

EDWARDS LIFESCIENCES CORPORATION
Unaudited Consolidated Statements of Operations

(in millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net sales	\$495.6	\$447.9	\$1,509.5	\$1,389.1
Cost of goods sold	129.7	111.7	376.9	368.8
Gross profit	365.9	336.2	1,132.6	1,020.3
Selling, general and administrative expenses	180.5	167.8	555.1	527.4
Research and development expenses	84.1	73.8	244.4	216.4
Special (gains) charges	-	-	(83.6)	7.0
Interest expense (income), net	1.0	(0.3)	1.2	(0.4)
Other expense, net	0.4	1.5	1.7	1.0
Income before provision for income taxes	99.9	93.4	413.8	268.9
Provision for income taxes	23.0	24.2	97.9	66.8
Net income	\$76.9	\$69.2	\$315.9	\$202.1

Earnings per share:

Basic	\$0.69	\$0.60	\$2.81	\$1.76
Diluted	\$0.68	\$0.58	\$2.75	\$1.71

Weighted-average common shares outstanding:

Basic	111.0	115.7	112.5	114.9
Diluted	112.9	119.0	114.7	118.4

Operating Statistics

As a percentage of net sales:

Gross profit	73.8%	75.1%	75.0%	73.5%
Selling, general and administrative expenses	36.4%	37.5%	36.8%	38.0%
Research and development expenses	17.0%	16.5%	16.2%	15.6%
Income before provision for income taxes	20.2%	20.9%	27.4%	19.4%
Net income	15.5%	15.4%	20.9%	14.5%
Effective tax rate	23.0%	25.9%	23.7%	24.8%

Note: Numbers may not calculate due to rounding.

EDWARDS LIFESCIENCES CORPORATION
Unaudited Balance Sheets
(in millions)

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$471.0	\$310.9
Short-term investments	286.6	210.5
Accounts and other receivables, net	327.8	347.5
Inventories, net	313.9	281.0
Deferred income taxes	41.3	43.4
Prepaid expenses	46.6	41.6
Other current assets	83.2	57.0
Total current assets	<u>1,570.4</u>	<u>1,291.9</u>
Long-term accounts receivable, net	11.1	9.9
Property, plant and equipment, net	409.0	373.3
Goodwill	383.8	384.7
Other intangible assets, net	63.1	67.0
Investments in unconsolidated affiliates	20.7	21.1
Deferred income taxes	41.5	47.3
Other assets	31.0	26.3
Total assets	<u><u>\$2,530.6</u></u>	<u><u>\$2,221.5</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	<u>\$335.1</u>	<u>\$347.4</u>
Long-term debt	<u>532.1</u>	<u>189.3</u>
Other long-term liabilities	<u>226.0</u>	<u>205.5</u>
Stockholders' equity		
Common stock	125.7	124.2
Additional paid-in capital	618.0	489.0
Retained earnings	1,969.8	1,653.9
Accumulated other comprehensive loss	(42.9)	(37.9)
Treasury stock, at cost	<u>(1,233.2)</u>	<u>(749.9)</u>
Total stockholders' equity	<u>1,437.4</u>	<u>1,479.3</u>
Total liabilities and stockholders' equity	<u><u>\$2,530.6</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 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, and for 2012 to include the tax benefit for the U.S. Research and Development ("R&D") tax credit, which is required to be recorded in 2013. Those results that exclude the impact of foreign exchange and reflect "constant currency" are also non-GAAP financial measures. 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. Guidance for 2013 also excludes the benefit of the 2012 R&D tax credit. 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. 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 its 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. A reconciliation of non-GAAP historical financial measures to the most comparable GAAP measure is provided in the tables below. The Company is not able to provide a reconciliation of projected net income and growth, free cash flow, and projected earnings per share guidance, excluding special 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.

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

Gross Profit - In the second quarter of 2012, the Company increased its non-GAAP gross profit by \$8.1 million to exclude the impact of its voluntary recall of certain heart valves and Critical Care catheters. Given the magnitude and unusual nature of this adjustment relative to the operating results for the period presented, the financial impact of the recall has been excluded from non-GAAP net income.

Special (Gains) Charges - The Company recorded certain special gains and charges in 2013 and 2012 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.
- 2) *Licensing of Intellectual Property*: \$7.0 million charge in the second quarter of 2012 for the upfront licensing and royalty fees related to the licensing of intellectual property;

Given the magnitude and unusual nature of these special items 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 R&D 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 September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
GAAP Net Income	\$76.9	\$69.2	\$315.9	\$202.1
<i>Growth Rate %</i>	11.1%		56.3%	
Reconciling items: ^(A)				
Gross profit				
Recall of heart valves and catheters	-	-	-	8.1
Special (gains) charges				
1) Litigation award	-	-	(83.6)	-
2) Licensing of intellectual property	-	-	-	7.0
Total	-	-	(83.6)	7.0
Provision for income taxes				
Tax effect on non-GAAP adjustment ^(B)	-	-	31.3	(3.4)
Federal research and development tax credit	-	-	(8.4)	-
Remeasurement of uncertain tax position reserves	-	-	-	(2.3)
Total	-	-	22.9	(5.7)
Non-GAAP Net Income	\$76.9	\$69.2	\$255.2	\$211.5
<i>Growth Rate %</i>	11.1%		20.7%	

GAAP TO NON-GAAP DILUTED EARNINGS PER SHARE TABLE

GAAP Diluted Earnings Per Share	\$0.68	\$0.58	\$2.75	\$1.71
<i>Growth Rate %</i>	17.2%		60.8%	
Reconciling items: ^{(A)(C)}				
Gross profit				
Recall of heart valves and catheters	-	-	-	0.06
Special (gains) charges				
1) Litigation award	-	-	(0.46)	-
2) Licensing of intellectual property	-	-	-	0.04
Provision for income taxes				
Federal research and development tax credit	-	-	(0.07)	-
Remeasurement of uncertain tax position reserves	-	-	-	(0.02)
Non-GAAP Diluted Earnings Per Share	\$0.68	\$0.58	\$2.22	\$1.79
<i>Growth Rate %</i>	17.2%		24.0%	

Note: Numbers may not calculate due to rounding.

(A) See description of "Gross Profit," "Special (Gains) Charges" 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 September 30, 2013	Nine Months Ended September 30, 2013
GAAP Tax Rate	23.0%	23.7%
<u>Reconciling items:</u> ^(A)		
Special gain		
Litigation award	-	(2.3) pts
Provision for income taxes		
Federal research and development tax credit	-	1.3 pts
Non-GAAP Tax Rate	23.0%	22.7%

(A) See description of "Special (Gains) Charges" 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)

Sales by Product Group (QTD)	3Q 2013	3Q 2012	Change	GAAP Growth Rate*
Surgical Heart Valve Therapy	\$ 191.8	\$ 185.7	\$ 6.1	3.3%
Transcatheter Heart Valves	172.0	123.8	48.2	38.9%
Critical Care	131.8	138.4	(6.6)	(4.8%)
Total Sales	\$ 495.6	\$ 447.9	\$ 47.7	10.6%

2012 Adjusted		
FX Impact	3Q 2012 Underlying Sales	Underlying Growth Rate *
\$ (4.8)	\$ 180.9	6.0%
3.1	126.9	35.5%
(7.3)	131.1	0.6%
\$ (9.0)	\$ 438.9	12.7%

Sales by Product Group (YTD)	YTD 3Q 2013	YTD 3Q 2012	Change	GAAP Growth Rate*
Surgical Heart Valve Therapy	\$ 594.2	\$ 589.8	\$ 4.4	0.7%
Transcatheter Heart Valves	523.8	391.1	132.7	33.9%
Critical Care	391.5	408.2	(16.7)	(4.1%)
Total Sales	\$ 1,509.5	\$ 1,389.1	\$ 120.4	8.7%

2012 Adjusted		
FX Impact	YTD 3Q 2012 Underlying Sales	Underlying Growth Rate *
\$ (14.8)	\$ 575.0	3.3%
3.4	394.5	32.8%
(19.6)	388.6	0.8%
\$ (31.0)	\$ 1,358.1	11.0%

Sales by Region (QTD)	3Q 2013	3Q 2012	Change	GAAP Growth Rate*
United States	\$ 232.1	\$ 193.6	\$ 38.5	19.9%
Europe	144.4	121.8	22.6	18.6%
Japan	56.7	71.8	(15.1)	(21.1%)
Rest of World	62.4	60.7	1.7	2.6%
International	263.5	254.3	9.2	3.6%
Total	\$ 495.6	\$ 447.9	\$ 47.7	10.6%

2012 Adjusted		
FX Impact	3Q 2012 Underlying Sales	Underlying Growth Rate *
\$ -	\$ 193.6	19.9%
6.3	128.1	12.7%
(13.8)	58.0	(2.2%)
(1.5)	59.2	5.4%
(9.0)	245.3	7.3%
\$ (9.0)	\$ 438.9	12.7%

Sales by Region (YTD)	YTD 3Q 2013	YTD 3Q 2012	Change	GAAP Growth Rate*
United States	\$ 700.5	\$ 587.2	\$ 113.3	19.3%
Europe	454.2	417.1	37.1	8.9%
Japan	176.0	214.9	(38.9)	(18.1%)
Rest of World	178.8	169.9	8.9	5.2%
International	809.0	801.9	7.1	0.9%
Total	\$ 1,509.5	\$ 1,389.1	\$ 120.4	8.7%

2012 Adjusted		
FX Impact	YTD 3Q 2012 Underlying Sales	Underlying Growth Rate *
\$ -	\$ 587.2	19.3%
6.1	423.2	7.3%
(35.1)	179.8	(2.1%)
(2.0)	167.9	6.5%
(31.0)	770.9	5.0%
\$ (31.0)	\$ 1,358.1	11.0%

* Numbers may not calculate due to rounding.