

Sales Return Reserve

- 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.