11083).

10.101 BTG plc Shareholder Undertaking of Novo Holdings A/S, dated November 20, 2018 (incorporated herein by reference to Exhibit 10.2, Current Report on Form 8-K filed November 23, 2018, File No. 1-11083).

10.102 BTG plc Shareholder Undertaking of Woodford Asset Management Limited, dated November 20, 2018 (incorporated herein by reference to Exhibit 10.3, Current Report on Form 8-K filed November 23, 2018, File No. 1-11083).

10.103 BTG plc Form of Director Undertaking (incorporated herein by reference to Exhibit 10.4, Current Report on Form 8-K filed November 23, 2018, File No. 1-11083).

10.104 Bridge Credit Agreement, dated as of November 20, 2018 by and among Boston Scientific Corporation, the lenders party thereto and Barclays Bank PLC, as administrative agent, bookrunner and lead arranger (incorporated herein by reference to Exhibit 10.5, Current Report on Form 8-K filed November 23, 2018, File No. 1-11083).

10.105 Credit Agreement, dated as of December 19, 2018, by and among Boston Scientific Corporation, the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent and Bank of America, N.A. as syndication agent (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K dated December 21, 2018, File No. 1-11083).

10.106 First Amendment to Credit Agreement, dated as of December 19, 2018, among Boston Scientific Corporation, the lenders party thereto and Wells Fargo Bank, National Association as administrative agent (incorporated herein by reference to Exhibit 10.2, Current Report on Form 8-K dated December 21, 2018, File No. 1-11083).

10.107 Term Loan Credit Agreement, dated as of December 19, 2018, among Boston Scientific Corporation, the lenders party thereto and Barclays Bank PLC, as administrative agent, Bank of America, N.A., Wells Fargo Bank, National Association and JPMorgan Chase Bank, N.A., as syndication agents (incorporated herein by reference to Exhibit 10.3, Current Report on Form 8-K dated December 21, 2018, File No. 1-11083).

10.108 Form of Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.1, Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, File No. 1-11083).#

10.109 Form of Global Deferred Stock Unit Award Agreement under the 2011 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.2, Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, File No. 1-11083).#

10.110 Form of 2019 Performance Share Unit Award Agreement under the 2011 Long-Term Incentive Plan (Total Shareholder Return) (incorporated herein by reference to Exhibit 10.3, Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, File No. 1-11083).#

10.111 Form of 2019 Performance Share Unit Award Agreement under the 2011 Long-Term Incentive Plan (Free Cash Flow) (incorporated herein by reference to Exhibit 10.4, Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, File No. 1-11083).#

10.112 Form of Acquisition-Related Non-Qualified Stock Option Award Agreement under the 2011 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.5, Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, File No. 1-11083).#

10.113 Form of Acquisition-Related Deferred Stock Unit Award Agreement under the 2011 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.6, Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, File No. 1-11083).#

10.114 Form of Restricted Stock Award Agreement for Non-Employee Directors under the 2011 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.7, Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, File No. 1-11083).#

10.115 Form of Deferred Stock Unit Award Agreement for Non-Employee Directors under the 2011 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.8, Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, File No. 1-11083).#

10.116 Underwriting Agreement, dated February 21, 2019, as supplemented by the Terms Agreement, dated February 21, 2019, among Boston Scientific Corporation and Barclays Capital Inc., Merrill Lynch, Pierce, Fenner & Smith Inc. and Wells Fargo Securities, LLC, as representatives of the underwriters (incorporated herein by reference to Exhibit 1.1, Current Report on Form 8-K dated February 21, 2019, File No. 1-11083).

10.117 Boston Scientific Corporation 2020 Annual Bonus Plan, effective as of January 1, 2020 (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K filed November 20, 2019, File No. 001-11083).#

10.118 Boston Scientific Corporation 2020 Total Shareholder Return Performance Share Program (incorporated herein by reference to Exhibit 10.2, Current Report on Form 8-K filed November 20, 2019 File No. 1-11083).#

10.119 Boston Scientific Corporation 2020 Free Cash Flow Performance Share Program (incorporated herein by reference to Exhibit 10.3, Current Report on Form 8-K filed November 20, 2019, File No. 1-11083).#

10.120 Credit Agreement, dated as of December 5, 2019, by and among Boston Scientific Corporation, the several lenders parties thereto, Wells Fargo Bank, National Association, as Syndication Agent, and The Bank of Nova Scotia, as Administrative Agent (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K dated December 5, 2019, File No. 1-11083).

10.121 Credit Agreement dated as of February 27, 2020, by and among Boston Scientific Corporation, the several lenders parties thereto, Wells Fargo Bank, National Association, as Syndication Agent, and The Bank of Nova Scotia, as Administrative Agent (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K dated February 27, 2020, File No. 1-11083).

10.122 Credit Agreement dated as of April 21, 2020, by and among Boston Scientific Corporation, the several lenders parties thereto, Wells Fargo Bank, National Association, as Syndication Agent, and The Bank of Nova Scotia, as Administrative Agent (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K dated April 21, 2020, File No. 1-11083).

10.123 First Amendment, dated as of April 21, 2020, to Term Loan Credit Agreement dated as of February 27, 2020, by and among Boston Scientific Corporation, the several lenders parties thereto, Wells Fargo Bank, National Association, as Syndication Agent, and The Bank of Nova Scotia, as Administrative Agent (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K dated April 21, 2020, File No. 1-11083).

10.124 First Amendment, dated as of April 21, 2020, to Revolving Credit Agreement, dated as of December 19, 2018, by and among Boston Scientific Corporation, the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent and Bank of America, N.A. as syndication agent (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K dated April 21, 2020, File No. 1-11083).

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| 10.125 | Amended and Restated 2011 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K dated May 7, 2020, File No. 1-11083).# |
| 10.126 | Underwriting Agreement, dated as of May 14, 2020, as supplemented by the Terms Agreement, dated May 14, 2020, among Boston Scientific Corporation and Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Wells Fargo Securities, LLC, as representatives of the underwriters. (incorporated herein by reference to Exhibit 1.1, Current Report on Form 8-K dated May 14, 2020, File No. 1-11083). |
| 10.127 | Underwriting Agreement relating to the Common Stock, dated as of May 21, 2020, among Boston Scientific Corporation and J.P. Morgan Securities LLC and BofA Securities Inc., as representatives of the underwriters. (incorporated herein by reference to Exhibit 1.1, Current Report on Form 8-K filed May 28, 2020, File No. 1-11083). |
| 10.128 | Underwriting Agreement relating to the Mandatory Convertible Preferred Stock, dated as of May 21, 2020, among Boston Scientific Corporation and J.P. Morgan Securities LLC and BofA Securities Inc., as representatives of the underwriters. (incorporated herein by reference to Exhibit 1.2, Current Report on Form 8-K filed May 28, 2020, File No. 1-11083). |
| 10.129 | Second Amendment, dated as of May 28, 2020, to February Term Loan Credit Agreement, by and among Boston Scientific Corporation, the several lenders parties thereto, and The Bank of Nova Scotia, as administrative agent. (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K filed May 29, 2020, File No. 1-11083). |
| 10.130 | Second Amendment, dated as of May 28, 2020, to Revolving Credit Agreement, by and among Boston Scientific Corporation, the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent. (incorporated herein by reference to Exhibit 10.2, Current Report on Form 8-K filed May 29, 2020, File No. 1-11083). |
| 10.131 | Boston Scientific Corporation 2021 Annual Bonus Plan, effective as of January 1, 2021 (incorporated herein by reference to Exhibit 10.1, Current Report on Form 8-K filed November 24, 2020, File No. 001-11083).# |
| 10.132 | Boston Scientific Corporation 2021 Total Shareholder Return Performance Share Program (incorporated herein by reference to Exhibit 10.2, Current Report on Form 8-K filed November 24, 2020, File No. 1-11083).# |
| 10.133 | Boston Scientific Corporation 2021 Free Cash Flow Performance Share Program (incorporated herein by reference to Exhibit 10.3, Current Report on Form 8-K filed November 24, 2020, File No. 1-11083).# |
| 21* | List of the Boston Scientific's subsidiaries as of January 31, 2021. |
| 23* | Consent of Independent Registered Public Accounting Firm, Ernst & Young LLP. |
| 31.1* | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1* | Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2* | Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.SCH* | XBRL Taxonomy Extension Schema Document. |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document. |

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|---|---|
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB* | XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101) |

**ITEM 16. FORM 10-K SUMMARY**

None.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 23, 2021

Boston Scientific Corporation

By: /s/ Daniel J. Brennan

Daniel J. Brennan
Executive Vice President and Chief Financial Officer
(duly authorized officer and principal financial officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated: February 23, 2021

By: /s/ Daniel J. Brennan

Daniel J. Brennan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Dated: February 23, 2021

By: /s/ Michael F. Mahoney

Michael F. Mahoney
Director, Chairman of the Board, President and Chief Executive Officer
(Principal Executive Officer)

Dated: February 23, 2021

By: /s/ Jonathan R. Monson

Jonathan R. Monson
Vice President, Global Controller and Chief Accounting Officer
(Principal Accounting Officer)

Dated: February 23, 2021 By: /s/ Nelda J. Connors

Nelda J. Connors
Director

Dated: February 23, 2021 By: /s/ Charles J. Dockendorff

Charles J. Dockendorff
Director

Dated: February 23, 2021 By: /s/ Yoshiaki Fujimori

Yoshiaki Fujimori
Director

Dated: February 23, 2021 By: /s/ Donna A. James

Donna A. James
Director

Dated: February 23, 2021 By: /s/ Edward J. Ludwig

Edward J. Ludwig
Director

Dated: February 23, 2021 By: /s/ Stephen P. MacMillan

Stephen P. MacMillan
Director

Dated: February 23, 2021 By: /s/ David J. Roux

David J. Roux
Director

Dated: February 23, 2021 By: /s/ John E. Sununu

John E. Sununu
Director

Dated: February 23, 2021 By: /s/ Ellen M. Zane

Ellen M. Zane
Director

## Schedule II
## VALUATION AND QUALIFYING ACCOUNTS
*(in millions)*

| Description | Balance at Beginning of Year | Cumulative effect adjustment for adoption of ASU 2016-13 (a) | Credit loss exposure (a) | Write-offs (c) | Charges to (Deductions from) Other Accounts (d) | Balance at End of Year |
|---|---|---|---|---|---|---|
| **Year Ended December 31, 2020:** | | | | | | |
| Allowances for credit losses (b) | $ 74 | 10 | 49 | (27) | — | $ 105 |
| **Year Ended December 31, 2019:** | | | | | | |
| Allowances for uncollectible accounts | $ 68 | n/a | 23 | (17) | — | $ 74 |
| **Year Ended December 31, 2018:** | | | | | | |
| Allowances for uncollectible accounts (e) | $ 98 | n/a | 19 | (19) | (30) | $ 68 |

(a) Following the adoption of FASB ASC Topic 326 as of January 1, 2020, we record credit loss reserves to *Allowance for credit losses* when we establish *Trade accounts receivable* if credit losses are expected over the asset's contractual life. As a result of the adoption of FASB ASC Topic 326, we recorded a net reduction to opening retained earnings on January 1, 2020 related to the establishment of credit loss reserves on *Trade accounts receivable* and recorded a corresponding increase in the *Allowance for credit losses*, a contra *Trade accounts receivable* account. Prior period amounts have not been restated and are presented in accordance with FASB ASC Topic 310. Amounts shown within credit loss exposure above were established through selling, general and administrative expense.

(b) Beginning in 2020, *Allowance for uncollectible accounts* are referred to as *Allowance for credit losses* within our consolidated balance sheets.

(c) Represents actual write-offs of uncollectible accounts.

(d) Represents net change in allowances for sales returns, recorded as contra-revenue.

(e) Following the adoption of FASB ASC Topic 606 as of January 1, 2018, the allowance for sales returns has been reclassified from *Trade accounts receivable, net* to *Other current liabilities* within the consolidated balance sheets and is not included in the ending balance for 2018 above. Prior period balances remain unchanged.

DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934

As of the date of the Annual Report on Form 10-K of which this exhibit is a part, Boston Scientific Corporation (the "Company") has three classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (1) our common stock, $.01 par value per share, (2) our 5.50% Mandatory Convertible Preferred Stock, Series A, par value $0.01 per share, and (3) our 0.625% Senior Notes due 2027. As used in this description, unless otherwise expressly stated or the context otherwise requires, all references to "we," "us," or "our" mean Boston Scientific Corporation excluding its subsidiaries.

## Description of Common Stock

The following description of the terms of the common stock sets forth certain general provisions of the common stock as contained in our Charter and by-laws and is qualified in its entirety by reference to Delaware law and our Charter and by-laws in their entirety.

### General

We are currently authorized to issue up to 2,000,000,000 shares of common stock, par value $0.01 per share. As of January 31, 2020, there were 1,396,195,349 shares of our common stock outstanding. All outstanding shares of our common stock are fully paid and nonassessable. Our common stock is listed on the NYSE under the symbol "BSX."

Holders of our common stock have no preemptive, subscription, redemption or conversion rights and the common stock is not subject to redemption. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of holders of any series of preferred stock, whether currently outstanding or designated and issued in the future.

### Dividends

Subject to the preferences of holders of preferred stock, if any, holders of common stock are entitled to dividends and other distributions when, as and if declared by our board of directors out of funds legally available therefor and shall share equally on a per share basis in all such dividends and other distributions.

### Voting Rights

Except as otherwise provided by law or by the designation of the preferences, limitations and relative rights of any series of preferred stock, the voting power with respect to us is held by holders of our common stock. Each holder of common stock is entitled to one vote for each share held.

### Liquidation and Dissolution

Except as otherwise provided by the certificate of designation and limitations and relative rights of any series of preferred stock, in the event of any of our liquidation, dissolution, or winding up, whether voluntary or involuntary, after payment of all our liabilities and obligations and after payment has been made to holders of each series of preferred stock of the full amount to which they are entitled, holders of

shares of common stock will be entitled to share, ratably according to the number of shares of common stock held by them, in all remaining assets available for distribution to holders of the common stock.

**Certain Provisions of Delaware Law, the Charter and the By-laws**

*Business Combinations with Interested Stockholders*. We are subject to the provisions of the Delaware General Corporate Law, or the DGCL. Section 203 of the DGCL prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes mergers, consolidations, assets sales, and other transactions resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an "interested stockholder" is a person who, together with affiliates owns, or within three years did own, 15% or more of the corporation's voting stock.

*Liability of Directors and Officers*. As permitted by the DGCL, our Charter provides that our directors will not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except in certain circumstances involving wrongful acts, such as the breach of a director's duty of loyalty, acts or omissions which involve intentional misconduct or a knowing violation of law or for any transaction from which the director derives an improper personal benefit. Our directors are also subject to liability under Section 174 of the DGCL, which makes directors personally liable for unlawful dividends or unlawful stock repurchases or redemptions if the unlawful conduct is willful or results from negligence.

Under our Charter and by-laws (and in accordance with Section 145 of the DGCL), we will indemnify to the fullest extent permitted by the DGCL any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding. These include civil, criminal, administrative, investigative or other proceedings by reason of the fact that the person is or was one of our directors, officers or employees, or is or was serving in that capacity or as an agent at our request for another entity. Our indemnity covers expenses, judgments, fines and amounts paid or to be paid in settlement actually and reasonably incurred in connection with the defense or settlement of an action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to our best interest and, with respect to any criminal action or proceeding, had no reasonable cause to believe that their conduct was unlawful. We will indemnify a person in a derivative action under the same conditions, except that no indemnification is permitted without judicial approval if the person is adjudged to be liable to us in performance of his or her duty. Derivative actions are actions by us or in our right to procure a judgment in our favor. Our agents may be similarly indemnified at the discretion of our board of directors. In addition, we have entered into indemnification agreements with each of our directors and executive officers. These agreements provide rights of indemnification substantially similar to and, in certain respects, broader than those provided by the Charter and by-laws.

*Election of Directors; Removal; Vacancies*. Our Charter and by-laws provide that the directors shall be elected at each annual meeting or at any special meeting the notice of which specified the election of directors as an item of business for such meeting. Our by-laws provide that each nominee for director shall be elected to the board of directors by the affirmative vote of the majority of votes cast, in person or by proxy, by the holders of shares entitled to vote at a meeting at which a quorum is present; provided, however, that if the number of nominees exceeds the number of directors to be elected at any such meeting, the directors shall be elected by a plurality of the votes cast, in person or by proxy. Our Charter provides that vacancies on the board of directors may only be filled by a majority of the board of directors

then in office and further provides that directors may only be removed by the affirmative vote of holders of at least 80% of the voting power of all the then outstanding shares of stock entitled to vote generally in the election of directors. The provisions of our Charter and by-laws that govern the number, election, and terms of the board of directors may not be amended without the affirmative vote of at least 80% of the voting power of all the then outstanding shares of stock entitled to vote generally in the election of directors.

*Meetings of Stockholders*. Our Charter provides that stockholder action can only be taken at an annual or special meeting of stockholders and that the business permitted to be conducted at any special meeting of stockholders is limited to the business brought before the meeting by the Chairman of the board of directors or our President or at the request of a majority of the members of the board of directors. Our Charter and by-laws provide that special meetings of stockholders can be called only by the Chairman of the board of directors, the Chief Executive Officer (or if there is no Chief Executive Officer, the President), or pursuant to a resolution approved by a majority of the total number of directors which we would have if there were no vacancies on the board of directors. Stockholders are not permitted to call a special meeting or to require that the board of directors call a special meeting of stockholders.

*Advance Notice Requirements for Stockholder Proposals and Director Nominees.* Our by-laws provide that stockholders seeking to make nominations of candidates for election as directors, or to bring other business before an annual or special meeting of the stockholders, must provide timely notice of their intent in writing. To be timely, a stockholder's notice must be delivered to and received at our principal executive offices not less than 120 days prior to the anniversary date that our proxy statement was released to shareholders in connection with the previous year's annual meeting. However, in the event that the date of the annual meeting is more than 30 days before or after the first anniversary date of the preceding year's annual meeting, or in the event of a special meeting of stockholders called for the purpose of electing directors, then the deadline is a reasonable time before the we begin to print and mail our proxy materials. Our by-laws also specify certain requirements as to the form and content of a stockholder's notice. These provisions may restrict the ability of our stockholders to bring business before our annual meeting of stockholders or to make nominations for directors at our annual meeting or any special meeting of stockholders.

*Proxy Access.* Our by-laws permit an eligible stockholder or group of stockholders to include up to a specified number of director nominees in our proxy materials for an annual meeting of stockholders. To qualify, the stockholders (or group of up to twenty stockholders) must have continuously owned for at least three years 3% or more of our outstanding shares of common stock. The maximum number of stockholder nominees permitted under the proxy access provisions of our by-laws is the greater of (i) two or (ii) 20% of the total number of our directors in office as of the last day on which notice of a nomination may be delivered.

Notice of a nomination under our proxy access by-law provisions must generally be submitted to our principal executive offices not less than 120 days nor more than 150 days prior to the first anniversary of the date that we first mailed our proxy statement to stockholders for the immediately preceding annual meeting of stockholders. The notice must contain certain information specified in our by-laws.

*Stock Repurchases; Change of Control*. Our Charter prohibits us, with certain exceptions, from purchasing any shares of our stock from any person, entity or group that beneficially owns 5% or more of our voting stock at an above-market price, unless a majority of our disinterested stockholders approve the transaction. In addition, our Charter empowers the board of directors, when considering a tender offer or

merger or acquisition proposal, to take into account factors in addition to potential economic benefits to stockholders and to consider constituencies other than stockholders.

*Amendment of Charter and By-Laws*. The DGCL provides generally that the vote of a majority of shares entitled to vote is required to act on most matters and to amend a corporation's certificate of incorporation. Our Charter and by-laws contain provisions requiring the affirmative vote of the holders of at least 80% of the voting stock, voting together as a single class, to amend certain provisions of the Charter and our by-laws, including certain of the foregoing provisions. Such a supermajority vote would be in addition to any separate class vote that might in the future be required with respect to shares of preferred stock then outstanding.

*Miscellaneous*. The foregoing and other provisions of Delaware law and the Charter and our by-laws could make it more difficult to acquire us by means of a tender offer, a proxy contest or otherwise. These provisions may have the effect of delaying, deferring or preventing a change in control of our company, may discourage bids for the common stock at a premium over the market price of the common stock and may adversely affect the market price of the common stock.

**Transfer Agent**

The transfer agent and registrar for our common stock is Computershare Shareowner Services.

## Description of Mandatory Convertible Preferred Stock

The following is a description of certain provisions of our 5.50% Mandatory Convertible Preferred Stock, Series A, par value $0.01 per share, or the "Mandatory Convertible Preferred Stock". A copy of the certificate of designations setting forth the terms of the Mandatory Convertible Preferred Stock, which we refer to as the "Certificate of Designations," is incorporated by reference as Exhibit 3.3 to our Annual Report on Form 10-K. This description of the terms of the Mandatory Convertible Preferred Stock is not complete and is qualified in its entirety by reference to the provisions of our Charter and the Certificate of Designations.

For purposes of this description, references to:

- "Business Day" refer to any day other than a Saturday or Sunday or other day on which commercial banks in New York City are authorized or required by law or executive order to close or be closed; and

- "close of business" refers to 5:00 p.m., New York City time, and "open of business" refers to 9:00 a.m., New York City time.

**General**

Under our Charter, our board of directors is authorized to provide, without further stockholder action, for the issuance of up to 50,000,000 shares of preferred stock, par value of $0.01 per share, and the designation of each series of preferred stock and, with respect to each such series, to fix the number of shares constituting such series and fix the voting power, full or limited or no voting power, the powers,

preferences and relative, participating, option or other special rights, if any, and any qualifications, limitations or restrictions thereof, of the shares of each series. We have no outstanding shares of preferred stock other than the Mandatory Convertible Preferred Stock.

The Mandatory Convertible Preferred Stock is, and our common stock issued upon the conversion of the Mandatory Convertible Preferred Stock will be, fully paid and nonassessable. The holders of the Mandatory Convertible Preferred Stock have no preemptive or preferential rights to purchase or subscribe for any class of our stock, obligations, warrants or other securities.

**Transfer Agent, Registrar and Conversion and Dividend Disbursing Agent**

Computershare Inc. is the transfer agent and registrar of our common stock and serves as transfer agent, registrar, conversion and dividend disbursing agent for the Mandatory Convertible Preferred Stock.

**Ranking**

The Mandatory Convertible Preferred Stock, with respect to dividend rights and/or distribution rights upon our liquidation, winding-up or dissolution, as applicable, will rank:

- senior to (i) our common stock and (ii) each other class or series of our capital stock established after the first original issue date of shares of the Mandatory Convertible Preferred Stock (which we refer to as the "Initial Issue Date"), the terms of which do not expressly provide that such class or series ranks either (x) senior to the Mandatory Convertible Preferred Stock as to dividend rights or distribution rights upon our liquidation, winding-up or dissolution or (y) on parity with the Mandatory Convertible Preferred Stock as to dividend rights or distribution rights upon our liquidation, winding-up or dissolution (we refer to our common stock and all such other classes or series of capital stock, collectively, as "Junior Stock");

- on parity with any class or series of our capital stock established after the Initial Issue Date the terms of which expressly provide that such class or series will rank on parity with the Mandatory Convertible Preferred Stock as to dividend rights and distribution rights upon our liquidation, winding-up or dissolution (which we refer to collectively as "Parity Stock");

- junior to each class or series of our capital stock established after the Initial Issue Date the terms of which expressly provide that such class or series will rank senior to the Mandatory Convertible Preferred Stock as to dividend rights or distribution rights upon our liquidation, winding-up or dissolution (which we refer to collectively as "Senior Stock"); and

- junior to our existing and future indebtedness and other liabilities.

In addition, with respect to dividend rights and distribution rights upon our liquidation, winding-up or dissolution, the Mandatory Convertible Preferred Stock will be structurally subordinated to any existing and future indebtedness and other obligations of each of our subsidiaries.

**Listing**

The Mandatory Convertible Preferred Stock is listed on The New York Stock Exchange ("NYSE"), under the symbol "BSX PR A".

**Dividends**

Subject to the rights of holders of any class or series of any Senior Stock, holders of the Mandatory Convertible Preferred Stock will be entitled to receive, when, as and if declared by our board of directors, or an authorized committee thereof, out of funds legally available for payment, in the case of dividends paid in cash, and shares of common stock legally permitted to be issued, in the case of dividends paid in shares of common stock, cumulative dividends at the rate per annum of 5.50% of the Liquidation Preference of $100.00 per share of the Mandatory Convertible Preferred Stock (equivalent to $5.50 per annum per share), payable in cash, by delivery of shares of our common stock or through any combination of cash and shares of our common stock, as determined by us in our sole discretion (subject to the limitations on our ability to pay cash dividends and other cash distributions on our capital stock described below with respect to our credit facilities, see "—Limitation on Cash Payments under our Credit Facilities"). See "—Method of Payment of Dividends."

If declared, dividends on the Mandatory Convertible Preferred Stock will be payable quarterly on March 1, June 1, September 1 and December 1 of each year to, and including, June 1, 2023 commencing on September 1, 2020 (each, a "Dividend Payment Date"), at such annual rate, and dividends shall accumulate from the most recent date as to which dividends shall have been paid or, if no dividends have been paid, from the Initial Issue Date of the Mandatory Convertible Preferred Stock, whether or not in any dividend period or periods there have been funds legally available or shares of common stock legally permitted for the payment of such dividends.

If declared, dividends will be payable on the relevant Dividend Payment Date to holders of record of the Mandatory Convertible Preferred Stock as they appear on our stock register at the close of business on the February 15, May 15, August 15 and November 15, as the case may be, immediately preceding the relevant Dividend Payment Date (each, a "Regular Record Date"), whether or not such holders early convert their shares, or such shares are automatically converted, after a Regular Record Date and on or prior to the immediately succeeding Dividend Payment Date. These Regular Record Dates will apply regardless of whether a particular Regular Record Date is a Business Day. If a Dividend Payment Date is not a Business Day, payment will be made on the next succeeding Business Day, without any interest or other payment in lieu of interest accruing with respect to this delay.

A full dividend period is the period from, and including, a Dividend Payment Date to, but excluding, the next Dividend Payment Date, except that the initial dividend period commenced on, and included, the Initial Issue Date of the Mandatory Convertible Preferred Stock and ended on, and excluded, the September 1, 2020 Dividend Payment Date. The amount of dividends payable on each share of Mandatory Convertible Preferred Stock for each full dividend period (subsequent to the initial dividend period) will be computed by dividing the annual dividend rate by four. Dividends payable on the Mandatory Convertible Preferred Stock for the initial dividend period and any other partial dividend period will be computed based upon the actual number of days elapsed during such period over a 360-day year (consisting of twelve 30-day months). The dividend on the Mandatory Convertible Preferred Stock for each subsequent full dividend period, when, as and if declared, will be $1.375 per share of Mandatory Convertible Preferred Stock (based on the annual dividend rate of 5.50% and a Liquidation Preference of $100.00 per share). Accumulated dividends on shares of the Mandatory Convertible Preferred Stock will not bear interest, nor shall additional dividends be payable thereon, if they are paid subsequent to the applicable Dividend Payment Date.

No dividend will be paid unless and until our board of directors, or an authorized committee of our board of directors, declares a dividend payable with respect to the Mandatory Convertible Preferred Stock.

No dividend will be declared or paid upon, or any sum of cash or number of shares of our common stock set apart for the payment of dividends upon, any outstanding shares of Mandatory Convertible Preferred Stock with respect to any dividend period unless all dividends for all preceding dividend periods have been declared and paid upon, or a sufficient sum of cash or number of shares of our common stock has been set apart for the payment of such dividends upon, all outstanding shares of Mandatory Convertible Preferred Stock.

Except as described above, dividends on shares of Mandatory Convertible Preferred Stock converted to common stock will cease to accumulate, and all other rights of holders of Mandatory Convertible Preferred Stock will terminate, from and after the Mandatory Conversion Date, the Early Conversion Date and the Fundamental Change Conversion Date (each, as defined below), as applicable.

***Limitation on cash payments under our credit facilities***

Our ability to declare and pay cash dividends and to make other distributions with respect to our capital stock, including the Mandatory Convertible Preferred Stock, is limited by the terms of our term loans and our Revolving Credit Facility. In addition, the terms of our future indebtedness and our subsidiaries' existing and any future indebtedness may contain similar restrictions. In addition, our ability to declare and pay dividends may be limited by applicable Delaware law.

**Method of Payment of Dividends**

Subject to the limitations described below, we may pay any declared dividend (or any portion of any declared dividend) on the shares of Mandatory Convertible Preferred Stock (whether or not for a current dividend period or any prior dividend period) determined in our sole discretion:

- in cash;
- by delivery of shares of our common stock; or
- through any combination of cash and shares of our common stock.

We will make each payment of a declared dividend on the shares of Mandatory Convertible Preferred Stock in cash, except to the extent we elect to make all or any portion of such payment in shares of our common stock. We will give the holders of the Mandatory Convertible Preferred Stock notice of any such election, and the portion of such payment that will be made in cash and the portion that will be made in shares of our common stock no later than 10 Scheduled Trading Days (as defined under "—Mandatory Conversion—Certain Definitions") prior to the Dividend Payment Date for such dividend; *provided*, *however*, that if we do not provide timely notice of this election, we will be deemed to have elected to pay the relevant dividend in cash; for the avoidance of doubt, however, we will pay the relevant dividend in shares of our common stock until we amend or terminate our existing credit agreements that contain a restriction on our ability to pay cash dividends on our capital stock, or such restrictions are no longer effective under the terms of such credit agreements. See "—Dividends—Limitation on Cash Payments under our Credit Facilities."

All cash payments to which a holder of the Mandatory Convertible Preferred Stock is entitled in connection with a declared dividend on the shares of Mandatory Convertible Preferred Stock will be rounded to the nearest cent. If we elect to make any such payment of a declared dividend, or any portion thereof, in shares of our common stock, such shares will be valued for such purpose, in the case of any

dividend payment or portion thereof, at 97% of the Average VWAP (as defined under "—Mandatory Conversion—Certain Definitions") per share of our common stock over the five consecutive Trading Day (as defined under "—Mandatory Conversion—Certain Definitions") period commencing on, and including, the seventh Scheduled Trading Day (as defined under "—Mandatory Conversion—Certain Definitions") prior to the applicable Dividend Payment Date (such average, the "Average Price"). If the five Trading Day period to determine the Average Price ends on or after the relevant Dividend Payment Date (whether because a Scheduled Trading Day is not a Trading Day due to the occurrence of a Market Disruption Event (as defined under "—Mandatory Conversion—Certain Definitions") or otherwise), then the Dividend Payment Date will be postponed until the second Business Day after the final Trading Day of such five Trading Day period; provided that no interest or other amounts will accrue as a result of such postponement.

No fractional shares of our common stock will be delivered to the holders of the Mandatory Convertible Preferred Stock in payment or partial payment of a dividend. We will instead, to the extent we are legally permitted to do so (including under our credit agreements), pay a cash amount (computed to the nearest cent) to each holder that would otherwise be entitled to receive a fraction of a share of our common stock based on the Average Price with respect to such dividend. In the event that we cannot pay cash in lieu of a fractional share, we will instead round up to the nearest whole share for each holder. The terms of our existing credit agreements do not permit the payment of a cash amount in lieu of a fractional share. See "—Dividends—Limitation on Cash Payments under our Credit Facilities."

To the extent a shelf registration statement is required in our reasonable judgment in connection with the issuance of or for resales of shares of our common stock issued as payment of a dividend on the shares of Mandatory Convertible Preferred Stock, including dividends paid in connection with a conversion, we will, to the extent such a shelf registration statement is not currently filed and effective, use our commercially reasonable efforts to file and maintain the effectiveness of such a shelf registration statement until the earlier of such time as all such shares of common stock have been resold thereunder and such time as all such shares are freely tradable without registration by holders thereof that are not, and have not been within the three months preceding, "affiliates" of ours for purposes of the Securities Act.

To the extent applicable, we will use our commercially reasonable efforts to have the shares of our common stock approved for listing on NYSE (or if our common stock is not listed on NYSE, on the principal other U.S. national or regional securities exchange on which our common stock is then listed), and qualified or registered under applicable state securities laws, if required; *provided* that we will not be required to qualify as a foreign corporation or to take any action that would subject us to general service of process in any such jurisdiction where we are not presently qualified or where we are not presently subject to taxation as a foreign corporation and such qualification or action would subject us to such taxation.

Notwithstanding the foregoing, in no event will the number of shares of our common stock to be delivered in connection with any declared dividend, including any declared dividend payable in connection with a conversion, exceed a number equal to:

- the declared dividend, *divided by*

- $11.9875, which amount represents approximately 35% of the Initial Price (as defined under "—Mandatory Conversion—Certain Definitions"), subject to adjustment in a manner inversely proportional to any anti-dilution adjustment to each Fixed Conversion Rate as set forth below in "—Anti-Dilution Adjustments" (such dollar amount, the "Floor Price").

To the extent that the amount of any declared dividend exceeds the product of (x) the number of shares of our common stock delivered in connection with such declared dividend and (y) 97% of the Average Price, we will, to the extent we are able to do so under applicable law and in compliance with our indebtedness, notwithstanding any notice by us to the contrary, pay such excess amount in cash (computed to the nearest cent). Any such payment in cash may not be permitted by our then existing debt instruments and is not permitted under our existing credit agreements. See "—Dividends—Limitation on Cash Payments under our Credit Facilities." To the extent that we are not able to pay such excess amount in cash under applicable law and in compliance with our indebtedness, we will not have any obligation to pay such amount in cash or deliver additional shares of our common stock in respect of such amount, and such amount will not form a part of the cumulative dividends that may be deemed to accumulate on the shares of Mandatory Convertible Preferred Stock.

***Dividend Stopper***

So long as any share of Mandatory Convertible Preferred Stock remains outstanding, no dividend or distribution shall be declared or paid on our common stock or any other class or series of Junior Stock, and no common stock or any other class or series of Junior Stock or Parity Stock shall be, directly or indirectly, purchased, redeemed or otherwise acquired for consideration by us or any of our subsidiaries unless all accumulated and unpaid dividends for all preceding dividend periods have been declared and paid in full in cash, shares of our common stock or a combination thereof, or a sufficient sum of cash or number of shares of our common stock has been set apart for the payment of such dividends upon, all outstanding shares of Mandatory Convertible Preferred Stock.

The foregoing limitation shall not apply to:

- any dividend or distribution payable in shares of common stock or other Junior Stock, together with cash in lieu of any fractional share;

- purchases, redemptions or other acquisitions of common stock, other Junior Stock or Parity Stock in connection with the administration of any benefit or other incentive plan, including any employment contract, in the ordinary course of business (including purchases to offset the Share Dilution Amount pursuant to a publicly announced repurchase plan, or acquisitions of shares of common stock surrendered, deemed surrendered or withheld in connection with the exercise of stock options or the vesting of restricted stock or restricted stock units); provided that the number of shares purchased to offset the Share Dilution Amount shall in no event exceed the Share Dilution Amount;

- purchases of common stock or other Junior Stock pursuant to a contractually binding agreement to buy such securities that existed prior to the date of this prospectus supplement;

- any dividends or distributions of rights in connection with a stockholders' rights plan or any redemption or repurchase of rights pursuant to any stockholders' rights plan;

- the exchange or conversion of Junior Stock for or into other Junior Stock or of Parity Stock for or into other Parity Stock (with the same or lesser aggregate liquidation preference) or Junior Stock and, in each case, the payment of cash solely in lieu of fractional shares; and

- the deemed purchase or acquisition of fractional interests in shares of our common stock, other Junior Stock or Parity Stock pursuant to the conversion or exchange provisions of such shares or the security being converted or exchanged.

The phrase "Share Dilution Amount" means the increase in the number of diluted shares of our common stock outstanding (determined in accordance with accounting principles generally accepted in the United States of America, and as measured from the Initial Issue Date) resulting from the grant, vesting or exercise of equity-based compensation to directors, employees and agents and equitably adjusted for any stock split, stock dividend, reverse stock split, reclassification or similar transaction.

When dividends on shares of the Mandatory Convertible Preferred Stock (i) have not been declared and paid in full on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from such Dividend Payment Dates, on a dividend payment date falling within a regular dividend period related to such Dividend Payment Date), or (ii) have been declared but a sum of cash or number of shares of our common stock sufficient for payment thereof has not been set aside for the benefit of the holders thereof on the applicable Regular Record Date, no dividends may be declared or paid on any shares of Parity Stock unless dividends are declared on the shares of Mandatory Convertible Preferred Stock such that the respective amounts of such dividends declared on the shares of Mandatory Convertible Preferred Stock and such shares of Parity Stock shall be allocated pro rata among the holders of the shares of Mandatory Convertible Preferred Stock and the holders of any shares of Parity Stock then outstanding. For purposes of calculating the pro rata allocation of partial dividend payments, the Company shall allocate those payments so that the respective amounts of those payments for the declared dividend bear the same ratio to each other as all accumulated and unpaid dividends per share on the shares of Mandatory Convertible Preferred Stock and all declared and unpaid dividends per share on such shares of Parity Stock bear to each other (subject to their having been declared by our board of directors, or an authorized committee thereof, out of legally available funds); *provided*, *however*, that any unpaid dividends on the Mandatory Convertible Preferred Stock will continue to accumulate except as described herein. For purposes of this calculation, with respect to non-cumulative Parity Stock, we will use the full amount of dividends that would be payable for the most recent dividend period if dividends were declared in full on such non-cumulative Parity Stock.

Subject to the foregoing, and not otherwise, such dividends as may be determined by our board of directors, or an authorized committee thereof, may be declared and paid (payable in cash or other property or securities) on any securities, including our common stock and other Junior Stock, from time to time out of any funds legally available for such payment, and holders of the Mandatory Convertible Preferred Stock shall not be entitled to participate in any such dividends.

**Redemption**

The Mandatory Convertible Preferred Stock will not be redeemable. However, at our option, we may purchase or exchange the Mandatory Convertible Preferred Stock from time to time in the open market, by tender or exchange offer or otherwise, without the consent of, or notice to, holders.

**Liquidation Preference**

In the event of our voluntary or involuntary liquidation, winding-up or dissolution, each holder of the Mandatory Convertible Preferred Stock will be entitled to receive a Liquidation Preference in the amount of $100.00 per share of the Mandatory Convertible Preferred Stock (the "Liquidation Preference"), *plus* an amount (the "Liquidation Dividend Amount") equal to accumulated and unpaid dividends on such shares,

whether or not declared, to, but excluding, the date fixed for liquidation, winding-up or dissolution to be paid out of our assets legally available for distribution to our stockholders, after satisfaction of debt and other liabilities owed to our creditors and holders of shares of any Senior Stock and before any payment or distribution is made to holders of Junior Stock (including our common stock). If, upon our voluntary or involuntary liquidation, winding-up or dissolution, the amounts payable with respect to (1) the Liquidation Preference plus the Liquidation Dividend Amount on the shares of Mandatory Convertible Preferred Stock and (2) the liquidation preference of, and the amount of accumulated and unpaid dividends (to, but excluding, the date fixed for liquidation, winding-up or dissolution) on, all Parity Stock are not paid in full, the holders of the Mandatory Convertible Preferred Stock and all holders of any such Parity Stock will share equally and ratably in any distribution of our assets in proportion to their respective liquidation preferences and amounts equal to accumulated and unpaid dividends to which they are entitled. After payment of the full amount of the Liquidation Preference and the Liquidation Dividend Amount on the shares of Mandatory Convertible Preferred Stock, the holders of the Mandatory Convertible Preferred Stock will have no right or claim to any of our remaining assets.

Neither the sale, lease nor exchange of all or substantially all of our assets or business (other than in connection with our liquidation, winding-up or dissolution), nor our merger or consolidation into or with any other person, will be deemed to be our voluntary or involuntary liquidation, winding-up or dissolution.

Our Charter, including the Certificate of Designations for the Mandatory Convertible Preferred Stock, will not contain any provision requiring funds to be set aside to protect the Liquidation Preference of the Mandatory Convertible Preferred Stock even though it is substantially in excess of the par value thereof.

**Voting Rights**

The holders of the Mandatory Convertible Preferred Stock will not have voting rights other than those described below, except as specifically required by Delaware law or by our Charter from time to time.

Whenever dividends on any shares of the Mandatory Convertible Preferred Stock have not been declared and paid for the equivalent of six or more dividend periods (including, for the avoidance of doubt, the dividend period commenced on, and included, the Initial Issue Date and ended on, but excluded, September 1, 2020), whether or not for consecutive dividend periods (a "Nonpayment"), the authorized number of directors on our board of directors will, at the next annual meeting of stockholders or at a special meeting of stockholders as provided below, automatically be increased by two and the holders of such shares of the Mandatory Convertible Preferred Stock, voting together as a single class with holders of any and all other series of Voting Preferred Stock (as defined below) then outstanding, will be entitled, at our next annual meeting of stockholders or at a special meeting of stockholders as provided below, to vote for the election of a total of two additional members of our board of directors (the "Preferred Stock Directors"); *provided*, *however*, that the election of any such Preferred Stock Directors will not cause us to violate the corporate governance requirements of NYSE (or any other exchange or automated quotation system on which our securities may be listed or quoted) that requires listed or quoted companies to have a majority of independent directors; and *provided further* that our board of directors shall, at no time, include more than two Preferred Stock Directors.

In the event of a Nonpayment, the holders of at least 25% of the shares of the Mandatory Convertible Preferred Stock and any other series of Voting Preferred Stock may request that a special meeting of

stockholders be called to elect such Preferred Stock Directors (*provided*, *however*, that if our next annual or a special meeting of stockholders is scheduled to be held within 90 days of the receipt of such request, the election of such Preferred Stock Directors will be included in the agenda for, and will be held at, such scheduled annual or special meeting of stockholders). The Preferred Stock Directors will stand for reelection annually, at each subsequent annual meeting of the stockholders, so long as the holders of the Mandatory Convertible Preferred Stock continue to have such voting rights.

At any meeting at which the holders of the Mandatory Convertible Preferred Stock are entitled to elect Preferred Stock Directors, the holders of a majority of the then outstanding shares of the Mandatory Convertible Preferred Stock and all other series of Voting Preferred Stock, present in person or represented by proxy, will constitute a quorum and the vote of the holders of a majority of such shares of the Mandatory Convertible Preferred Stock and other Voting Preferred Stock so present or represented by proxy at any such meeting at which there shall be a quorum shall be sufficient to elect the Preferred Stock Directors.

As used in this prospectus supplement, "Voting Preferred Stock" means any other class or series of our preferred stock, ranking equally with the Mandatory Convertible Preferred Stock as to dividends and to the distribution of assets upon liquidation, dissolution or winding-up and upon which like voting rights for the election of directors have been conferred and are exercisable. Whether a plurality, majority or other portion in voting power of the Mandatory Convertible Preferred Stock and any other Voting Preferred Stock have been voted in favor of any matter shall be determined by reference to the respective liquidation preference amounts of the Mandatory Convertible Preferred Stock and such other Voting Preferred Stock voted.

If and when all accumulated and unpaid dividends on the Mandatory Convertible Preferred Stock have been paid in full, or declared and a sum or number of shares of our common stock sufficient for such payment shall have been set aside for the benefit of the holders thereof (a "Nonpayment Remedy"), the holders of the Mandatory Convertible Preferred Stock shall immediately and, without any further action by us, be divested of the foregoing voting rights, subject to the revesting of such rights in the event of each subsequent Nonpayment. If such voting rights for the holders of the Mandatory Convertible Preferred Stock and all other holders of Voting Preferred Stock have terminated, the term of office of each Preferred Stock Director so elected will terminate at such time and the authorized number of directors on our board of directors shall automatically decrease by two.

Any Preferred Stock Director may be removed at any time, with or without cause, by the holders of record of a majority in voting power of the outstanding shares of the Mandatory Convertible Preferred Stock and any other series of Voting Preferred Stock then outstanding (voting together as a single class) when they have the voting rights described above. In the event that a Nonpayment shall have occurred and there shall not have been a Nonpayment Remedy, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election of Preferred Stock Directors after a Nonpayment) may be filled by the written consent of the Preferred Stock Director remaining in office, except in the event that such vacancy is created as a result of such Preferred Stock Director being removed or if no Preferred Stock Director remains in office, such vacancy may be filled by a vote of the holders of record of a majority in voting power of the outstanding shares of the Mandatory Convertible Preferred Stock and any other series of Voting Preferred Stock then outstanding (voting together as a single class) when they have the voting rights described above; *provided*, *however*, that the election of any such Preferred Stock Directors to fill such vacancy will not cause us to violate the corporate governance requirements of NYSE (or any other exchange or automated quotation system on which our securities may be listed or quoted) that requires

listed or quoted companies to have a majority of independent directors. The Preferred Stock Directors will each be entitled to one vote per director on any matter that comes before our board of directors for a vote.

So long as any shares of Mandatory Convertible Preferred Stock remain outstanding, we will not, without the affirmative vote or consent of the holders of at least two-thirds in voting power of the outstanding shares of Mandatory Convertible Preferred Stock and all other series of Voting Preferred Stock at the time outstanding and entitled to vote thereon, voting together as a single class, given in person or by proxy, either in writing or at an annual or special meeting of such stockholders:

- amend or alter the provisions of our Charter so as to authorize or create, or increase the authorized number of, any class or series of Senior Stock;

- amend, alter or repeal any provision of our Charter or the Certificate of Designations so as to adversely affect the special rights, preferences, privileges or voting powers of the Mandatory Convertible Preferred Stock; or

- consummate a binding share exchange or reclassification involving the shares of the Mandatory Convertible Preferred Stock or a merger or consolidation of us with another entity, unless in each case: (i) the shares of Mandatory Convertible Preferred Stock remain outstanding and are not amended in any respect or, in the case of any such merger or consolidation with respect to which we are not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent; and (ii) the shares of the Mandatory Convertible Preferred Stock that remain outstanding or such shares of preference securities, as the case may be, have such rights, preferences, privileges and voting powers that, taken as a whole, are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Mandatory Convertible Preferred Stock immediately prior to the consummation of such transaction;

*provided*, *however*, that in the event that a transaction would trigger voting rights under both the second and the third bullet point above, the third bullet point will govern; *provided*, *further*, *however*, that:

- any increase in the number of our authorized but unissued shares of preferred stock;

- any increase in the number of authorized or issued shares of Mandatory Convertible Preferred Stock; and

- the creation and issuance, or an increase in the authorized or issued number, of any class or series of Parity Stock or Junior Stock,

will be deemed not to adversely affect the rights, preferences, privileges or voting powers of the Mandatory Convertible Preferred Stock and shall not require the affirmative vote or consent of holders of the Mandatory Convertible Preferred Stock.

Our Charter and Delaware law permit us, without the approval of any of our stockholders (including any holders of the Mandatory Convertible Preferred Stock), to establish and issue a new series of preferred stock ranking equally with or junior to the Mandatory Convertible Preferred Stock, which may dilute the voting and other interests of holders of the Mandatory Convertible Preferred Stock.

If any amendment, alteration, repeal, binding share exchange, reclassification, merger or consolidation described above would adversely affect the rights, preferences, privileges or voting powers of one or more but not all series of Voting Preferred Stock (including the Mandatory Convertible Preferred Stock for this purpose), then only the series of Voting Preferred Stock the rights, preferences, privileges or voting powers of which are adversely affected and entitled to vote, shall vote as a class in lieu of all other series of Voting Preferred Stock.

Without the consent of the holders of the Mandatory Convertible Preferred Stock, so long as such action does not adversely affect the special rights, preferences, privileges or voting powers of the Mandatory Convertible Preferred Stock, we may amend, alter, supplement or repeal any terms of the Mandatory Convertible Preferred Stock for the following purposes:

- to cure any ambiguity, omission or mistake, or to correct or supplement any provision contained in the Certificate of Designations establishing the terms of the Mandatory Convertible Preferred Stock that may be defective or inconsistent with any other provision contained in such Certificate of Designations; or

- to make any provision with respect to matters or questions relating to the Mandatory Convertible Preferred Stock that is not inconsistent with the provisions of our Charter or the Certificate of Designations establishing the terms of the Mandatory Convertible Preferred Stock.

In addition, without the consent of the holders of the Mandatory Convertible Preferred Stock, we may amend, alter, supplement or repeal any terms of the Mandatory Convertible Preferred Stock in order to (i) conform the terms thereof to the description of the terms of the Mandatory Convertible Preferred Stock set forth under "Description of Mandatory Convertible Preferred Stock" in the preliminary prospectus supplement for the Mandatory Convertible Preferred Stock, as supplemented and/or amended by any related pricing term sheet or (ii) file a certificate of correction with respect to the Certificate of Designations to the extent permitted by Section 103(f) of the Delaware General Corporation Law.

**Mandatory Conversion**

Each outstanding share of the Mandatory Convertible Preferred Stock, unless previously converted, will automatically convert on the Mandatory Conversion Date (as defined under "—Certain Definitions"), into a number of shares of our common stock equal to the conversion rate described below.

The "conversion rate", which is the number of shares of our common stock issuable upon conversion of each share of the Mandatory Convertible Preferred Stock on the Mandatory Conversion Date (excluding any shares of our common stock issued in respect of accrued and unpaid dividends, as described below), will be as follows:

- if the Applicable Market Value (as defined under "—Certain Definitions") of our common stock is greater than the Threshold Appreciation Price, which is approximately $41.96, then the conversion rate will be 2.3834 shares of our common stock per share of Mandatory Convertible Preferred Stock (the "Minimum Conversion Rate");

- if the Applicable Market Value of our common stock is less than or equal to the Threshold Appreciation Price but equal to or greater than the Initial Price, then the conversion rate will be equal to $100.00 *divided by* the Applicable Market Value of our common stock, rounded to the nearest ten-thousandth of a share; or

- if the Applicable Market Value of our common stock is less than the Initial Price, then the conversion rate will be 2.9197 shares of our common stock per share of Mandatory Convertible Preferred Stock (the "Maximum Conversion Rate").

We refer to the Minimum Conversion Rate and the Maximum Conversion Rate collectively as the "Fixed Conversion Rates". The Fixed Conversion Rates are subject to adjustment as described in "—Anti-Dilution Adjustments" below. The "Threshold Appreciation Price" is calculated by dividing $100.00 by the Minimum Conversion Rate and represents an approximately 22.50% appreciation over the Initial Price. The "Initial Price" is calculated by dividing $100.00 by the Maximum Conversion Rate and initially equals $34.25, which is the public offering price of our common stock in the Concurrent Offering.

If we declare a dividend on the Mandatory Convertible Preferred Stock for the dividend period ending on, but excluding, June 1, 2023, we will pay such dividend to the holders of record as of the immediately preceding Regular Record Date, as described above under "—Dividends." If on or prior to June 1, 2023 we have not declared all or any portion of the accumulated and unpaid dividends on the Mandatory Convertible Preferred Stock, the conversion rate will be adjusted so that holders receive an additional number of shares of our common stock equal to:

- the amount of such accumulated and unpaid dividends per share of Mandatory Convertible Preferred Stock that have not been declared (the "Mandatory Conversion Additional Conversion Amount"), *divided by*

- the greater of (i) the Floor Price and (ii) 97% of the Average Price (calculated using June 1, 2023 as the applicable Dividend Payment Date).

To the extent that the Mandatory Conversion Additional Conversion Amount exceeds the product of such number of additional shares and 97% of the Average Price, we will, to the extent we are able to do so under applicable law and in compliance with our indebtedness declare and pay such excess amount in cash (computed to the nearest cent) pro rata per share to the holders of the Mandatory Convertible Preferred Stock. Any such payment in cash may not be permitted by our then existing debt instruments and is not permitted under our existing credit agreements. See "—Dividends—Limitation on Cash Payments under our Credit Facilities." To the extent that we are not able to pay such excess amount in cash under applicable law and in compliance with our indebtedness, we will not have any obligation to pay such amount in cash or deliver additional shares of our common stock in respect of such amount, and such amount will not form a part of the cumulative dividends that may be deemed to accumulate on the shares of Mandatory Convertible Preferred Stock.

For the avoidance of doubt, the conversion rate per share of the Mandatory Convertible Preferred Stock will in no event exceed the Maximum Conversion Rate, subject to adjustment as described under "—Anti-Dilution Adjustments" below and exclusive of any amounts owing in respect of any Mandatory Conversion Additional Conversion Amount or any accrued and unpaid dividends paid at our election in shares of common stock.

***Hypothetical conversion values upon mandatory conversion***

For illustrative purposes only, the following table shows the number of shares of our common stock that a holder of the Mandatory Convertible Preferred Stock would receive upon mandatory conversion of one share of Mandatory Convertible Preferred Stock at various Applicable Market Values for our common

stock. The table assumes that there will be no conversion adjustments as described above for any Mandatory Conversion Additional Conversion Amount or as described below in "—Anti-Dilution Adjustments" and that dividends on the Mandatory Convertible Preferred Stock will be declared and paid in cash (and not in additional shares of our common stock). The actual Applicable Market Value of our common stock may differ from those set forth in the table below. Given an Initial Price of $34.25 and a Threshold Appreciation Price of approximately $41.96, a holder of Mandatory Convertible Preferred Stock would receive on the Mandatory Conversion Date the number of shares of our common stock per share of Mandatory Convertible Preferred Stock set forth below, subject to the provisions described below with respect to any fractional share of our common stock:

| Assumed Applicable Market Value of our common stock | Number of shares of our common stock to be received upon mandatory conversion | Assumed conversion value (calculated as Applicable Market Value multiplied by the number of shares of our common stock to be received upon mandatory conversion) |
|---|---|---|
| $20.00 | 2.9197 | $58.39 |
| $25.00 | 2.9197 | $72.99 |
| $30.00 | 2.9197 | $87.59 |
| $34.25 | 2.9197 | $100.00 |
| $35.00 | 2.8571 | $100.00 |
| $37.50 | 2.6667 | $100.00 |
| $40.00 | 2.5000 | $100.00 |
| $41.96 | 2.3834 | $100.01 |
| $45.00 | 2.3834 | $107.25 |
| $50.00 | 2.3834 | $119.17 |
| $55.00 | 2.3834 | $131.09 |
| $60.00 | 2.3834 | $143.00 |

Accordingly, assuming that the market price of our common stock on the Mandatory Conversion Date is the same as the Applicable Market Value of our common stock, the aggregate market value of our common stock the holder receives upon mandatory conversion of a share of Mandatory Convertible Preferred Stock (excluding any shares of our common stock the holder receives in respect of accrued and unpaid dividends) will be:

- greater than the $100.00 liquidation preference of the share of Mandatory Convertible Preferred Stock, if the Applicable Market Value is greater than the Threshold Appreciation Price;
- equal to the $100.00 liquidation preference of the share of Mandatory Convertible Preferred Stock, if the Applicable Market Value is less than or equal to the Threshold Appreciation Price and greater than or equal to the Initial Price; and
- less than the $100.00 liquidation preference of the share of Mandatory Convertible Preferred Stock, if the Applicable Market Value is less than the Initial Price.

***Certain Definitions***

"Applicable Market Value" means the Average VWAP per share of our common stock over the Settlement Period.

"Settlement Period" means the 20 consecutive Trading Day period commencing on, and including, the 21st Scheduled Trading Day immediately preceding June 1, 2023.

"Mandatory Conversion Date" means the second Business Day immediately following the last Trading Day of the Settlement Period. The Mandatory Conversion Date is expected to be June 1, 2023. If the Mandatory Conversion Date occurs after June 1, 2023 (whether because a Scheduled Trading Day during the Settlement Period is not a Trading Day due to the occurrence of a Market Disruption Event or otherwise), no interest or other amounts will accrue as a result of such postponement.

A "Trading Day" means a day on which:

- there is no Market Disruption Event; and
- trading in our common stock generally occurs on the Relevant Stock Exchange;

*provided*, that if our common stock is not listed or admitted for trading, "Trading Day" means any Business Day.

A "Scheduled Trading Day" is any day that is scheduled to be a Trading Day.

"Market Disruption Event" means:

- a failure by the Relevant Stock Exchange to open for trading during its regular trading session; or
- the occurrence or existence, prior to 1:00 p.m., New York City time, on any Scheduled Trading Day for our common stock, for more than a one half-hour period in the aggregate during regular trading hours of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or otherwise) in our common stock.

"Relevant Stock Exchange" means NYSE or, if our common stock is not then listed on NYSE, on the principal other U.S. national or regional securities exchange on which our common stock is then listed or, if our common stock is not then listed on a U.S. national or regional securities exchange, on the principal other market on which our common stock is then listed or admitted for trading.

"VWAP" per share of our common stock on any Trading Day means the per share volume-weighted average price as displayed on Bloomberg page "BSX <EQUITY> AQR" (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session on such Trading Day (or, if such volume-weighted average price is not available, the market value per share of our common stock on such Trading Day as determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained by us for this purpose, which may include any of the underwriters for this offering). The "Average VWAP" per share over a certain period means the arithmetic average of the VWAP per share for each Trading Day in the relevant period.

**Early Conversion at the Option of the Holder**

Other than during a Fundamental Change Conversion Period (as defined in "—Conversion at the Option of the Holder upon Fundamental Change; Fundamental Change Dividend Make-Whole Amount"), holders of Mandatory Convertible Preferred Stock will have the right to convert their Mandatory Convertible Preferred Stock, in whole or in part (but in no event less than one share of Mandatory

Convertible Preferred Stock), at any time prior to June 1, 2023 (an "Early Conversion"), into shares of our common stock at the Minimum Conversion Rate per share of Mandatory Convertible Preferred Stock.

If, as of the conversion date (as defined under "—Conversion Procedures—Upon Early Conversion or Upon Early Fundamental Change Conversion") of any Early Conversion (the "Early Conversion Date"), we have not declared all or any portion of the accumulated and unpaid dividends for all full dividend periods ending on or before a Dividend Payment Date prior to such Early Conversion Date, the conversion rate for such Early Conversion will be adjusted so that holders converting their Mandatory Convertible Preferred Stock at such time receive an additional number of shares of our common stock equal to:

- such amount of accumulated and unpaid dividends per share of Mandatory Convertible Preferred Stock that have not been declared for such prior full dividend periods (the "Early Conversion Additional Conversion Amount"), *divided by*

- the greater of (i) the Floor Price and (ii) the Average VWAP per share of our common stock over the 20 consecutive Trading Day period (the "Early Conversion Settlement Period"), commencing on, and including, the 21st Scheduled Trading Day immediately preceding the Early Conversion Date (such average VWAP, the "Early Conversion Average Price").

To the extent that the Early Conversion Additional Conversion Amount exceeds the product of such number of additional shares and the Early Conversion Average Price, we will not have any obligation to pay the shortfall in cash or deliver shares of our common stock in respect of such shortfall.

Except as described above, upon any Early Conversion of any Mandatory Convertible Preferred Stock, we will make no payment or allowance for unpaid dividends on such shares of the Mandatory Convertible Preferred Stock, unless such Early Conversion Date occurs after the Regular Record Date for a declared dividend and on or prior to the immediately succeeding Dividend Payment Date, in which case such dividend will be paid on such Dividend Payment Date to the holder of record of the converted shares of the Mandatory Convertible Preferred Stock as of such Regular Record Date, as described under "—Dividends."

**Conversion at the Option of the Holder upon Fundamental Change; Fundamental Change Dividend Make-Whole Amount**

***General***

If a "Fundamental Change" (as defined below) occurs on or prior to June 1, 2023, holders of Mandatory Convertible Preferred Stock will have the right (the "Fundamental Change Conversion Right") during the Fundamental Change Conversion Period (as defined below) to:

(i) convert their share of Mandatory Convertible Preferred Stock, in whole or in part (but in no event less than one share of Mandatory Convertible Preferred Stock), into a number of shares of our common stock (or Units of Exchange Property as described below) at the conversion rate specified in the table below (the "Fundamental Change Conversion Rate");

(ii) with respect to such converted shares, receive a Fundamental Change Dividend Make-Whole Amount (as defined below) payable in cash or shares of our common stock; and

(iii) with respect to such converted shares, receive the Accumulated Dividend Amount (as defined below) payable in cash or shares of our common stock,

subject, in the case of clauses (ii) and (iii), to certain limitations with respect to the number of shares of our common stock that we will be required to deliver, all as described below. Notwithstanding clauses (ii) and (iii) above, if the Fundamental Change Effective Date (as defined below) or the Fundamental Change Conversion Date (as defined below) falls after the Regular Record Date for a dividend period for which we have declared a dividend and prior to the next Dividend Payment Date, then we will pay such dividend on the relevant Dividend Payment Date to the holders of record on such Regular Record Date, as described under "—Dividends," and the Accumulated Dividend Amount will not include the amount of such dividend, and the Fundamental Change Dividend Make-Whole Amount will not include the present value of the payment of such dividend.

To exercise the Fundamental Change Conversion Right, a holder must submit its shares of Mandatory Convertible Preferred Stock for conversion at any time during the period (the "Fundamental Change Conversion Period") commencing on, and including, the Fundamental Change Effective Date and ending at the close of business on the date that is 20 calendar days after the Fundamental Change Effective Date (or, if later, the date that is 20 calendar days after the date of notice of such Fundamental Change), but in no event later than June 1, 2023. Holders of the Mandatory Convertible Preferred Stock that submit the shares for conversion during the Fundamental Change Conversion Period shall be deemed to have exercised their Fundamental Change Conversion Right. Holders of the Mandatory Convertible Preferred Stock who do not submit their shares for conversion during the Fundamental Change Conversion Period will not be entitled to convert their Mandatory Convertible Preferred Stock at the relevant Fundamental Change Conversion Rate or to receive the relevant Fundamental Change Dividend Make-Whole Amount or the Accumulated Dividend Amount. A conversion date occurring during such Fundamental Change Conversion Period is referred to herein as a "Fundamental Change Conversion Date."

We will notify holders of the Fundamental Change Effective Date no later than the second Business Day immediately following such Fundamental Change Effective Date. If we notify holders of a Fundamental Change later than the second Business Day following the Fundamental Change Effective Date, the Fundamental Change Conversion Period will be extended by a number of days equal to the number of days from, and including, such Fundamental Change Effective Date to, but excluding, the date of the notice; provided, however, that the Fundamental Change Conversion Period will not be extended beyond June 1, 2023.

A "Fundamental Change" will be deemed to have occurred, at any time after the Initial Issue Date of the Mandatory Convertible Preferred Stock, if any of the following occurs:

(i) any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (the "Exchange Act"), whether or not applicable), other than us, any of our wholly-owned subsidiaries or any of our or our wholly-owned subsidiaries' employee benefit plans, filing a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power in the aggregate of all classes of capital stock then outstanding entitled to vote generally in elections of our directors;

(ii) the consummation of (A) any recapitalization, reclassification or change of our common stock (other than changes resulting from a subdivision or combination or change in par value) as a result

of which our common stock would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or a combination thereof); (B) any consolidation, merger or other combination of us or binding share exchange pursuant to which our common stock will be converted into, or exchanged for, stock, other securities or other property or assets (including cash or a combination thereof); or (C) any sale, lease or other transfer or disposition in one transaction or a series of transactions of all or substantially all of the consolidated assets of ours and our subsidiaries taken as a whole, to any person other than one or more of our wholly-owned subsidiaries; or

(iii) our common stock (or other Exchange Property (as defined below)) ceases to be listed or quoted for trading on any of NYSE, the NASDAQ Global Select Market or the NASDAQ Global Market (or another U.S. national securities exchange or any of their respective successors).

However, a transaction or transactions described in clause (i) or clause (ii) above will not constitute a Fundamental Change if at least 90% of the consideration received or to be received by our common stockholders, excluding cash payments for fractional shares or pursuant to statutory appraisal rights, in connection with such transaction or transactions consists of shares of common stock that are listed or quoted on any of NYSE, the NASDAQ Global Select Market or the NASDAQ Global Market (or any of their respective successors) or will be so listed or quoted when issued or exchanged in connection with such transaction or transactions and as a result of such transaction or transactions such consideration (excluding cash payments for fractional shares or pursuant to statutory appraisal rights) becomes the Exchange Property.

***Fundamental Change Conversion Rate***

The Fundamental Change Conversion Rate will be determined by reference to the table below and is based on the effective date of such Fundamental Change (the "Fundamental Change Effective Date"), and the price (the "Fundamental Change Share Price") paid or deemed paid per share of our common stock in such Fundamental Change. If the holders of our common stock receive only cash in such Fundamental Change, the Fundamental Change Share Price shall be the cash amount paid per share of common stock. Otherwise, the Fundamental Change Share Price shall be the Average VWAP per share of our common stock over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Fundamental Change Effective Date.

The Fundamental Change Share Prices set forth in the first row of the table below (i.e., the column headers) will be adjusted as of any date on which the Fixed Conversion Rates of the Mandatory Convertible Preferred Stock are adjusted. The adjusted Fundamental Change Share Prices will equal (i) the Fundamental Change Share Prices applicable immediately prior to such adjustment, *multiplied by* (ii) a fraction, the numerator of which is the Minimum Conversion Rate immediately prior to the adjustment giving rise to the Fundamental Change Share Price adjustment and the denominator of which is the Minimum Conversion Rate as so adjusted. Each of the Fundamental Change Conversion Rates in the table below will be subject to adjustment in the same manner and at the same time as each Fixed Conversion Rate as set forth in "—Anti-Dilution Adjustments".

The following table sets forth the Fundamental Change Conversion Rate per share of Mandatory Convertible Preferred Stock for each Fundamental Change Share Price and Fundamental Change Effective Date set forth below.

| Fundamental Change Effective Date | Fundamental Change Share Price | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $10.00 | $15.00 | $20.00 | $25.00 | $30.00 | $34.25 | $37.50 | $40.00 | $41.96 | $45.00 | $50.00 | $55.00 | $60.00 | $75.00 | $100.00 |
| May 27, 2020 | 2.8542 | 2.7933 | 2.7095 | 2.6255 | 2.5532 | 2.5037 | 2.4729 | 2.4529 | 2.4394 | 2.4214 | 2.3988 | 2.3828 | 2.3715 | 2.3544 | 2.3477 |
| June 1, 2021 | 2.8856 | 2.8539 | 2.7863 | 2.6998 | 2.6145 | 2.5520 | 2.5122 | 2.4863 | 2.4687 | 2.4455 | 2.4169 | 2.3973 | 2.3842 | 2.3660 | 2.3601 |
| June 1, 2022 | 2.9050 | 2.9007 | 2.8724 | 2.8033 | 2.7052 | 2.6193 | 2.5610 | 2.5225 | 2.4965 | 2.4633 | 2.4248 | 2.4014 | 2.3878 | 2.3739 | 2.3716 |
| June 1, 2023 | 2.9197 | 2.9197 | 2.9197 | 2.9197 | 2.9197 | 2.9197 | 2.6667 | 2.5000 | 2.3834 | 2.3834 | 2.3834 | 2.3834 | 2.3834 | 2.3834 | 2.3834 |

The exact Fundamental Change Share Price and Fundamental Change Effective Date may not be set forth in the table, in which case:

- if the Fundamental Change Share Price is between two Fundamental Change Share Price amounts in the table or the Fundamental Change Effective Date is between two Fundamental Change Effective Dates in the table, the Fundamental Change Conversion Rate will be determined by a straight-line interpolation between the Fundamental Change Conversion Rates set forth for the higher and lower Fundamental Change Share Price amounts and the earlier and later Fundamental Change Effective Dates, as applicable, based on a 365- or 366-day year, as applicable;

- if the Fundamental Change Share Price is in excess of $100.00 per share (subject to adjustment in the same manner as the Fundamental Change Share Prices set forth in the first row of the table above), then the Fundamental Change Conversion Rate will be the Minimum Conversion Rate; and

- if the Fundamental Change Share Price is less than $10.00 per share (subject to adjustment in the same manner as the Fundamental Change Share Prices set forth in the first row of the table above), then the Fundamental Change Conversion Rate will be the Maximum Conversion Rate.

***Fundamental Change Dividend Make-Whole Amount and Accumulated Dividend Amount***

For any shares of Mandatory Convertible Preferred Stock that are converted during the Fundamental Change Conversion Period, in addition to the common stock issued upon conversion at the Fundamental Change Conversion Rate, we will, at our option (subject to satisfaction of the requirements described below):

(a) pay in cash (computed to the nearest cent), to the extent we are able to do so under applicable law and in compliance with our indebtedness, an amount equal to the present value, calculated using a discount rate of 5.00% per annum, of all dividend payments (excluding any Accumulated Dividend Amount) on the Mandatory Convertible Preferred Stock for (i) the partial dividend period, if any, from, and including, the Fundamental Change Effective Date to, but excluding, the next Dividend Payment Date and (ii) all remaining full dividend periods from, and including, the Dividend Payment Date following the Fundamental Change Effective Date to, but excluding, the Mandatory Conversion Date (the "Fundamental Change Dividend Make-Whole Amount");

(b) increase the number of shares of our common stock (or Units of Exchange Property as described below) to be issued upon conversion by a number equal to (x) the Fundamental

Change Dividend Make-Whole Amount *divided by* (y) the greater of (i) the Floor Price and (ii) 97% of the Fundamental Change Share Price; or

(c) pay the Fundamental Change Dividend Make-Whole Amount through any combination of cash and shares of our common stock (or Units of Exchange Property as described below) in accordance with the provisions of clauses (a) and (b) above.

As used herein, the term "Accumulated Dividend Amount" means, with respect to any Fundamental Change, the aggregate amount of accumulated and unpaid dividends, if any, that have not been declared for dividend periods prior to the relevant Fundamental Change Effective Date, including (but subject to the second sentence under "—General" above) for the partial dividend period, if any, from, and including, the Dividend Payment Date immediately preceding such Fundamental Change Effective Date to, but excluding, such Fundamental Change Effective Date. For the avoidance of doubt, if the Regular Record Date for a dividend period for which we have, as of the Fundamental Change Effective Date, declared a dividend occurs before or during the related Fundamental Change Conversion Period, then we will pay such dividend on the relevant Dividend Payment Date to the holders of record at the Close of Business on such Regular Record Date, as described under "—Dividends," and the Accumulated Dividend Amount will not include the amount of such dividend, and the Fundamental Change Dividend Make-Whole Amount will not include the present value of such dividend.

The Accumulated Dividend Amount will be payable at our option (subject to satisfaction of the requirements described below):

- in cash (computed to the nearest cent), to the extent we are able to do so under applicable law and in compliance with our indebtedness;

- in an additional number of shares of our common stock (or Units of Exchange Property as described below) equal to (x) the Accumulated Dividend Amount *divided by* (y) the greater of (i) the Floor Price and (ii) 97% of the Fundamental Change Share Price; or

- through any combination of cash and shares of our common stock (or Units of Exchange Property) in accordance with the provisions of the preceding two bullets.

We will pay the Fundamental Change Dividend Make-Whole Amount and the Accumulated Dividend Amount in cash, except to the extent we elect on or prior to the second Business Day following the Fundamental Change Effective Date to make all or any portion of such payments in shares of our common stock (or Units of Exchange Property). For the avoidance of doubt, however, our existing credit agreements currently contain a restriction on our ability to pay such amounts in cash. See "—Dividends—Limitation on Cash Payments under our Credit Facilities."

If we elect to deliver common stock (or Units of Exchange Property) in respect of all or any portion of the Fundamental Change Dividend Make-Whole Amount or the Accumulated Dividend Amount, to the extent that the Fundamental Change Dividend Make-Whole Amount or the Accumulated Dividend Amount or the dollar amount of any portion thereof paid in common stock (or Units of Exchange Property) exceeds the product of (x) the number of additional shares we deliver in respect thereof and (y) 97% of the Fundamental Change Share Price, we will, to the extent we are able to do so under applicable law and in compliance with our indebtedness, pay such excess amount in cash (computed to the nearest cent). Any such payment in cash may not be permitted by our then existing debt instruments and is not permitted under our existing credit agreements. See "—Dividends—Limitation on Cash Payments under

our Credit Facilities." To the extent that we are not able to pay such excess amount in cash under applicable law and in compliance with our indebtedness, we will not have any obligation to pay such amount in cash or deliver additional shares of our common stock in respect of such amount.

However, if we are prohibited from paying or delivering, as the case may be, the Fundamental Change Dividend Make-Whole Amount (whether in cash or in shares of our common stock), in whole or in part, due to limitations of applicable law, then the Fundamental Change Conversion Rate will instead be increased by a number of shares of common stock equal to the cash amount of the aggregate unpaid and undelivered Fundamental Change Dividend Make-Whole Amount, *divided by* the greater of (i) the Floor Price and (ii) 97% of the Fundamental Change Share Price. To the extent that the cash amount of the aggregate unpaid and undelivered Fundamental Change Dividend Make-Whole Amount exceeds the product of such number of additional shares and 97% of the Fundamental Change Share Price, we will not have any obligation to pay the shortfall in cash or deliver additional shares of our common stock in respect of such amount.

No fractional shares of our common stock (or to the extent applicable, Units of Exchange Property) will be delivered to converting holders of the Mandatory Convertible Preferred Stock in respect of the Fundamental Change Dividend Make-Whole Amount or the Accumulated Dividend Amount. We will instead, to the extent we are able to do so under applicable law and in compliance with our indebtedness, pay a cash amount (computed to the nearest cent) to each converting holder that would otherwise be entitled to receive a fraction of a share of our common stock (or to the extent applicable, Units of Exchange Property) based on the Average VWAP per share of our common stock (or to the extent applicable, Units of Exchange Property) over the five consecutive Trading Day period commencing on, and including, the seventh Scheduled Trading Day immediately preceding the Fundamental Change Conversion Date. In the event that we cannot pay cash in lieu of a fractional share, we will instead round up to the nearest whole share for each holder. The terms of our existing credit agreements do not permit the payment of a cash amount in lieu of a fractional share. See "—Dividends—Limitation on Cash Payments under our Credit Facilities." Not later than the second Business Day following the Fundamental Change Effective Date, we will notify holders of:

- the Fundamental Change Conversion Rate (if we provide notice to holders prior to the anticipated Fundamental Change Effective Date, specifying how the Fundamental Change Conversion Rate will be determined);

- the Fundamental Change Dividend Make-Whole Amount and whether we will pay such amount in cash, shares of our common stock (or to the extent applicable, Units of Exchange Property) or a combination thereof, specifying the combination, if applicable; and

- the Accumulated Dividend Amount as of the Fundamental Change Effective Date and whether we will pay such amount in cash, shares of our common stock (or to the extent applicable, Units of Exchange Property) or a combination thereof, specifying the combination, if applicable.

Our obligation to deliver shares at the Fundamental Change Conversion Rate in connection with a Fundamental Change and pay the Fundamental Change Dividend Make-Whole Amount (whether in cash, our common stock or any combination thereof) could be considered a penalty under state law, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies and therefore may not be enforceable in whole or in part.

**Conversion Procedures**

***Upon Mandatory Conversion***

Any outstanding shares of Mandatory Convertible Preferred Stock will mandatorily and automatically convert into shares of common stock on the Mandatory Conversion Date.

The holders of the Mandatory Convertible Preferred Stock will not be required to pay any transfer or similar taxes or duties relating to the issuance or delivery of our common stock upon conversion, but each holder will be required to pay any tax or duty that may be payable relating to any transfer involved in the issuance or delivery of the common stock in a name other than such holder's own.

So long as the shares of the Mandatory Convertible Preferred Stock being converted are in global form, the shares of common stock issuable upon conversion will be delivered to the converting holder through the facilities of DTC, in each case together with delivery by us to the converting holder of any cash to which the converting holder is entitled, only after all applicable taxes and duties, if any, payable by such holder have been paid in full, and such shares and cash will be delivered on the later of (i) the Mandatory Conversion Date and (ii) the Business Day after such holder has paid in full all applicable taxes and duties, if any.

The person or persons entitled to receive the shares of our common stock issuable upon mandatory conversion of the Mandatory Convertible Preferred Stock will be treated as the record holder(s) of such shares as of the close of business on the Mandatory Conversion Date. Prior to the close of business on the Mandatory Conversion Date, the common stock issuable upon conversion of the Mandatory Convertible Preferred Stock on the Mandatory Conversion Date will not be deemed to be outstanding for any purpose and such holder will have no rights, powers or preferences with respect to such common stock, including voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on the common stock, by virtue of holding the Mandatory Convertible Preferred Stock.

***Upon Early Conversion or Upon Early Fundamental Change Conversion***

If a holder elects to convert the Mandatory Convertible Preferred Stock prior to the Mandatory Conversion Date, in the manner described in "—Early Conversion at the Option of the Holder" or "—Conversion at the Option of the Holder upon Fundamental Change; Fundamental Change Dividend Make-Whole Amount" (an "Early Fundamental Change Conversion"), the holder must observe the following conversion procedures:

- if such holder holds a beneficial interest in a global share of Mandatory Convertible Preferred Stock, such holder must deliver to DTC the appropriate instruction form for conversion pursuant to DTC's conversion program; and

- if such holder holds shares of the Mandatory Convertible Preferred Stock in certificated form, such holder must comply with certain procedures set forth in the Certificate of Designations.

In either case, if required, the holder must pay all transfer or similar taxes or duties, if any.

The "conversion date" will be the date on which the holder has satisfied the foregoing requirements with respect to an Early Conversion or an Early Fundamental Change Conversion.

The holders will not be required to pay any transfer or similar taxes or duties relating to the issuance or delivery of our common stock upon conversion, but each holder will be required to pay any tax or duty that may be payable relating to any transfer involved in the issuance or delivery of the common stock in a name other than such holder's own.

So long as the shares of the Mandatory Convertible Preferred Stock being converted are in global form, the shares of common stock will be issued and delivered to the converting holder through the facilities of DTC, together with delivery by us to the converting holder of any cash to which the converting holder is entitled, only after all applicable taxes and duties, if any, payable by the converting holder have been paid in full, and such shares and cash will be delivered on the latest of (i) the second Business Day immediately succeeding the conversion date, (ii) the second Business Day immediately succeeding the last day of the Early Conversion Settlement Period, if applicable, and (iii) the Business Day after the converting holder has paid in full all applicable taxes and duties, if any.

The person or persons entitled to receive the common stock issuable upon early conversion of the Mandatory Convertible Preferred Stock will be treated as the record holder(s) of such shares as of the close of business on the applicable Early Conversion Date or Fundamental Change Conversion Date. Prior to the close of business on the applicable Early Conversion Date or Fundamental Change Conversion Date, the common stock issuable upon conversion of the Mandatory Convertible Preferred Stock will not be deemed to be outstanding for any purpose, and the holder will have no rights, powers or preferences with respect to such common stock, including voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on the common stock, by virtue of holding the Mandatory Convertible Preferred Stock.

***Fractional Shares***

No fractional shares of our common stock will be issued to holders of the Mandatory Convertible Preferred Stock upon conversion. In lieu of any fractional shares of our common stock otherwise issuable in respect of the aggregate number of shares of the Mandatory Convertible Preferred Stock of any holder that are converted, that holder will be entitled to receive an amount in cash (computed to the nearest cent) equal to the product of: (i) that same fraction; and (ii) the Average VWAP of our common stock over the five consecutive Trading Day period commencing on, and including, the seventh Scheduled Trading Day immediately preceding the relevant conversion date. In the event that we cannot pay cash in lieu of a fractional share, we will instead round up to the nearest whole share for each holder. The terms of our existing credit agreements do not permit the payment of a cash amount in lieu of a fractional share. See "—Dividends—Limitation on Cash Payments under our Credit Facilities."

Subject to any applicable rules and procedures of DTC, if more than one share of the Mandatory Convertible Preferred Stock is surrendered for conversion at one time by or for the same holder, the number of shares of full shares of our common stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the Mandatory Convertible Preferred Stock so surrendered.

**Anti-Dilution Adjustments**

Each Fixed Conversion Rate will be adjusted as described below, except that we will not make any adjustments to the Fixed Conversion Rates if holders of the Mandatory Convertible Preferred Stock participate (other than in the case of a share split or share combination), at the same time and upon the same terms as holders of our common stock and solely as a result of holding the Mandatory Convertible

Preferred Stock, in any of the transactions described below without having to convert their Mandatory Convertible Preferred Stock as if they held a number of shares of common stock equal to (i) the Maximum Conversion Rate as of the record date for such transaction, *multiplied by* (ii) the number of shares of Mandatory Convertible Preferred Stock held by such holder.

(1) If we exclusively issue shares of our common stock as a dividend or distribution on shares of our common stock, or if we effect a share split or share combination, each Fixed Conversion Rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where,

CR0 = such Fixed Conversion Rate in effect immediately prior to the close of business on the record date (as defined below) of such dividend or distribution, or immediately prior to the open of business on the effective date of such share split or share combination, as applicable;

CR1 = such Fixed Conversion Rate in effect immediately after the close of business on such record date or immediately after the open of business on such effective date, as applicable;

OS0 = the number of shares of our common stock outstanding immediately prior to the close of business on such record date or immediately prior to the open of business on such effective date, as applicable, before giving effect to such dividend, distribution, share split or share combination; and

OS1 = the number of shares of our common stock outstanding immediately after giving effect to such dividend, distribution, share split or share combination.

Any adjustment made under this clause (1) shall become effective immediately after the close of business on the record date for such dividend or distribution, or immediately after the open of business on the effective date for such share split or share combination, as applicable. If any dividend or distribution of the type described in this clause (1) is declared but not so paid or made, each Fixed Conversion Rate shall be immediately readjusted, effective as of the date our board of directors or a committee thereof determines not to pay such dividend or distribution, to such Fixed Conversion Rate that would then be in effect if such dividend or distribution had not been declared. For the purposes of this clause (1), the number of shares of our common stock outstanding immediately prior to the close of business on the record date and the number of shares of our common stock outstanding immediately after giving effect to such dividend, distribution, share split or share combination shall, in each case, not include shares that we hold in treasury. We will not pay any dividend or make any distribution on shares of our common stock that we hold in treasury.

"effective date" as used in this clause (1) means the first date on which the shares of our common stock trade on the Relevant Stock Exchange, regular way, reflecting the relevant share split or share combination, as applicable.

"record date" means, with respect to any dividend, distribution or other transaction or event in which the holders of our common stock (or other applicable security) have the right to receive any cash,

securities or other property or in which our common stock (or such other security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of holders of our common stock (or such other security) entitled to receive such cash, securities or other property (whether such date is fixed by our board of directors or a duly authorized committee thereof, statute, contract or otherwise).

(2) If we issue to all or substantially all holders of our common stock any rights, options or warrants entitling them, for a period of not more than 60 calendar days after the announcement date of such issuance, to subscribe for or purchase shares of our common stock at a price per share that is less than the Average VWAP per share of our common stock for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance, each Fixed Conversion Rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

CR0 = such Fixed Conversion Rate in effect immediately prior to the close of business on the record date for such issuance;

CR1 = such Fixed Conversion Rate in effect immediately after the close of business on such record date;

OS0 = the number of shares of our common stock outstanding immediately prior to the close of business on such record date;

X = the total number of shares of our common stock issuable pursuant to such rights, options or warrants; and

Y = the number of shares of our common stock equal to (i) the aggregate price payable to exercise such rights, options or warrants, *divided by* (ii) the Average VWAP per share of our common stock over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of the issuance of such rights, options or warrants.

Any increase made under this clause (2) will be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the close of business on the record date for such issuance. To the extent that such rights, options or warrants are not exercised prior to their expiration or shares of common stock are not delivered after the exercise of such rights, options or warrants, each Fixed Conversion Rate shall be decreased to such Fixed Conversion Rate that would then be in effect had the increase with respect to the issuance of such rights, options or warrants been made on the basis of delivery of only the number of shares of common stock actually delivered, if any. If such rights, options or warrants are not so issued, each Fixed Conversion Rate shall be immediately readjusted, effective as of the date our board of directors or a committee thereof determines not to pay such dividend or distribution, to such Fixed Conversion Rate that would then be in effect if such record date for such issuance had not occurred.

For the purpose of this clause (2), in determining whether any rights, options or warrants entitle the holders of our common stock to subscribe for or purchase shares of our common stock at less than such Average VWAP per share for the 10 consecutive trading day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance, and in determining the aggregate offering price of such shares of our common stock, there shall be taken into account any consideration received by us for such rights, options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by our board of directors or a committee thereof.

(3)(A) If we distribute shares of our capital stock, evidences of our indebtedness, other assets or property of ours or rights, options or warrants to acquire our capital stock or other securities, to all or substantially all holders of our common stock, excluding:

- dividends, distributions or issuances as to which the provisions set forth in in clause (1) or (2) shall apply;

- dividends or distributions paid exclusively in cash as to which the provisions set forth in clause (4) below shall apply;

- any dividends and distributions upon conversion of, or in exchange for, our common stock in connection with a recapitalization, reclassification, change, consolidation, merger or other combination, share exchange, or sale, lease or other transfer or disposition resulting in the change in the conversion consideration as described below under "—Recapitalizations, Reclassifications and Changes of Our Common Stock";

- except as otherwise described below, rights issued pursuant to a shareholder rights plan adopted by us; and

- spin-offs as to which the provisions set forth below in clause (3)(B) shall apply; then each Fixed Conversion Rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

CR0 = such Fixed Conversion Rate in effect immediately prior to the close of business on the record date for such distribution;

CR1 = such Fixed Conversion Rate in effect immediately after the close of business on such record date;

SP0 = the Average VWAP per share of our common stock over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the ex-date (as defined below) for such distribution; and

FMV = the fair market value (as determined by our board of directors or a committee thereof) of the shares of capital stock, evidences of indebtedness, assets, property, rights, options or warrants so distributed, expressed as an amount per share of our common stock on the ex-date for such distribution.

"ex-date" means the first date on which the shares of our common stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance, dividend or distribution in question, from us or, if applicable, from the seller of our common stock on such exchange or market (in the form of due bills or otherwise) as determined by such exchange or market.

Any increase made under this clause (3)(A) above will become effective immediately after the close of business on the record date for such distribution. If such distribution is not so paid or made, each fixed conversion rate shall be immediately readjusted, effective as of the date our board of directors or a committee thereof determines not to pay such dividend or distribution, to be such fixed conversion rate that would then be in effect if such distribution had not been declared.

Notwithstanding the foregoing, if "FMV" (as defined above) is equal to or greater than "SP0" (as defined above), or if the difference is less than $1.00, in lieu of the foregoing increase, each holder shall receive, in respect of each share of Mandatory Convertible Preferred Stock, at the same time and upon the same terms as holders of our common stock, the amount and kind of our capital stock, evidences of our indebtedness, other assets or property of ours or rights, options or warrants to acquire our capital stock or other securities that such holder would have received if such holder owned a number of shares of common stock equal to the Maximum Conversion Rate in effect on the record date for the distribution.

If we issue rights, options or warrants that are only exercisable upon the occurrence of certain triggering events, then:

- we will not adjust the Fixed Conversion Rates pursuant to the foregoing in this clause (3) until the earliest of these triggering events occurs; and

- we will readjust the Fixed Conversion Rates to the extent any of these rights, options or warrants are not exercised before they expire; *provided* that the rights, options or warrants trade together with our common stock and will be issued in respect of future issuances of the shares of our common stock.

(3)(B) With respect to an adjustment pursuant to this clause (3) where there has been a payment of a dividend or other distribution on our common stock of shares of capital stock of any class or series, or similar equity interest, of or relating to a subsidiary or other business unit, that are, or, when issued, will be, listed or admitted for trading on a U.S. national securities exchange, which we refer to as a "spin-off," each Fixed Conversion Rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR0 = such Fixed Conversion Rate in effect immediately prior to the open of business on the ex-date for the spin-off;

CR1 = such Fixed Conversion Rate in effect immediately after the open of business on the ex-date for the spin-off;

FMV0 = the Average VWAP per share of the capital stock or similar equity interest distributed to holders of our common stock applicable to one share of our common stock over the 10 consecutive Trading Day period commencing on, and including, the ex-date for the spin-off, or the "valuation period"; and

MP0 = the Average VWAP per share of our common stock over the valuation period.

The increase to each Fixed Conversion Rate under the preceding paragraph will be calculated as of the close of business on the last Trading Day of the valuation period but will be given effect as of immediately after the open of business on the ex-date of the spin-off. Because we will make the adjustment to each Fixed Conversion Rate with retroactive effect, we will delay the settlement of any conversion of Mandatory Convertible Preferred Stock where any date for determining the number of shares of our common stock issuable to a holder occurs during the valuation period until the second Business Day after the last date for determining the number of shares of our common stock issuable to a holder with respect to such conversion occurs. If such dividend or distribution is not so paid, each Fixed Conversion Rate shall be decreased, effective as of the date our board of directors or a committee thereof determines not to make or pay such dividend or distribution, to be such Fixed Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(4) If any cash dividend or distribution is made to all or substantially all holders of our common stock, each Fixed Conversion Rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - C}$$

where,

CR0 = such Fixed Conversion Rate in effect immediately prior to the close of business on the record date for such dividend or distribution;

CR1 = such Fixed Conversion Rate in effect immediately after the close of business on the record date for such dividend or distribution;

SP0 = the last reported sale price of our common stock on the Trading Day immediately preceding the ex-date for such dividend or distribution; and

C = the amount in cash per share we distribute to all or substantially all holders of our common stock.

Any increase made under this clause (4) shall become effective immediately after the close of business on the record date for such dividend or distribution. If such dividend or distribution is not so paid, each Fixed Conversion Rate shall be decreased, effective as of the date our board of directors or a committee thereof determines not to make or pay such dividend or distribution, to be such Fixed Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

The "last reported sale price" of our common stock on any date means:

- the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask

prices) on such date as reported in composite transactions for the relevant stock exchange (as defined below);

- if our common stock is not listed for trading on a relevant stock exchange on such date, the last quoted bid price for our common stock in the over-the-counter market on such date as reported by OTC Markets Group Inc. or a similar organization; and

- if our common stock is not so quoted, the average of the mid-point of the last bid and ask prices for our common stock on such date from each of at least three nationally recognized independent investment banking firms selected by us for this purpose.

Notwithstanding the foregoing, if "C" (as defined above) is equal to or greater than "SP0" (as defined above), or if the difference is less than $1.00, in lieu of the foregoing increase, each holder shall receive, for each share of Mandatory Convertible Preferred Stock, at the same time and upon the same terms as holders of shares of our common stock, the amount of cash that such holder would have received if such holder owned a number of shares of our common stock equal to the Maximum Conversion Rate on the record date for such cash dividend or distribution.

(5)

If we or any of our subsidiaries make a payment in respect of a tender or exchange offer for our common stock, to the extent that the cash and value of any other consideration included in the payment per share of common stock exceeds the Average VWAP per share of our common stock over the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer (the "expiration date"), each Fixed Conversion Rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{AC + (SP_1 \times OS_1)}{OS_0 \times SP_1}$$

where,

CR0 = such Fixed Conversion Rate in effect immediately prior to the close of business on the expiration date;

CR1 = such Fixed Conversion Rate in effect immediately after the close of business on the expiration date;

AC = the aggregate value of all cash and any other consideration (as determined by our board of directors or a committee thereof) paid or payable for shares purchased in such tender or exchange offer;

OS0 = the number of shares of our common stock outstanding immediately prior to the expiration date (prior to giving effect to the purchase of all shares accepted for purchase or exchange in such tender or exchange offer);

OS1 = the number of shares of our common stock outstanding immediately after the expiration date (after giving effect to the purchase of all shares accepted for purchase or exchange in such tender or exchange offer); and

SP1 = the Average VWAP of our common stock over the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the expiration date (the "averaging period").

The increase to each Fixed Conversion Rate under the preceding paragraph will be calculated at the close of business on the last Trading Day of the averaging period but will be given effect as of immediately after the close of business on the expiration date. Because we will make the adjustment to each Fixed Conversion Rate with retroactive effect, we will delay the settlement of any conversion of Mandatory Convertible Preferred Stock where any date for determining the number of shares of our common stock issuable to a holder occurs during the averaging period until the second Business Day after the last date for determining the number of shares of our common stock issuable to a holder with respect to such conversion occurs. For the avoidance of doubt, no adjustment under this clause (5) will be made if such adjustment would result in a decrease in any Fixed Conversion Rate.

In the event that we or one of our subsidiaries is obligated to purchase shares of common stock pursuant to any such tender offer or exchange offer, but we or such subsidiary is permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then each Fixed Conversion Rate shall again be adjusted to be such Fixed Conversion Rate that would then be in effect if such tender offer or exchange offer had not been made.

For the avoidance of doubt, for purposes of this subsection (5), the term "tender offer" is used as such term is used in the Exchange Act and the term "exchange offer" means an exchange offer that constitutes a tender offer.

We may, to the extent permitted by law and the rules of NYSE or any other securities exchange on which our common stock or the Mandatory Convertible Preferred Stock is then listed, increase each Fixed Conversion Rate by any amount for a period of at least 20 Business Days if such increase is irrevocable during such 20 Business Days and our board of directors (or a committee thereof) determines that such increase would be in our best interest. In addition, we may make such increases in each Fixed Conversion Rate as we deem advisable in order to avoid or diminish any income tax to holders of our common stock resulting from any dividend or distribution of shares of our common stock (or issuance of rights or warrants to acquire shares of our common stock) or from any event treated as such for income tax purposes or for any other reason. We may only make such a discretionary adjustment if we make the same proportionate adjustment to each Fixed Conversion Rate.

Holders of the Mandatory Convertible Preferred Stock may, in certain circumstances, including a distribution of cash dividends to holders of our shares of common stock, be deemed to have received a distribution subject to U.S. Federal income tax as a dividend as a result of an adjustment or the nonoccurrence of an adjustment to the Fixed Conversion Rates. See "Material U.S. Federal Income Tax Considerations."

If we have a rights plan in effect upon conversion of the Mandatory Convertible Preferred Stock into common stock, each holder will receive, in addition to any shares of common stock received in connection with such conversion, the rights under the rights plan. However, if, prior to any conversion, the rights have separated from the shares of common stock in accordance with the provisions of the applicable rights plan, each Fixed Conversion Rate will be adjusted at the time of separation as if we distributed to all or substantially all holders of our common stock, shares of our capital stock, evidences of indebtedness, assets, property, rights, options or warrants as described in clause (3)(A) above, subject to readjustment in

the event of the expiration, termination or redemption of such rights. We do not currently have a stockholder rights plan in effect.

Adjustments to the Fixed Conversion Rates will be calculated to the nearest 1/10,000th of a share of our common stock. No adjustment to any Fixed Conversion Rate will be required unless the adjustment would require an increase or decrease of at least 1% of the Fixed Conversion Rate; *provided*, *however*, that if an adjustment is not made because the adjustment does not change the Fixed Conversion Rates by at least 1%, then such adjustment will be carried forward and taken into account in any future adjustment. Notwithstanding the foregoing, on each date for determining the number of shares of our common stock issuable to a holder upon any conversion of the Mandatory Convertible Preferred Stock we will give effect to all adjustments that we have otherwise deferred pursuant to this sentence, and those adjustments will no longer be carried forward and taken into account in any future adjustment.

The Fixed Conversion Rates will not be adjusted:

- upon the issuance of any shares of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in common stock under any plan;

- upon the issuance of any shares of our common stock or rights or warrants to purchase those shares pursuant to any present or future benefit or other incentive plan or program of or assumed by us or any of our subsidiaries;

- upon the issuance of any shares of our common stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in the preceding bullet and outstanding as of the Initial Issue Date;

- for a change in the par value of our common stock;

- for stock repurchases that are not tender offers referred to in clause (5) of the adjustments above, including structured or derivative transactions or pursuant to a stock repurchase program approved by our board of directors; or for accumulated dividends on the Mandatory Convertible Preferred Stock, except as described above under "—Mandatory Conversion," "—Early Conversion at the Option of the Holder" and "—Conversion at the Option of the Holder upon Fundamental Change; Fundamental Change Dividend Make-Whole Amount."

Except as otherwise provided above, we will be responsible for making all calculations called for under the Mandatory Convertible Preferred Stock. These calculations include, but are not limited to, determinations of the Fundamental Change Share Price, the VWAPs, the Average VWAPs, the last reported sale price and the Fixed Conversion Rates of the Mandatory Convertible Preferred Stock.

We will be required, within 10 Business Days after the Fixed Conversion Rates are adjusted, to provide or cause to be provided written notice of the adjustment to the holders of the Mandatory Convertible Preferred Stock. We will also be required to deliver a statement setting forth in reasonable detail the method by which the adjustment to each Fixed Conversion Rate was determined and setting forth each adjusted Fixed Conversion Rate.

For the avoidance of doubt, if an adjustment is made to the Fixed Conversion Rates, no separate inversely proportionate adjustment will be made to the Initial Price or the Threshold Appreciation Price

because the Initial Price is equal to $100.00 *divided by* the Maximum Conversion Rate (as adjusted in the manner described herein) and the Threshold Appreciation Price is equal to $100.00 divided by the Minimum Conversion Rate (as adjusted in the manner described herein).

Whenever the terms of the Mandatory Convertible Preferred Stock require us to calculate the VWAP per share of our common stock over a span of multiple days, our board of directors or an authorized committee thereof will make appropriate adjustments (including, without limitation, to the Applicable Market Value, the Early Conversion Average Price, the Fundamental Change Share Price and the Average Price (as the case may be)) to account for any adjustments to the Fixed Conversion Rates (as the case may be) that become effective, or any event that would require such an adjustment if the ex-date, effective date, record date or expiration date (as the case may be) of such event occurs, during the relevant period used to calculate such prices or values (as the case may be).

If:

- the record date for a dividend or distribution on shares of our common stock occurs after the end of the 20 consecutive Trading Day period used for calculating the Applicable Market Value and before the Mandatory Conversion Date; and

- that dividend or distribution would have resulted in an adjustment of the number of shares issuable to the holders of the Mandatory Convertible Preferred Stock had such record date occurred on or before the last Trading Day of such 20-Trading Day period,

then we will deem the holders of the Mandatory Convertible Preferred Stock to be holders of record of our common stock for purposes of that dividend or distribution. In this case, the holders of the Mandatory

Convertible Preferred Stock would receive the dividend or distribution on our common stock together with the number of shares of our common stock issuable upon mandatory conversion of the Mandatory Convertible Preferred Stock.

**Recapitalizations, Reclassifications and Changes of Our Common Stock**

In the event of:

- any consolidation or merger of us with or into another person (other than a merger or consolidation in which we are the surviving corporation and in which the shares of our common stock outstanding immediately prior to the merger or consolidation are not exchanged for cash, securities or other property of us or another person);

- any sale, transfer, lease or conveyance to another person of all or substantially all of our property and assets;

- any reclassification of our common stock into securities, including securities other than our common stock; or

- any statutory exchange of our securities with another person (other than in connection with a merger or acquisition),

in each case, as a result of which our common stock would be converted into, or exchanged for, stock, other securities or other property or assets (including cash or any combination thereof) (each, a "Reorganization Event"), each share of the Mandatory Convertible Preferred Stock outstanding immediately prior to such Reorganization Event shall, without the consent of the holders of the Mandatory Convertible Preferred Stock, become convertible into the kind of stock, other securities or other property or assets (including cash or any combination thereof) that such holder would have been entitled to receive if such holder had converted its Mandatory Convertible Preferred Stock into common stock immediately prior to such Reorganization Event (such stock, other securities or other property or assets (including cash or any combination thereof), the "Exchange Property", with each "Unit of Exchange Property" meaning the kind and amount of Exchange Property that a holder of one share of common stock is entitled to receive).

If the transaction causes our common stock to be converted into, or exchanged for, the right to receive more than a single type of consideration (determined based in part upon any form of stockholder election), the Exchange Property into which the Mandatory Convertible Preferred Stock will be convertible will be deemed to be the weighted average of the types and amounts of consideration actually received by the holders of our common stock. We will notify holders of the Mandatory Convertible Preferred Stock of the weighted average as soon as practicable after such determination is made.

The number of Units of Exchange Property we will deliver for each share of the Mandatory Convertible Preferred Stock converted following the effective date of such Reorganization Event will be determined as if references to our common stock in the description of the conversion rate applicable upon mandatory conversion, Early Conversion and Early Fundamental Change Conversion were to Units of Exchange Property (without interest thereon and without any right to dividends or distributions thereon which have a record date prior to the date such Mandatory Convertible Preferred Stock is actually converted). For the purpose of determining which bullet of the definition of conversion rate in the second paragraph under "—Mandatory Conversion" will apply upon mandatory conversion, and for the purpose of calculating the conversion rate if the second bullet is applicable, the value of a Unit of Exchange Property will be determined in good faith by our board of directors or an authorized committee thereof (which determination will be final), except that if a Unit of Exchange Property includes common stock or American Depositary Receipts, or "ADRs", that are traded on a U.S. national securities exchange, the value of such common stock or ADRs will be the average over the 20 consecutive Trading Day period used for calculating the Applicable Market Value of the volume-weighted average prices for such common stock or ADRs, as displayed on the applicable Bloomberg screen (as determined in good faith by our board of directors or an authorized committee thereof (which determination will be final)); or, if such price is not available, the average market value per share of such common stock or ADRs over such period as determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained by us for this purpose. The provisions of this paragraph will apply to successive Reorganization Events, and the provisions summarized under "—Anti-Dilution Adjustments" will apply to any shares of capital stock or ADRs of us or any successor received by the holders of shares of our common stock in any such Reorganization Event.

We (or any successor to us) will, as soon as reasonably practicable (but in any event within 20 calendar days) after the occurrence of any Reorganization Event provide written notice to the holders of the Mandatory Convertible Preferred Stock of such occurrence and of the kind and amount of cash, securities or other property that constitute the Exchange Property. Failure to deliver such notice will not affect the operation of the provisions described in this section.

**Reservation of Shares**

We will at all times reserve and keep available out of the authorized and unissued shares of common stock, solely for issuance upon conversion of the Mandatory Convertible Preferred Stock, the maximum number of shares of our common stock as shall be issuable from time to time upon the conversion of all the shares of the Mandatory Convertible Preferred Stock then outstanding.

**Book-Entry, Delivery and Form**

The Mandatory Convertible Preferred Stock will be issued in global form. DTC or its nominee will be the sole registered holder of the Mandatory Convertible Preferred Stock. Ownership of beneficial interests in the Mandatory Convertible Preferred Stock in global form will be limited to persons who have accounts with DTC, or "participants", or persons who hold interests through such participants. Ownership of beneficial interests in the Mandatory Convertible Preferred Stock in global form will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

So long as DTC, or its nominee, is the registered owner or holder of a global certificate representing the shares of the Mandatory Convertible Preferred Stock, DTC or such nominee, as the case may be, will be considered the sole holder of the shares of the Mandatory Convertible Preferred Stock represented by such global certificate for all purposes under the Certificate of Designations establishing the terms of the Mandatory Convertible Preferred Stock. No beneficial owner of an interest in the shares of the Mandatory Convertible Preferred Stock in global form will be able to transfer that interest except in accordance with the applicable procedures of DTC in addition to those provided for under the Certificate of Designations establishing the terms of the Mandatory Convertible Preferred Stock.

Payments of dividends on the global certificate representing the shares of the Mandatory Convertible Preferred Stock will be made to DTC or its nominee, as the case may be, as the registered holder thereof. None of us, the transfer agent, registrar, conversion or dividend disbursing agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a global certificate representing the shares of the Mandatory Convertible Preferred Stock or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We expect that DTC or its nominee, upon receipt of any payment of dividends in respect of a global certificate representing the shares of the Mandatory Convertible Preferred Stock, will credit participants' accounts with payments in amounts proportionate to their respective beneficial ownership interests in the aggregate Liquidation Preference of such global certificate representing the shares of the Mandatory Convertible Preferred Stock as shown on the records of DTC or its nominee, as the case may be. We also expect that payments by participants to owners of beneficial interests in such global certificate representing the shares of the Mandatory Convertible Preferred Stock held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. We understand that DTC is:

- a limited purpose trust company organized under the laws of the State of New York;
- a "banking organization" within the meaning of New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the Uniform Commercial Code; and
- a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include:

- securities brokers and dealers;
- banks and trust companies; and
- clearing corporations and certain other organizations.

Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly (indirect participants).

Although DTC is expected to follow the foregoing procedures in order to facilitate transfers of interests in a global security among its participants, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of us, the transfer agent, registrar, conversion or dividend disbursing agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

If DTC is at any time unwilling or unable to continue as a depositary for the shares of the Mandatory Convertible Preferred Stock in global form or DTC ceases to be registered as a clearing agency under the Exchange Act, and in either case a successor depositary is not appointed by us within 90 days, we will issue certificated shares in exchange for the global securities. Holders of an interest in the Mandatory Convertible Preferred Stock in global form may receive certificated shares, at our option, in accordance with the rules and procedures of DTC in addition to those provided for under the Certificate of Designations. Beneficial interests in Mandatory Convertible Preferred Stock in global form held by any direct or indirect participant may also be exchanged for certificated shares upon request to DTC by such direct participant (for itself or on behalf of an indirect participant), to the transfer agent in accordance with their respective customary procedures.

**Description of 0.625% Senior Notes due 2027**

The following description of our 0.625% Senior Notes due 2027 (the "notes") is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to the form of the notes and the indenture, dated as of May 29, 2013 (the "Indenture"), between us and U.S. Bank National Association, as trustee (the "trustee"), which are both incorporated by reference as exhibits to the Annual Report on Form 10-K of which this exhibit is a part.

The notes are traded on The New York Stock Exchange under the bond trading symbol of "BSX27." Currently, U.S. Bank National Association is acting as transfer agent and registrar for the notes and Elavon Financial Services DAC (UK Branch) is acting as paying agent.

Capitalized terms that are used but not otherwise defined herein have the meanings assigned to them in the Indenture, and those definitions are incorporated herein by reference. We encourage you to read the above referenced Indenture for additional information.

**General**

The notes offered were initially issued in an aggregate principal amount of €900,000,000 aggregate principal amount, which is the amount outstanding as of the date of the Annual Report on Form 10-K of which this exhibit is a part. The notes will mature on December 1, 2027. The notes will not be entitled to the benefit of a sinking fund.

The notes will bear interest from November 12, 2019, payable annually in arrears on December 1 of each year, beginning December 1, 2020, to the persons in whose names such notes are registered at the close of business on the business day (for this purpose, a day on which Clearstream and Euroclear are open for business) immediately preceding the relevant interest payment date. Interest on the notes will be computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the notes (or November 12, 2019, if no interest has been paid on the notes), to, but excluding, the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Market Association.

Additional notes (the "Additional Notes") in an unlimited amount may be issued in one or more series from time to time on the same terms and conditions, except for issue date, and in certain cases the issue price and the first interest payment, either of which may differ from the respective terms of the previously issued notes of the same series, and with the same CUSIP numbers as the notes (to the extent permissible under applicable law) without the consent of Holders of the notes.

**Ranking**

The notes are unsecured and rank on a parity with all of our other unsecured and unsubordinated indebtedness from time to time outstanding. The notes will rank senior to any existing and future unsecured and subordinated debt, effectively junior to our secured debt to the extent of the collateral securing such secured debt and effectively junior to liabilities of our subsidiaries, in each case as may be outstanding from time to time.

**Issuance in Euro**

We will pay the principal of, premium, if any, and interest on each note to the registered holder in euro in immediately available funds, provided that, if the euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if the euro is no longer being used by the then member states of the European Economic and Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the notes will be made in U.S. dollars until the euro is again available to us or so used. In such circumstances, the amount payable on any date in euro will be converted by us into U.S. dollars at the rate mandated by the U.S. Federal Reserve Board as of the close of business on the second business day prior to the relevant payment date or, in the event the U.S. Federal Reserve Board has not mandated a rate of conversion, on the basis of the most recent U.S. dollar/euro exchange rate published in The Wall Street Journal on or prior to the second business day prior to the relevant payment date. Any payment in respect of the notes so made in U.S. dollars will not constitute an event of default under the notes or the indenture governing the notes.

Neither the trustee nor the paying agent shall have any responsibility for any calculation or conversion in connection with the foregoing.

**Limitation on Liens**

We will not, and will not permit any of our Subsidiaries (as defined in the Indenture) to, directly or indirectly, create, incur, assume or suffer to exist any Lien (as defined in the Indenture) upon any of our property, assets or revenues, whether now owned or hereafter acquired, except for: (i) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings; *provided* that adequate reserves with respect thereto are maintained on our or our Subsidiaries' books, as the case may be, in conformity with accounting principles generally accepted in the United States; (ii) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than 60 days or which are being contested in good faith by appropriate proceedings; (iii) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation and deposits securing liability to insurance carriers under insurance or self-insurance arrangements; (iv) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business; (v) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of our business or that of a Subsidiary; (vi) Liens in existence on the date of the first issuance by us of Securities (as defined in the Indenture) issued pursuant to the Indenture; *provided* that no such Lien is spread to cover any additional property after such date and that the amount of Debt (as defined in the Indenture) secured thereby is not increased; (vii) Liens securing our and our Subsidiaries' Debt incurred to finance the acquisition of fixed or capital assets; *provided* that (A) such Liens will be created substantially simultaneously with the acquisition of such fixed or capital assets, (B) such Liens do not at any time encumber any property other than the property financed by such Debt and (C) the amount of Debt secured thereby is not increased; (viii) Liens on the property or assets of a corporation that becomes a Subsidiary after the date of the Indenture; *provided* that (A) such Liens existed at the time such corporation became a Subsidiary and were not created in anticipation thereof, (B) any such Lien is not spread to cover any property or assets of such corporation after the time such corporation becomes a Subsidiary, and (C) the amount of Debt secured thereby is not increased; (ix) Liens pursuant to any Receivables Transaction (as

defined in the Indenture) in an aggregate principal amount not exceeding 20% of our Consolidated Tangible Assets (as defined in the Indenture); and (x) Liens (not otherwise permitted pursuant to the Indenture) (A) which secure obligations not exceeding (as to us and our Subsidiaries) the greater of (X) $250.0 million or (Y) 20% of our Consolidated Tangible Assets (as defined in the Indenture), in each case in an aggregate amount at any time outstanding, or (B) with respect to which we effectively provide that the Securities Outstanding (as defined in the Indenture) under the Indenture are secured equally and ratably with (or, at our option, prior to) the Debt secured by such Lien.

**Optional Redemption**

Prior to the Par Call Date (as defined below), we may redeem the notes, in whole or in part, at our option, on at least 15 days, but no more than 60 days prior written notice mailed to the registered holders of the notes to be redeemed, at any time at a redemption price equal to the greater of:

- 100% of the principal amount of the notes being redeemed, or
- as determined by a Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest thereon to the applicable Par Call Date (not including any portion of such payments of interest accrued to the date of redemption) discounted to the redemption date on an annual basis (ACTUAL/ACTUAL(ICMA)) at the Comparable Government Bond Rate (defined below), plus 20 basis points for the notes,

plus, in each case, accrued and unpaid interest on the notes to, but not including, the redemption date (subject to the right of holders as of the close of business on a regular record date to receive interest due on the related interest payment date).

At any time and from time to time on or after September 1, 2027 (the date that is three months prior to the maturity date of the notes) (the "Par Call Date"), we may redeem the notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest to the redemption date.

"*Comparable Government Bond Rate*" means, for any redemption date, the rate per annum equal to the annual equivalent yield to maturity or interpolated yield to maturity (on a day count basis), computed as the third business day immediately preceding that redemption date, of the Comparable Government Issue (as defined below), assuming a price for the Comparable Government Issue (expressed as a percentage of its principal amount) equal to the Comparable Price (as defined below) for such redemption date.

"*Comparable Government Issue*" means the euro-denominated security issued by the German federal government selected by a Quotation Agent as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized (assuming that the notes matured on the applicable Par Call Date), at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such notes.

"*Comparable Price*" means, with respect to any redemption date, (i) the average of the Reference Dealer Quotations (as defined below) for such redemption date, after excluding the highest and lowest such Reference Dealer Quotations, or (ii) if the trustee obtains fewer than three such Reference Dealer Quotations, the average of all such quotations.

"*Quotation Agent*" means the Reference Dealer appointed by the trustee after consultation with us.

"*Reference Dealer*" means (i) each of Barclays Bank PLC, Goldman Sachs & Co. LLC and Merrill Lynch International and their respective successors; *provided*, *however*, that, if any of the foregoing shall cease to be a broker or dealer of, and/or a market maker in, German government bonds (a "Primary Bond Dealer"), we shall substitute therefor another Primary Bond Dealer, and (ii) any other Primary Bond Dealers selected by the trustee after consultation with us.

"*Reference Dealer Quotations*" means, with respect to each Reference Dealer and any redemption date, the average, as determined by the trustee, of the bid and ask prices for the Comparable Government Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Dealer at 5:00 p.m. London time, on the third business day preceding such redemption date.

If we redeem only some of the notes, the trustee shall determine by lot the notes to be redeemed or, in the case of notes held in global form, pursuant to applicable procedures of the depositary. Notice by the depositary to these participants and by participants to "street name" holders of indirect interests in the notes will be made according to arrangements among them and may be subject to statutory or regulatory requirements. Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the notes or portions of the notes called for redemption.

**Repurchase at the Option of Holders Upon Change of Control Repurchase Event**

If a Change of Control Repurchase Event occurs, unless we have exercised our option to redeem the notes as described under the heading "-Optional Redemption" above, each holder of the notes will have the right to require us to purchase all or a portion (equal to €100,000 and any integral multiples of €1,000 in excess thereof) of such holder's notes pursuant to the offer described below (a "Change of Control Offer") at a purchase price equal to 101% of the aggregate principal amount of the notes repurchased, plus accrued and unpaid interest, if any, to, but not including, the date of repurchase (the "Change of Control Payment"), subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date.

We will be required to send a notice to each holder of the notes by first class mail, with a copy to the trustee, within 30 days following the date upon which any Change of Control Repurchase Event occurred, or at our option, prior to any Change of Control but after the public announcement of the pending Change of Control. The notice will govern the terms of the Change of Control Offer and will describe, among other things, the transaction that constitutes or may constitute the Change of Control Repurchase Event and the purchase date. The purchase date will be at least 30 days but no more than 60 days from the date such notice is mailed, other than as may be required by law (a "Change of Control Payment Date"). If the notice is mailed prior to the date of consummation of the Change of Control, the notice will state that the Change of Control Offer is conditioned on the Change of Control being consummated on or prior to the Change of Control Payment Date.

On the Change of Control Payment Date, we will, to the extent lawful:

- accept for payment all properly tendered notes or portions of notes not validly withdrawn;
- deposit with the paying agent the required payment for all properly tendered notes or portions of notes not validly withdrawn; and

- deliver or cause to be delivered to the trustee the repurchased notes, accompanied by an officers' certificate stating, among other things, the aggregate principal amount of repurchased notes.

We will not be required to make a Change of Control Offer with respect to the notes upon the occurrence of a Change of Control Repurchase Event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for such an offer made by us and the third party purchases all of the notes properly tendered and not withdrawn under its offer. In addition, we will not repurchase any notes if there has occurred and is continuing on the Change of Control Payment Date an Event of Default under the Indenture.

We will comply with the requirements of Rule 14e-1 under the Exchange Act, and any other securities laws and regulations thereunder, to the extent those laws and regulations are applicable, in connection with the repurchase of notes as a result of a Change of Control Repurchase Event. To the extent that the provisions of any such securities laws or regulations conflict with the Change of Control Offer provisions of the notes, we will comply with those securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control Offer provisions of the notes by virtue of any such conflict.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of our properties or assets and those of our subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require us to repurchase the notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of our assets and the assets of our subsidiaries, taken as a whole, to another person or group may be uncertain.

For purposes of the foregoing discussion, the following definitions apply:

"*Capital Stock*" means the capital stock of every class whether now or hereafter authorized, regardless of whether such capital stock shall be limited to a fixed sum or percentage with respect to the rights of the holders thereof to participate in dividends and in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of such corporation.

"*Change of Control*" means the occurrence of any of the following:

- the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or more series of related transactions, of all or substantially all of our assets and the assets of our subsidiaries, taken as a whole, to any "person" (as that term is used in Section 13(d)(3) of the Exchange Act), other than us or one of our subsidiaries;

- the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as that term is used in Section 13(d)(3) of the Exchange Act), other than us or one of our subsidiaries, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of our then outstanding Voting Stock or other Voting Stock into which our Voting Stock is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; or

- the adoption of a plan relating to our liquidation or dissolution.

Notwithstanding the foregoing, a transaction will not be considered to be a Change of Control if (a) we become a direct or indirect wholly-owned subsidiary of a holding company and (b)(x) immediately following that transaction, the direct or indirect holders of the Voting Stock of the holding company are substantially the same as the holders of our Voting Stock immediately prior to that transaction or (y) immediately following that transaction, no person is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company.

"*Change of Control Repurchase Event*" means the occurrence of both a Change of Control and a Rating Event.

"*Fitch*" means Fitch, Inc. and its successors.

"*Investment Grade*" means a rating of Baa3 or better by Moody's (or its equivalent under any successor rating categories of Moody's), a rating of BBB- or better by S&P (or its equivalent under any successor rating categories of S&P) and a rating of BBB- or better by Fitch (or its equivalent under any successor rating categories of Fitch); *provided*, *however*, that we shall not be required to maintain a rating by more than two Rating Agencies at any time and if only two Rating Agencies provide a rating with respect to the notes, then "Investment Grade" shall mean the applicable rating described above of such two Rating Agencies.

"*Moody's*" means Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors.

"*Rating Agencies*" means each of Moody's, S&P and Fitch, or if any of Moody's, S&P or Fitch ceases to rate the notes or fails to make a rating of the notes publicly available, any "nationally recognized statistical rating organization" within the meaning of Section 3(a)(62) under the Exchange Act that is selected by us as a replacement agency for Moody's, S&P or Fitch, or each of them, as the case may be; *provided*, *however*, that the Company shall not be required to maintain a rating by more than two Rating Agencies at any time.

"*Rating Event*" means, with respect to the notes, the rating of the notes shall be decreased by each of the Rating Agencies independently by one or more gradations during the Rating Period (as defined below). If the rating of the notes by each of the Rating Agencies is Investment Grade, then "Rating Event" will mean the rating of the notes shall be decreased by one or more gradations by each Rating Agency so that the ratings of the notes by all of the Rating Agencies fall below Investment Grade, on any date from the date of the public notice of an arrangement that could result in a Change of Control until the end of the 30-day period following public notice of the occurrence of the Change of Control (the "Rating Period") (which 30-day period shall be extended by no more than 60 days from the date of the occurrence of the Change of Control if the rating of the notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies and each other Rating Agency has either downgraded, or publicly announced that it is considering downgrading, the notes). A Rating Event otherwise arising by virtue of a particular reduction in rating will not be deemed to have occurred in respect of a particular Change of Control (and thus will not be deemed a Rating Event for purposes of the definition of "Change of Control Repurchase Event") if each Rating Agency making the reduction in rating to which this definition would otherwise apply does not announce or publicly confirm or inform the trustee under the Indenture in writing at our request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control has occurred at the time of the Rating Event).

"*S&P*" means S&P Global Ratings, a division of S&P Global Inc., and its successors.

"*Voting Stock*" means, with respect to any specified person as of any date, the Capital Stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

**Redemption for Tax Reasons**

Subject to a period of not less than fifteen (15) nor more than sixty (60) days' prior written notice to the registered holders of the notes to be redeemed, we may redeem the notes at any time after the issue date and prior to the maturity date, in whole, but not in part, at a redemption price equal to 100% of the aggregate principal amount of notes being redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, on the date determined by us for early redemption, if:

(a) as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below), or any change in, or amendment to, an official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment is announced or becomes effective on or after November 6, 2019, we have become or will become obligated to pay Additional Amounts (as defined below); or

(b) any act is taken by a taxing authority of a Relevant Taxing Jurisdiction on or after November 6, 2019, whether or not such act is taken with respect to us or any of our affiliates, that results in a substantial probability that we will be required to pay Additional Amounts on the notes; provided in each case that we determine, in our business judgment (determined in good faith), that the obligation to pay the Additional Amounts cannot be avoided by the use of reasonable measures available to us (including, for the avoidance of doubt, the appointment of a new paying agent where this would be reasonable and would not cause us to incur material additional out-of-pocket costs, but not including assignment of the obligation to make payment with respect to the notes).

No redemption above may be made unless (i) we shall have received an opinion of independent counsel to the effect that any such change, amendment or act described in paragraphs (a) or (b) above results in our requirement to pay (in the case of paragraph (a)) or a substantial probability that we will be required to pay (in the case of paragraph(b)) the Additional Amounts described herein and (ii) we shall have delivered to the paying agent a certificate, signed by a duly authorized officer, stating that based on such opinion, we are entitled to redeem the notes pursuant to their terms.

**Additional Amounts**

All payments of principal, premium, if any, and interest by or on behalf of us pursuant to the terms of the notes shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or other governmental charges of whatsoever nature required to be deducted or withheld by the United States, any state thereof or the District of Columbia or any other jurisdiction through which payment on a note is made, or any political subdivision or taxing authority therein or thereof (a "Relevant Taxing Jurisdiction"), unless such withholding or deduction is required by law.

In the event any withholding or deduction on payments in respect of the notes for or on account of any present or future tax, assessment or other governmental charge is required to be deducted or withheld by a Relevant Taxing Jurisdiction, we shall remit the full amount required to be deducted or withheld to

the relevant authority in accordance with applicable law and pay such additional amounts (the "Additional Amounts") so that every net payment of the principal of, premium, if any, and interest on the notes will result in receipt by each holder of a note of such amounts (after all such withholding or deduction, including on any additional amounts) as would have been received had no such withholding or deduction been required. We will not be required, however, to make any payment of Additional Amounts for or on account of certain situations, as set forth in the form of notes.

**Events of Default**

The Indenture provides that the following will be "events of default" with respect to any series of debt securities:

(1) default in the payment of any interest on any debt security of that series, when it becomes due and payable, and continuance of such default for a period of 30 days;

(2) default in the payment of, the principal of, or premium, if any, on any debt security of that series when due at its maturity or upon acceleration;

(3) default in the deposit of any sinking fund payment, when and as due by the terms of the debt securities of that series and the Indenture;

(4) default in the performance, or breach, of any of our covenant or agreement in the Indenture which affects or is applicable to debt securities of such series (other than a default in the performance, or breach of a covenant or agreement that is specifically dealt with elsewhere in the Indenture), and the continuation of that default or breach for a period of 90 days after the trustee has given us, or after Holders of at least 25% in aggregate principal amount of all outstanding securities of that series have given us and the trustee, written notice thereof;

(5) certain events relating to our bankruptcy, insolvency or reorganization; or

(6) any other event of default provided with respect to debt securities of that series.

If an event of default specified in clauses (1), (2), (3), (4) or (6) therein with respect to the notes occurs and is continuing, either the trustee or the holders of at least 25% in aggregate principal amount of the outstanding notes may declare the principal amount, plus accrued interest, if any, on all the then outstanding notes to be due and payable immediately. If an event of default specified in clause (5) therein occurs and is continuing, then the principal amount, plus accrued interest, if any, of all the notes will be due and payable immediately, without any declaration or other act on the part of the trustee or any holder. In certain cases, holders of a majority in principal amount of the outstanding notes may, on behalf of holders of all the notes, rescind and annul a declaration of acceleration.

The Indenture provides that the trustee will not be liable for any action taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture. The Indenture provides that no Holder may institute any proceedings, judicial or otherwise, to enforce the Indenture except in the case of failure of the trustee thereunder to act for 60 days after it has received a request to enforce the Indenture by Holders of at least 25% in aggregate principal amount of the then outstanding debt securities of that series (in the case of an event of default specified in clauses (1), (2), (3), (4) or (6) above) or a request to enforce the Indenture by Holders of at least 25% in aggregate principal amount of all of the debt securities then outstanding (in the case of an event of default specified in clause (5) above), and an offer of reasonable indemnity. This provision will not prevent any

Holder from enforcing payment of principal thereof, and premium, if any, on and interest, if any, thereon at the respective due dates.

Holders of not less than a majority in aggregate principal amount of the debt securities of any series then outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on it with respect to debt securities of that series. The trustee may, however, refuse to follow any direction that it determines may not lawfully be taken or would be illegal or in conflict with the Indenture or involve it in personal liability or which would be unjustly prejudicial to Holders not joining in that proceeding.

The Indenture provides that the trustee will, within 90 days after the occurrence of a default with respect to any series of debt securities, give to Holders of debt securities of that series notice of such default if that default has not been cured or waived. Except in the case of a default in the payment of principal of, or premium, if any, on or interest on, or in the payment of any sinking fund installment in respect of, any debt securities of that series, the trustee will be protected in withholding the notice if it determines in good faith that the withholding of the notice is in the interest of Holders of the debt securities of such series.

We will be required to deliver an officers' certificate to the trustee annually as to our compliance with all conditions and covenants under the terms of the Indenture.

**Defeasance**

The notes are subject to our defeasance option. At our option, the notes will be discharged from any and all obligations (except for certain obligations to register the transfer or exchange of notes, replace stolen, lost or mutilated notes, maintain paying agencies, and hold money for payment in trust), if we deposit with the trustee, in trust, money or Government Obligations (as defined in the Indenture) which through the payment of interest thereon and principal thereof in accordance with their terms will provide money in an amount sufficient to pay all the principal (including any mandatory sinking fund payments) of, and interest on, the notes on the dates such payments are due in accordance with the terms of the notes.

To exercise any such option, we are required to deliver to the trustee an opinion of counsel to the effect that the deposit and related defeasance would not cause the Holders of the notes to recognize income, gain or loss for federal income tax purposes and, in the case of a discharge pursuant to (1) above, such opinion of counsel must be based upon a ruling to such effect received by us from or published by the United States Internal Revenue Service or a change in applicable federal income tax law to such effect. We are required to deliver to the trustee an officer's certificate stating that no event of default with respect to the notes has occurred and is continuing.

**Satisfaction and Discharge**

As set forth in the Indenture, and upon the occurrence of certain events, the Indenture may be subject to satisfaction and discharge with respect to the notes.

**Modification and Waiver**

Modifications of and amendments to the Indenture may be made by us and the trustee with the consent of Holders of a majority in principal amount of the outstanding debt securities of each series issued under the Indenture that is affected by the modification or amendment; provided, however, that no

such modification or amendment may, without the consent of the Holder of each outstanding debt security affected thereby make certain changes as set forth in the Indenture.

We may, with respect to any series of debt securities, omit to comply with certain restrictive provisions of the Indenture if Holders of at least a majority in principal amount of all outstanding debt securities affected waive compliance. No such waiver will extend to or affect any term, provision or condition except to the extent so expressly waived, and, until the waiver becomes effective, our obligations and the duties of the trustee to Holders of debt securities of that series in respect of the applicable term, provision or condition will remain in full force and effect.

Holders of a majority in principal amount of the outstanding debt securities of each series (in the case of an event of default specified in clauses (1), (2), (3), (4) and (6) under "Events of Default" above) or the Holders of a majority in principal amount of all of the debt securities then outstanding (in the case of an event of default specified in clause (5) under "Events of Default" above) may, on behalf of all those Holders, waive any past default under the Indenture with respect to debt securities of that series except a default in the payment of the principal of, or premium, if any, on or interest, if any, on any such debt security and except a default in respect of a covenant or provision the modification or amendment of which would require the consent of the Holder of each outstanding debt security affected.

**EXHIBIT 21**

**List of worldwide subsidiaries of Boston Scientific as of January 31, 2021**

**Structure of ownership and control:**

Boston Scientific wholly owns or has a majority interest in all of the below mentioned entities.

Acurate Industria e Comercio Ltda. (Brazil)
American Medical Systems Europe B.V. (The Netherlands)
Apama Medical, Inc. (Delaware)
Augmenix, Inc. (Delaware)
Biocompatibles International Limited (England)
Biocompatibles UK Limited (England)
Biocompatibles, Inc. (Delaware)
Borneo Merger Sub, Inc. (Delaware)
Boston Scientific (Malaysia) Sdn. Bhd. (Malaysia)
Boston Scientific (South Africa) Proprietary Limited (South Africa)
Boston Scientific (Thailand) Ltd. (Thailand)
Boston Scientific (UK) Limited (England)
Boston Scientific AG (Switzerland)
Boston Scientific Argentina S.A. (Argentina)
Boston Scientific Asia Pacific Pte. Ltd. (Singapore)
Boston Scientific Benelux NV (Belgium)
Boston Scientific Ceska republika s.r.o. (Czech Republic)
Boston Scientific Chile SpA (Chile)
Boston Scientific Clonmel Limited, in liquidation (Ireland)
Boston Scientific Colombia Limitada (Colombia)
Boston Scientific Comercial de Costa Rica BSCR, S.R.L. (Costa Rica)
Boston Scientific Cork Limited, in liquidation (Ireland)
Boston Scientific de Costa Rica S.R.L. (Costa Rica)
Boston Scientific de Mexico, S.A. de C.V. (Mexico)
Boston Scientific del Caribe, Inc. (Puerto Rico)
Boston Scientific do Brasil Ltda. (Brazil)
Boston Scientific Far East B.V. (The Netherlands)
Boston Scientific Gesellschaft m.b.H. (Austria)
Boston Scientific Group plc (Ireland)
Boston Scientific Hellas S.A. (Greece)
Boston Scientific Hong Kong Limited (Hong Kong)
Boston Scientific Iberica, S.A. (Spain)
Boston Scientific India Private Limited (India)
Boston Scientific International B.V. (The Netherlands)
Boston Scientific International Finance Limited (Ireland)
Boston Scientific International Sdn. Bhd. (Malaysia)
Boston Scientific International S.A. (France)
Boston Scientific Ireland Limited, in liquidation (Ireland)
Boston Scientific Israel Ltd. (Israel)
Boston Scientific Japan K.K. (Japan)
Boston Scientific Korea Co., Ltd. (Korea)
Boston Scientific Lebanon SAL (Lebanon)
Boston Scientific Limited (England)
Boston Scientific Limited (Ireland)
Boston Scientific LLC (Russian Federation)
Boston Scientific Ltd./Boston Scientifique Ltee. (Canada)

Boston Scientific Medical Device (Malaysia) Sdn. Bhd. (Malaysia)
Boston Scientific Medical Device Limited (Ireland)
Boston Scientific Medizintechnik GmbH (Germany)
Boston Scientific Middle East FZ-LLC (UAE)
Boston Scientific Middle East SAL (Offshore) (Lebanon)
Boston Scientific Nederland B.V. (The Netherlands)
Boston Scientific Neuromodulation Corporation (Delaware)
Boston Scientific New Zealand Limited (New Zealand)
Boston Scientific Nordic AB (Sweden)
Boston Scientific Peru S.A.C. (Peru)
Boston Scientific Philippines, Inc. (Philippines)
Boston Scientific Polska Sp. z o.o. (Poland)
Boston Scientific Portugal - Dispositivos Medicos, Lda (Portugal)
Boston Scientific Pty Ltd (Australia)
Boston Scientific Romania S.R.L. (Romania)
Boston Scientific S.A.S. (France)
Boston Scientific S.p.A. (Italy)
Boston Scientific Scimed, Inc. (Minnesota)
Boston Scientific Services Private Limited (India)
Boston Scientific Technology & Engineering Services Private Limited (India)
Boston Scientific TIP Gerecleri Limited Sirketi (Turkey)
Boston Scientific Vietnam Company Limited (Vietnam)
Bravo Bidco Limited (England)
BSC International Medical Trading (Shanghai) Co., Ltd. (China)
BSC Medical Device Technology (Shanghai) Co., Ltd. (China)
BTG Australasia Pty Ltd (Australia)
BTG IM Holdings Ltd. (Israel)
BTG International (Holdings) Limited (England)
BTG International Canada Inc. (Canada)
BTG International Healthcare Inc. (Delaware)
BTG International Healthcare Limited (Delaware)
BTG International Healthcare LLC (Delaware)
BTG International Inc. (Delaware)
BTG International Limited (England)
BTG Limited (England)
BTG Management Services Limited (England)
Cardiac Pacemakers, Inc. (Minnesota)
CeloNova BioSciences Germany GmbH, in liquidation (Germany)
Claret Medical, Inc. (Delaware)
Cosman Medical, LLC (Massachusetts)
Cryterion Medical, Inc. (Delaware)
Cryterion Medical Ireland, Limited (Ireland)
EKOS LLC (Delaware)
Electron Acquisition Corporation (Delaware)
EndoChoice GmbH, in liquidation (Germany)
EndoChoice Holdings, Inc. (Delaware)
EndoChoice, Inc. (Delaware)
EndoChoice Innovation Center Ltd. (Israel)
EndoChoice Israel Ltd. (Israel)
EP Technologies, Inc. (Delaware)
Flash Merger Sub, Inc. (Delaware)
Galil Medical Inc. (Delaware)
Galil Medical Ltd. (Israel)
Galil Medical UK Limited (England)

Guidant Delaware Holding Corporation (Delaware)
Guidant Europe NV (Belgium)
Guidant Puerto Rico B.V. (The Netherlands)
Hong Kong Medtech Trading Limited (Hong Kong)
Millipede, Inc. (Delaware)
Notebook Merger Sub, Ltd. (Delaware)
Novate Medical Limited (Ireland)
nVision Medical Corporation (Delaware)
NXT Merger Corp. (Delaware)
NxThera, Inc. (Delaware)
PneumRx Limited (England)
PneumRx LLC (Delaware)
Protherics Medicines Development B.V. (Netherlands)
Protherics Medicines Development Limited (England)
Protherics UK Limited (England)
Provensis Limited (England)
PT Boston Scientific Indonesia (Indonesia)
RMI Acquisition Corp. (California)
Robert S. Smith, M.D., Inc. (Georgia)
Roxwood Medical, Inc. (Delaware)
Sadra Medical, Inc. (Delaware)
Securus Medical Group, Inc. (Delaware)
SNS Merger Corp. (Delaware)
Special K Merger Corp. (Delaware)
StarMedTec GmbH, in liquidation (Germany)
Stream Enterprises LLC (Delaware)
Symetis SA (Switzerland)
Target Therapeutics, Inc. (Delaware)
Veniti, Inc. (Delaware)
Vertiflex, Inc. (Delaware)
Zuma Investment Pty Ltd (Australia)
34 Biomedical Merger Corp. (Delaware)
9357-1867 Quebec Inc. (Canada)

**EXHIBIT 23**

## Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 Nos. 333-238526, 333-76346, 333-61994, and 333-64991) of Boston Scientific Corporation,

(2) Registration Statement (Form S-4 Nos. 333-131608 and 333-22581) of Boston Scientific Corporation,

(3) Registration Statement (Form S-8 Nos. 333-25033, 333-25037, 333-36636, 333-61056, 333-61060, 333-76380, 333-98755, 333-111047, 333-131608, 333-133569, 333-134932, 333-151280, 333-174620, 333-174622, 333-188905, 333-196672, and 333-241022) of Boston Scientific Corporation;

of our reports dated February 23, 2021, with respect to the consolidated financial statements and schedule of Boston Scientific Corporation and the effectiveness of internal control over financial reporting of Boston Scientific Corporation included in this Annual Report (Form 10-K) of Boston Scientific Corporation for the year ended December 31, 2020.

/s/ Ernst & Young LLP

Boston, Massachusetts
February 23, 2021

**EXHIBIT 31.1**

**CERTIFICATIONS**

I, Michael F. Mahoney, certify that:

1 I have reviewed this Annual Report on Form 10-K of Boston Scientific Corporation;

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

*a)* Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

*b)* Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

*c)* Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

*d)* Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

*a)* All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

*b)* Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2021

/s/ Michael F. Mahoney

Michael F. Mahoney

Chief Executive Officer

**EXHIBIT 31.2**

**CERTIFICATIONS**

I, Daniel J. Brennan, certify that:

*1* I have reviewed this Annual Report on Form 10-K of Boston Scientific Corporation;

*2* Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

*3* Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

*4* The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

*a)* Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

*b)* Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

*c)* Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

*d)* Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

*5* The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

*a)* All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

*b)* Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2021

/s/ Daniel J. Brennan

Daniel J. Brennan

Executive Vice President and Chief Financial Officer

**EXHIBIT 32.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Boston Scientific Corporation (the "Company") for the period ending December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on his knowledge:

*(1)* the Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

*(2)* the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Boston Scientific Corporation.

By: /s/ Michael F. Mahoney
Michael F. Mahoney
Chief Executive Officer

February 23, 2021

**EXHIBIT 32.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Boston Scientific Corporation (the "Company") for the period ending December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Financial Officer of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on his knowledge:

*(1)* the Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

*(2)* the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Boston Scientific Corporation.

By: /s/ Daniel J. Brennan

Daniel J. Brennan

Executive Vice President and Chief Financial Officer

February 23, 2021

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## Board of Directors

**Nelda J. Connors** [2,4]
Founder and Chief Executive Officer, Pine Grove Holdings, LLC

**Charles J. Dockendorff** [1,4]
Former Executive Vice President and Chief Financial Officer, Covidien plc

**Yoshiaki Fujimori** [4]
Senior Executive Advisor of Japan, CVC Capital Partners

**Donna A. James** [2,3]
Founder, President and Managing Director, Lardon & Associates, LLC

**Edward J. Ludwig** [2]
Former Chief Executive Officer and Chairman, Becton, Dickinson and Company

**Stephen P. MacMillan** [2,3]
Chairman, President and Chief Executive Officer, Hologic, Inc.

**Michael F. Mahoney**
Chairman of the Board; President and Chief Executive Officer

**David J. Roux** [1,3]
Co-Founder, Co-Managing Partner, BayPine Capital

**John E. Sununu** [1,4]
Former U.S. Senator

**Ellen M. Zane** [1,3]
CEO Emeritus, Tufts Medical Center and Tufts Children's Hospital

Information is accurate as of March 1, 2021.
**1** Member of the Audit Committee
**2** Member of the Executive Compensation and Human Resources Committee
**3** Member of the Nominating and Governance Committee
**4** Member of the Risk Committee

## Executive Officers

**Daniel J. Brennan**
Executive Vice President and Chief Financial Officer

**Arthur C. Butcher**
Executive Vice President and President, Asia Pacific

**Wendy Carruthers**
Senior Vice President, Human Resources

**Jodi Euerle Eddy**
Senior Vice President and Chief Information and Digital Officer

**Joseph M. Fitzgerald**
Executive Vice President and President, Interventional Cardiology

**Edward F. Mackey**
Executive Vice President, Operations

**Michael F. Mahoney**
Chairman of the Board; President and Chief Executive Officer

**Professor Ian T. Meredith, AM**
Executive Vice President and Global Chief Medical Officer

**Jeffrey B. Mirviss**
Executive Vice President and President, Peripheral Interventions

**Maulik Nanavaty**
Senior Vice President and President, Neuromodulation

**Scott Olson**
Senior Vice President and President, Rhythm Management

**David A. Pierce**
Executive Vice President and President, MedSurg; and President, Endoscopy

**Desiree Ralls-Morrison**
Senior Vice President, General Counsel and Corporate Secretary

**Meghan Scanlon**
Senior Vice President and President, Urology and Pelvic Health

**John B. Sorenson**
Senior Vice President, Manufacturing and Supply Chain

**Eric Thépaut**
Executive Vice President and President, Europe, Middle East and Africa

## Stockholder Information

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

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

Computershare Inc.
P.O. Box 30170
College Station, TX 77842-3170

Shareholder website:
*www.computershare.com/investor*

Shareholder online inquiries:
*https://www-us.computershare.com/investor/contact*

**Independent Registered Public Accounting Firm**
Ernst & Young LLP
Boston, Massachusetts

**Annual Meeting**
The 2021 annual meeting of stockholders will take place on Thursday, May 6, 2021, beginning at 8:00 a.m. Eastern Time. The annual meeting will be held in a virtual format only and can be accessed at *https://www.virtualshareholdermeeting.com/BSX2021*.

**Other Information**
Copies of the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports are available free of charge on our website at www.bostonscientific.com. Our Corporate Governance Guidelines and our Code of Conduct — which applies to all our directors, officers and employees, including our Chief Executive Officer and Chief Financial Officer — are also available on our website.

Certifications of the Chief Executive Officer and Chief Financial Officer certifying the accuracy of the Company's public disclosures have been filed with the Securities and Exchange Commission as exhibits to the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Copies of these reports are also available by directing requests to:
Investor Relations
Boston Scientific Corporation
300 Boston Scientific Way
Marlborough, MA 01752-1234
508-683-4000
508-647-2200 (Facsimile)
BSXInvestorRelations@bsci.com

**Investor Information Requests**
Investors, stockholders and security analysts seeking information about Boston Scientific should refer to our website at www.bostonscientific.com or contact Investor Relations at 508-683-4000, or by email at BSXInvestorRelations@bsci.com

**Corporate Headquarters**
Boston Scientific Corporation
300 Boston Scientific Way
Marlborough, MA 01752-1234
508-683-4000

Investor Relations Facsimile:
508-647-2200

www.bostonscientific.com

Information on or connected to our website (or the website of any third party) referenced in this Annual Report is in addition to and not a part of or incorporated by reference into this Annual Report. Such additional information speaks as of the date thereof and is not intended to be confirmed or updated by reference to it herein. Boston Scientific disclaims any liability or responsibility for or endorsement of the information on or connected to the website of a third party.

Boston Scientific

*Advancing science for life™*

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Marlborough, MA 01752-1234
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