As discussed during our Investor Conference on December 9, 2013, as Edwards launches SAPIEN 3 in Europe and SAPIEN XT in the U.S., Edwards will exchange previously sold transcatheter heart valves for these more advanced technologies.

These planned product upgrades require Edwards to potentially record two reserves each quarter:

- A sales return reserve for the valves Edwards sold and expects to be exchanged. This reserve will reverse in future quarters as Edwards ships the next generation valves, and
- An inventory reserve for prior generation product not expected to be sold.

In order to compare Edwards’ results on a consistent basis between periods, we are excluding the impact of these reserves in our non-GAAP results both in the current quarter and future quarters when the sales reserve reverses.

The attached tables summarize the financial impact of these reserves on Sales and Net Income.