

EDWARDS LIFESCIENCES CORPORATION
Unaudited Consolidated Statements of Operations

(in millions, except per share data)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2014	2013	2014	2013
Net sales	\$ 618.0	\$ 536.0	\$ 2,322.9	\$ 2,045.5
Cost of sales	160.4	143.8	625.6	516.6
Gross profit	457.6	392.2	1,697.3	1,528.9
Selling, general and administrative expenses	223.1	186.6	858.0	733.4
Research and development expenses	84.0	78.6	346.5	323.0
Intellectual property litigation expense (income), net	0.6	6.8	(740.4)	(61.5)
Special charges	10.2	16.3	70.7	16.3
Interest expense, net	1.7	4.0	10.8	5.2
Other expense (income), net	5.1	(0.4)	7.7	1.3
Income before provision for income taxes	132.9	100.3	1,144.0	511.2
Provision for income taxes	23.7	25.2	332.9	122.1
Net income	\$ 109.2	\$ 75.1	\$ 811.1	\$ 389.1

Earnings per share:

Basic	\$ 1.02	\$ 0.69	\$ 7.62	\$ 3.48
Diluted	\$ 1.00	\$ 0.68	\$ 7.48	\$ 3.42

Weighted-average common shares outstanding:

Basic	107.4	109.2	106.5	111.7
Diluted	109.7	111.0	108.5	113.8

Operating Statistics

As a percentage of net sales:

Gross profit	74.0%	73.2%	73.1%	74.7%
Selling, general and administrative expenses	36.1%	34.8%	36.9%	35.9%
Research and development expenses	13.6%	14.7%	14.9%	15.8%
Income before provision for income taxes	21.5%	18.7%	49.2%	25.0%
Net income	17.7%	14.0%	34.9%	19.0%
Effective tax rate	17.8%	25.1%	29.1%	23.9%

Note: Effective January 1, 2014, the Company changed its method of accounting for certain intellectual property litigation expenses. The Company has retrospectively adjusted the comparative financial statements of prior periods to apply this new method of accounting. To make historical comparisons clearer, the Company has included a schedule on its website (see ir.edwards.com/results.cfm) detailing the impact of this change on its 2009-2013 Consolidated Balance Sheets and Statements of Operations.

Note: Numbers may not calculate due to rounding.

EDWARDS LIFESCIENCES CORPORATION
Unaudited Balance Sheets
(in millions)

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 653.8	\$ 420.4
Short-term investments	785.0	516.5
Accounts and other receivables, net	325.0	328.0
Inventories, net	296.8	308.9
Deferred income taxes	63.5	33.4
Prepaid expenses	48.8	46.8
Other current assets	121.7	71.8
Total current assets	<u>2,294.6</u>	<u>1,725.8</u>
Long-term accounts receivable, net	5.8	7.3
Long-term investments	240.9	21.9
Property, plant and equipment, net	442.9	421.6
Goodwill	376.0	385.4
Other intangible assets, net	23.4	33.5
Deferred income taxes	91.5	79.0
Other assets	49.2	35.4
Total assets	<u>\$ 3,524.3</u>	<u>\$ 2,709.9</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	<u>\$ 434.4</u>	<u>\$ 345.6</u>
Long-term debt	<u>598.1</u>	<u>593.1</u>
Other long-term liabilities	<u>300.4</u>	<u>226.8</u>
Stockholders' equity		
Common stock	128.9	126.0
Additional paid-in capital	878.4	671.2
Retained earnings	2,841.9	2,030.8
Accumulated other comprehensive loss	(100.9)	(27.6)
Treasury stock, at cost	<u>(1,556.9)</u>	<u>(1,256.0)</u>
Total stockholders' equity	<u>2,191.4</u>	<u>1,544.4</u>
Total liabilities and stockholders' equity	<u>\$ 3,524.3</u>	<u>\$ 2,709.9</u>

Note: Effective January 1, 2014, the Company changed its method of accounting for certain intellectual property litigation expenses. The Company has retrospectively adjusted the comparative financial statements of prior periods to apply this new method of accounting. To make historical comparisons clearer, the Company has included a schedule on its website (see ir.edwards.com/results.cfm) detailing the impact of this change on its 2009-2013 Consolidated Balance Sheets and Statements of Operations.

EDWARDS LIFESCIENCES CORPORATION

Non-GAAP Financial Information

To supplement the consolidated financial results prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), the Company uses non-GAAP historical financial measures. The Company uses the term "underlying" when referring to non-GAAP sales information, which excludes foreign exchange fluctuations, as well as adjustments for discontinued and acquired products and sales return reserves associated with transcatheter heart valve therapies ("THV") product upgrades, and "excluding special items" to also exclude gains and losses from special items such as significant investments, litigation, and business development transactions, and for 2012 to include the tax benefit for the U.S. Research and Development ("R&D") tax credit, which was required to be included in 2013. Guidance for sales and sales growth rates is provided on an "underlying basis," and projections for diluted earnings per share, net income and growth, gross profit margin, taxes and free cash flow are also provided on the same non-GAAP (or "excluding special items") basis due to the inherent difficulty in forecasting such items. The Company is not able to provide a reconciliation of these non-GAAP items, to expected reported results due to the unknown effect, timing and potential significance of special charges or gains, and management's inability to forecast charges associated with future transactions and initiatives. Management does not consider the excluded items or adjustments as part of day-to-day business or reflective of the core operational activities of the Company as they result from transactions outside the ordinary course of business.

Management uses non-GAAP financial measures internally for strategic decision making, forecasting future results and evaluating current performance. These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with GAAP and reflect an additional way of viewing aspects of the Company's core operations that, when viewed with its GAAP results, provide a more complete understanding of factors and trends affecting the Company's business. Non-GAAP financial measures are not prepared in accordance with GAAP; therefore, the information is not necessarily comparable to other companies and should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP. A reconciliation of non-GAAP historical financial measures to the most comparable GAAP measure is provided in the tables below.

The items described below are adjustments to the GAAP financial results in the reconciliations that follow:

THV Sales Return Reserve and Related Costs - In the fourth quarter of 2013 and the first and second quarters of 2014, the Company recorded a net sales return reserve and related costs, primarily related to inventory reserves, of \$15.2 million, \$15.6 million, and \$6.1 million, respectively, related to estimated THV product returns expected upon introduction of next-generation THV products. In the third and fourth quarters of 2014, the Company recorded a net reversal of the reserve of \$16.0 million and \$3.5 million, respectively, upon delivery of the next-generation THV products.

Intellectual Property Litigation Expense (Income), net - The Company incurred intellectual property litigation expenses of \$5.5 million and \$5.5 million in the first quarter of 2014 and 2013, respectively, \$2.6 million and \$5.5 million in the second quarter of 2014 and 2013, respectively, \$0.9 million and \$4.3 million in the third quarter of 2014 and 2013, respectively, and \$0.6 million and \$6.8 million in the fourth quarter of 2014 and 2013, respectively. In addition, in the second quarter of 2014, the Company recorded a \$750.0 million gain related to an agreement with Medtronic to settle all outstanding patent litigation. In the first quarter of 2013, the Company recorded an \$83.6 million gain related to the April 2010 jury award from Medtronic of damages for infringement of the U.S. Andersen transcatheter heart valve patent.

Acquisition of in-process research and development - The Company recorded a \$10.2 million charge related to the acquisition of transcatheter mitral valve intellectual property in the fourth quarter of 2014.

Asset Write-down - The Company recorded a \$5.0 million charge in the third quarter of 2014 to write-down assets related to its automated glucose monitoring program. The charge related primarily to intellectual property, fixed assets, inventory and severance expenses. The Company recorded a \$5.9 million charge in the fourth quarter of 2013 related to the impairment of in-process research and development assets.

Charitable Foundation Contribution - The Company recorded a \$50.0 million charge in the second quarter of 2014 for a charitable contribution to the Edwards Lifesciences Foundation.

Settlement - The Company recorded a \$7.5 million charge in the first quarter of 2014 to settle past and future obligations related to one of its intellectual property agreements.

Worldwide Realignment - The Company recorded a \$10.4 million charge in the fourth quarter of 2013 related primarily to severance expenses associated with a global workforce realignment.

Provision for Income Taxes - During the second quarter of 2014, the Company recorded a \$6.2 million tax benefit due to the remeasurement of its uncertain tax positions. During the first quarter of 2013, the Company recorded an \$8.4 million income tax benefit relating to the federal R&D tax credit that was extended in 2013 retroactive to the beginning of 2012.

Foreign Exchange - Fluctuation in exchange rates impacts the comparative results and sales growth rates of the Company's underlying business. Management believes that excluding the impact of foreign exchange rate fluctuations from its sales growth provides investors a more meaningful comparison to historical financial results. The impact of foreign exchange rate fluctuations has been detailed in the "Unaudited Reconciliation of Sales by Product Group and Region."

Free Cash Flow - The Company defines free cash flow as cash flows from operating activities less capital expenditures. During 2014, the Company excluded from its calculation of free cash flow the impacts of the payment from Medtronic for the litigation settlement and its contribution to the Edwards Lifesciences Foundation. During 2013, the Company excluded the impact of another payment from Medtronic related to litigation.

EDWARDS LIFESCIENCES CORPORATION
Unaudited Reconciliation of GAAP to Non-GAAP Financial Information

RECONCILIATION OF GAAP TO NON-GAAP NET INCOME

(in millions, except per share data)	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
GAAP Net Income	\$ 109.2	\$ 75.1	\$ 811.1	\$ 389.1
<i>Growth Rate %</i>	45.4%		108.5%	
Non-GAAP adjustments: ^(A)				
THV sales return reserve and related costs	(3.5)	15.2	2.2	15.2
Intellectual property litigation expense (income), net	0.6	6.8	(740.4)	(61.5)
Acquisition of in-process research and development	10.2	-	10.2	-
Charitable foundation contribution	-	-	50.0	-
Settlement	-	-	7.5	-
Asset write-down	-	5.9	5.0	5.9
Worldwide realignment	-	10.4	-	10.4
Provision for income taxes				
Tax effect on reconciling items ^(B)	-	(8.4)	240.2	17.2
Remeasurement of uncertain tax position reserve ^(A)	-	-	(6.2)	-
Federal research and development tax credit ^(A)	-	-	-	(8.4)
Non-GAAP Net Income	\$ 116.5	\$ 105.0	\$ 379.6	\$ 367.9
<i>Growth Rate %</i>	11.0%		3.2%	

RECONCILIATION OF GAAP TO NON-GAAP DILUTED EARNINGS PER SHARE

GAAP Diluted Earnings Per Share	\$ 1.00	\$ 0.68	\$ 7.48	\$ 3.42
<i>Growth Rate %</i>	47.1%		118.7%	
Non-GAAP adjustments: ^{(A), (C)}				
THV sales return reserve and related costs	(0.02)	0.10	0.01	0.10
Intellectual property litigation expense (income), net	-	0.04	(4.44)	(0.34)
Acquisition of in-process research and development	0.08	-	0.09	-
Charitable foundation contribution	-	-	0.33	-
Settlement	-	-	0.06	-
Asset write-down	-	0.05	0.03	0.04
Worldwide realignment	-	0.08	-	0.08
Provision for income taxes				
Remeasurement of uncertain tax position reserve	-	-	(0.06)	
Federal research and development tax credit	-	-	-	(0.07)
Non-GAAP Diluted Earnings Per Share	\$ 1.06	\$ 0.95	\$ 3.50	\$ 3.23
<i>Growth Rate %</i>	11.6%		8.4%	

Note: Numbers may not calculate due to rounding.

(A) See description of "THV Sales Return Reserve and Related Costs," "Intellectual Property Litigation Expense (Income), net," "Acquisition of In-Process Research and Development," "Asset Write-down," "Charitable Foundation Contribution," "Settlement," "Worldwide Realignment," and "Provision for Income Taxes" on the Non-GAAP Financial Information page.

(B) The tax effect on non-GAAP adjustments is calculated based upon the impact of the relevant tax jurisdictions' statutory tax rates on the Company's estimated annual effective tax rate, or discrete rate in the quarter, as applicable.

(C) All amounts are tax effected, calculated based upon the impact of the relevant tax jurisdictions' statutory tax rates on the Company's estimated annual effective tax rate, or discrete rate in the quarter, as applicable.

EDWARDS LIFESCIENCES CORPORATION
Unaudited Reconciliation of GAAP to Non-GAAP Financial Information

THV UNITED STATES UNDERLYING SALES GROWTH

(in millions)	Three Months Ended December 31,	
	2014	2013
GAAP THV United States Sales	\$ 129.5	\$ 85.7
Adjustment for THV sales returns reserve	(3.1)	7.5
Underlying THV United States Sales	\$ 126.4	\$ 93.2
<i>Underlying Growth Rate %</i>	35.6%	

THV OUTSIDE THE UNITED STATES UNDERLYING SALES GROWTH

(in millions)	Three Months Ended December 31,	
	2014	2013
GAAP THV Outside the United States Sales	\$ 138.0	\$ 98.2
Adjustment for THV sales returns reserve	(0.7)	6.6
Foreign exchange impact	-	(7.3)
Underlying THV Outside the United States Sales	\$ 137.3	\$ 97.5
<i>Underlying Growth Rate %</i>	40.8%	

EDWARDS LIFESCIENCES CORPORATION
Unaudited Reconciliation of GAAP to Non-GAAP Tax Rate

RECONCILIATION OF GAAP TO NON-GAAP TAX RATE

	Three Months Ended December 31, 2014	Year Ended December 31, 2014
GAAP Tax Rate	17.8%	29.1%
<u>Non-GAAP adjustments:</u> ^(A)		
THV sales return reserve and related costs	(0.3) pts	0.1 pts
Intellectual property litigation (income) expense, net	0.1 pts	(8.6) pts
Acquisition of in-process research and development	(0.7) pts	(0.2) pts
Settlement		(0.1) pts
Remeasurement of uncertain tax position reserve		0.4 pts
Non-GAAP Tax Rate	16.9%	20.7%

(A) See description of "THV Sales Return Reserve and Related Costs," "Intellectual Property Litigation (Income) Expense, net," "Acquisition of in-process research and development," "Settlement" and "Provision for Income Taxes" on the Non-GAAP Financial Information page.

EDWARDS LIFESCIENCES CORPORATION
Unaudited Reconciliation of GAAP to Non-GAAP Financial Information

RECONCILIATION OF GAAP OPERATING CASH FLOW TO NON-GAAP FREE CASH FLOW

(in millions, except per share data)	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
Net cash provided by operating activities	\$ 93.2	\$ 111.3	\$ 1,022.3	\$ 472.7
Capital expenditures	(34.5)	(20.1)	(82.9)	(109.0)
Medtronic litigation settlement	-	-	(750.0)	-
Charitable foundation contribution	-	-	50.0	-
Medtronic litigation award	-	-	-	(83.6)
Net tax payments on Medtronic litigation and charitable contribution	48.8	-	205.1	26.3
Non-GAAP Free Cash Flow	\$ 107.5	\$ 91.2	\$ 444.5	\$ 306.4

Note: Numbers may not calculate due to rounding.

(A) See description of "Free Cash Flow" on the Non-GAAP Financial Information page.

EDWARDS LIFESCIENCES CORPORATION

Unaudited Reconciliation of Sales by Product Group and Region

(\$ in millions)

Sales by Product Group (QTD)	4Q 2014	4Q 2013	Change	GAAP Growth Rate*
Transcatheter Heart Valve Therapy	\$ 267.5	\$ 183.9	\$ 83.6	45.5%
Surgical Heart Valve Therapy	206.1	207.0	(0.9)	(0.5%)
Critical Care	144.4	145.1	(0.7)	(0.5%)
Total Sales	\$ 618.0	\$ 536.0	\$ 82.0	15.3%

Sales by Product Group (YTD)	YTD 4Q 2014	YTD 4Q 2013	Change	GAAP Growth Rate*
Transcatheter Heart Valve Therapy	\$ 943.6	\$ 707.7	\$ 235.9	33.3%
Surgical Heart Valve Therapy	826.1	801.2	24.9	3.1%
Critical Care	553.2	536.6	16.6	3.1%
Total Sales	\$ 2,322.9	\$ 2,045.5	\$ 277.4	13.6%

Sales by Region (QTD)	4Q 2014	4Q 2013	Change	GAAP Growth Rate*
United States	\$ 286.6	\$ 239.1	\$ 47.5	19.9%
Europe	193.5	162.3	31.2	19.2%
Japan	65.7	67.6	(1.9)	(2.9%)
Rest of World	72.2	67.0	5.2	7.6%
International	331.4	296.9	34.5	11.6%
Total	\$ 618.0	\$ 536.0	\$ 82.0	15.3%

Sales by Region (YTD)	YTD 4Q 2014	YTD 4Q 2013	Change	GAAP Growth Rate*
United States	\$ 1,047.3	\$ 939.6	\$ 107.7	11.5%
Europe	744.5	616.5	128.0	20.8%
Japan	257.9	243.6	14.3	5.9%
Rest of World	273.2	245.8	27.4	11.2%
International	1,275.6	1,105.9	169.7	15.3%
Total	\$ 2,322.9	\$ 2,045.5	\$ 277.4	13.6%

2014 Adjusted		2013 Adjusted			
Sales Return Reserve	4Q 2014 Underlying Sales	Sales Return Reserve	FX Impact	4Q 2013 Underlying Sales	Underlying Growth Rate *
\$ (3.8)	\$ 263.7	\$ 14.1	\$ (7.3)	\$ 190.7	37.9%
-	206.1	-	(7.2)	199.8	3.2%
-	144.4	-	(6.6)	138.5	4.3%
\$ (3.8)	\$ 614.2	\$ 14.1	\$ (21.1)	\$ 529.0	16.0%

2014 Adjusted		2013 Adjusted			
Sales Return Reserve	YTD 4Q 2014 Underlying Sales	Sales Return Reserve	FX Impact	YTD 4Q 2013 Underlying Sales	Underlying Growth Rate *
\$ (14.1)	\$ 929.5	\$ 14.1	\$ (0.5)	\$ 721.3	28.9%
-	826.1	-	(10.5)	790.7	4.5%
-	553.2	-	(12.0)	524.6	5.5%
\$ (14.1)	\$ 2,308.8	\$ 14.1	\$ (23.0)	\$ 2,036.6	13.3%

2014 Adjusted		2013 Adjusted			
Sales Return Reserve	4Q 2014 Underlying Sales	Sales Return Reserve	FX Impact	4Q 2013 Underlying Sales	Underlying Growth Rate *
\$ (3.1)	\$ 283.5	\$ 7.5	\$ -	\$ 246.6	15.0%
(0.7)	192.8	6.6	(10.1)	158.8	21.1%
-	65.7	-	(7.3)	60.3	9.4%
-	72.2	-	(3.7)	63.3	14.1%
(0.7)	330.7	6.6	(21.1)	282.4	16.8%
\$ (3.8)	\$ 614.2	\$ 14.1	\$ (21.1)	\$ 529.0	16.0%

2014 Adjusted		2013 Adjusted			
Sales Return Reserve	YTD 4Q 2014 Underlying Sales	Sales Return Reserve	FX Impact	YTD 4Q 2013 Underlying Sales	Underlying Growth Rate *
\$ (7.5)	\$ 1,039.8	\$ 7.5	\$ -	\$ 947.1	9.8%
(6.6)	737.9	6.6	7.5	630.6	17.0%
-	257.9	-	(19.8)	223.8	15.2%
-	273.2	-	(10.7)	235.1	16.2%
(6.6)	1,269.0	6.6	(23.0)	1,089.5	16.3%
\$ (14.1)	\$ 2,308.8	\$ 14.1	\$ (23.0)	\$ 2,036.6	13.3%

* Numbers may not calculate due to rounding.