

**EDWARDS LIFESCIENCES CORPORATION**  
**Unaudited Consolidated Statements of Operations**

**Three Months Ended**  
**March 31,**

(in millions, except per share data)

	<b>2013</b>	<b>2012</b>
Net sales	\$496.7	\$459.2
Cost of goods sold	122.2	127.3
Gross profit	374.5	331.9
Selling, general and administrative expenses	185.2	177.2
Research and development expenses	79.8	68.6
Special gain	(83.6)	-
Interest income, net	(0.2)	-
Other expense, net	1.2	0.5
Income before provision for income taxes	192.1	85.6
Provision for income taxes	47.2	20.5
Net income	<b>\$144.9</b>	<b>\$65.1</b>

**Earnings per share:**

Basic	\$1.27	\$0.57
Diluted	\$1.24	\$0.55

**Weighted-average common shares outstanding:**

Basic	113.9	114.0
Diluted	116.5	118.0

**Operating Statistics**

As a percentage of net sales:

Gross profit	75.4%	72.3%
Selling, general and administrative expenses	37.3%	38.6%
Research and development expenses	16.1%	14.9%
Income before provision for income taxes	38.7%	18.6%
Net income	29.2%	14.2%
Effective tax rate	24.6%	23.9%

Note: Numbers may not calculate due to rounding.

**EDWARDS LIFESCIENCES CORPORATION****Unaudited Balance Sheets**

(in millions)

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$401.5	\$310.9
Short-term investments	156.4	210.5
Accounts and other receivables, net	329.7	347.5
Inventories, net	288.5	281.0
Deferred income taxes	34.9	43.4
Prepaid expenses	43.2	41.6
Other current assets	106.5	57.0
Total current assets	<u>1,360.7</u>	<u>1,291.9</u>
Long-term accounts receivable, net	10.8	9.9
Property, plant and equipment, net	385.4	373.3
Goodwill	380.2	384.7
Other intangible assets, net	65.5	67.0
Investments in unconsolidated affiliates	22.5	21.1
Deferred income taxes	45.9	47.3
Other assets	25.6	26.3
Total assets	<u><u>\$2,296.6</u></u>	<u><u>\$2,221.5</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	<u>\$300.4</u>	<u>\$347.4</u>
Long-term debt	<u>192.7</u>	<u>189.3</u>
Other long-term liabilities	<u>211.5</u>	<u>205.5</u>
<b>Stockholders' equity</b>		
Common stock	124.7	124.2
Additional paid-in capital	587.2	489.0
Retained earnings	1,798.8	1,653.9
Accumulated other comprehensive loss	(52.0)	(37.9)
Treasury stock, at cost	(866.7)	(749.9)
Total stockholders' equity	<u>1,592.0</u>	<u>1,479.3</u>
Total liabilities and stockholders' equity	<u><u>\$2,296.6</u></u>	<u><u>\$2,221.5</u></u>

## 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 discontinued and newly acquired products and foreign exchange fluctuations, and "excluding special items" or "adjusted for special items" to also exclude gains and losses from special items such as significant investments, litigation, and business development transactions. Guidance for sales and sales growth rates is provided on an "underlying basis," and projections for diluted earnings per share, gross profit margin, selling, general and administrative expenses ("SG&A"), R&D, effective tax rate, net income and growth are also provided on the same non-GAAP (or "excluding special items") basis due to the inherent difficulty in forecasting such items. Management does not consider the excluded items 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. By disclosing non-GAAP financial measures, management intends to provide investors with a more meaningful, consistent comparison of the Company's core operating results and trends for the periods presented. 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 operations that, when viewed with the Company's GAAP results, provide a more complete understanding of factors and trends affecting the Company's business. These non-GAAP measures should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP.

Non-GAAP financial measures are not prepared in accordance with GAAP; therefore, the information is not necessarily comparable to other companies. The Company is not able to provide a reconciliation of projected earnings per share, gross profit margin, SG&A, R&D, effective tax rate, net income and growth guidance, excluding special charges, 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.

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

**Special Gain** - The Company recorded a special gain in the first quarter of 2013 related to the following:

- 1) *Litigation award*: \$83.6 million gain in the first quarter of 2013 related to the April 2010 jury award from Medtronic of damages for infringement of the U.S. Andersen transcatheter heart valve patent.

Given the magnitude and unusual nature of this special gain relative to the operating results for the periods presented, this item has been excluded from non-GAAP net income and earnings per share.

**Provision For Income Taxes** - During the first quarter of 2013, the Company recorded an \$8.4 million income tax benefit relating to the federal research and development tax credit that was extended in 2013 retroactive to the beginning of 2012. During the first quarter of 2012, the Company recorded a \$2.3 million tax benefit due to the remeasurement of its uncertain tax positions. Given the magnitude and unusual nature of the tax events relative to the periods presented, non-GAAP net income and earnings per share has been adjusted for these tax events.

**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."

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

**GAAP TO NON-GAAP NET INCOME TABLE**

(in millions, except per share data)	Three Months Ended March 31,	
	2013	2012
<b>GAAP Net Income</b>	\$144.9	\$65.1
<u>Reconciling items:</u> <sup>(A)</sup>		
<b>Special gain</b>		
1) Litigation award	(83.6)	-
Total	(83.6)	-
<b>Provision for income taxes</b>		
Tax effect on non-GAAP adjustment <sup>(B)</sup>	31.3	-
Federal research and development tax credit <sup>(A)</sup>	(8.4)	-
Remeasurement of uncertain tax position reserves <sup>(A)</sup>	-	(2.3)
Total	22.9	(2.3)
<b>Non-GAAP Net Income</b>	<b>\$84.2</b>	<b>\$62.8</b>

**GAAP TO NON-GAAP DILUTED EARNINGS PER SHARE TABLE**

<b>GAAP Diluted Earnings Per Share</b>	\$1.24	\$0.55
<u>Reconciling items:</u> <sup>(A)(C)</sup>		
<b>Special gain</b>		
1) Litigation award	(0.45)	-
Total	(0.45)	-
<b>Provision for income taxes</b>		
Federal research and development tax credit <sup>(A)</sup>	(0.07)	-
Remeasurement of uncertain tax position reserves <sup>(A)</sup>	-	(0.02)
Total	(0.07)	(0.02)
<b>Non-GAAP Diluted Earnings Per Share</b>	<b>\$0.72</b>	<b>\$0.53</b>

Note: Numbers may not calculate due to rounding.

(A) See description of "Special Gain" and "Provision For Income Taxes" on the Non-GAAP Financial Information page.

(B) The tax effect on non-GAAP adjustments is calculated using the relevant tax jurisdictions' statutory tax rates.

(C) All amounts are tax effected, calculated using the relevant tax jurisdictions' statutory tax rates.

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

**GAAP TO NON-GAAP TAX RATE TABLE**

**Three Months Ended  
March 31, 2013**

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<b>GAAP Tax Rate</b>	<b>24.6%</b>
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Reconciling items: <sup>(A)</sup>

**Special gain**

Litigation award	(3.9) pts
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**Provision for income taxes**

Federal research and development tax credit	1.7 pts
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<b>Non-GAAP Tax Rate</b>	<b>22.4%</b>
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(A) See description of "Special Gain" and "Provision For Income Taxes" on the Non-GAAP Financial Information page.

**EDWARDS LIFESCIENCES CORPORATION**

**Unaudited Reconciliation of Sales by Product Group and Region**

(\$ in millions)

<b>Sales by Product Group (QTD)</b>	<b>1Q 2013</b>	<b>1Q 2012</b>	<b>Change</b>	<b>GAAP Growth Rate*</b>
<b>Surgical Heart Valve Therapy</b>	\$ 198.1	\$ 203.6	\$ (5.5)	(2.7%)
<b>Transcatheter Heart Valves</b>	169.7	121.5	48.2	39.7%
<b>Critical Care</b>	128.9	134.1	(5.2)	(3.9%)
<b>Total Sales</b>	<b>\$ 496.7</b>	<b>\$ 459.2</b>	<b>\$ 37.5</b>	<b>8.2%</b>

<b>2012 Adjusted</b>		
<b>FX Impact</b>	<b>1Q 2012 Underlying Sales</b>	<b>Underlying Growth Rate *</b>
\$ (3.8)	\$ 199.8	(0.8%)
0.6	122.1	39.0%
(4.9)	129.2	(0.2%)
<b>\$ (8.1)</b>	<b>\$ 451.1</b>	<b>10.0%</b>

<b>Sales by Region (QTD)</b>	<b>1Q 2013</b>	<b>1Q 2012</b>	<b>Change</b>	<b>GAAP Growth Rate*</b>
<b>United States</b>	<b>\$ 227.9</b>	<b>\$ 186.6</b>	<b>\$ 41.3</b>	<b>22.1%</b>
Europe	154.5	148.8	5.7	3.8%
Japan	60.0	70.8	(10.8)	(15.3%)
Rest of World	54.3	53.0	1.3	2.5%
<b>International</b>	<b>268.8</b>	<b>272.6</b>	<b>(3.8)</b>	<b>(1.4%)</b>
<b>Total</b>	<b>\$ 496.7</b>	<b>\$ 459.2</b>	<b>\$ 37.5</b>	<b>8.2%</b>

\* Numbers may not calculate due to rounding.