



Edwards Lifesciences Corporation
One Edwards Way · Irvine, CA USA · 92614
Phone: 949.250.2500 · Fax: 949.250.2525
www.edwards.com

FOR IMMEDIATE RELEASE

Media Contact: Sarah Huoh, 949-250-5070

Investor Contact: David K. Erickson, 949-250-6826

EDWARDS LIFESCIENCES REPORTS SECOND QUARTER RESULTS

- ***Second Quarter Underlying Sales Growth of 18% and Reported Growth of 7%***
- ***2015 THV Underlying Sales Growth Guidance Raised to 25% to 35%***
- ***2015 Non-GAAP EPS Guidance Now \$4.30 to \$4.40***

IRVINE, Calif., July 28, 2015 — Edwards Lifesciences Corporation (NYSE: EW), the global leader in the science of heart valves and hemodynamic monitoring, today reported net income for the quarter ended June 30, 2015 of \$112.7 million, or \$1.02 per diluted share. Adjusted net income on a non-GAAP basis was \$124.4 million, or \$1.13 per diluted share, compared to \$0.88 per diluted share in the prior year period. In the year ago period, GAAP net income was \$5.09 per diluted share, which included a \$750 million payment to Edwards from a litigation settlement.

Net sales for the quarter ended June 30, 2015 were \$616.8 million. U.S. and international segment sales for the second quarter were \$302.7 million and \$314.1 million, respectively. The strengthening of the U.S. dollar continued to have a significant negative impact on reported sales. On an underlying¹ basis, sales grew 17.7 percent.

“Strong performance this quarter was boosted by growing global TAVR therapy adoption, with our transcatheter heart valves posting impressive growth,” said Michael A. Mussallem, chairman and CEO. “We are now underway with the U.S. launch of our most advanced SAPIEN 3 transcatheter heart valve, which has demonstrated improved outcomes for patients suffering from severe, symptomatic aortic stenosis.”

Sales Results

For the second quarter, the company reported Transcatheter Heart Valve Therapy (THV) sales of \$281.4 million, a 28.1 percent growth rate over the second quarter last year, or

42.2 percent on an underlying basis. Significant procedure growth resulted in strong sales of the company's innovative, market-leading products in both the U.S. and internationally. Globally, average selling prices remained stable.

In the U.S., THV sales for the quarter, including royalties, were \$143.7 million. On an underlying basis, sales were \$148.7 million and grew 62.3 percent compared to the prior year period. Outside the U.S., THV sales were \$137.7 million, representing 2.7 percent growth, or 25.4 percent on an underlying basis.

"We are very encouraged by the strength of the clinical outcomes and we are confident that global TAVR therapy adoption will remain robust," said Mussallem. "With the early U.S. approval of SAPIEN 3, we now expect our underlying sales growth in 2015 to be in the 25 to 35 percent range."

Surgical Heart Valve Therapy product group sales for the quarter were \$204.0 million. Reported sales decreased 4.6 percent compared to the second quarter last year, and increased 3.5 percent on an underlying basis. Growth was driven by global surgical heart valve units, partially offset by the ongoing exit of previously announced non-strategic products.

Critical Care product group sales were \$131.4 million for the quarter, representing a decrease of 7.1 percent versus last year, or an increase of 1.3 percent on an underlying basis.

Additional Operating Results

For the quarter, the company's gross profit margin was 74.3 percent, compared to 73.7 percent in the same period last year. Excluding an inventory write-off related to the launch of SAPIEN 3, this quarter's rate would have been approximately two percentage points higher. The year over year increase was driven by the positive impact from foreign exchange contracts and a favorable product mix, offset by multiple investments in operations. If foreign exchange rates remain at current levels, the company now expects its full year gross profit rate to be between 76 and 77 percent, excluding special items. Assuming current rates, as foreign exchange positions expire, the company expects to lose the significant positive contribution to gross profit in 2016.

Selling, general and administrative expenses decreased to \$213.9 million for the quarter, or 34.7 percent of sales. This decrease was driven by the favorable foreign exchange impact on expenses outside the U.S.

Research and development investments for the quarter increased to \$97.5 million compared to \$89.1 million in the prior year period. This increase was primarily a result of continued investments in the company's aortic and mitral valve programs.

Cash flow from operating activities for the quarter was \$170.1 million. After capital spending of \$18.4 million, free cash flow was \$151.7 million.

Cash, cash equivalents and short-term investments totaled \$1.4 billion at June 30, 2015. Total debt was \$600.3 million.

Six-Month Results

For the six months ended June 30, 2015, the company recorded net income of \$236.1 million, or \$2.14 per diluted share, compared to \$607.3 million, or \$5.63 per diluted share, for the same period in 2014. Net income declined for the six months by 61.1 percent, or increased 40.9 percent, excluding special items. And, diluted earnings per share decreased 62.0 percent over last year, or increased 38.0 percent, excluding special items.

Net sales for the first six months of 2015 grew 10.0 percent to \$1.2 billion. On an underlying basis, sales grew 19.4 percent.

U.S. and international segment sales for the first six months of 2015 were \$586.2 million and \$620.9 million, respectively.

During the first six months of 2015, the company repurchased approximately 1.3 million shares of common stock for \$179.9 million.

Outlook

The company continues to expect full year 2015 total sales to be between \$2.3 billion to \$2.5 billion. The company is increasing its guidance for full year 2015 diluted earnings per share, excluding special items, to a range of \$4.30 to \$4.40, from its previous range of \$4.10 to \$4.30. For the third quarter of 2015, at current foreign exchange rates, the company projects total sales to be between \$580 million and \$620 million, and diluted earnings per share, excluding special items, to be between \$0.92 and \$1.00.

"Our strong year-to-date momentum reinforces our leadership position and places us on a path to exceed our earlier financial expectations as greater numbers of patients are served by transcatheter therapies," said Mussallem. "And, we believe we are poised for continued growth as we remain committed to our strategy of transforming patient care with innovative technologies."

About Edwards Lifesciences

Edwards Lifesciences is the global leader in the science of heart valves and hemodynamic monitoring. Driven by a passion to help patients, the company partners with clinicians to develop innovative technologies in the areas of structural heart disease and critical care monitoring, enabling them to save and enhance lives. Additional company information can be found at www.edwards.com.

Conference Call and Webcast Information

Edwards Lifesciences will be hosting a conference call today at 2:00 p.m. PT to discuss its second quarter results. To participate in the conference call, dial (877) 407-8037 or (201) 689-8037. For 72 hours following the call, an audio replay can be accessed by dialing (877) 660-6853 or (201) 612-7415 and using conference number 13613570. The call will also be available via live or archived webcast on the “Investor Relations” section of the Edwards web site at ir.edwards.com or www.edwards.com. A live stream and archived replay can also be accessed via mobile devices by downloading Edwards’ IR App for iPhone and iPad or Android.

This news release includes 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. These forward-looking statements can sometimes be identified by the use of words such as “may,” “will,” “should,” “anticipate,” “believe,” “plan,” “project,” “estimate,” “expect,” “intend,” “guidance,” “outlook,” “optimistic,” “aspire,” “confident” or other forms of these words or similar expressions and include, but are not limited to, statements made by Mr. Mussallem, information in the Outlook section and the company’s financial guidance. Forward-looking statements are based on estimates and assumptions made by management of the company and are believed to be reasonable, though they are inherently uncertain and difficult to predict. Our forward-looking statements speak only as of the date on which they are made and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of the statement. If the company does update or correct one or more of these statements, investors and others should not conclude that the company will make additional updates or corrections.

Forward-looking statements involve risks and uncertainties that could cause actual results or experience to differ materially from that expressed or implied by the forward-looking statements. Factors that could cause actual results or experience to differ materially from that expressed or implied by the forward-looking statements include uncertainties associated with the timing and effectiveness of new product launches; competitive dynamics, particularly in the TAVR segment; the timing and extent of regulatory approvals and reimbursement levels for our products; the company’s success in developing new products, and avoiding manufacturing and quality issues; the impact of currency exchange rates and related currency hedge contracts; the timing or results of pending or future clinical trials; actions by the U.S. Food and Drug Administration and other regulatory agencies; unexpected litigation results or expenses; and other risks detailed in the company’s filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2014. These filings, along with important safety information about our products, may be found at edwards.com.

Edwards, Edwards Lifesciences, the stylized E logo, Edwards SAPIEN, SAPIEN and SAPIEN 3 are trademarks of Edwards Lifesciences Corporation. All other trademarks are the property of their respective owners.

[1] “Underlying” amounts are non-GAAP items and in this press release exclude foreign exchange fluctuations and the THV sales return reserve. See the Non-GAAP Financial Information page and reconciliation tables below.

EDWARDS LIFESCIENCES CORPORATION
Unaudited Consolidated Statements of Operations
(in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net sales	\$ 616.8	\$ 575.1	\$ 1,207.1	\$ 1,097.5
Cost of sales	158.6	151.2	294.6	297.1
Gross profit	458.2	423.9	912.5	800.4
Selling, general, and administrative expenses	213.9	215.5	416.4	412.7
Research and development expenses	97.5	89.1	183.9	174.9
Intellectual property litigation expenses (income), net	1.0	(747.4)	1.3	(741.9)
Special charges	—	50.0	—	57.5
Interest expense, net	1.8	3.1	4.2	6.6
Other expense, net	1.8	0.4	2.0	0.1
Income before provision for income taxes	142.2	813.2	304.7	890.5
Provision for income taxes	29.5	266.2	68.6	283.2
Net income	\$ 112.7	\$ 547.0	\$ 236.1	\$ 607.3
<u>Earnings per share:</u>				
Basic	\$ 1.05	\$ 5.18	\$ 2.19	\$ 5.72
Diluted	\$ 1.02	\$ 5.09	\$ 2.14	\$ 5.63
<u>Weighted-average common shares outstanding:</u>				
Basic	107.6	105.6	107.7	106.1
Diluted	110.0	107.4	110.1	107.9
<u>Operating Statistics</u>				
As a percentage of net sales:				
Gross profit	74.3%	73.7%	75.6%	72.9%
Selling, general, and administrative expenses	34.7%	37.5%	34.5%	37.6%
Research and development expenses	15.8%	15.5%	15.2%	15.9%
Income before provision for income taxes	23.1%	141.4%	25.2%	81.1%
Net income	18.3%	95.1%	19.6%	55.3%
Effective tax rate	20.7%	32.7%	22.5%	31.8%

Note: Numbers may not calculate due to rounding.

EDWARDS LIFESCIENCES CORPORATION
Unaudited Balance Sheets
(in millions)

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 597.6	\$ 653.8
Short-term investments	811.4	785.0
Accounts and other receivables, net	351.0	325.0
Inventories, net	313.3	296.8
Deferred income taxes	65.2	63.5
Prepaid expenses	46.1	48.8
Other current assets	112.4	121.7
Total current assets	<u>2,297.0</u>	<u>2,294.6</u>
Long-term accounts receivable, net	6.6	5.8
Long-term investments	324.6	240.9
Property, plant, and equipment, net	450.6	442.9
Goodwill	370.9	376.0
Other intangible assets, net	18.9	23.4
Deferred income taxes	82.0	91.5
Other assets	57.7	49.2
Total assets	<u>\$ 3,608.3</u>	<u>\$ 3,524.3</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 445.2	\$ 434.4
Long-term debt	600.3	598.1
Other long-term liabilities	274.2	300.4
Stockholders' equity		
Common stock	129.9	128.9
Additional paid-in capital	964.1	878.4
Retained earnings	3,078.0	2,841.9
Accumulated other comprehensive loss	(146.6)	(100.9)
Treasury stock, at cost	(1,736.8)	(1,556.9)
Total stockholders' equity	<u>2,288.6</u>	<u>2,191.4</u>
Total liabilities and stockholders' equity	<u>\$ 3,608.3</u>	<u>\$ 3,524.3</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 foreign exchange fluctuations, adjustments for discontinued and acquired products, and sales return reserves associated with transcatheter heart valve therapy ("THV") product upgrades, and "excluding special items" to also exclude gains and losses from special items such as significant investments, impairments, 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, 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 first and second quarters of 2014, and in the second quarter of 2015, the Company recorded a net sales return reserve and related costs, primarily related to inventory reserves, of \$15.6 million, \$6.1 million, and \$15.9 million, respectively, related to estimated THV product returns expected upon introduction of next-generation THV products.

Intellectual Property Litigation Expenses (Income), net - The Company incurred intellectual property litigation expenses of \$0.3 million and \$5.5 million in the first quarter of 2015 and 2014, respectively, and \$1.0 million and \$2.6 million in the second quarter of 2015 and 2014, 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.

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

Foreign Exchange - Fluctuations in exchange rates impact 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 "Reconciliation of Sales by Product Group and Region."

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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
GAAP Net Income	\$ 112.7	\$ 547.0	\$ 236.1	\$ 607.3
<i>Growth Rate %</i>	(79.4)%		(61.1)%	
Non-GAAP adjustments: (A)				
THV sales return reserve and related costs	15.9	6.1	15.9	21.7
Intellectual property litigation expenses (income), net	1.0	(747.4)	1.3	(741.9)
Special charges	—	50.0	—	57.5
Provision for income taxes				
Tax effect on reconciling items (B)	(5.2)	244.5	(5.2)	237.7
Remeasurement of uncertain tax position reserve (A)	—	(6.2)	—	(6.2)
Non-GAAP Net Income	<u>\$ 124.4</u>	<u>\$ 94.0</u>	<u>\$ 248.1</u>	<u>\$ 176.1</u>
<i>Growth Rate %</i>	32.3 %		40.9 %	

RECONCILIATION OF GAAP TO NON-GAAP DILUTED EARNINGS PER SHARE

GAAP Diluted Earnings Per Share	\$ 1.02	\$ 5.09	\$ 2.14	\$ 5.63
<i>Growth Rate %</i>	(80.0)%		(62.0)%	
Non-GAAP adjustments: (A), (C)				
THV sales return reserve and related costs	0.10	0.03	0.10	0.14
Intellectual property litigation expenses (income), net	0.01	(4.51)	0.01	(4.47)
Special charges	—	0.33	—	0.39
Provision for income taxes				
Remeasurement of uncertain tax position reserve	—	(0.06)	—	(0.06)
Non-GAAP Diluted Earnings Per Share	<u>\$ 1.13</u>	<u>\$ 0.88</u>	<u>\$ 2.25</u>	<u>\$ 1.63</u>
<i>Growth Rate %</i>	28.4 %		38.0 %	

Note: Numbers may not calculate due to rounding.

- (A) See description of “THV Sales Return Reserve and Related Costs,” “Intellectual Property Litigation Expenses (Income), net,” and “Special Charges” 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 June 30,	
	2015	2014
GAAP THV United States Sales	\$ 143.7	\$ 85.7
Adjustment for THV sales return reserve	5.0	5.9
THV United States Underlying Sales	\$ 148.7	\$ 91.6
<i>Underlying Growth Rate %</i>	62.3%	

THV OUTSIDE THE UNITED STATES UNDERLYING SALES GROWTH

(in millions)	Three Months Ended June 30,	
	2015	2014
GAAP THV Outside the United States Sales	\$ 137.7	\$ 134.0
Adjustment for THV sales return reserve	—	(3.9)
Foreign exchange impact	—	(20.3)
THV Outside the United States Underlying Sales	\$ 137.7	\$ 109.8
<i>Underlying Growth Rate %</i>	25.4%	

EDWARDS LIFESCIENCES CORPORATION
Unaudited Reconciliation of GAAP to Non-GAAP Financial Information
(\$ in millions)

RECONCILIATION OF SALES BY PRODUCT GROUP AND REGION

Sales by Product Group (QTD)	2Q 2015	2Q 2014	Change	GAAP Growth Rate*	2015 Adjusted		2014 Adjusted		Underlying Growth Rate *	
					Sales Return Reserve	2Q 2015 Underlying Sales	Sales Return Reserve	2Q 2014 Underlying Sales		FX Impact
Transcatheter Heart Valve Therapy	\$ 281.4	\$ 219.7	\$ 61.7	28.1 %	\$ 5.0	\$ 286.4	\$ 2.0	\$ (20.3)	\$ 201.4	42.2 %
Surgical Heart Valve Therapy	204.0	214.0	(10.0)	(4.6)%	—	204.0	—	(17.0)	197.0	3.5 %
Critical Care	131.4	141.4	(10.0)	(7.1)%	—	131.4	—	(11.7)	129.7	1.3 %
Total Sales	\$ 616.8	\$ 575.1	\$ 41.7	7.3 %	\$ 5.0	\$ 621.8	\$ 2.0	\$ (49.0)	\$ 528.1	17.7 %

Sales by Product Group (YTD)	YTD 2Q 2015	YTD 2Q 2014	Change	GAAP Growth Rate*	2015 Adjusted		2014 Adjusted		Underlying Growth Rate *	
					Sales Return Reserve	2Q 2015 Underlying Sales	Sales Return Reserve	YTD 2Q 2014 Underlying Sales		FX Impact
Transcatheter Heart Valve Therapy	\$ 549.9	\$ 408.9	\$ 141.0	34.5 %	\$ 5.0	\$ 554.9	\$ 8.1	\$ (37.5)	\$ 379.5	46.2 %
Surgical Heart Valve Therapy	400.9	416.6	(15.7)	(3.8)%	—	400.9	—	(31.7)	384.9	4.1 %
Critical Care	256.3	272.0	(15.7)	(5.8)%	—	256.3	—	(21.1)	250.9	2.1 %
Total Sales	\$ 1,207.1	\$ 1,097.5	\$ 109.6	10.0 %	\$ 5.0	\$ 1,212.1	\$ 8.1	\$ (90.3)	\$ 1,015.3	19.4 %

Sales by Region (QTD)	2Q 2015	2Q 2014	Change	GAAP Growth Rate*	2015 Adjusted		2014 Adjusted		Underlying Growth Rate *	
					Sales Return Reserve	2Q 2015 Underlying Sales	Sales Return Reserve	2Q 2014 Underlying Sales		FX Impact
United States	\$ 302.7	\$ 242.0	\$ 60.7	25.1 %	\$ 5.0	\$ 307.7	\$ 5.9	\$ —	\$ 247.9	24.2 %
Europe	181.9	193.8	(11.9)	(6.1)%	—	181.9	(3.9)	(33.1)	156.8	16.0 %
Japan	62.3	66.7	(4.4)	(6.7)%	—	62.3	—	(10.2)	56.5	10.2 %
Rest of World	69.9	72.6	(2.7)	(3.8)%	—	69.9	—	(5.7)	66.9	4.5 %
International	314.1	333.1	(19.0)	(5.7)%	—	314.1	(3.9)	(49.0)	280.2	12.9 %
Total	\$ 616.8	\$ 575.1	\$ 41.7	7.3 %	\$ 5.0	\$ 621.8	\$ 2.0	\$ (49.0)	\$ 528.1	17.7 %

Sales by Region (YTD)	YTD 2Q 2015	YTD 2Q 2014	Change	GAAP Growth Rate*	2015 Adjusted		2014 Adjusted		Underlying Growth Rate *	
					Sales Return Reserve	2Q 2015 Underlying Sales	Sales Return Reserve	YTD 2Q 2014 Underlying Sales		FX Impact
United States	\$ 586.2	\$ 464.4	\$ 121.8	26.2 %	\$ 5.0	\$ 591.2	\$ 13.0	\$ —	\$ 477.4	23.8 %
Europe	367.2	374.1	(6.9)	(1.8)%	—	367.2	(4.9)	(63.0)	306.2	19.9 %
Japan	120.4	125.4	(5.0)	(4.0)%	—	120.4	—	(18.0)	107.4	12.1 %
Rest of World	133.3	133.6	(0.3)	(0.3)%	—	133.3	—	(9.3)	124.3	7.2 %
International	620.9	633.1	(12.2)	(1.9)%	—	620.9	(4.9)	(90.3)	537.9	16.1 %
Total	\$ 1,207.1	\$ 1,097.5	\$ 109.6	10.0 %	\$ 5.0	\$ 1,212.1	\$ 8.1	\$ (90.3)	\$ 1,015.3	19.4 %

* Numbers may not calculate due to rounding.