

Accounting for Share-Based Compensation

- Effective January 1, 2017, the accounting for share-based compensation, most significantly the excess tax benefit (see attached example), will change
- This change will likely have a significant positive impact on Edwards' financial results in 2017:
 - Reduction in reported tax expense with corresponding increases in reported net income and EPS
 - Increase in calculation of Free Cash Flow
 - Increase in calculation of shares outstanding
- This increase in earnings and free cash flow is exclusively the result of a required accounting change and does not represent year-over-year improved business performance
- Edwards financial guidance will include the forecasted impact of the new accounting standard
- This accounting benefit will fluctuate up and down in each reporting period, making period comparisons less consistent. We intend to highlight the impact each period