

## 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. Management makes adjustments to the GAAP measures for items (both charges and gains) that (a) do not reflect the core operational activities of the Company, (b) are commonly adjusted within the Company's industry to enhance comparability of the Company's financial results with those of its peer group, or (c) are inconsistent in amount or frequency between periods (albeit such items are monitored and controlled with equal diligence relative to core operations). The Company uses the term "adjusted sales" or "underlying growth rate" when referring to non-GAAP sales information, which excludes foreign exchange fluctuations, adjustments for discontinued and acquired products, sales return reserves associated with transcatheter heart valve therapy ("THVT") product upgrades, and the positive impact of THVT stocking sales in Germany and the negative impact of de-stocking. The Company uses the term "adjusted" to also exclude intellectual property litigation expenses, amortization of intellectual property, fair value adjustments to contingent consideration liabilities arising from acquisitions, gains and losses from significant investments, impairments, litigation, the positive impact of THVT stocking sales in Germany and the negative impact of de-stocking, realignment expenses, sales return reserves and related costs associated with THVT product upgrades, business development transactions, and when referring to adjusted gross profit margin and adjusted earnings per share. Fluctuations in exchange rates impact 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 useful comparison to historical financial results.

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, operating margin, taxes, and free cash flow are also provided on a non-GAAP basis as adjusted for the items identified below due to the inherent difficulty in forecasting such items. The Company is not able to provide a reconciliation of the non-GAAP guidance to comparable GAAP measures 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.

Management considers free cash flow to be a liquidity measure which provides useful information to management and investors about the amount of cash generated by business operations, after deducting payments for capital expenditures, which cash can then be used for strategic opportunities or other business purposes including, among others, investing in the Company's business, making strategic acquisitions, strengthening the balance sheet, and repurchasing stock.

Management uses non-GAAP financial measures internally for strategic decision making, forecasting future results, and evaluating current performance. 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 by investors that, when viewed with its GAAP results, provide a more complete understanding of factors and trends affecting the Company's business and facilitate comparability to historical periods.

Non-GAAP financial measures are not prepared in accordance with GAAP; therefore, the information is not necessarily comparable to other companies and should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP. A reconciliation of non-GAAP historical financial measures to the most comparable GAAP measure is provided in the tables below.

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

**THVT Germany Stocking Sales** - In 2017, the Company recorded net stocking sales to customers in Germany, as these customers elected to purchase additional inventory in anticipation of a potential supply interruption resulting from recent intellectual property litigation.

**Intellectual Property Litigation Expenses** - In 2017, the Company incurred intellectual property litigation expenses.

**Amortization of Intellectual Property** - In 2017, the Company recorded amortization expense related to intellectual property

**Change in Fair Value of Contingent Consideration Liabilities** - In 2017, the Company recorded a net gain related to changes in the fair value of its contingent consideration liabilities arising from acquisitions.

**Impairment of Long-lived Assets** - In 2017, the Company recorded a charge for an other-than-temporary impairment of one of its cost method investments and an associated long-term asset related to the Company's option to acquire this investee.

**Realignment Expenses** - In 2017, the Company recorded a charge related to severance expenses and other costs associated with the planned closure of its manufacturing plant in Switzerland.

**THVT Sales Return Reserve and Related Costs** - In 2015, the Company recorded a sales returns reserve related to estimated THVT product returns expected upon introduction of next generation THVT products. The Company recorded a net reversal of these reserves upon delivery of the next-generation THVT products.

## **EDWARDS LIFESCIENCES CORPORATION**

### **Non-GAAP Financial Information**

**Foreign Exchange** - Fluctuations in exchange rates impact 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."

**Provision for Income Taxes** - The income tax impact of the special items discussed above is based upon forecasted items affecting the Company's full year effective tax rate. Adjustments to forecasted items unrelated to these special items will have an effect on the income tax impact of these items in subsequent periods.

## RECONCILIATION OF GAAP TO NON-GAAP PROVISION FOR INCOME TAXES AND TAX RATE

	2017		
	Q1	Q2	Q3
<b>GAAP Provision for Income Taxes</b>	\$ 63.4	\$ 19.5	\$ 41.7
<u>Non-GAAP adjustments:</u> <sup>(A), (B)</sup>			
THVT Germany stocking sales	(10.5)	4.0	2.9
Intellectual property litigation expenses	2.9	2.2	5.6
Amortization of intellectual property	0.5	0.5	0.6
Change in fair value of contingent consideration liabilities	0.2	0.1	(0.9)
Impairment of long-lived assets	-	8.9	1.7
Realignment expenses	-	-	1.0
<b>Non-GAAP Provision for Income Taxes</b>	56.5	35.2	52.6
Excess Tax Benefit ("ETB")	10.2	29.3	7.4
<b>Non-GAAP Provision for Income Taxes Excluding ETB Impact</b>	\$ 66.7	\$ 64.5	\$ 60.0
<b>GAAP Tax Rate</b>	<b>21.6%</b>	<b>9.5%</b>	<b>19.7%</b>
<u>Non-GAAP adjustments:</u>			
THVT Germany stocking sales	-	0.9 pts	0.1 pts
Intellectual property litigation expenses	0.2 pts	0.6 pts	1.1 pts
Amortization of intellectual property	-	0.1 pts	0.1 pts
Change in fair value of contingent consideration liabilities	-	(0.1) pts	1.1 pts
Impairment of long-lived assets	-	2.2 pts	0.7 pts
Realignment expenses	-	-	(0.4) pts
<b>Non-GAAP Tax Rate</b>	<b>21.8%</b>	<b>13.2%</b>	<b>22.4%</b>
Excess Tax Benefit ("ETB")	3.9 pts	11.0 pts	3.2 pts
<b>Non-GAAP Tax Rate Excluding ETB Impact</b>	<b>25.7%</b>	<b>24.2%</b>	<b>25.6%</b>

Note: Numbers may not calculate due to rounding.

(A) See description of non-GAAP adjustments on the "Non-GAAP Financial Information" page.

(B) The tax effect on non-GAAP adjustments is calculated based upon the impact of the relevant tax jurisdictions' statutory tax rates on the Company's estimated annual effective tax rate, or discrete rate in the quarter, as applicable. The tax effect on the THVT Germany stocking sales adjustment is calculated using the global effective tax rate.

**EDWARDS LIFESCIENCES CORPORATION**  
**Unaudited Reconciliation of THV Sales**  
(\$ in millions)

	2013	2014				2015				2016				2017		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>GAAP THV Sales</b>	\$ 183.9	189.2	219.7	267.2	267.5	268.4	281.3	296.1	334.3	367.8	418.6	410.0	431.9	538.9	486.8	480.1
Adjustment for THV sales return reserve	14.1	6.1	2.0	(18.4)	(3.8)	-	5.0	1.2	(4.5)	(1.7)	-	-	-	-	-	-
Adjustment for THV Germany stocking	-	-	-	-	-	-	-	-	-	-	-	-	-	(61.8)	22.5	17.0
<b>Non-GAAP THV Sales</b>	<u>198.0</u>	<u>195.3</u>	<u>221.7</u>	<u>248.8</u>	<u>263.7</u>	<u>268.4</u>	<u>286.3</u>	<u>297.3</u>	<u>329.8</u>	<u>366.1</u>	<u>418.6</u>	<u>410.0</u>	<u>431.9</u>	<u>477.1</u>	<u>509.3</u>	<u>497.1</u>

**EDWARDS LIFESCIENCES CORPORATION**  
**Unaudited Reconciliation of Sales by Product Group**  
(\$ in millions)

<b>Sales by Product Group (YTD)</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>	<b>GAAP Growth Rate*</b>
Transcatheter Heart Valve Therapy	\$ 1,628.5	\$ 1,180.3	\$ 448.2	38.0%
Surgical Heart Valve Therapy	774.9	785.0	(10.1)	(1.3%)
Critical Care	560.3	528.4	31.9	6.0%
<b>Total Sales</b>	<b>\$ 2,963.7</b>	<b>\$ 2,493.7</b>	<b>\$ 470.0</b>	<b>18.8%</b>

<b>2016 Adjusted</b>		<b>2015 Adjusted</b>			<b>Underlying Growth Rate *</b>
<b>Sales Returns Reserve</b>	<b>2016 Underlying Sales</b>	<b>Sales Returns Reserve</b>	<b>FX Impact</b>	<b>2015 Underlying Sales</b>	
\$ (1.7)	\$ 1,626.8	\$ 1.7	\$ (2.5)	\$ 1,179.5	37.9%
-	774.9	-	2.2	787.2	(1.6%)
-	560.3	-	5.0	533.4	5.0%
<b>\$ (1.7)</b>	<b>\$ 2,962.0</b>	<b>\$ 1.7</b>	<b>\$ 4.7</b>	<b>\$ 2,500.1</b>	<b>18.5%</b>

\* Numbers may not calculate due to rounding

**EDWARDS LIFESCIENCES CORPORATION**  
**Unaudited Reconciliation of Sales by Product Group**  
(\$ in millions)

<b>Sales by Product Group (YTD)</b>	<b>2015</b>	<b>2014</b>	<b>Change</b>	<b>GAAP Growth Rate*</b>
Transcatheter Heart Valve Therapy	\$ 1,180.3	\$ 943.6	\$ 236.7	25.1%
Surgical Heart Valve Therapy	785.0	826.1	(41.1)	(5.0%)
Critical Care	528.4	553.2	(24.8)	(4.5%)
<b>Total Sales</b>	<b>\$ 2,493.7</b>	<b>\$ 2,322.9</b>	<b>\$ 170.8</b>	<b>7.4%</b>

<b>2015 Adjusted</b>		<b>2014 Adjusted</b>			<b>Underlying Growth Rate *</b>
<b>Sales Returns Reserve</b>	<b>2015 Underlying Sales</b>	<b>Sales Returns Reserve</b>	<b>FX Impact</b>	<b>2014 Underlying Sales</b>	
\$ 1.7	\$ 1,182.0	\$ (14.1)	\$ (71.2)	\$ 858.3	37.7%
-	785.0	-	(59.7)	766.4	2.5%
-	528.4	-	(41.3)	511.9	3.2%
<b>\$ 1.7</b>	<b>\$ 2,495.4</b>	<b>\$ (14.1)</b>	<b>\$ (172.2)</b>	<b>\$ 2,136.6</b>	<b>16.8%</b>

\* Numbers may not calculate due to rounding

**EDWARDS LIFESCIENCES CORPORATION**  
**Reconciliation of GAAP to Non-GAAP Financial Information**  
**Free Cash Flow \***

(in millions)	Year Ended	
	December 31,	
	2015	2016
<b>Net cash provided by operating activities</b>	\$ 549.7	\$ 704.4
Capital expenditures	(102.7)	(176.1)
Medtronic litigation settlement	-	-
Charitable foundation contribution	-	-
Medtronic litigation award	-	-
Net tax payments on Medtronic litigation and charitable contribution	-	-
<b>Free Cash Flow</b>	<b>\$ 447.0</b>	<b>\$ 528.3</b>

\* See description of "Free Cash Flow" on the Non-GAAP Financial Information page.