

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. 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:

Transcatheter Heart Valve ("THV") Sales Returns Reserve and Related Costs - In the fourth quarter of 2013, the Company recorded a sales returns reserve and related costs of \$15.2 million related to estimated THV product returns expected upon introduction of next generation THV products. Given the magnitude and unusual nature of this adjustment relative to the operating results for the period presented, the financial impact has been excluded from non-GAAP net income and from the Company's sales growth in the "Unaudited Reconciliation of Sales by Product Group and Region".

Recall of Heart Valves and Catheters - 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 Charges (Gains), net - The Company recorded certain special gains and charges in 2013 and 2012 related to the following:

- 1) *Worldwide realignment*: \$10.4 million charge in the fourth quarter of 2013 and \$9.0 million charge in the fourth quarter of 2012 related primarily to severance expenses associated with a global workforce realignment;
- 2) *In-process Research and Development ("IPR&D") Impairment*: \$5.9 million charge in the fourth quarter of 2013 related to the impairment of IPR&D;
- 3) *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.
- 4) *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."

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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 December 31,		Year Ended December 31,	
	2013	2012	2013	2012
GAAP Net Income	\$75.8	\$91.1	\$391.7	\$293.2
<i>Growth Rate %</i>	(16.8%)		33.6%	
Reconciling items: ^(A)				
THV sales returns reserve and related costs	15.2	-	15.2	-
Recall of heart valves and catheters	-	-	-	8.1
Special charges (gains), net				
1) Worldwide realignment	10.4	9.0	10.4	9.0
2) IPR&D impairment	5.9	-	5.9	-
3) Litigation award	-	-	(83.6)	-
4) Licensing of intellectual property	-	-	-	7.0
Provision for income taxes				
Tax effect on reconciling items ^(B)	(5.8)	(2.0)	25.5	(5.4)
Federal research and development tax credit	-	8.4	(8.4)	8.4
Remeasurement of uncertain tax position reserves	-	-	-	(2.3)
Non-GAAP Net Income	\$101.5	\$106.5	\$356.7	\$318.0
<i>Growth Rate %</i>	(4.7%)		12.2%	

GAAP TO NON-GAAP DILUTED EARNINGS PER SHARE TABLE

GAAP Diluted Earnings Per Share	\$0.68	\$0.77	\$3.44	\$2.48
<i>Growth Rate %</i>	(11.7%)		38.7%	
Reconciling items: ^{(A)(C)}				
THV sales returns reserve and related costs	\$0.10	-	\$0.10	-
Recall of heart valves and catheters	-	-	-	0.06
Special charges (gains), net				
1) Worldwide realignment	0.08	0.06	0.08	0.06
2) IPR&D impairment	0.05	-	0.04	-
3) Litigation award	-	-	(0.46)	-
4) Licensing of intellectual property	-	-	-	0.04
Provision for income taxes				
Federal research and development tax credit	-	0.07	(0.07)	0.07
Remeasurement of uncertain tax position reserves	-	-	-	(0.02)
Non-GAAP Diluted Earnings Per Share	\$0.91	\$0.90	\$3.13	\$2.69
<i>Growth Rate %</i>	1.1%		16.4%	

Note: Numbers may not calculate due to rounding.

(A) See description of "Gross Profit," "Special Charges (Gains), net" 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.

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Unaudited Reconciliation of GAAP to Non-GAAP Tax Rate

GAAP TO NON-GAAP TAX RATE TABLE

	Three Months Ended December 31, 2013	Year Ended December 31, 2013
GAAP Tax Rate	25.3%	24.0%
<u>Reconciling items:</u> ^(A)		
THV sales returns reserve and related costs	0.2 pts	0.1 pts
Special charges (gains), net		
Worldwide realignment	(1.1) pts	(0.2) pts
IPR&D impairment	(0.7) pts	(0.1) pts
Litigation award	-	(2.0) pts
Provision for income taxes		
Federal research and development tax credit	-	1.2 pts
Non-GAAP Tax Rate	23.7%	23.0%

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