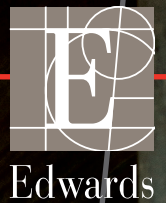


Edwards Lifesciences

2013 Annual Report



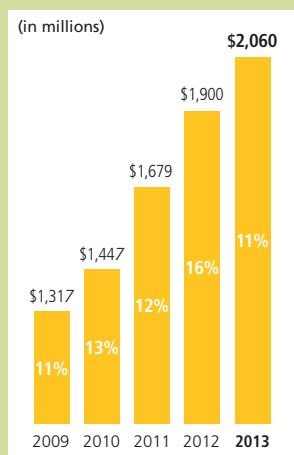
Edwards

COMPANY DESCRIPTION

Edwards Lifesciences is the global leader in the science of heart valves and hemodynamic monitoring. Driven by a passion to help patients, we partner with clinicians to develop innovative technologies in the areas of structural heart disease and critical care monitoring that enable them to save and enhance lives.

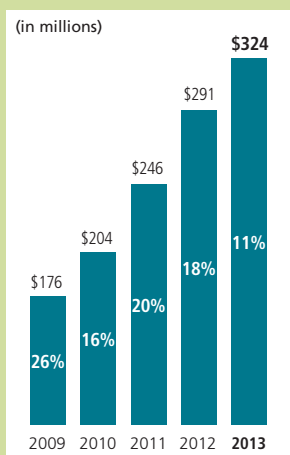
NON-GAAP NET SALES

Edwards is fortunate to have strong leadership positions in attractive markets with the potential for sustainable growth. In 2013, sales grew 11% on an underlying basis due mainly to continued global adoption of our transcatheter valve technology.



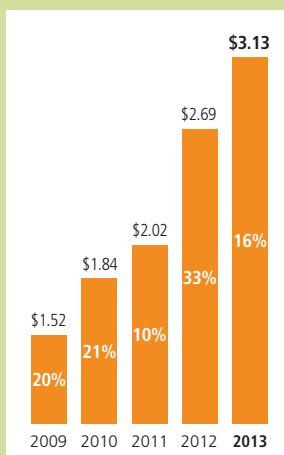
R&D INVESTMENT

Edwards is committed to extending its leadership in heart valve therapies and hemodynamic monitoring. In 2013, we increased our research and development spending by 11%.



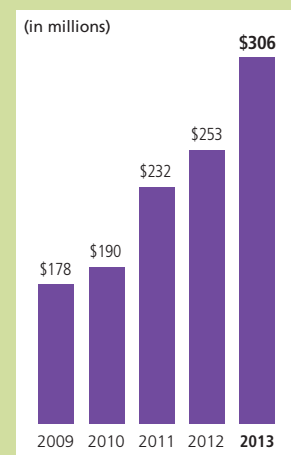
NON-GAAP DILUTED EARNINGS PER SHARE

In 2013, Edwards achieved year-over-year non-GAAP diluted earnings per share growth of 16%, while continuing to make significant investments in future growth opportunities.



NON-GAAP FREE CASH FLOW

Edwards generates robust free cash flow, which it uses to invest in growth opportunities and repurchase shares. In 2013, we reported non-GAAP free cash flow of \$306 million, our strongest year ever.



The financial figures above and in this annual report are presented on a GAAP basis unless accompanied by the terms "non-GAAP," "underlying" or "adjusted for special items," which refer to non-GAAP financial measures. For a reconciliation of GAAP to non-GAAP figures, refer to pages 5 and 6 of this report.

Front Cover

In 2013, Sandy celebrated her 75th birthday surrounded by family and friends in her home state of Pennsylvania. Just one year earlier she was diagnosed with severe symptomatic calcified aortic stenosis, which is a disease that is estimated to affect more than 300,000 older Americans.

The Edwards SAPIEN transcatheter heart valves are designed to allow Heart Teams to replace the aortic heart valve without open-heart surgery. Around the world more than 65,000 patients, like Sandy, have benefitted from an Edwards SAPIEN transcatheter heart valve, and clinical reports repeatedly show patients with a SAPIEN valve experience substantially better quality of life sooner than patients receiving alternate therapies.

Sandy's Heart Team determined she was inoperable for conventional heart surgery and that she would benefit from a transcatheter aortic valve replacement (TAVR). She received her SAPIEN heart valve via the minimally-invasive transfemoral method, which is a catheter-based delivery system through an artery in the leg. To read more about Sandy's story, please visit our online annual review at ir.edwards.com, or scan the QR code below.



Scan this QR code to experience more online. To install the QR Code app, open your mobile device's browser, 1) go to get.beetagg.com, 2) download the free app, 3) launch the app, 4) click scan, 5) center your camera on the coded image and 6) click to launch the content.

A Letter to Shareholders

I am proud to say that we completed 2013 with the strongest results in Edwards Lifesciences' 13-year history. Many of our financial measures are healthier than ever before and our robust market leadership positions bode well for the future. Although we did not reach all of the financial goals we set before the year, we have prepared ourselves well going forward by delivering on several significant milestones that strengthened our position as the global leader in the science of heart valves and hemodynamic monitoring.

Most importantly, many more patients are benefitting from our medical technologies, which have been proven to save lives, reduce the time patients spend in the hospital and enable a quicker return to everyday activities.

I believe that Edwards is well positioned to meet the challenges of a competitive marketplace and evolving healthcare economy. We have an impressive pipeline of innovative medical technology solutions that will continue to serve unmet patient and clinician needs in the years to come. And, as we continue to develop novel technologies for these patients in need, we are committed to defending our intellectual property.

As the healthcare landscape shifts to accommodate new models of delivering care, we must continue working together as a community to improve the quality and value of care and make a meaningful impact for patients. It is imperative that we continue to create tools that add value to a physician's existing skill set, and provide clinical and economic evidence to the payors who are increasingly focused on value-based care. We believe that we add the most value for patients, physicians, hospitals and investors when we truly innovate patient care.

As we grow, Edwards continues to attract important talent worldwide. We are pleased to welcome Scott B. Ullem who brings nearly 25 years of broad financial experience, proven leadership skills and a successful record as CFO of a global public company.



MICHAEL A. MUSSALLEM, CHAIRMAN & CHIEF EXECUTIVE OFFICER

Thomas M. Abate retired as CFO at the end of 2013. Tom played an important role in establishing Edwards as a standalone company in 2000 and has been a valuable business partner. We wish him the very best.

Not only do Edwards' employees dedicate themselves to fulfilling the Edwards promise of acting with determination on behalf of people fighting cardiovascular disease, but they also demonstrate a commitment to making a positive impact on the communities in which we live and work.

Our commitment to charitable giving and participation in philanthropic causes is one of the defining elements of the Edwards culture. Edwards provides opportunities for our employees to volunteer in their communities throughout the year. In 2013, the Edwards Lifesciences Fund granted \$5.6 million to more than 450 non-profit organizations, including contributions from our Employee Matching Gift Program.

As we look to the future, we plan to continue in sharing our success through corporate giving and we intend to focus our efforts to make an even greater impact. This year, we are undertaking a bold initiative that by 2020 our philanthropy will positively impact the global burden of heart valve disease by supporting the education, screening and treatment of one million underserved people.

SOLID 2013 RESULTS

As we started 2013, our initial expectations for the recently launched transcatheter valve sales in the U.S. were very bright. And we finished toward the low end of our original global estimated range. The U.S. grew slower than we expected and Europe grew faster, resulting in a solid 30 percent underlying growth rate for transcatheter valve sales globally. This contributed to total company sales of \$2.05 billion, which grew 11 percent on an underlying basis. Our gross profit margin was strong at 75 percent, non-GAAP diluted earnings per share grew 16 percent and we generated \$306 million in non-GAAP free cash flow, our strongest performance to date.

To strengthen our leadership and enable future growth opportunities, we invested 16 percent of sales in research and development. During the year, we repurchased 6.8 million shares for \$497 million and took advantage of our strong financial position by issuing \$600 million of 5-year fixed interest rate notes.

LEADING THE FUTURE OF **TRANSCATHETER VALVE TECHNOLOGIES**

A number of important transcatheter valve developments were among this year's highlights, helping to drive Edwards' progress.

During the year, we announced key clinical evidence in The PARTNER II Trial that further validated transcatheter

aortic valve replacement (TAVR) in the treatment of very ill patients. In particular, one-year patient outcomes with the Edwards SAPIEN XT heart valve demonstrated very positive results. In this clinical study, we observed similar outcomes between the Edwards SAPIEN transcatheter heart valve and the next-generation Edwards SAPIEN XT valve, which should pave the way for a less invasive and easier TAVR procedure.

Longer-term updates from The PARTNER Trial strengthened the evidence that the SAPIEN valve is a safe and less-invasive alternative for those patients who need valve replacement, but are at high surgical risk. Most notably, at three years, the mortality rate for patients treated with the Edwards SAPIEN valve was statistically equivalent to that of patients who had received open-heart surgical aortic valve replacement.

During the year, we received regulatory approval and reimbursement for our Edwards SAPIEN XT heart valve in Japan, making it the country's first commercially available transcatheter aortic heart valve. We know that severe aortic stenosis is undertreated in Japan, and patients who urgently need access to a non-surgical solution now have an advanced treatment option. With additional approvals in Australia and Canada this year, our life-saving TAVR therapy is now available in more than 60 countries.



EDWARDS SAPIEN 3

In Europe, we recently received regulatory approval to launch our most advanced Edwards SAPIEN 3 valve. U.S. studies of this valve were initiated in August, which we hope will ultimately enable access for U.S. patients more quickly.

Also in the U.S., the Food and Drug Administration in September approved revised labeling for our Edwards SAPIEN valve to include alternate access points, in

addition to the transfemoral and transapical approaches, giving patients and their physicians more options for treatment.

We believe that our next-generation technologies have the potential for even greater results than those we are already seeing, and we are continuing to explore new ways to apply our transformational technology to other unmet patient needs such as mitral valve disease.

CONTINUING TO ADVANCE SURGICAL HEART VALVES

In our Surgical Heart Valve Therapy product group, we are investing in our leadership position that is built on a history of trusted, proven, and durable implants. We are continuing to lead the way toward faster, more efficient procedures and quicker recovery times that we believe will help transform the surgical treatment of heart valve disease.



EDWARDS INTUITY ELITE

We are encouraged by the progress made in advancing the development of less-invasive technologies such as the EDWARDS INTUITY valve system, which is being evaluated in ongoing studies that now

include the next-generation EDWARDS INTUITY Elite valve. This valve has been well-received by clinicians for its lower profile to better enable minimally invasive procedures, and rapid-deployment features that hold promise for a quicker and easier procedure. We also received regulatory clearance for several of our leading surgical valve products in key global markets such as China, which offers significant opportunity for patient treatment in the future. In addition, new data were published on the Carpentier-Edwards PERIMOUNT valves demonstrating expected durability of greater than 17 years in patients age 60 and younger, the only tissue valve with such strong evidence.

DEVELOPING LESS-INVASIVE MONITORING SOLUTIONS

Our Critical Care product group also delivered on several important milestones this year, while contributing modestly to sales.

Our Enhanced Surgical Recovery program is having a positive impact on patient outcomes and recovery by providing clinicians with tools to accurately determine that surgical patients have the right fluids at the right times. We are committed to expanding the use of our innovative solutions to help hospitals achieve more successful surgeries. We believe the tools we offer can help bring clarity to complex therapeutic decision making and help clinicians manage patients in a more optimal manner, improving outcomes and reducing overall costs.

Following important design and functionality improvements, our GlucoClear system for continuous blood glucose monitoring for critically ill patients has been introduced in several key European hospitals, where we are evaluating our ability to meet this significant unmet need.

ROBUST PIPELINE KEY TO DRIVING LONG-TERM GROWTH

In 2014, we will remain focused on developing and investing in technologies to better address patient needs, including minimally invasive technologies, with the potential to improve patient care by enabling faster, more reliable procedures, shorter hospital stays, reduced complications and improved survival.

We anticipate U.S. approval of our Edwards SAPIEN XT valve with the NovaFlex delivery system during the first half of 2014, and we expect a rapid introduction to follow. Patient enrollment in the European study of our cutting-edge, self-expanding Edwards CENTERA valve with an enhanced delivery system is expected to commence mid-year.

In Surgical Heart Valve Therapy, we anticipate European approval and launch in 2014 of our next-generation EDWARDS INTUITY Elite valve system, aided by the recent approval in Germany of higher reimbursement. Also during the year, we plan to complete enrollment in the U.S. clinical trials of both EDWARDS INTUITY Elite and the GLX advanced tissue platform.

In Critical Care, the integration of our ClearSight



CLEARLIGHT

non-invasive monitoring technology into our EV1000 platform is complete and was introduced in early 2014.

EDWARDS' LONG-TERM FUTURE IS BRIGHT

It is our privilege to continue to serve patients and clinicians worldwide. We take great pride in knowing our innovative medical technologies provide improved care and better patient outcomes.

In 2014, we expect more competition with our transcatheter heart valves as other companies begin introducing products in the U.S. and Europe. Given the timing of these competitive entries, as well as launches of our own next-generation technologies, Edwards' growth will likely be difficult to predict in the short term, but we are well prepared to defend our leadership position and believe that our robust product pipeline positions us for sustainable long-term growth. Edwards is fortunate to have strong competitive positions in attractive and growing fields.

We are dedicated to making long-term investments to strengthen our leadership in structural heart disease and critical care, and position Edwards for sustained growth for years to come. Additionally, we plan to continue to expand our presence in emerging markets, offering medical technologies to regions that previously have not benefitted from advanced care options.

As we continue to grow, we are also dedicated to generating the robust clinical and economic evidence increasingly expected by patients, clinicians and payors in the new healthcare environment, ensuring that we enhance the value of delivering comprehensive care.

Edwards remains passionate about the highest standards of quality and accountability to ensure our work consistently reflects our company's credo. Our steadfast commitment to our patients, clinicians, employees and shareholders will continue to drive our progress, and fuel innovative solutions, for years to come.

We thank you for your continued trust, partnership and support.

Sincerely,

MICHAEL A. MUSSALLEM

Chairman and Chief Executive Officer

This Annual Report includes forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. These forward-looking statements include, but are not limited to, the Company's financial goals, expectations for, expectations for sustainable future growth, potential upside opportunities, plans to upgrade to new technologies, the expectation that product launches will strengthen the Company's leadership position, developments in the mitral program and pipeline of new products, and expected future business potential. Forward-looking statements are based on estimates and assumptions made by management of the Company and are believed to be reasonable, though they are inherently uncertain and difficult to predict. Our forward-looking statements speak only as of the date on which they are made and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of the statement. Forward-looking statements involve risks and uncertainties that could cause actual results or experience to differ materially from that expressed or implied by the forward-looking statements. Factors that could cause actual results or experience to differ materially from that expressed or implied by the forward-looking statements include the pace of adoption of the Company's transcatheter valve programs and the ability of the Company to continue to lead in the development of this field; the Company's success in developing new products, obtaining regulatory approvals, creating new market opportunities and launching new products on time; the availability and amounts of reimbursement for the Company's products; the availability of competitive products; the impact of currency exchange rates; the timing or results of pending or future clinical milestones and trials; actions by the U.S. Food and Drug Administration and other regulatory agencies; economic developments in key markets; and other risks detailed in the Company's filings with the Securities and Exchange Commission including its Annual Report on Form 10-K for the year ended December 31, 2013.

Caution: The Edwards SAPIEN XT and Edwards SAPIEN 3 are investigational devices in the U.S., limited by U.S. federal law to investigational use. ClearSight, EDWARDS INTUITY and INTUITY Elite valve systems, GLX advanced tissue platform, GlucoClear, and Edwards CENTERA transcatheter heart valve are not available for commercial sale in the U.S.

Reconciliation of GAAP to 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 foreign exchange fluctuations, as well as adjustments for discontinued and acquired products and sales reserves associated with THV product upgrades, 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. 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, 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 generally accepted accounting principles.

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.

Twelve months ended December 31, 2013	GAAP net sales growth rate	Impact of sales returns reserve	Impact of foreign exchange and other	Non-GAAP net sales growth rate
Non-GAAP Net Sales Growth by Product Group				
Surgical Heart Valve Therapy	1.7%	0.0%	2.7%	4.4%
Transcatheter Heart Valves	28.2%	2.6%	-1.3%	29.5%
Critical Care	-4.2%	0.0%	5.2%	1.0%

Note: Numbers may not calculate due to rounding

Reconciliation of GAAP to Non-GAAP Financial Information

Twelve months ended December 31 (in millions, except per share data)	2013	2012	2011	2010	2009
GAAP Net Income	\$391.7	\$293.2	\$236.7	\$218.0	\$229.1
Reconciling items:					
THV sales returns reserve and related costs	15.2	—	—	—	—
Product recalls	—	8.1	—	—	(4.1)
Special (gains) charges:					
Settlements and litigation, net	(83.6)	—	3.3	—	3.8
Realignment expenses, net	10.4	9.0	5.5	7.2	—
In-Process R&D impairment	5.9	—	—	—	—
Licensing of intellectual property	—	7.0	—	—	—
European receivables reserve	—	—	12.8	—	—
MONARC program discontinuation	—	—	—	8.3	—
Investment impairments	—	—	—	7.2	1.6
Milestone receipt and net gain on sale of assets	—	—	—	—	(86.9)
Charitable fund contribution	—	—	—	—	15.0
Adjustment to capitalized patent enforcement costs	—	—	—	—	3.7
Reserve reversal	—	—	—	—	(1.0)
Provision (benefit) for income taxes:					
Tax effect on non-GAAP adjustments	25.5	(5.4)	(3.9)	(4.1)	17.8
Federal research and development tax credit	(8.4)	8.4	—	—	—
Remeasurement of uncertain tax position reserve	—	(2.3)	—	—	—
Expiration of various statutes of limitations	—	—	(4.0)	—	—
Tax rulings and settlements	—	—	(9.4)	(9.8)	—
Resolution of outstanding transfer price issues	—	—	—	(7.9)	—
Non-GAAP Net Income	\$356.7	\$318.0	\$241.0	\$218.9	\$179.0
Non-GAAP earnings per share:					
Basic non-GAAP earnings per share	\$3.19	\$2.77	\$2.10	\$1.93	\$1.59
Diluted non-GAAP earnings per share	\$3.13	\$2.69	\$2.02	\$1.84	\$1.52
Weighted-average shares outstanding:					
Basic	111.7	114.9	114.6	113.7	112.5
Diluted	113.8	118.3	119.4	119.2	117.5
Non-GAAP Free Cash Flow					
Twelve months ended December 31 (in millions)	2013	2012	2011	2010	2009
Net cash provided by operating activities	\$472.7	\$362.1	\$308.2	\$251.4	\$165.3
Capital expenditures	(109.0)	(109.0)	(76.6)	(61.8)	(64.0)
Reconciling items:					
Japan securitization program termination	—	—	—	—	39.0
Tax payment related to Bard milestone	—	—	—	—	22.8
Charitable fund contribution	—	—	—	—	15.0
Medtronic litigation settlement	(57.3)	—	—	—	—
Non-GAAP Free Cash Flow	\$306.4	\$253.1	\$231.6	\$189.6	\$178.1
Non-GAAP Net Sales Growth					
Twelve months ended December 31	2013	2012	2011	2010	2009
GAAP Net Sales Growth Rate	7.7%	13.2%	16.0%	9.5%	6.8%
Impact of discontinued, newly acquired and other products	0.7%	0.0%	0.0%	3.9%	2.9%
Impact of foreign exchange	2.4%	3.0%	-4.4%	-0.7%	1.4%
Non-GAAP Net Sales Growth Rate	10.8%	16.2%	11.6%	12.7%	11.1%

Note: Numbers may not calculate due to rounding.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From _____ to _____

Commission File Number 1-15525

EDWARDS LIFESCIENCES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-4316614
(I.R.S. Employer
Identification No.)

One Edwards Way, Irvine, California 92614
(Address of principal executive offices) (ZIP Code)

(949) 250-2500

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value \$1.00 per share

Name of each exchange on which registered:

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller
reporting company)

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the registrant's common stock held by non-affiliates as of June 28, 2013 (the last trading day of the registrant's most recently completed second quarter): \$7,477,512,403 based on a closing price of \$67.20 of the registrant's common stock on the New York Stock Exchange. This calculation does not reflect a determination that persons are affiliates for any other purpose.

The number of shares outstanding of the registrant's common stock, \$1.00 par value, as of January 31, 2014, was 107,240,547.

Documents Incorporated by Reference

Portions of the registrant's proxy statement for the 2014 Annual Meeting of Stockholders (to be filed within 120 days of December 31, 2013) are incorporated by reference into Part III, as indicated herein.

EDWARDS LIFESCIENCES CORPORATION
Form 10-K Annual Report—2013
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PART I

Item 1. Business

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend the forward-looking statements contained in this report to be covered by the safe harbor provisions of such Acts. All statements other than statements of historical fact in this report or referred to or incorporated by reference into this report are “forward-looking statements” for purposes of these sections. These statements include, among other things, any predictions of earnings, revenues, expenses or other financial items, plans or expectations with respect to development activities, clinical trials or regulatory approvals, any statements of plans, strategies and objectives of management for future operations, any statements concerning our future operations, financial conditions and prospects, and any statements of assumptions underlying any of the foregoing. These statements can sometimes be identified by the use of the forward-looking words such as “may,” “believe,” “will,” “expect,” “project,” “estimate,” “should,” “anticipate,” “plan,” “goal,” “continue,” “seek,” “pro forma,” “forecast,” “intend,” “guidance,” “optimistic,” “aspire,” “confident,” other forms of these words or similar words or expressions or the negative thereof. Investors are cautioned not to unduly rely on such forward-looking statements. These forward-looking statements are subject to substantial risks and uncertainties that could cause our results or future business, financial condition, results of operations or performance to differ materially from the our historical results or experiences or those expressed or implied in any forward-looking statements contained in this report. See “Risk Factors” below for a further discussion of these risks, as well as our subsequent reports on Forms 10-Q and 8-K. These forward-looking statements speak only as of the date on which they are made and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of the statement. If we do update or correct one or more of these statements, investors and others should not conclude that we will make additional updates or corrections.

Overview

Edwards Lifesciences Corporation is focused on technologies that treat structural heart disease and critically ill patients. A pioneer in the development and commercialization of heart valve products, we are the world’s leading manufacturer of heart valves and repair products used to replace or repair a patient’s diseased or defective heart valve. We are also a global leader in hemodynamic monitoring systems used to measure a patient’s cardiovascular function in the hospital setting.

Cardiovascular disease is the number-one cause of death in the world, and is the top disease in terms of health care spending in nearly every country. Cardiovascular disease is progressive in that it tends to worsen over time and often affects an individual’s entire circulatory system.

Patients undergoing treatment for cardiovascular disease may be treated using a variety of our products and technologies. For example, an individual with a heart valve disorder may have a faulty valve. A clinician may elect to remove the valve and replace it with one of our bioprosthetic surgical tissue heart valves, surgically re-shape and repair the faulty valve with an Edwards Lifesciences annuloplasty ring, or deploy an Edwards Lifesciences transcatheter valve via a minimally invasive catheter-based system. If a patient undergoes open-heart surgery, our cardiac surgery systems products may be used while the patient’s heart and lung functions are being bypassed, or during minimally invasive valve surgery. Virtually all high-risk patients in the operating room or intensive care unit are candidates for having their cardiac function monitored by our Critical Care products. If the circulatory problems are in the limbs rather than in the heart, the patient’s procedure may involve some of our vascular products, which include various types of balloon-tipped catheters that are used to remove blood clots from diseased blood vessels.

Segment and Geographical Information

We conduct operations worldwide and are managed in the following geographical regions: United States, Europe, Japan and Rest of World. All regions sell products that are used to treat advanced cardiovascular disease. Additional segment and geographical information is incorporated herein by reference to Note 17 to

the “*Consolidated Financial Statements*.” See also the risk factor “*Our business is subject to economic, political and other risks associated with international sales and operations, including risks arising from currency exchange rate fluctuations*” in Part I, Item 1A, “*Risk Factors*”, for information regarding risks involving our international operations.

Corporate Background

Edwards Lifesciences Corporation was incorporated in Delaware on September 10, 1999. Unless otherwise indicated or otherwise required by the context, the terms “we,” “our,” “it,” “its,” “Company,” “Edwards” and “Edwards Lifesciences” refer to Edwards Lifesciences Corporation and its subsidiaries.

Our principal executive offices are located at One Edwards Way, Irvine, California 92614. The telephone number at that address is (949) 250-2500. We make available, free of charge on our website located at www.edwards.com, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after filing such reports with the Securities and Exchange Commission (“SEC”). The contents of our website are not incorporated by reference into this report.

Edwards Lifesciences’ Product and Technology Offerings

The following discussion summarizes the main areas of products and technologies we offer to treat advanced cardiovascular disease. These are categorized into three main areas: Surgical Heart Valve Therapy, Transcatheter Heart Valves, and Critical Care. For more information on net sales from these three main areas, see “*Net Sales by Product Group*” under “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*.”

Surgical Heart Valve Therapy

We are the global leader in heart valve therapy and the world’s leading manufacturer of heart valves and repair products, which are used to replace or repair a patient’s diseased or defective heart valve. We produce pericardial valves from biologically inert animal tissue sewn onto proprietary wireform stents.

The core of our surgical tissue heart valve product line is the *Carpentier-Edwards PERIMOUNT* pericardial valve, including the line of *PERIMOUNT Magna Ease* valves, the newest generation pericardial valves for aortic and mitral replacement. With their proven durability and performance, *PERIMOUNT* valves are the most widely prescribed tissue heart valves in the world. In addition to its replacement valves, we pioneered and are the worldwide leader in heart valve repair therapies, including annuloplasty rings and systems. We have also developed the *EDWARDS INTUITY Valve System*, a minimally invasive aortic heart valve system designed to enable a faster procedure, shorter patient time on cardiopulmonary bypass and a smaller incision.

Cardiac surgeons and their patients increasingly are seeking less invasive approaches to aortic or mitral valve surgery, which offer a number of potential benefits, including smaller incisions, less blood loss, quicker recoveries and less scarring. Edwards Lifesciences’ *ThruPort* systems enable minimal incision valve surgery where surgeons perform intricate procedures through small incisions, and allow surgeons to tailor procedures based on their preferred surgical approach. We are also a global leader in protection cannulae, which are used during cardiac surgery in venous drainage, aortic perfusion, venting and cardioplegia delivery.

Sales of our surgical tissue heart valve products represented approximately 34%, 36% and 40% of our net sales in 2013, 2012 and 2011, respectively.

Transcatheter Heart Valves

We have leveraged the knowledge and experience from our Surgical Heart Valve portfolio to optimize transcatheter heart valve replacement technology, designed for the nonsurgical replacement of heart valves.

The *Edwards SAPIEN*, *Edwards SAPIEN XT* and *Edwards SAPIEN 3* transcatheter aortic heart valves are used to treat heart valve disease using catheter-based approaches for certain patients deemed at risk for traditional open-heart surgery. Delivered while the heart is beating, these valves can enable patients to experience a better quality of life sooner than patients receiving alternative therapies. We began offering our Transcatheter Heart Valves to patients commercially in Europe in 2007, in the United States in 2011, and in Japan in 2013. As of December 31, 2013, our transcatheter aortic heart valves were available for sale in over 60 countries. Sales of our Transcatheter Heart Valves represented approximately 35%, 29% and 20% of our net sales in 2013, 2012 and 2011, respectively.

Critical Care

We are a world leader in hemodynamic monitoring systems used to measure a patient's heart function in surgical and intensive care settings. Hemodynamic monitoring enables a clinician to balance the oxygen supply and demand of a critically ill patient and plays an important role in ensuring tissue and organ perfusion, and ultimately patient outcomes and survival.

Our hemodynamic monitoring technologies are used before, during and after open-heart, major vascular, major abdominal, neurological and orthopedic surgical procedures, as well as for acutely ill patients with conditions such as sepsis, acute respiratory distress syndrome and multi-organ failure. We manufacture the *FloTrac* continuous cardiac output monitoring system, a minimally invasive cardiac monitoring technology for goal-directed hemodynamic optimization. Our hemodynamic monitoring product line also includes the *Swan-Ganz* line of pulmonary artery catheters, and the *PreSep* continuous venous oximetry catheter for measuring central venous oxygen saturation. Our *VolumeView* sensor-catheter set measures a critically ill patient's volumetric hemodynamic parameters, while the *EV1000* clinical monitoring platform displays a patient's physiologic status and integrates many of our sensors and catheters into one intuitive platform.

In 2012, we extended our Critical Care product offering with the acquisition of a non-invasive hemodynamic monitoring product line. We plan to integrate this product, *ClearSight*, into our *EV1000* clinical platform in 2014.

We are also the global leader in disposable pressure monitoring devices and innovative closed blood sampling systems to help protect both patients and clinicians from the risk of infection. Sales of our hemodynamic monitoring devices represented approximately 23%, 26% and 29% of our net sales in 2013, 2012 and 2011, respectively.

We manufacture and sell a variety of peripheral vascular products used to treat endoluminal occlusive disease, including balloon-tipped, catheter-based embolectomy products, surgical clips and clamps. Our *Fogarty* line of embolectomy catheters has been an industry standard for removing blood clots from peripheral blood vessels for more than 40 years.

Competition

The medical device industry is highly competitive. We compete with many companies, including divisions of companies much larger than us and smaller companies that compete in specific product lines or certain geographies. Furthermore, new product development and technological change characterize the areas in which we compete. Our present or future products could be rendered obsolete or uneconomical as a result of technological advances by one or more of our present or future competitors or by other therapies, including drug therapies. We must continue to develop and acquire new products and technologies to remain competitive in the cardiovascular medical device industry. We believe that we compete primarily on the basis of clinical superiority and innovative features that enhance patient benefit, product reliability, performance, customer and sales support, and cost-effectiveness.

The cardiovascular segment of the medical device industry is dynamic and subject to significant change due to cost-of-care considerations, regulatory reform, industry and customer consolidation, and evolving

patient needs. The ability to provide products and technologies that demonstrate value and improve clinical outcomes is becoming increasingly important for medical device manufacturers.

We believe that we are globally one of the leading competitors in each of our major product lines. In Surgical and Transcatheter Heart Valve therapies, our primary competitors include St. Jude Medical, Inc., Medtronic, Inc. and Sorin Group. In Critical Care, we compete primarily with a variety of companies in specific product lines including ICU Medical, Inc., PULSION Medical Systems AG and LiDCO Group PLC.

Sales and Marketing

We have a number of broad product lines that require a sales and marketing strategy tailored to our customers in order to deliver high-quality, cost-effective products and technologies to all of our customers worldwide. Our portfolio includes some of the most recognizable product brands in cardiovascular devices today. To help broaden awareness of our products and technologies, we conduct educational symposia and provide training to our customers.

Because of the diverse global needs of the population that we serve, our distribution system consists of a direct sales force as well as independent distributors. We are not dependent on any single customer and no single customer accounted for 10% or more of our net sales in 2013.

Sales personnel work closely with the customers who purchase our products, which primarily include physicians, nurses and other clinical personnel, but can also include decision makers such as material managers, biomedical staff, hospital administrators, purchasing managers and ministries of health. Also, for certain of our products and where appropriate, our sales force actively pursues approval of Edwards Lifesciences as a qualified supplier for hospital group purchasing organizations (“GPOs”) that negotiate contracts with suppliers of medical products. Additionally, we have contracts with a number of United States national and regional buying groups.

United States. In the United States, we sell substantially all of our products through our direct sales force. In 2013, 46% of our reported sales were derived from sales to customers in the United States.

International. In 2013, 54% of our reported sales were derived internationally through our direct sales force and independent distributors. Of the total international sales, 56% were in Europe, 22% were in Japan, and 22% were in Rest of World. We sell our products in approximately 100 countries, and our major international markets include Australia, Brazil, Canada, France, Germany, Italy, Japan, the Netherlands, Spain and the United Kingdom. A majority of the sales and marketing approach outside the United States is direct sales, although it varies depending on each country’s size and state of development. The international markets in which we choose to market our products are also influenced by the existence of, or potential for, adequate reimbursement to hospitals by national healthcare systems.

Raw Materials and Manufacturing

We operate manufacturing facilities in various geographies around the world. Our Surgical Heart Valve Therapy and Transcatheter Heart Valve products are manufactured in California and Utah in the United States, Switzerland, and Singapore. Critical Care products are manufactured primarily in our facilities located in Puerto Rico and the Dominican Republic.

We use a diverse and broad range of raw and organic materials in the design, development and manufacture of our products. Our non-implantable products are manufactured from man-made raw materials including resins, chemicals, electronics and metals. Most of our Surgical Heart Valve Therapy and Transcatheter Heart Valve products are manufactured from natural tissues harvested from animal tissue, as well as man-made materials. We purchase certain materials and components used in manufacturing our products from external suppliers. In addition, we purchase certain supplies from single sources for reasons of

quality assurance, sole source availability, cost effectiveness or constraints resulting from regulatory requirements.

We work closely with our suppliers to mitigate risk and assure continuity of supply while maintaining uncompromised quality and reliability. Alternative supplier options are generally considered and identified, although we do not typically pursue regulatory qualification of alternative sources due to the strength of our existing supplier relationships and the time and expense associated with the regulatory validation process.

We follow rigorous sourcing and manufacturing procedures intended to safeguard humans from potential risks associated with diseases such as bovine spongiform encephalopathy (“BSE”). International health and regulatory authorities have given guidance identifying three factors contributing to the control of BSE: source of animals, nature of tissue used and manufacturing process controls. In the countries in which we sell our products, we comply with all current global guidelines regarding risks for products intended to be implanted in humans. We obtain bovine tissue used in our pericardial tissue valve products only from sources within the United States and Australia, where strong control measures and surveillance programs exist. In addition, bovine tissue used in our pericardial tissue valve products is from tissue types considered by global health and regulatory organizations to have shown no risk of infectibility. Our manufacturing and sterilization processes are designed to render tissue biologically safe from all known infectious agents and viruses, and exceed the worldwide standard for sterile medical products.

Quality Assurance

We are committed to providing quality products that comply with United States Food and Drug Administration (“FDA”) and other applicable regulations to our customers. To meet this commitment, we have implemented modern quality systems and concepts throughout the organization. The quality system starts with the initial product specification and continues through the design of the product, component specification processes, and the manufacturing, sales and servicing of the product. The quality system is intended to design quality into products and utilizes continuous improvement concepts, including Lean Six Sigma Principles, throughout the product lifecycle.

Our operations are certified under FDA and all applicable international quality systems standards, such as International Organization for Standardization (“ISO”) 13485. These standards require, among other items, quality system controls that are applied to product design, component material, suppliers and manufacturing operations. These regulatory approvals and ISO certifications can be obtained only after a complete audit of a company’s quality system has been conducted by regulatory or independent outside auditor. Periodic reexamination by an independent outside auditor is required to maintain these certifications.

Environmental Health and Safety

We are committed to a safe and healthy workplace and the promotion of environmental excellence in our own communities and worldwide. Through our Environmental Health and Safety function, we facilitate compliance with applicable regulatory requirements and monitor performance against these requirements at all levels of our organization. In order to measure performance, we monitor a number of metrics, which include the generation of both regulated and non-regulated waste, emissions of air toxics, energy usage and lost time incidents in our production activities. Each of our manufacturing sites is evaluated regularly with respect to a broad range of Environmental Health and Safety criteria.

Research and Development

We are engaged in ongoing research and development to deliver clinically advanced new products, to enhance the effectiveness, ease of use, safety and reliability of our current leading products, and to expand the applications of our products as appropriate. We focus on opportunities within specific areas of structural heart disease and critical care monitoring, and we are dedicated to developing novel technologies to better enable clinicians to treat patients who suffer from the disease.

We invested \$323.0 million in research and development in 2013, \$291.3 million in 2012, and \$246.3 million in 2011 (15.8%, 15.3% and 14.7% of net sales, respectively). A significant portion of our research and development investment has been applied to extend and defend our leadership position in transcatheter heart valve replacement technologies, surgical tissue heart valves, heart valve repair therapies, and hemodynamic monitoring products. Additionally, we dedicate a sizable portion of our research and development investment to developing advanced technologies designed to address unmet clinical needs within the area of structural heart disease.

We are investing substantially in the development of transcatheter heart valve technologies designed to treat heart valve disease using catheter-based approaches. In the area of transcatheter aortic valve replacement (“TAVR”), we are developing a repositionable, self-expanding transcatheter heart valve system, the *Edwards CENTERA* transcatheter valve system, in addition to next-generation balloon-expandable valves. We are also making significant investment in the development of transcatheter heart valve technologies designed to treat mitral valve disease.

Surgical Heart Valve Therapy development programs include the *EDWARDS INTUITY Elite Valve System*, a next-generation minimally invasive aortic heart valve system, and *GLX*, an advanced tissue platform designed to improve tissue valve durability and ease of use. We also plan to broaden our offering of minimally invasive surgical technologies and other products to complement our Surgical Heart Valve Therapy products.

In our Critical Care product line, we are pursuing the development of non-invasive and minimally invasive hemodynamic monitoring systems, including continuous hemodynamic monitoring, and automated glucose monitoring and other technologies that collect critical patient information to help clinicians make more informed treatment decisions for larger patient populations.

Our research and development activities are conducted primarily in facilities located in the United States, Israel and the Netherlands. Our experienced research and development staff is focused on product design and development, quality, clinical research and regulatory compliance. To pursue primary research efforts, we have developed alliances with several leading research institutions and universities, and also work with leading clinicians around the world in conducting scientific studies on our existing and developing products. These studies include clinical trials, which provide data for use in regulatory submissions, and post-market approval studies involving applications of our products.

Proprietary Technology

Patents and other proprietary rights are important to the success of our business. We also rely upon trade secrets, know-how, continuing innovations and licensing opportunities to develop and maintain our competitive position.

We own more than 2,500 issued United States patents, pending United States patent applications, issued foreign patents and pending foreign patent applications. We also have licensed various United States and foreign patents and patent applications that relate to aspects of the technology incorporated in certain of our products, including our heart valves, and annuloplasty rings and systems. We also own or have rights in United States and foreign patents and patent applications in the field of transcatheter heart valve repair and replacement. In addition, we own or have rights in United States and foreign patents and patent applications that cover catheters, systems and methods for hemodynamic monitoring, and vascular access products.

We are a party to several license agreements with unrelated third parties pursuant to which we have obtained, for varying terms, the exclusive or non-exclusive rights to certain patents held by such third parties in consideration for cross-licensing rights and/or royalty payments. We have also licensed certain patent rights to others.

We monitor the products of our competitors for possible infringement of our owned and/or licensed patents. Litigation has been necessary to enforce certain patent rights held by us, and we plan to continue to defend and prosecute our rights with respect to such patents.

We own certain United States registered trademarks used in our business. Many of our trademarks have also been registered for use in certain foreign countries where registration is available and where we have determined it is commercially advantageous to do so.

Government Regulation and Other Matters

Our products and technologies are subject to regulation by numerous domestic and foreign government agencies, including the FDA, and various laws and regulations governing the development, testing, manufacturing, labeling, marketing and distribution of our products and technologies. We are also governed by federal, state, local and international laws of general applicability, such as those regulating employee health and safety and the protection of the environment. Overall, the amount and scope of domestic and foreign laws and regulations applicable to our business is increasing.

United States Regulation. In the United States, the FDA has responsibility for regulating medical devices. The FDA regulates design, development, testing, clinical studies, manufacturing, labeling, promotion and record-keeping for medical devices, and reporting of adverse events, recalls, or other field actions by manufacturers and users to identify potential problems with marketed medical devices. Many of the devices that we develop and market are in a category for which the FDA has implemented stringent clinical investigation and pre-market clearance or approval requirements. The process of obtaining FDA clearance or approval to market a product is resource intensive, lengthy and costly. FDA review may involve substantial delays that adversely affect the marketing and sale of our products. A number of our products are pending regulatory clearance or approval to begin commercial sales in various markets. Ultimately, the FDA may not authorize the commercial release of a medical device if it determines the device is not safe and effective or does not meet other standards for clearance. Additionally, even if a product is cleared or approved, the FDA may require testing and surveillance programs to monitor the effects of these products once commercialized.

The FDA has the authority to halt the distribution of certain medical devices, detain or seize adulterated or misbranded medical devices, order the repair, replacement or refund of the costs of such devices, or preclude the importation of devices that are or appear violative. The FDA also conducts inspections to determine compliance with the quality system regulations concerning the manufacturing and design of devices and current medical device reporting regulations, recall regulations, clinical testing regulations, and other requirements. The FDA may withdraw product clearances or approvals due to failure to comply with regulatory standards or the occurrence of unforeseen problems following initial approval and require notification of health professionals and others with regard to medical devices that present unreasonable risks of substantial harm to the public health. Additionally, the failure to comply with FDA or comparable regulatory standards or the discovery of previously unknown product problems could result in fines, delays or suspensions of regulatory clearances or approvals, seizures, injunctions, recalls, refunds, civil money penalties, or criminal prosecution. Our compliance with applicable regulatory requirements is subject to continual review. Moreover, the FDA and several other United States agencies administer controls over the export of medical devices from the United States and the importation of devices into the United States, which could also subject us to sanctions for noncompliance.

In May 2013, we received a warning letter from the Denver District Office of the FDA resulting from an inspection of our facility in Draper, Utah. The warning letter relates specifically to the execution of our quality systems within the Cardiac Surgery Systems business, including design and process validation, corrective and preventive actions, finished device acceptance and packaging, and indicated that we would not receive pre-market approvals for devices reasonably related to those issues until the issues are resolved. Our Utah facility manufactures devices for the Cardiac Surgery Systems business, such as cannulae and cardioplegia catheters, and also makes devices for our other businesses, including heart valve repair rings and transcatheter heart valve delivery system components and accessories. We are in the process of implementing the necessary actions to respond to the specific issues addressed in the letter and remain committed to thoroughly resolving those issues.

We are also subject to additional laws and regulations that govern our business operations, products and technologies, including:

- federal, state and foreign anti-kickback laws and regulations, which generally prohibit payments to physicians or other purchasers of medical products as an inducement to purchase a product;
- the Stark law, which prohibits physicians from referring Medicare or Medicaid patients to a provider that bills these programs for the provision of certain designated health services if the physician (or a member of the physician's immediate family) has a financial relationship with that provider;
- federal and state laws and regulations that protect the confidentiality of certain patient health information, including patient records, and restrict the use and disclosure of such information, in particular, the Health Insurance Portability and Accountability Act of 1996;
- the Physician Payments Sunshine Act, which requires public disclosure of the financial relationships of United States physicians and teaching hospitals with applicable manufacturers, including medical device, pharmaceutical and biologics companies;
- the False Claims Act, which prohibits the submission of false or otherwise improper claims for payment to a federally funded health care program, and health care fraud statutes that prohibit false statements and improper claims to any third-party payor; and
- the United States Foreign Corrupt Practices Act, which can be used to prosecute companies in the United States for arrangements with foreign government officials or other parties outside the United States.

Failure to comply with these laws and regulations could result in criminal liability, significant fines or penalties, negative publicity and substantial costs and expenses associated with investigation and enforcement activities. To assist in our compliance efforts, we adhere to many codes of ethics and conduct regarding our sales and marketing activities in the United States and other countries in which we operate. In addition, we have in place a dedicated team to improve our internal business compliance programs and policies.

International Regulation. Internationally, the regulation of medical devices is complex. In Europe, our products are subject to extensive regulatory requirements. The regulatory regime in the European Union for medical devices became mandatory in June 1998. It requires that medical devices may only be placed on the market if they do not compromise safety and health when properly installed, maintained and used in accordance with their intended purpose. National laws conforming to the European Union's legislation regulate our products under the medical devices regulatory system. Although the more variable national requirements under which medical devices were formerly regulated have been substantially replaced by the European Union Medical Devices Directive, individual nations can still impose unique requirements that may require supplemental submissions. The European Union medical device laws require manufacturers to declare that their products conform to the essential regulatory requirements after which the products may be placed on the market bearing the CE Mark. Manufacturers' quality systems for products in all but the lowest risk classification are also subject to certification and audit by an independent notified body. In Europe, particular emphasis is being placed on more sophisticated and faster procedures for the reporting of adverse events to the competent authorities.

In Japan, pre-market approval and clinical studies are required as is governmental pricing approval for medical devices. Clinical studies are subject to a stringent "Good Clinical Practices" standard. Approval time frames from the Japanese Ministry of Health, Labour and Welfare vary from simple notifications to review periods of one or more years, depending on the complexity and risk level of the device. In addition, importation of medical devices into Japan is subject to the "Good Import Practices" regulations. As with any highly regulated market, significant changes in the regulatory environment could adversely affect future sales.

In many of the other foreign countries in which we market our products, we may be subject to regulations affecting, among other things:

- product standards and specifications;
- packaging requirements;
- labeling requirements;
- product collection and disposal requirements;
- quality system requirements;
- import restrictions;
- tariffs;
- duties; and
- tax requirements.

Many of the regulations applicable to our devices and products in these countries are similar to those of the FDA. In some regions, the level of government regulation of medical devices is increasing, which can lengthen time to market and increase registration and approval costs. In many countries, the national health or social security organizations require our products to be qualified before they can be marketed and considered eligible for reimbursement.

Health Care Initiatives. Government and private sector initiatives to limit the growth of health care costs, including price regulation and competitive pricing, coverage and payment policies, comparative effectiveness therapies, technology assessments and managed-care arrangements, are continuing in many countries where we do business, including the United States, Europe and Japan. As a result of these changes, the marketplace has placed increased emphasis on the delivery of more cost-effective medical therapies. For example, government programs, private health care insurance and managed-care plans have attempted to control costs by limiting the amount of reimbursement they will pay for procedures or treatments, and some third-party payors require their pre-approval before new or innovative devices or therapies are utilized by patients. These various initiatives have created increased price sensitivity over medical products generally and may impact demand for our products and technologies.

The delivery of our products is subject to regulation by the Health and Human Services Centers for Medicare and Medicaid Services (“CMS”) and comparable state and foreign agencies responsible for reimbursement and regulation of health care items and services. Foreign governments also impose regulations in connection with their health care reimbursement programs and the delivery of health care items and services. Reimbursement schedules regulate the amount the United States government will reimburse hospitals and doctors for the inpatient care of persons covered by Medicare. CMS may also review whether and/or under what circumstances a procedure or technology is reimbursable. Several legislative proposals in the United States have been advanced that would restrict future funding increases for government-funded programs, including Medicare and Medicaid. Changes in current reimbursement levels could have an adverse effect on market demand and our pricing flexibility.

Hospital reimbursement in the United States for TAVR procedures is currently aligned with surgical aortic valve replacement codes. CMS has issued a National Coverage Determination (“NCD”) that provides nationwide Medicare coverage of TAVR for patients who either fall within FDA-approved criteria or are part of an approved clinical study. In the United States, physician codes and payment rates have also been established for TAVR procedures.

Health care cost containment efforts have also prompted domestic hospitals and other customers of medical device manufacturers to consolidate into larger purchasing groups to enhance purchasing power, and this trend is expected to continue. The medical device industry has also experienced some consolidation,

partly in order to offer a broader range of products to large purchasers. As a result, transactions with customers are larger, more complex and tend to involve more long-term contracts than in the past. These larger customers, due to their enhanced purchasing power, may attempt to increase the pressure on product pricing.

Health Care Reform. In 2010, significant reforms to the health care system were adopted as law in the United States. The law includes provisions that, among other things, reduce or limit Medicare reimbursement, require all individuals to have health insurance (with limited exceptions) and impose increased taxes. Specifically, the law requires the medical device industry to subsidize health care reform in the form of a 2.3% excise tax on United States sales of most medical devices beginning in 2013. The excise tax increased our operating expenses. Because other parts of the 2010 health care law remain subject to implementation, the long-term impact on us is uncertain. The new law or any future legislation could reduce medical procedure volumes, lower reimbursement for our products, and impact the demand for our products or the prices at which we sell our products.

Seasonality

Our quarterly net sales are influenced by many factors, including new product introductions, acquisitions, regulatory approvals, patient and physician holiday schedules, and other factors. Net sales in the third quarter are typically lower than other quarters of the year due to the seasonality of the United States and European markets, where summer vacation schedules normally result in fewer medical procedures.

Employees

As of December 31, 2013, we had approximately 8,600 employees worldwide, the majority of whom were located in the United States, the Dominican Republic, Puerto Rico and Singapore. Other major concentrations of employees are located in Europe and Japan. We emphasize competitive compensation, benefits, equity participation and work environment practices in our efforts to attract and retain qualified personnel, and employ a rigorous talent management system. None of our North American employees are represented by a labor union. In various countries outside of North America, we interact with trade unions and work councils that represent a limited number of employees.

Item 1A. Risk Factors

Our business and assets are subject to varying degrees of risk and uncertainty. An investor should carefully consider the risks described below, as well as other information contained in this Annual Report on Form 10-K and in our other filings with the Securities and Exchange Commission. Additional risks not presently known to us or that we currently deem immaterial may also adversely affect our business. If any of these events or circumstances occurs, our business, financial condition, results of operations or prospects could be materially harmed. In that case, the value of our securities could decline and an investor could lose part or all of his or her investment. In addition, forward-looking statements within the meaning of the federal securities laws that are contained in this Annual Report on Form 10-K or in our other filings or statements may be subject to the risks described below as well as other risks and uncertainties. Please read the cautionary notice regarding forward-looking statements in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," below.

If we do not introduce new products in a timely manner, our products may become obsolete and our operating results may suffer.

The cardiovascular products industry is characterized by technological changes, frequent new product introductions and evolving industry standards. Without the timely introduction of new and improved products, our products could become technologically obsolete or more susceptible to competition and our revenue and operating results would suffer. Even if we are able to develop new or improved products, our ability to market them could be limited by the need for regulatory clearance, restrictions imposed on approved

indications, entrenched patterns of clinical practice, uncertainty over third-party reimbursement or other factors. We devote significant financial and other resources to our research and development activities; however, the research and development process is prolonged and entails considerable uncertainty. Accordingly, products we are currently developing may not complete the development process or obtain the regulatory or other approvals required to market such products in a timely manner or at all.

Technical innovations often require substantial time and investment before we can determine their commercial viability. We may not have the financial resources necessary to fund all of these projects. In addition, even if we are able to successfully develop new or improved products, they may not produce revenue in excess of the costs of development, and they may be rendered obsolete or less competitive by changing customer preferences or the introduction by our competitors of products with newer technologies or features or other factors.

We may incur product liability losses that could adversely affect our operating results.

Our business exposes us to potential product liability risks that are inherent in the design, manufacture and marketing of medical devices. Our products are often used in surgical and intensive care settings with seriously ill patients. In addition, many of the medical devices we manufacture and sell are designed to be implanted in the human body for long periods of time. Component failures, manufacturing flaws, design defects or inadequate disclosure of product related risks or product related information could result in an unsafe condition or injury to, or death of, patients. Such a problem could result in product liability lawsuits and claims, safety alerts or product recalls in the future, which, regardless of their ultimate outcome, could have a material adverse effect on our business and reputation and on our ability to attract and retain customers. Product liability claims may be brought from time to time either by individuals or by groups seeking to represent a class. We may incur charges related to such matters in excess of any established reserves and such charges, including the establishment of any such reserves, could have a material adverse impact on our net income and net cash flows.

We may experience supply interruptions that could harm our ability to manufacture products.

We use a broad range of raw and organic materials and other items in the design and manufacture of our products. Our Surgical and Transcatheter Heart Valve Therapy products are manufactured from treated natural animal tissue and man-made materials. Our non-implantable products are manufactured from man-made raw materials including resins, chemicals, electronics and metals. We purchase certain of the materials and components used in the manufacture of our products from external suppliers, and we purchase certain supplies from single sources for reasons of quality assurance, cost-effectiveness, availability or constraints resulting from regulatory requirements. General economic conditions could adversely affect the financial viability of our suppliers, resulting in their inability to provide materials and components used in the manufacture of our products. While we work closely with suppliers to monitor their financial viability and to assure continuity of supply and maintain high quality and reliability, these efforts may not be successful. In addition, due to the rigorous regulations and requirements of the FDA and foreign regulatory authorities regarding the manufacture of our products (including the need for approval of any change in supply arrangements), we may have difficulty establishing additional or replacement sources on a timely basis or at all if the need arises. Although alternative supplier options are considered and identified, we typically do not pursue regulatory qualification of alternative sources due to the strength of our existing supplier relationships and the time and expense associated with the regulatory validation process. A change in suppliers could require significant effort or investment in circumstances where the items supplied are integral to product performance or incorporate unique technology, and the loss of any existing supply contract could have a material adverse effect on us.

Regulatory agencies in the United States or other international geographies from time to time have limited or banned the use of certain materials used in the manufacture of our products. In these circumstances, transition periods typically provide time to arrange for alternative materials. In addition, the

SEC enacted disclosure rules regarding products that may contain certain minerals that originate from conflict areas in and around the Democratic Republic of Congo. If our suppliers cannot certify that their components do not originate from these conflict areas, we may need to source components from alternative suppliers. If we are unable to identify alternative materials or suppliers and secure approval for their use in a timely manner, our business could be harmed.

Some of our suppliers are located outside the United States. As a result, trade or regulatory embargoes imposed by foreign countries or the United States could result in delays or shortages that could harm our business.

The manufacture of many of our products is highly complex and subject to strict quality controls. If we or one of our suppliers encounters manufacturing or quality problems, our business could suffer.

The manufacture of many of our products is highly complex and subject to strict quality controls, due in part to rigorous regulatory requirements. In addition, quality is extremely important due to the serious and costly consequences of a product failure. Problems can arise during the manufacturing process for a number of reasons, including equipment malfunction, failure to follow protocols and procedures, raw material problems or human error. If these problems arise or if we otherwise fail to meet our internal quality standards or those of the FDA or other applicable regulatory body, which include detailed record-keeping requirements, our reputation could be damaged, we could become subject to a safety alert or a recall, we could incur product liability and other costs, product approvals could be delayed and our business could otherwise be adversely affected.

In addition, our manufacturing facilities in California, Utah, the Dominican Republic, and Puerto Rico could be materially damaged by earthquakes, hurricanes and other natural disasters or catastrophic circumstances. While we believe that our exposure to significant losses from a catastrophic disaster could be partially mitigated by our ability to manufacture some of our products at our other manufacturing facilities, the losses could have a material adverse effect on our business for an indeterminate period of time before this manufacturing transition is complete and operates without significant disruption.

We may be required, from time to time, to recognize charges in connection with the write-down of our asset or business dispositions, or for other reasons.

From time to time we identify businesses and products that are not performing at a level commensurate with the rest of our business. We may seek to dispose of these underperforming businesses or products. We may also seek to dispose of other businesses or products for strategic or other business reasons. If we cannot dispose of a business or product on acceptable terms, we may voluntarily cease operations related to that business or product. Any of these events could result in charges, which could be substantial and which could adversely affect our results of operations.

We may not successfully identify and complete acquisitions or strategic alliances on favorable terms or achieve anticipated synergies relating to any acquisitions or alliances, and such acquisitions could result in unforeseen operating difficulties and expenditures, require significant management resources and require significant charges or write-downs.

We regularly explore potential acquisitions of complementary businesses, technologies, services or products, as well as potential strategic alliances. We may be unable to find suitable acquisition candidates or appropriate partners with which to form alliances. Even if we identify appropriate acquisition or alliance candidates, we may be unable to complete the acquisitions or alliances on favorable terms, if at all. In addition, the process of integrating an acquired business, technology, service or product into our existing operations could result in unforeseen difficulties and expenditures. Integration of an acquired company often requires significant expenditures as well as significant management resources that otherwise would be available

for ongoing development of our other businesses. Moreover, we may not realize the anticipated financial or other benefits of an acquisition or alliance.

We may be required to take charges or write-downs in connection with acquisitions. In particular, acquisitions of businesses engaged in the development of new products may give rise to in-process research and development (“IPR&D”) assets. To the extent that the value of these assets declines, we may be required to write down the value of the assets. Also, in connection with certain asset acquisitions, we may be required to take an immediate charge related to acquired IPR&D. Either of these situations could result in substantial charges, which could adversely affect our results of operations.

Future acquisitions could also involve the issuance of equity securities, the incurrence of debt, contingent liabilities or amortization of expenses related to other intangible assets, any of which could adversely impact our financial condition or results of operations. In addition, equity or debt financing required for such acquisitions may not be available.

General economic and political conditions could have a material adverse effect on our business.

External factors can affect our profitability and financial condition. Such external factors include general domestic and global economic conditions, such as interest rates, tax rates and factors affecting global economic stability, and the political environment regarding health care in general. The strength and timing of the current economic recovery remains uncertain, and we cannot predict to what extent the global economic conditions may negatively impact our business. For example, negative conditions in the credit and capital markets could impair our ability to access the financial markets for working capital or other funds, and could negatively impact our ability to borrow. An increase in interest rates could result in an increase in our borrowing costs and could otherwise restrict our ability to access the capital markets. Such conditions could result in decreased liquidity and impairments in the carrying value of our investments, and could adversely affect our results of operations and financial condition. These and other conditions could also adversely affect our customers, and may impact their ability or decision to purchase our products or make payments on a timely basis.

In 2010, significant reforms to the health care system were adopted as law in the United States. The law includes provisions that, among other things, reduce or limit Medicare reimbursement, require all individuals to have health insurance (with limited exceptions) and impose increased taxes. Specifically, the law requires the medical device industry to subsidize health care reform in the form of a 2.3% excise tax on United States sales of most medical devices beginning in 2013. The excise tax increased our operating expenses. Because other parts of the 2010 health care law remain subject to implementation, the long-term impact on us is uncertain. The new law or any future legislation could reduce medical procedure volumes, lower reimbursement for our products, and impact the demand for our products or the prices at which we sell our products. For example, the Budget Control Act of 2011, which provided an increase to the United States debt limit, imposed significant cuts in federal spending over the next decade. This measure and other such deficit reduction legislation could adversely affect our results of operations, financial condition, and prospects if they were to result in cuts to, or a restructuring of, entitlement programs such as Medicare and Medicaid.

We do business with governments outside the United States. A number of these countries, including certain European countries, have experienced a deterioration in credit and economic conditions. These conditions have resulted in, and may continue to result in, a reduction in the number of procedures that use our products and an increase in the average length of time that it takes to collect accounts receivable outstanding in these countries. In addition, we have been and may continue to be impacted by declines in sovereign credit ratings or sovereign defaults in these countries.

Our business is subject to economic, political and other risks associated with international sales and operations, including risks arising from currency exchange rate fluctuations.

Because we sell our products in a number of countries, our business is subject to the risks of doing business internationally, including risks associated with United States government oversight and enforcement of the Foreign Corrupt Practices Act as well as with the United Kingdom's Bribery Act and anti-corruption laws in other jurisdictions. Our net sales originating outside of the United States, as a percentage of total net sales, were 54% in 2013. We anticipate that sales from international operations will continue to represent a substantial portion of our total sales. In addition, many of our manufacturing facilities and suppliers are located outside of the United States. Accordingly, our future results could be harmed by a variety of factors, including:

- changes in local medical reimbursement policies and programs;
- changes in foreign regulatory requirements;
- changes in a specific country's or region's political or economic conditions, such as the current financial uncertainties in Europe and changing circumstances in emerging regions;
- trade protection measures, quotas, embargoes, import or export licensing requirements and duties, tariffs or surcharges;
- potentially negative impact of tax laws, including transfer pricing liabilities and tax costs associated with the repatriation of cash;
- difficulty in staffing and managing global operations;
- cultural, exchange rate or other local factors affecting financial terms with customers;
- local economic and financial conditions affecting the collectability of receivables, including receivables from sovereign entities;
- an outbreak of any life-threatening communicable disease;
- economic and political instability and local economic and political conditions;
- differing labor regulations; and
- differing protection of intellectual property.

Substantially all of our sales outside of the United States are denominated in local currencies. Measured in local currency, a substantial portion of our international sales was generated in Europe (and primarily denominated in the Euro) and in Japan. The United States dollar value of our international sales varies with currency exchange rate fluctuations. Decreases in the value of the United States dollar to the Euro or the Japanese yen have the effect of increasing our reported revenues even when the volume of international sales has remained constant. Increases in the value of the United States dollar relative to the Euro or the Japanese yen, as well as other currencies, have the opposite effect and, if significant, could have a material adverse effect on our reported revenues and results of operations. We have a hedging program for certain currencies that attempts to manage currency exchange rate risks to an acceptable level based on management's judgment of the appropriate trade-off between risk, opportunity and cost; however, this hedging program does not completely eliminate the effects of currency exchange rate fluctuations.

The United States Foreign Corrupt Practices Act, the United Kingdom Bribery Act, and similar laws in other jurisdictions contain prohibitions against bribery and other illegal payments or for the failure to have procedures in place that prevent such payments. Recent years have seen an increasing number of investigations and other enforcement activities under these laws. Although we have compliance programs in place with respect to these laws, no assurance can be given that a violation will not be found, and if found, the resulting penalties could adversely affect us and our business.

The stock market can be volatile and fluctuations in our quarterly sales and operating results as well as other factors could cause our financial guidance to vary from actual results and our stock price to decline.

From time to time the stock market experiences extreme price and volume fluctuations. This volatility can have a significant effect on the market prices of securities for reasons unrelated to underlying performance. These broad market fluctuations may materially adversely affect our stock price, regardless of our operating results. In addition, the market price of our common stock could fluctuate substantially in response to any of the other risk factors set out above and below, as well as a number of other factors, including the performance of comparable companies or the medical device industry, or changes in financial estimates and recommendations of securities analysts.

Our sales and operating results may vary significantly from quarter to quarter. A high proportion of our costs are fixed, due in part to significant sales, research and development, and manufacturing costs. Thus, small declines in revenue could disproportionately affect our operating results in a quarter, and the price of our common stock could fall. Other factors that could affect our quarterly sales and operating results include:

- announcements of innovations, new products, strategic developments or business combinations by us or our competitors;
- demand for and clinical acceptance of products;
- the timing and execution of customer contracts, particularly large contracts that would materially affect our operating results in a given quarter;
- the timing of sales of products and of the introduction of new products;
- the timing of marketing, training, and other expenses related to the introduction of new products;
- the timing of regulatory approvals;
- changes in foreign currency exchange rates;
- delays or problems in introducing new products, such as slower than anticipated adoption of transcatheter heart valves;
- changes in our pricing policies or the pricing policies of our competitors;
- the timing of approvals of governmental reimbursement rates or changes in reimbursement rates for our products;
- increased expenses, whether related to sales and marketing, raw materials or supplies, product development or administration;
- changes in the level of economic activity in the United States or other regions in which we do business;
- costs related to acquisitions of technologies or businesses; and
- our ability to expand our operations and the amount and timing of expansion-related expenditures.

The quarterly and full-year financial guidance we provide to investors and analysts with insight to our view of our future performance is based on assumptions about our sales and operating results. Due to the nature of our business and the numerous factors that can impact our sales and operating performance, including those described above, our financial guidance may vary from actual results. If we fail to meet any financial guidance that we provide, or if we find it necessary to revise such guidance during the year, the price of our common stock could decline.

We face intense competition, and if we do not compete effectively our business will be harmed.

The cardiovascular medical device industry is highly competitive. We compete with many companies, some of which have longer operating histories, better brand or name recognition, and broader product offerings. Our customers consider many factors when selecting a product, including product reliability, breadth of product line, clinical outcomes, product availability, price, availability and rate of reimbursement, and services provided by the manufacturer. In addition, our ability to compete will depend in large part on our ability to develop and acquire new products and technologies, anticipate technology advances and keep pace with other developers of cardiovascular therapies and technologies. Our sales, technical and other key personnel play an integral role in the development, marketing and selling of new and existing products. If we are unable to recruit, hire, develop and retain a talented, competitive workforce, our ability to compete may be adversely affected. Our competitive position can also be adversely affected by product problems, physician advisories and safety alerts, reflecting the importance of quality in the medical device industry. Our position can shift as a result of any of these factors. See “*Competition*” under “*Business*” included herein.

Consolidation in the health care industry could have an adverse effect on our revenues and results of operations.

The health care industry has been consolidating, and organizations such as GPOs, independent delivery networks, and large single accounts such as the United States Veterans Administration continue to consolidate purchasing decisions for many of our health care provider customers. As a result, transactions with customers are larger, more complex, and tend to involve more long-term contracts. The purchasing power of these larger customers has increased, and may continue to increase, causing downward pressure on product pricing. If we are not one of the providers selected by one of these organizations, we may be precluded from making sales to its members or participants. Even if we are one of the selected providers, we may be at a disadvantage relative to other selected providers that are able to offer volume discounts based on purchases of a broader range of medical equipment and supplies. Further, we may be required to commit to pricing that has a material adverse effect on our revenues and profit margins, business, financial condition and results of operations. We expect that market demand, governmental regulation, third-party reimbursement policies and societal pressures will continue to change the worldwide health care industry, resulting in further business consolidations and alliances, which may exert further downward pressure on the prices of our products and could adversely impact our business, financial condition, and results of operations.

Our inability to protect our intellectual property or other sensitive company data could have a material adverse effect on our business.

Our success and competitive position are dependent in part upon our proprietary intellectual property. We rely on a combination of patents and trade secrets to protect our proprietary intellectual property, and we expect to continue to do so. Although we seek to protect our proprietary rights through a variety of means, we cannot guarantee that the protective steps we have taken are adequate to protect these rights. Patents issued to or licensed by us in the past or in the future may be challenged and held invalid. In addition, as our patents expire, we may be unsuccessful in extending their protection through patent term extensions. The expiration of, or the failure to maintain or extend our patents, could have a material adverse effect on us.

We also rely on confidentiality agreements with certain employees, consultants and other third parties to protect, in part, trade secrets and other proprietary information. These agreements could be breached and we may not have adequate remedies for such a breach. In addition, others could independently develop substantially equivalent proprietary information or gain access to our trade secrets or proprietary information.

Our intellectual property, other proprietary technology and other sensitive company data is potentially vulnerable to loss, damage or misappropriation from system malfunction, computer viruses, unauthorized access to our data or misappropriation or misuse thereof by those with permitted access, and other events. While we have invested to protect our intellectual property and other data, and continue to work diligently in this area, there can be no assurance that our precautionary measures will prevent breakdowns, breaches, cyber-

attacks or other events. Such events could have a material adverse effect on our reputation, financial condition or results of operations.

We spend significant resources to enforce our intellectual property rights, sometimes resulting in litigation. Intellectual property litigation is complex and can be expensive and time-consuming. However, our efforts in this regard may not be successful. We may not be able to detect infringement. In addition, competitors may design around our technology or develop competing technologies. Patent litigation can result in substantial cost and diversion of effort. Intellectual property protection may also be unavailable or limited in some foreign countries, enabling our competitors to capture increased market position. The invalidation of key intellectual property rights or an unsuccessful outcome in lawsuits filed to protect our intellectual property could have a material adverse effect on our financial condition, results of operations or prospects.

Third parties may claim we are infringing their intellectual property, and we could suffer significant litigation or licensing expenses or be prevented from selling products.

During recent years, we and our competitors have been involved in substantial litigation regarding patent and other intellectual property rights in the medical device industry. From time to time, we have been and may in the future be forced to defend against claims and legal actions alleging infringement of the intellectual property rights of others, and such intellectual property litigation is typically costly and time-consuming. Adverse determinations in any such litigation could result in significant liabilities to third parties or injunctions, or could require us to seek licenses from third parties and, if such licenses are not available on commercially reasonable terms, prevent us from manufacturing, selling or using certain products, any one of which could have a material adverse effect on us. In addition, some licenses may be non-exclusive, which could provide our competitors access to the same technologies.

Third parties could also obtain patents that may require us to either redesign products or, if possible, negotiate licenses from such third parties. Such licenses may materially increase our expenses. If we are unable to redesign products or obtain a license, we might have to exit a particular product offering.

We and our customers are subject to rigorous governmental regulations and we may incur significant expenses to comply with these regulations and develop products that are compatible with these regulations. In addition, failure to comply with these regulations could subject us to substantial sanctions which could adversely affect our business, results of operations and financial condition.

The medical devices we manufacture and market are subject to rigorous regulation by the FDA and numerous other federal, state and foreign governmental authorities, including regulations that cover the composition, labeling, testing, clinical study, design, sourcing, manufacturing, packaging, marketing, advertising, promotion and distribution of our products.

We are required to register with the FDA as a device manufacturer. As a result, we are subject to periodic inspection by the FDA for compliance with the FDA's Quality System Regulation ("QSR") requirements, which require manufacturers of medical devices to adhere to certain regulations, including testing, design, quality control and documentation procedures. The FDA may also inspect our compliance with requirements related to adverse event reporting, recalls or corrections (field actions), the conduct of clinical studies, and other requirements. In the European Union, we are required to maintain certain CE Mark and ISO certifications in order to sell our products, and are subject to periodic inspections by notified bodies to obtain and maintain these certifications. If we or our suppliers fail to adhere to QSR, CE Mark, ISO or similar requirements, this could delay or interrupt product production or sales and/or lead to fines, difficulties in obtaining regulatory clearances, recalls or other consequences, which in turn could have a material adverse effect on our financial condition and results of operations or prospects.

Medical devices must receive FDA clearance or approval before they can be commercially marketed in the United States. In addition, the FDA may require testing and surveillance programs to monitor the effects of approved products that have been commercialized, and can prevent or limit further marketing of a product

based upon the results of post-marketing programs. In addition, the federal Medical Device Reporting regulations require us to provide information to the FDA whenever there is evidence that reasonably suggests that a device may have caused or contributed to a death or serious injury or, if a malfunction were to occur, would be likely to cause or contribute to a death or serious injury. Federal regulations also require us to report certain recalls or corrective actions to the FDA. Furthermore, most major markets for medical devices outside the United States require clearance, approval or compliance with certain standards before a product can be commercially marketed. The process of obtaining regulatory clearances or approvals to market a medical device, particularly from the FDA and certain foreign governmental authorities, can be costly and time-consuming, and clearances or approvals may not be granted for products or product improvements on a timely basis, if at all. Delays in receipt of, or failure to obtain, clearances or approvals for products or product improvements could result in delayed realization of product revenues or in substantial additional costs, which could have a material adverse effect on our business or results of operations or prospects. At any time after approval of a product for commercial sale, the FDA may conduct periodic inspections to determine compliance with QSR requirements, and/or current Medical Device Reporting regulations, or other regulatory requirements. Noncompliance with applicable requirements may subject us or responsible individuals to sanctions including civil money penalties, product seizure, injunction, or criminal prosecution. In addition, the FDA may withhold or delay pre-market approval of our products until the noncompliance is resolved. Product approvals by the FDA can also be withdrawn due to failure to comply with regulatory standards or the occurrence of unforeseen problems following initial approval.

Regulatory agencies in the United States or other international geographies from time to time limit or ban the use of certain materials used in the manufacture of our products, require collection and disposal of products at the end of their lifecycle, and require disclosure of the origin of certain raw materials in our products. Noncompliance with applicable requirements could have a material adverse affect on our business.

The Physician Payment Sunshine Act also imposes new reporting and disclosure requirements on device, pharmaceutical and biologics companies for certain financial relationships with United States health care providers and teaching hospitals. Failure to submit required information or submitting incorrect information may result in significant civil monetary penalties. We will be required to report such aggregate data by March 31, 2014 and detailed data by May 30, 2014.

We are also subject to various United States and international laws pertaining to health care pricing, anti-corruption, and fraud and abuse, including prohibitions on kickbacks and the submission of false claims laws and restrictions on relationships with physicians and other referral sources. These laws are broad in scope and are subject to evolving interpretation, which could require us to incur substantial costs to monitor compliance or to alter our practices if we are found not to be in compliance. Violations of these laws may be punishable by criminal or civil sanctions against us and our officers and employees, including substantial fines, imprisonment and exclusion from participation in governmental health care programs.

Despite our implementation of robust compliance processes, we may be subject, from time to time, to inspections, investigations and other enforcement actions by governmental authorities. If we are found not to be in compliance with applicable laws or regulations, the applicable governmental authority can impose fines, delay, suspend, or revoke regulatory clearances or approvals, institute proceedings to detain or seize our products, issue a recall, impose marketing or operating restrictions, enjoin future violations and assess civil penalties against us or our officers or employees, and institute criminal prosecution. Moreover, governmental authorities can ban or request the recall, repair, replacement or refund of the cost of any device or product we manufacture or distribute. Any of the foregoing actions could result in decreased sales as a result of negative publicity and product liability claims, and could have a material adverse effect on our financial condition, results of operations and prospects. In addition to the sanctions for noncompliance described above, commencement of an enforcement proceeding, inspection or investigation could divert substantial management attention from the operation of our business and have an adverse effect on our business, results of operations and financial condition.

Our industry is experiencing greater scrutiny and regulation by governmental authorities, which may lead to greater governmental regulation in the future.

In recent years, the medical device industry has been subject to increased regulatory scrutiny, including by the FDA, numerous other federal, state and foreign governmental authorities, as well as members of Congress. This has included increased regulation, enforcement, inspections, and governmental investigations of the medical device industry and disclosure of financial relationships with health care professionals. We anticipate that the government will continue to scrutinize our industry closely, and that additional regulation by governmental authorities, both foreign and domestic, may increase compliance costs, exposure to litigation and other adverse effects to our operations.

Unsuccessful clinical trials or procedures relating to products under development could have a material adverse effect on our prospects.

The regulatory approval process for new products and new indications for existing products requires extensive clinical trials and procedures, including early clinical experiences and regulatory studies. Unfavorable or inconsistent clinical data from current or future clinical trials or procedures conducted by us, our competitors, or third parties, or perceptions regarding this clinical data, could adversely affect our ability to obtain necessary approvals and the market's view of our future prospects. Such clinical trials and procedures are inherently uncertain and there can be no assurance that these trials or procedures will be completed in a timely or cost-effective manner or result in a commercially viable product. Failure to successfully complete these trials or procedures in a timely and cost-effective manner could have a material adverse effect on our prospects. Clinical trials or procedures may experience significant setbacks even after earlier trials have shown promising results. Further, preliminary results from clinical trials or procedures may be contradicted by subsequent clinical analysis. In addition, results from our clinical trials or procedures may not be supported by actual long-term studies or clinical experience. If preliminary clinical results are later contradicted, or if initial results cannot be supported by actual long-term studies or clinical experience, our business could be adversely affected. Clinical trials or procedures may be suspended or terminated by us, the FDA or other regulatory authorities at any time if it is believed that the trial participants face unacceptable health risks.

We are subject to risks arising from concerns and/or regulatory actions relating to "mad cow disease."

Certain of our products, including pericardial tissue valves, are manufactured using bovine tissue. Concerns relating to the potential transmission of BSE, commonly known as "mad cow disease," from cows to humans may result in reduced acceptance of products containing bovine materials. Certain medical device regulatory agencies have considered whether to continue to permit the sale of medical devices that incorporate bovine material. We obtain bovine tissue only from closely controlled sources within the United States and Australia. The bovine tissue used in our pericardial tissue valves is from tissue types considered by global health and regulatory organizations to have shown no risk of infectibility for the suspected BSE infectious agent. We have not experienced any significant adverse impact on our sales as a result of concerns regarding BSE, but no assurance can be given that such an impact may not occur in the future.

If third-party payors decline to reimburse our customers for our products or impose other cost containment measures to reduce reimbursement levels, our ability to profitably sell our products will be harmed.

We sell our products and technologies to hospitals, doctors and other health care providers, all of which receive reimbursement for the health care services provided to patients from third-party payors, such as government programs (both domestic and international), private insurance plans and managed care programs. The ability of customers to obtain appropriate reimbursement for their products from private and governmental third-party payors is critical to the success of medical technology companies. The availability of reimbursement affects which products customers purchase and the prices they are willing to pay. Reimbursement varies from country to country and can significantly impact acceptance of new products.

Third-party payors are increasingly attempting to contain health care costs by limiting both coverage and the level of reimbursement for medical products and services. There can be no assurance that levels of reimbursement, if any, will not be decreased in the future, or that future legislation, regulation or reimbursement policies of third-party payors will not otherwise adversely affect the demand for and price levels of our products. The introduction of cost containment incentives, combined with closer scrutiny of health care expenditures by both private health insurers and employers, has resulted in increased discounts and contractual adjustments to hospital charges for services performed. Hospitals or physicians may respond to such cost-containment pressures by substituting lower cost products or other therapies. In addition, the 2010 United States health care law could adversely affect reimbursement levels for our products, or otherwise adversely affect our product pricing and profitability.

Initiatives to limit the growth of health care costs, including price regulation, are underway in several countries around the world. In many countries, customers are reimbursed for our products under a government operated insurance system. Under such a system, the government periodically reviews reimbursement levels and may limit patient access. If a government were to decide to reduce reimbursement levels, our product pricing could be adversely affected.

Third-party payors may deny reimbursement if they determine that a device used in a procedure was not used in accordance with cost-effective treatment methods as determined by such third-party payors, or was used for an unapproved indication. Third-party payors may also deny reimbursement for experimental procedures and devices. We believe that many of our existing products are cost-effective, even though the one-time cost may be significant, because they are intended to reduce overall health care costs over a long period of time. We cannot be certain that these third-party payors will recognize these cost savings instead of merely focusing on the lower initial costs associated with competing therapies. If our products are not considered cost-effective by third-party payors, our customers may not be reimbursed for them, resulting in lower sales of our products.

Use of our products in unapproved circumstances could expose us to liabilities.

The marketing approval from the FDA and other regulators of certain of our products are, or are expected to be, limited to specific indications. We are prohibited by law from marketing or promoting any unapproved use of our products. Physicians, however, can use these products in ways or circumstances other than those strictly within the scope of the regulatory approval. Although the product training we provide to physicians and other health care professionals is limited to approved uses or for clinical trials, no assurance can be given that claims might not be asserted against us if our products are used in ways or for procedures that are not approved.

Our operations are subject to environmental, health and safety regulations that could result in substantial costs.

Our operations are subject to environmental, health and safety laws, and regulations concerning, among other things, the generation, handling, transportation and disposal of hazardous substances or wastes, the cleanup of hazardous substance releases, and emissions or discharges into the air or water. We have incurred and may incur expenditures in the future in connection with environmental, health and safety laws, and regulations. New laws and regulations, violations of these laws or regulations, stricter enforcement of existing requirements, or the discovery of previously unknown contamination could require us to incur costs or could become the basis for new or increased liabilities that could be material.

The success of many of our products depends upon strong relationships with certain key physicians.

The development, marketing and sale of many of our products requires us to maintain working relationships with physicians upon whom we rely to provide considerable knowledge and experience. These physicians may assist us as researchers, marketing consultants, product trainers and consultants, inventors and as public speakers. If new laws, regulations or other developments limit our ability to maintain strong

relationships with these professionals or to continue to receive their advice and input, the development and marketing of our products could suffer, which could have a material adverse effect on our business, financial condition and results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The locations and uses of our major properties are as follows:

North America

Irvine, California	(1)	Corporate Headquarters, Research and Development, Regulatory and Clinical Affairs, Manufacturing
Irvine, California	(2)	Administration
Draper, Utah	(2)	Administration, Research and Development, Manufacturing
Haina, Dominican Republic	(2)	Manufacturing
Añasco, Puerto Rico	(2)	Manufacturing

Europe

Horw, Switzerland	(2)	Manufacturing, Administration
Nyon, Switzerland	(1)	Administration, Marketing

Asia

Tokyo, Japan	(2)	Administration, Marketing, Distribution
Singapore	(1),(2)	Manufacturing, Marketing, Distribution, Administration

-
- (1) Owned property.
 - (2) Leased property.

The Irvine, California lease expires in 2021; the Draper, Utah lease expires in 2024; the Dominican Republic property has one lease that expires in 2016 and one that expires in 2019; the Puerto Rico property has one lease that expires in 2016 and one that expires in 2018; the Horw, Switzerland lease expires in 2015; the Tokyo, Japan lease expires in 2015; and Singapore has one land lease that expires in 2036 and one that expires in 2041. We believe our properties have been well maintained, are in good operating condition and are adequate for current needs.

Item 3. Legal Proceedings

For a description of our material pending legal proceedings, please see Note 16 to the “*Consolidated Financial Statements*” of this Annual Report on Form 10-K, which is incorporated by reference.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Price

The principal market for our common stock is the New York Stock Exchange (the “NYSE”). The table below sets forth, for the calendar quarters indicated, the high and low sales prices of our common stock as reported by the NYSE.

Calendar Quarter Ended:	2013		2012	
	High	Low	High	Low
March 31	\$94.98	\$78.10	\$ 83.96	\$67.95
June 30	86.11	62.34	104.25	67.86
September 30	73.73	65.03	109.88	96.36
December 31	78.89	60.62	110.79	81.29

Number of Stockholders

On January 31, 2014, there were 16,519 stockholders of record of our common stock.

Dividends

We have never paid any cash dividends on our capital stock and have no current plans to pay any cash dividends. Our current policy is to retain any future earnings for use in our business.

Issuer Purchases of Equity Securities

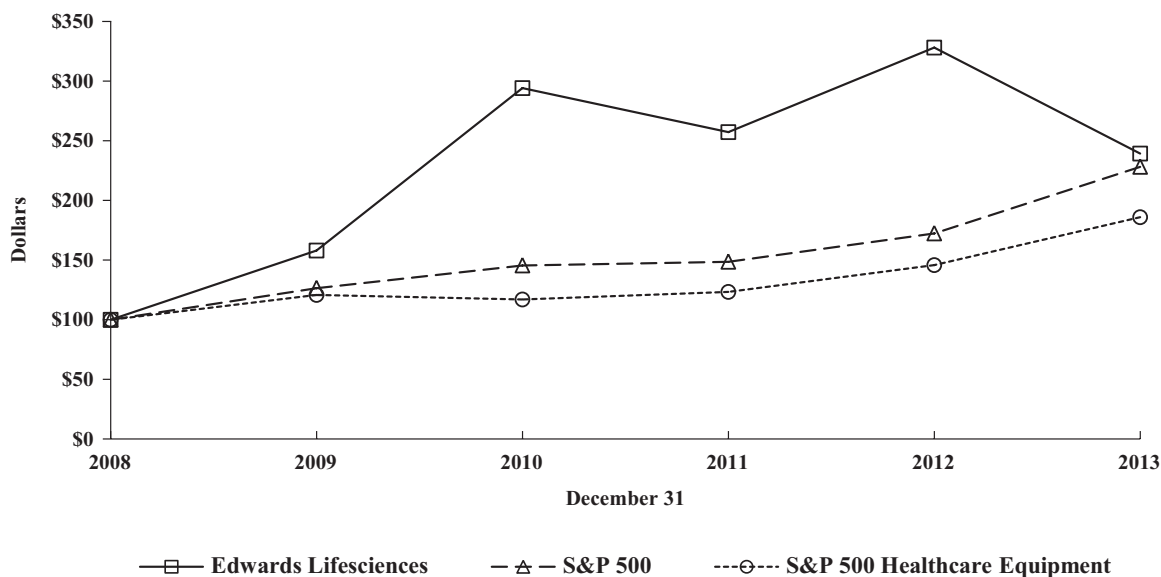
<u>Calendar Month Ended</u>	<u>Total Number of Shares (or Units) Purchased(a) (c)</u>	<u>Average Price Paid per Share (or Unit)</u>	<u>Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)(b) (c)</u>
October 31, 2013	—	\$ —	—	\$502.6
November 30, 2013	369,802	71.24	369,745	502.5
December 31, 2013	—	—	—	502.5
Total	369,802	71.24	369,745	

- (a) The difference between the total number of shares (or units) purchased and the total number of shares (or units) purchased as part of publicly announced plans or programs is due to shares withheld by us to satisfy tax withholding obligations in connection with the vesting of restricted stock units issued to employees.
- (b) On May 14, 2013, the Board of Directors approved a stock repurchase program authorizing us to purchase on the open market, including pursuant to a Rule 10b5-1 plan, and in privately negotiated transactions up to \$750.0 million of our common stock from time to time until December 31, 2016.
- (c) In October 2013, our August accelerated share repurchase (“ASR”) agreement concluded, and in November 2013, we received an additional 0.4 million shares of our common stock. Shares purchased pursuant to the ASR agreement are presented in the table above in the periods in which they were received.

Performance Graph

The following graph compares the performance of our common stock with that of the S&P 500 Index and the S&P 500 Healthcare Equipment Index. The cumulative total return listed below assumes an initial investment of \$100 on December 31, 2008 and reinvestment of dividends.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN



<u>Total Cumulative Return</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Edwards Lifesciences	\$158.05	\$294.23	\$257.32	\$328.19	\$239.34
S&P 500	126.46	145.51	148.59	172.37	228.19
S&P 500 Healthcare Equipment Index	120.83	117.02	123.37	145.84	186.00

Item 6. Selected Financial Data

The information set forth below should be read in conjunction with our “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Consolidated Financial Statements*” found elsewhere in this Form 10-K. See Note 3 to the “*Consolidated Financial Statements*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” for discussions of the effect of certain transactions on our operations.

		As of or for the Years Ended December 31,				
		2013	2012	2011	2010	2009
		(in millions, except per share data)				
OPERATING						
RESULTS						
	Net sales	\$2,045.5	\$1,899.6	\$1,678.6	\$1,447.0	\$1,321.4
	Gross profit	1,523.1	1,405.0	1,188.8	1,038.7	922.3
	Net income(a)	391.7	293.2	236.7	218.0	229.1
BALANCE SHEET						
DATA						
	Total assets	\$2,724.7	\$2,221.5	\$1,980.5	\$1,767.2	\$1,615.5
	Long-term debt(b)	593.1	189.3	150.4	—	90.3
COMMON STOCK						
INFORMATION						
	Net income per common share(a):					
	Basic	\$ 3.51	\$ 2.55	\$ 2.07	\$ 1.92	\$ 2.04
	Diluted	3.44	2.48	1.98	1.83	1.95
	Cash dividends declared per common share	—	—	—	—	—

(a) See Note 3 to the “*Consolidated Financial Statements*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” for additional information regarding special (gains) charges of \$(67.3) million, \$16.0 million and \$21.6 million during 2013, 2012 and 2011, respectively.

(b) In October 2013, we issued \$600.0 million of 2.875% fixed-rate unsecured senior notes due October 15, 2018 (“the Notes”). A portion of the proceeds from the Notes were used to repay all amounts outstanding under our Four-Year Credit Agreement (“the Credit Facility”). Our previous Five-Year Unsecured Revolving Credit Agreement (“the Credit Agreement”) matured on September 29, 2011. Therefore, at December 31, 2010, all amounts outstanding under the Credit Agreement were classified as short-term obligations as these obligations were due within one year.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis presents the factors that had a material effect on our results of operations during the three years ended December 31, 2013. Also discussed is our financial position as of December 31, 2013. You should read this discussion in conjunction with the historical consolidated financial statements and related notes included elsewhere in this Form 10-K.

Overview

We are the global leader in the science of heart valves and hemodynamic monitoring. Driven by a passion to help patients, we partner with clinicians to develop innovative technologies in the areas of structural heart disease and critical care monitoring, enabling them to save and enhance lives. We conduct operations worldwide and are managed in the following geographical regions: United States, Europe, Japan and Rest of World. Our products are categorized into the following main areas: Surgical Heart Valve Therapy, Transcatheter Heart Valves, and Critical Care.

Financial Results

The following is a summary of our financial performance (dollars in millions, except per share data):

	Years Ended December 31,			Change	
	2013	2012	2011	2013	2012
Net sales	\$2,045.5	\$1,899.6	\$1,678.6	7.7%	13.2%
Gross profit as a percentage of net sales	74.5%	74.0%	70.8%	0.5 pts.	3.2 pts.
Net income	\$ 391.7	\$ 293.2	\$ 236.7	33.6%	23.9%
Earnings per share					
Basic	\$ 3.51	\$ 2.55	\$ 2.07	37.6%	23.2%
Diluted	\$ 3.44	\$ 2.48	\$ 1.98	38.7%	25.3%

Our sales growth was driven by our Transcatheter Heart Valves product group due to strong growth in Europe and, starting in 2013, the United States. Our gross profit margin has benefited from a more profitable product mix, led by the increased Transcatheter Heart Valve sales, but has been tempered by higher manufacturing costs as we have prepared for new product launches. Net income in 2013 also benefited from the \$52.3 million litigation award, net of tax, received from Medtronic, Inc. We continue to significantly invest in research and development to extend and defend our leadership position.

Healthcare Environment, Opportunities and Challenges

The medical device industry is highly competitive and continues to evolve. Our success is measured both by the development of innovative products and the value we bring to our stakeholders. We are committed to developing new technologies and providing innovative patient care, and we are committed to defending our intellectual property. To strengthen our leadership and enable future growth opportunities, in 2013 we invested 15.8 percent of our net sales in research and development. In the coming year, we expect increased competition with our Transcatheter Heart Valves as our competitors begin introducing products in the United States and Europe. The following is a summary of important Transcatheter Heart Valve developments during 2013:

- clinical evidence in The PARTNER II Trial demonstrated similar outcomes between the *Edwards SAPIEN* transcatheter heart valve and the *Edwards SAPIEN XT* transcatheter heart valve in inoperable patients, a positive step toward the approval of *SAPIEN XT* and its lower profile delivery system;
- longer-term updates from The PARTNER Trial strengthened the evidence that the *SAPIEN* valve is a safe and less-invasive alternative for patients who need valve replacement, but are at high surgical risk; and
- we received regulatory approval and reimbursement for our *Edwards SAPIEN XT* valve in Japan and, in January 2014, regulatory approval in Europe to launch our *SAPIEN 3* valve. United States studies of the *SAPIEN 3* valve were initiated in August 2013.

We are dedicated to generating robust clinical and economic evidence increasingly expected by patients, clinicians and payors in the new healthcare environment, with a goal of enhancing the value of delivering comprehensive care.

Results of Operations

Net Sales by Major Regions

(dollars in millions)

	Years Ended December 31,			Change		Percent Change	
	2013	2012	2011	2013	2012	2013	2012
United States	\$ 939.6	\$ 812.1	\$ 605.6	\$127.5	\$206.5	15.7%	34.1%
Europe	616.5	559.7	574.0	56.8	(14.3)	10.2%	(2.5)%
Japan	243.6	294.1	283.7	(50.5)	10.4	(17.2)%	3.7%
Rest of World	245.8	233.7	215.3	12.1	18.4	5.1%	8.5%
International	1,105.9	1,087.5	1,073.0	18.4	14.5	1.7%	1.3%
Total net sales	\$2,045.5	\$1,899.6	\$1,678.6	\$145.9	\$221.0	7.7%	13.2%

The \$127.5 million **increase in net sales in the United States in 2013** was due primarily to:

- Transcatheter Heart Valves, which increased net sales by \$106.1 million, driven primarily by sales of the *Edwards SAPIEN* transcatheter heart valve. Procedure volume increased following the FDA action in October 2012 to expand the indicated patient population and access routes compared to the original 2011 approval.

The \$18.4 million **increase in international net sales in 2013** was due primarily to:

- Transcatheter Heart Valves, which increased net sales by \$52.4 million, driven primarily by sales of the *Edwards SAPIEN XT* transcatheter heart valve; and
- surgical heart valve products, which increased net sales by \$15.4 million, driven primarily by sales of the *Carpentier-Edwards PERIMOUNT Magna Mitral Ease* and *EDWARDS INTUITY Elite* valves;

partially offset by:

- foreign currency exchange rate fluctuations, which decreased net sales by \$43.9 million, due primarily to the weakening of the Japanese yen against the United States dollar, partially offset by the strengthening of the Euro against the United States dollar.

The \$206.5 million **increase in net sales in the United States in 2012** was due primarily to:

- Transcatheter Heart Valves, which increased net sales by \$203.5 million, driven primarily by sales of the *Edwards SAPIEN* transcatheter heart valve which was launched in the fourth quarter of 2011.

The \$14.5 million **increase in international net sales in 2012** was due primarily to:

- Transcatheter Heart Valves, which increased net sales by \$35.9 million, driven primarily by sales of the *Edwards SAPIEN XT* transcatheter heart valve; and
- Surgical Heart Valve Therapy products, which increased net sales by \$19.5 million, driven primarily by sales of the *Carpentier-Edwards PERIMOUNT Magna Aortic Ease* valve;

partially offset by:

- foreign currency exchange rate fluctuations, which decreased net sales by \$42.4 million, due primarily to the weakening of the Euro against the United States dollar.

The impact of foreign currency exchange rate fluctuations on net sales is not necessarily indicative of the impact on net income due to the corresponding effect of foreign currency exchange rate fluctuations on international manufacturing and operating costs, and our hedging activities. For more information see “*Quantitative and Qualitative Disclosures About Market Risk.*”

Net Sales by Product Group

(dollars in millions)

	Years Ended December 31,			Change		Percent Change	
	2013	2012	2011	2013	2012	2013	2012
Surgical Heart Valve Therapy	\$ 801.2	\$ 787.5	\$ 784.4	\$ 13.7	\$ 3.1	1.7%	0.4%
Transcatheter Heart Valves	707.7	552.1	333.8	155.6	218.3	28.2%	65.4%
Critical Care	536.6	560.0	560.4	(23.4)	(0.4)	(4.2)%	(0.1)%
Total net sales	<u>\$2,045.5</u>	<u>\$1,899.6</u>	<u>\$1,678.6</u>	<u>\$145.9</u>	<u>\$221.0</u>	7.7%	13.2%

Surgical Heart Valve Therapy

The \$13.7 million increase in net sales of Surgical Heart Valve Therapy products in 2013 was due primarily to:

- surgical heart valve products, which increased net sales by \$30.1 million, driven by sales of the *Carpentier-Edwards PERIMOUNT Magna Aortic Ease*, *Carpentier-Edwards PERIMOUNT Magna Mitral Ease*, and *EDWARDS INTUITY Elite* valves; and
- cardiac surgery systems, which increased net sales by \$4.9 million, driven by sales of specialty cannula products;

partially offset by:

- foreign currency exchange rate fluctuations, which decreased net sales by \$20.2 million, due primarily to the weakening of the Japanese yen against the United States dollar.

The \$3.1 million increase in net sales of Surgical Heart Valve Therapy products in 2012 was due primarily to:

- surgical heart valve products, which increased net sales by \$12.5 million, driven by sales of the *Carpentier-Edwards PERIMOUNT Magna Aortic Ease* valve; and
- cardiac surgery systems, which increased net sales by \$6.0 million, driven by specialty cannula products and minimally invasive surgical products;

partially offset by:

- foreign currency exchange rate fluctuations, which decreased net sales by \$15.3 million, due primarily to the weakening of the Euro against the United States dollar.

At the end of the first quarter of 2013, we received approval to sell our *Carpentier-Edwards PERIMOUNT Magna Ease* valve in China. In the United States, we received approval from the FDA to include *EDWARDS INTUITY Elite*, our next-generation minimally invasive aortic valve surgery system, in our ongoing TRANSFORM Trial, a clinical trial designed to support FDA approval for the product. We continued to enroll patients in our COMMENCE clinical trial, which is studying our next-generation GLX tissue treatment platform applied to the *Magna Ease* aortic surgical valve and the *Magna Mitral Ease* valve.

Transcatheter Heart Valves

The \$155.6 million increase in net sales of Transcatheter Heart Valves in 2013 was due primarily to:

- the *Edwards SAPIEN* transcatheter heart valve in the United States, which increased net sales by \$97.2 million;

- the *Edwards SAPIEN XT* transcatheter heart valve, which increased net sales by \$61.8 million, due primarily to an increase in international sales; and
- foreign currency exchange rate fluctuations, which increased net sales by \$5.2 million, due primarily to the strengthening of the Euro against the United States dollar;

partially offset by:

- a \$14.1 million sales reserve for estimated Transcatheter Heart Valve product returns expected in 2014 upon introduction of the *Edwards SAPIEN 3* transcatheter valve system in Europe and the *Edwards SAPIEN XT* transcatheter heart valve in the United States. Additional sales reserves are expected in 2014 for incremental estimated Transcatheter Heart Valve product returns.

The \$218.3 million increase in net sales of Transcatheter Heart Valves in 2012 was due primarily to:

- the *Edwards SAPIEN* transcatheter heart valve, which increased net sales by \$176.7 million, due primarily to the launch in the United States in the fourth quarter of 2011; and
- the *Edwards SAPIEN XT* transcatheter heart valve, which increased net sales by \$63.8 million, due primarily to an increase in international sales;

partially offset by:

- foreign currency exchange rate fluctuations, which decreased net sales by \$16.7 million, due primarily to the weakening of the Euro against the United States dollar.

During the fourth quarter of 2013, we completed enrollment in Cohort A, the surgical arm of The PARTNER II Trial, which is evaluating the *Edwards SAPIEN XT* transcatheter heart valve for the United States market. We submitted our pre-market approval for Cohort B of The PARTNER II Trial to the FDA during the second quarter of 2013 and the FDA's evaluation remains pending. Cohort B is designed for patients with a higher risk profile who are deemed inoperable. Also during the second quarter of 2013, we received approval for *SAPIEN XT* in Japan, and began commercial sales in October 2013. During the third quarter of 2013, we received approval for *SAPIEN* in Australia and *SAPIEN XT* in Canada, and received FDA approval to expand The PARTNER II Trial to include a 500 patient cohort to study the *Edwards SAPIEN 3* transcatheter valve system in high risk and inoperable patients. Also, in the third quarter of 2013, the FDA revised the label for our *SAPIEN* valve to remove references to specific access points, now making it available for patients who need alternate access points. In January 2014, we received FDA approval to expand The PARTNER II Trial to include a 1,000 patient single-arm, non-randomized cohort to study the *Edwards SAPIEN 3* transcatheter valve system in the treatment of intermediate risk patients with severe symptomatic aortic stenosis. In addition, in January 2014, we received CE Mark for *SAPIEN 3* in Europe and immediately commenced a launch.

Critical Care

The \$23.4 million decrease in net sales of Critical Care products in 2013 was due primarily to foreign currency exchange rate fluctuations, which decreased net sales by \$28.9 million, due primarily to the weakening of the Japanese yen against the United States dollar.

The \$0.4 million decrease in net sales of Critical Care products in 2012 was due primarily to:

- foreign currency exchange rate fluctuations, which decreased net sales by \$10.4 million, due primarily to the weakening of the Euro against the United States dollar; and
- the discontinuation of distributed sales of certain oximetry products and reduced sales of our Central Venous Access products, which decreased net sales by \$6.7 million;

partially offset by:

- advanced monitoring products, which increased net sales by \$16.7 million, driven by *FloTrac* systems.

Gross Profit

	Years Ended December 31,			Change	
	2013	2012	2011	2013	2012
Gross profit as a percentage of net sales	74.5%	74.0%	70.8%	0.5 pts.	3.2 pts.

The 0.5 percentage point increase in gross profit as a percentage of net sales in 2013 was driven by:

- a 1.0 percentage point increase due to an improved product mix in the United States, driven by Transcatheter Heart Valves; and
- a 0.5 percentage point increase in international markets due to a more profitable product mix, primarily higher sales of Transcatheter Heart Valves;

partially offset by:

- a 1.3 percentage point decrease due primarily to higher manufacturing costs due to capacity expansion in preparation for multiple Transcatheter Heart Valve product introductions.

The 3.2 percentage point increase in gross profit as a percentage of net sales in 2012 was driven by:

- a 2.3 percentage point increase due to the impact of foreign currency exchange rate fluctuations, including the settlement of foreign currency hedging contracts; and
- a 2.3 percentage point increase in the United States due to a more profitable product mix, primarily higher sales of Transcatheter Heart Valves;

partially offset by:

- the voluntary recalls in the second quarter of 2012 of certain of our heart valves and Critical Care catheters, and manufacturing inefficiencies.

Selling, General and Administrative (“SG&A”) Expenses

(dollars in millions)

	Years Ended December 31,			Change	
	2013	2012	2011	2013	2012
SG&A expenses	\$745.6	\$705.3	\$642.4	\$40.3	\$62.9
SG&A expenses as a percentage of net sales	36.5%	37.1%	38.3%	(0.6) pts.	(1.2) pts.

The \$40.3 million increase in SG&A expenses in 2013 was due primarily to (1) higher sales and marketing expenses in the United States and Japan, mainly to support the Transcatheter Heart Valve program and (2) the 2.3% excise tax, or \$15.8 million, on United States sales of most medical devices which became effective in 2013. These increases were partially offset by the impact of foreign currency, which reduced expenses by \$12.4 million due primarily to the weakening of the Japanese yen against the United States dollar. The decrease in SG&A expenses as a percentage of net sales in 2013 was due primarily to decreased SG&A expenses in Europe as a percentage of net sales.

The \$62.9 million increase in SG&A expenses in 2012 was due primarily to higher sales and marketing expenses in the United States, mainly to support the launch of the Transcatheter Heart Valve program. The decrease in SG&A expenses as a percentage of net sales in 2012 was primarily due to the impact of foreign currency and lower sales and marketing expenses in Europe as a percentage of net sales. The impact of foreign currency reduced SG&A expenses by \$17.0 million due primarily to the weakening of the Euro against the United States dollar.

Research and Development Expenses

(dollars in millions)

	Years Ended December 31,			Change	
	2013	2012	2011	2013	2012
Research and development expenses	\$323.0	\$291.3	\$246.3	\$31.7	\$45.0
Research and development expenses as a percentage of net sales	15.8%	15.3%	14.7%	0.5 pts.	0.6 pts.

The increase in research and development expenses in 2013 and 2012 was due primarily to additional investments in clinical studies and new product development efforts in the Transcatheter Heart Valve program.

Special (Gains) Charges

(in millions)

	Years Ended December 31,		
	2013	2012	2011
Settlements and litigation	\$(83.6)	\$ —	\$ 3.3
Realignment expenses	10.4	9.0	5.5
IPR&D impairment	5.9	—	—
Licensing of intellectual property	—	7.0	—
European receivables reserve	—	—	12.8
Total special (gains) charges	<u>\$(67.3)</u>	<u>\$16.0</u>	<u>\$21.6</u>

Settlements and Litigation

In February 2013, we received \$83.6 million from Medtronic, Inc. in satisfaction of the April 2010 jury award of damages for infringement of the U.S. Andersen transcatheter heart valve patent, including accrued interest. For further information, see Note 16 to the “*Consolidated Financial Statements*.”

In December 2011, we recorded a \$3.3 million charge related to a litigation settlement.

Realignment Expenses

In December 2013, we recorded a \$10.4 million charge related primarily to severance expenses associated with a global workforce realignment impacting 118 employees. As of December 31, 2013, our remaining severance obligations of \$9.2 million are expected to be substantially paid by the end of 2014.

In December 2012, we recorded a \$9.0 million charge related primarily to severance expenses associated with a global workforce realignment impacting 92 employees. As of December 31, 2013, payments related to the realignment were substantially complete.

In December 2011, we recorded a \$5.5 million charge related primarily to severance expenses associated with a global workforce realignment impacting 49 employees. As of December 31, 2013, payments related to the realignment were complete.

IPR&D Impairment

In December 2013, we recorded a \$5.9 million write-off of IPR&D assets acquired from Embrella Cardiovascular, Inc. For further information, see Note 5 to the “*Consolidated Financial Statements*.”

Licensing of Intellectual Property

In April 2012, we obtained an exclusive license to a suturing device for minimally invasive surgery applications. The intellectual property is under development and there is uncertainty as to whether the product will ultimately be approved. We recorded a charge of \$2.0 million related to the upfront licensing and royalty fees.

In June 2012, we obtained a co-exclusive sublicense to intellectual property related to processing tissue and implanting cardiovascular valves. The intellectual property is under development and there is uncertainty as to whether the product will ultimately be approved. We recorded a charge of \$5.0 million related to the upfront licensing fee.

European Receivables Reserve

During 2011, we recorded a \$12.8 million charge to reflect the increased risk associated with our southern European receivables, primarily Greece.

Interest Expense

Interest expense was \$9.8 million, \$4.4 million and \$3.1 million in 2013, 2012 and 2011, respectively. The \$5.4 million increase in interest expense for 2013 resulted primarily from a higher average debt balance as compared to the prior year and higher average interest rates due to the issuance in October 2013 of \$600.0 million of 2.875% fixed-rate unsecured senior notes. The \$1.3 million increase in interest expense for 2012 resulted primarily from higher average interest rates and a higher average debt balance as compared to the prior year.

Interest Income

Interest income was \$4.6 million, \$4.8 million and \$3.4 million in 2013, 2012 and 2011, respectively. The \$0.2 million decrease in interest income for 2013 resulted primarily from lower average interest rates, partially offset by higher average investment balances. The \$1.4 million increase in interest income for 2012 resulted primarily from the recognition of interest income on discounted accounts receivables in southern Europe, partially offset by lower average interest rates.

Other Expense (Income), net

(in millions)

	Years Ended December 31,		
	2013	2012	2011
Foreign exchange losses, net	\$ 1.5	\$ 1.2	\$ 1.9
Loss (gain) on investments in unconsolidated affiliates	0.4	0.7	(5.4)
Earn-out payments	—	—	(1.0)
Other	(0.6)	(0.2)	(0.3)
Total other expense (income), net	<u>\$ 1.3</u>	<u>\$ 1.7</u>	<u>\$(4.8)</u>

The foreign exchange losses relate to the foreign currency fluctuations in our global trade and intercompany receivable and payable balances, offset by the gains and losses on derivative instruments intended as an economic hedge of those exposures.

The loss (gain) on investments in unconsolidated affiliates primarily represents our net share of gains and losses in investments accounted for under the equity method, and realized gains and losses on our available-for-sale and cost method investments.

In September 2009, we sold our hemofiltration product line. In connection with the transaction, we were entitled to earn-out payments up to \$9.0 million based on certain revenue objectives to be achieved by the buyer over the two years following the sale. As of March 31, 2011, all earn-out payments had been earned.

Provision for Income Taxes

Our effective income tax rates for 2013, 2012 and 2011 were impacted as follows (in millions):

	Years Ended December 31,		
	2013	2012	2011
Income tax expense at U.S. federal statutory rate	\$180.3	\$136.9	\$ 99.2
Foreign income taxed at different rates	(60.6)	(41.5)	(55.3)
Tax credits, federal and state	(19.8)	(4.9)	(10.4)
U.S. tax on foreign earnings, net of credits	18.9	0.7	9.7
State and local taxes, net of federal tax benefit	5.9	3.9	4.6
Nondeductible stock-based compensation	2.6	1.9	1.9
Release of reserve for uncertain tax positions for prior years	(3.9)	(0.8)	(4.1)
Other	0.2	1.7	1.3
Income tax provision	<u>\$123.6</u>	<u>\$ 97.9</u>	<u>\$ 46.9</u>

Certain previously reported amounts in the above table have been reclassified to conform to our current year presentation.

Reserve for Uncertain Tax Positions

As of December 31, 2013 and 2012, the liability for income taxes associated with uncertain tax positions was \$127.7 million and \$113.6 million, respectively. We estimate that these liabilities would be reduced by \$30.9 million and \$26.1 million, respectively, from offsetting tax benefits associated with the correlative effects of potential transfer pricing adjustments, state income taxes and timing adjustments. The net amounts of \$96.8 million and \$87.5 million, respectively, if not required, would favorably affect our effective tax rate.

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest, penalties and foreign exchange, is as follows (in millions):

	December 31,		
	2013	2012	2011
Unrecognized tax benefits, January 1	\$113.6	\$ 78.0	\$55.1
Current year tax positions	17.8	41.7	26.0
Increase prior year tax positions	5.7	2.6	5.9
Decrease prior year tax positions	(9.0)	(4.3)	(5.5)
Settlements	(0.1)	(4.3)	(0.1)
Lapse of statutes of limitations	(0.3)	(0.1)	(3.4)
Unrecognized tax benefits, December 31	<u>\$127.7</u>	<u>\$113.6</u>	<u>\$78.0</u>

We recognize interest and penalties, if any, related to uncertain tax positions in the provision for income taxes. As of December 31, 2013, we had accrued \$4.5 million (net of \$3.3 million tax benefit) of interest related to uncertain tax positions, and as of December 31, 2012, we had accrued \$3.1 million (net of \$2.1 million tax benefit) of interest related to uncertain tax positions. During 2013, 2012 and 2011, we recognized interest expense, net of tax benefit, of \$1.4 million, \$1.0 million and \$0.4 million, respectively, in "Provision for Income Taxes" on the consolidated statements of operations.

We strive to resolve open matters with each tax authority at the examination level and could reach agreement with a tax authority at any time. While we have accrued for matters we believe are more likely than not to require settlement, the final outcome with a tax authority may result in a tax liability that is more or less than that reflected in the consolidated financial statements. Furthermore, we may later decide to challenge any assessments, if made, and may exercise our right to appeal. The uncertain tax positions are reviewed quarterly and adjusted as events occur that affect potential liabilities for additional taxes, such as lapsing of applicable statutes of limitations, proposed assessments by tax authorities, negotiations between tax authorities, identification of new issues and issuance of new legislation, regulations or case law. Management believes that adequate amounts of tax and related penalty and interest have been provided in income tax expense for any adjustments that may result from these uncertain tax positions.

At December 31, 2013, all material state, local and foreign income tax matters have been concluded for years through 2006. During the third quarter of 2013, the Internal Revenue Service (“IRS”) completed its fieldwork for the 2009 and 2010 tax years. The case is currently in suspense pending finalization of an Advance Pricing Agreement (“APA”) and Joint Committee of Taxation approval. The IRS began its examination of the 2011 and 2012 tax years during the fourth quarter of 2013. We have also entered into an APA process between the Switzerland and the United States governments for the years 2009 through 2013 covering transfer pricing matters. These transfer pricing matters are significant to our consolidated financial statements, and the final outcome of the negotiations between the two governments is uncertain. Management believes that adequate amounts of tax and related penalty and interest have been provided in income tax expense for any adjustments that may result for our uncertain tax positions.

The federal research credit expired on December 31, 2011 and was not reinstated until January 2, 2013. Accordingly, the effective income tax rate for 2012 was calculated without an assumed benefit for the federal research credit. The effective income tax rate for 2013 included (1) an \$8.4 million benefit for the full year 2012 federal research credit and (2) \$31.3 million of tax expense associated with the \$83.6 million litigation award received from Medtronic, Inc. in February 2013.

We have received tax incentives in Puerto Rico, the Dominican Republic, Singapore and Switzerland. The tax reductions as compared to the local statutory rates favorably impacted earnings per diluted share for the years ended December 31, 2013, 2012 and 2011 by \$0.44, \$0.39 and \$0.40, respectively. The Puerto Rico, Dominican Republic, Singapore and Switzerland grants provide our manufacturing operations partial or full exemption from local taxes until the years 2028, 2030 (subject to review beginning in 2015), 2024 and 2015, respectively.

Liquidity and Capital Resources

Our sources of cash liquidity include cash and cash equivalents, short-term investments, amounts available under credit facilities and cash from operations. We believe that these sources are sufficient to fund the current requirements of working capital, capital expenditures and other financial commitments for the next twelve months. However, we periodically consider various financing alternatives and may, from time to time, seek to take advantage of favorable interest rate environments or other market conditions. We believe that we have the financial flexibility to attract long-term capital to fund short-term and long-term growth objectives. However, no assurances can be given that such long-term capital will be available to us on favorable terms, or at all.

We believe that cash held in the United States, in addition to amounts available under credit facilities and cash from operations, are sufficient to fund our United States operating requirements. Cash and cash equivalents and short-term investments held outside the United States have historically been used to fund international operations and acquire businesses outside of the United States, although a portion of those amounts may from time to time be subject to temporary intercompany loans into the United States. As of December 31, 2013, cash and cash equivalents and short-term investments held outside the United States were \$811.7 million. The majority of cash and cash equivalents and short-term investments held outside the

United States relates to undistributed earnings of certain of our foreign subsidiaries which are considered by us to be indefinitely reinvested. Repatriations of cash and cash equivalents and short-term investments held outside the United States are subject to restrictions in certain jurisdictions and may be subject to withholding and other taxes. The potential tax liability related to any repatriation would be dependent on the facts and circumstances that exist at the time such repatriation is made and the complexities of the tax laws of the United States and the respective foreign jurisdictions.

We have a Credit Facility which provides up to an aggregate of \$750.0 million in borrowings in multiple currencies. In October 2013, we issued \$600.0 million of 2.875% fixed-rate unsecured senior notes due October 15, 2018. The proceeds from the Notes of \$597.0 million were used to repay all amounts outstanding under our Credit Facility and the remainder will be used for general corporate purposes. For further information on our long-term debt, see Note 8 to the “*Consolidated Financial Statements*.”

From time to time, we repurchase shares of our common stock under share repurchase programs authorized by the Board of Directors. We consider several factors in determining when to execute share repurchases, including, among other things, expected dilution from stock plans, cash capacity and the market price of our common stock. The current \$750.0 million program provides for repurchases through December 31, 2016. Under this stock repurchase authorization, in November 2013 and February 2014, we entered into Rule 10b5-1 plans to repurchase, during the period January through April 2014, up to an aggregate total of \$300.0 million of our common stock in accordance with certain pre-defined price parameters. During 2013, we repurchased a total of 6.8 million shares at an aggregate cost of \$495.1 million, and as of December 31, 2013, had remaining authority to purchase \$502.5 million of our common stock. For further information, see Note 12 to the “*Consolidated Financial Statements*.”

Net cash flows provided by **operating activities** of \$472.7 million for 2013 increased \$110.6 million from 2012 due primarily to (1) the receipt of \$83.6 million from Medtronic, Inc. in satisfaction of the April 2010 jury award of damages for infringement of the U.S. Andersen transcatheter heart valve patent, (2) increased collection of accounts receivable and (3) improved operating performance. These increases were partially offset by (1) a \$22.7 million increase in inventory purchases to support future product launches and (2) a \$17.0 million impact from excess tax benefits from stock plans, primarily as a result of the realization of excess tax benefits that had been previously unrealized due to credit carryforwards and net operating losses in the United States in 2011 and 2012.

Net cash flows provided by operating activities of \$362.1 million for 2012 increased \$53.9 million from 2011 due primarily to (1) improved operating performance, (2) a decrease in inventory builds in comparison to the prior year and (3) increased collection of accounts receivable, particularly a \$26.3 million non-recurring collection in Spain and the sale of our Greek bonds. These increases were partially offset by (1) a \$50.5 million impact from increased excess tax benefits from stock plans, primarily the realization of excess tax benefits that had been previously unrealized due to credit carryforwards and net operating losses in the United States, and (2) the timing of supplier payments.

Net cash used in **investing activities** of \$412.7 million in 2013 consisted primarily of net purchases of short-term investments of \$296.8 million and capital expenditures of \$109.0 million.

Net cash used in investing activities of \$78.8 million in 2012 consisted primarily of capital expenditures of \$109.0 million and a \$36.6 million payment associated with the acquisition of BMEYE, B.V. (see Note 5 to the “*Consolidated Financial Statements*”), partially offset by net proceeds from short-term investments of \$69.7 million.

Net cash provided by **financing activities** of \$34.9 million in 2013 consisted primarily of net proceeds from debt of \$409.6 million, the excess tax benefit from stock plans of \$73.5 million (including the realization of previously unrealized excess tax benefits), and proceeds from stock plans of \$45.5 million, partially offset by repurchases of common stock of \$496.9 million.

Net cash used in financing activities of \$155.6 million in 2012 consisted primarily of repurchases of common stock of \$353.2 million, partially offset by proceeds from stock plans of \$100.1 million, the excess tax benefit from stock plans of \$56.5 million (including the realization of previously unrealized excess tax benefits), and net proceeds from debt of \$39.5 million.

A summary of all of our contractual obligations and commercial commitments as of December 31, 2013 were as follows (in millions):

<u>Contractual Obligations</u>	<u>Payments Due by Period</u>				
	<u>Total</u>	<u>Less Than 1 Year</u>	<u>1-3 Years</u>	<u>4-5 Years</u>	<u>After 5 Years</u>
Debt	\$600.0	\$ —	\$ —	\$600.0	\$ —
Operating leases	103.6	23.5	30.0	15.4	34.7
Interest on debt	65.6	15.6	26.9	23.1	—
Pension obligations(a)	6.3	6.3	—	—	—
Contractual development obligations(b)	1.4	0.9	0.5	—	—
Capital commitment obligations(c)	2.3	1.3	1.0	—	—
Purchase and other commitments	6.5	2.5	2.6	0.6	0.8
Total contractual cash obligations(d)	<u>\$785.7</u>	<u>\$50.1</u>	<u>\$61.0</u>	<u>\$639.1</u>	<u>\$35.5</u>

- (a) The amount included in “Less Than 1 Year” reflects anticipated contributions to our various pension plans. Anticipated contributions beyond one year are not determinable. The total accrued benefit liability for our pension plans recognized as of December 31, 2013 was \$42.7 million. This amount is impacted by, among other items, pension expense funding levels, changes in plan demographics and assumptions, and investment return on plan assets. Therefore, we are unable to make a reasonably reliable estimate of the amount and period in which the liability might be paid, and did not include this amount in the contractual obligations table. See Note 11 to the “*Consolidated Financial Statements*” for further information.
- (b) Contractual development obligations consist primarily of cash that we are obligated to pay upon achievement of product development and other milestones.
- (c) Capital commitment obligations consist primarily of cash that we are obligated to pay to our limited partnership and limited liability corporation investees. These investees make equity investments in various development stage biopharmaceutical and medical device companies, and it is not certain if and/or when these payments will be made.
- (d) As of December 31, 2013, the liability for uncertain tax positions including interest was \$135.5 million. We have entered into an APA process between the Switzerland and the United States governments for the years 2009 through 2013 covering transfer pricing matters. These transfer pricing matters are significant to our consolidated financial statements, and the final outcome of the negotiations between the two governments is uncertain. Management believes that adequate amounts of tax and related penalty and interest have been provided in income tax expense for any adjustments that may result for our uncertain tax positions. We are unable to make a reasonably reliable estimate of the amount and period in which the liability might be paid, and did not include this amount in the contractual obligations table.

Critical Accounting Policies and Estimates

Our results of operations and financial position are determined based upon the application of our accounting policies, as discussed in the notes to the “*Consolidated Financial Statements*”. Certain of our accounting policies represent a selection among acceptable alternatives under Generally Accepted Accounting

Principles in the United States (“GAAP”). In evaluating our transactions, management assesses all relevant GAAP and chooses the accounting policy that most accurately reflects the nature of the transactions.

The application of accounting policies requires the use of judgment and estimates. These matters that are subject to judgments and estimation are inherently uncertain, and different amounts could be reported using different assumptions and estimates. Management uses its best estimates and judgments in determining the appropriate amount to reflect in the consolidated financial statements, using historical experience and all available information. We also use outside experts where appropriate. We apply estimation methodologies consistently from year to year.

We believe the following are the critical accounting policies which could have the most significant effect on our reported results and require subjective or complex judgments by management.

Revenue Recognition

When we recognize revenue from the sale of our products, we record an estimate of various sales returns and allowances which reduces product sales and accounts receivable. These adjustments include estimates for rebates, returns and other sales allowances. These provisions are estimated based upon historical payment experience, historical relationship to revenues, estimated customer inventory levels, and current contract sales terms with direct and indirect customers. Product returns are not significant because returns are generally not allowed unless the product is damaged at time of receipt. If the historical data and inventory estimates used to calculate these provisions do not approximate future activity, our financial position, results of operations and cash flows could be impacted.

In addition, we may allow customers to return previously purchased products for next-generation product offerings. For these transactions, we defer recognition of revenue on the sale of the earlier generation product based upon an estimate of the amount to be returned when the next-generation products are shipped to the customer. Uncertain timing of next-generation product approvals, variability in product launch strategies, product recalls and variation in product utilization all affect the estimates related to sales returns and could cause actual returns to differ from these estimates.

Our primary sales adjustment relates to distributor rebates which are given to our United States distributors and represents the difference between our sales price to the distributor (at our distributor “list price”) and the negotiated price to be paid by the end-customer. We validate the distributor rebate accrual quarterly through either a review of the inventory reports obtained from our distributors or an estimate of the distributor’s inventory. This distributor inventory information is used to verify the estimated liability for future distributor rebate claims based on historical rebates and contract rates. We periodically monitor current pricing trends and distributor inventory levels to ensure the credit for future distributor rebates is fairly stated.

Excess and Obsolete Inventory

The valuation of our inventory requires us to estimate excess, obsolete and expired inventory. We base our provisions for excess, obsolete and expired inventory on our estimates of forecasted net sales. A significant change in the timing or level of demand for our products as compared to forecasted amounts may result in recording additional allowances for excess, obsolete and expired inventory in the future. In addition, our industry is characterized by rapid product development and frequent new product introductions. Uncertain timing of next-generation product approvals, variability in product launch strategies, product recalls, increasing levels of consigned inventory and variation in product utilization all affect our estimates related to excess, obsolete and expired inventory.

Patent Costs

We capitalize certain legal costs related to the defense and enforcement of issued patents for which success is deemed probable. The ultimate outcome of these legal actions are not within our complete control,

are difficult to predict, and may not be known for prolonged periods of time, and therefore the determination to capitalize these costs is a matter of significant judgment.

Intangible Assets and Long-lived Assets

We acquire intangible assets in connection with business combinations and asset purchases. The acquired intangible assets are recorded at fair value, which is determined based on a discounted cash flow analysis. The determination of fair value requires significant estimates, including, but not limited to, the amount and timing of projected future cash flows, the discount rate used to discount those cash flows, the assessment of the asset's life cycle, including the timing and expected costs to complete in-process projects, and the consideration of legal, technical, regulatory, economic, and competitive risks.

Indefinite-lived intangible assets, which relate to IPR&D acquired in business combinations, are reviewed for impairment annually, or whenever an event occurs or circumstances change that would indicate the carrying amount may be impaired. Additionally, management reviews the carrying amounts of other intangible and long-lived assets whenever events or circumstances indicate that the carrying amounts of an asset may not be recoverable. The impairment reviews require significant estimates about fair value, including estimation of future cash flows, selection of an appropriate discount rate, and estimates of long-term growth rates.

Income Taxes

The determination of our provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Realization of certain deferred tax assets, primarily net operating loss and other carryforwards, is dependent upon generating sufficient taxable income in the appropriate jurisdiction prior to the expiration of the carryforward periods. Failure to achieve forecasted taxable income in the applicable taxing jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in our effective tax rate on future earnings.

We are subject to income taxes in the United States and numerous foreign jurisdictions. Our income tax returns are periodically audited by domestic and foreign tax authorities. These audits include questions regarding our tax filing positions, including the timing and amount of deductions and the allocation of income amongst various tax jurisdictions. We evaluate our tax positions and establish liabilities in accordance with the applicable accounting guidance on uncertainty in income taxes. Significant judgment is required in evaluating our uncertain tax positions. We review these tax uncertainties quarterly and adjust the liability as events occur that affect potential liabilities for additional taxes, such as the progress of tax audits, lapsing of applicable statutes of limitations, negotiations between tax authorities, identification of new issues and issuance of new legislation, regulations or case law.

For additional details on our income taxes, see Note 2 and Note 15 to the "*Consolidated Financial Statements*."

Stock-based Compensation

We measure and recognize compensation expense for all stock-based awards based on estimated fair values. Stock-based awards consist of stock options, restricted stock units, market-based restricted stock units and employee stock purchase subscriptions. The fair value of each option award and employee stock purchase subscription is estimated on the date of grant using the Black-Scholes option valuation model. The fair value of market-based restricted stock units is determined using a Monte Carlo simulation model, which uses multiple input variables to determine the probability of satisfying the market condition requirements. The Black-Scholes and Monte Carlo models require various highly judgmental assumptions, including stock price volatility, risk-free interest rate, and expected option term. Stock-based compensation expense is recorded net of estimated forfeitures. Judgment is required in estimating the stock awards that will ultimately be forfeited.

If actual results differ significantly from these estimates, stock-based compensation expense and our results of operations could be impacted.

New Accounting Standards

Information regarding new accounting standards is included in Note 2 to the “*Consolidated Financial Statements.*”

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our business and financial results are affected by fluctuations in world financial markets, including changes in currency exchange rates and interest rates. We manage these risks through a combination of normal operating and financing activities and derivative financial instruments. We do not use derivative financial instruments for trading or speculative purposes.

Interest Rate Risk

In addition to available cash and cash from operations, we use debt to finance business activities. We are exposed to interest rate risk on our debt obligations. As of December 31, 2013, we had \$600.0 million of Notes outstanding that carry a fixed rate and also had available a \$750.0 million Credit Facility that carries a variable interest rate based on the London interbank offered rate (“LIBOR”). As of December 31, 2013, there were no borrowings outstanding under the Credit Facility. To diversify our interest rate risk, we entered into interest rate swaps with an aggregate notional amount of \$300.0 million. The critical terms of the swaps match the critical terms of \$300.0 million of the debt issuance, effectively converting that portion of the fixed-rate issue to a floating variable rate based on a 6 month LIBOR benchmark. Based on our year end 2013 variable debt levels, a hypothetical 10% increase in our weighted-average interest rate would have an immaterial effect on our financial condition and results of operations. As of December 31, 2013, a hypothetical 10% increase or decrease in market interest rates would change the fair value of the fixed-rate debt by a decrease or increase of approximately \$6.0 million, respectively. This hypothetical change in interest rates would not impact the interest expense on the fixed-rate debt.

For more information related to outstanding debt obligations, see Note 8 to the “*Consolidated Financial Statements.*”

Currency Risk

We are exposed to foreign currency risks that arise from normal business operations. These risks include the translation of local currency balances and results of our non-United States subsidiaries into United States dollars, currency gains and losses related to intercompany and third-party transactions denominated in currencies other than a location’s functional currency, and currency gains and losses associated with intercompany loans. Our principal currency exposures relate to the Euro and the Japanese yen. Our objective is to minimize the volatility of our exposure to these risks through a combination of normal operating and financing activities and the use of derivative financial instruments in the form of foreign currency forward exchange contracts and foreign currency options contracts. We do not hedge our exposure related to our net investments in our non-United States subsidiaries. The total notional amounts of our derivative financial instruments entered into for foreign currency management purposes at December 31, 2013 and 2012 were \$805.5 million and \$779.0 million, respectively. A hypothetical 10% increase/decrease in the value of the United States dollar against all hedged currencies would increase/decrease the fair value of these derivative contracts by \$55.3 million and \$59.4 million, respectively. Any gains or losses on the fair value of derivative contracts would generally be offset by gains and losses on the underlying transactions and would not be significant to our financial condition or results of operations.

For more information related to outstanding foreign exchange contracts, see Note 2 and Note 10 to the “*Consolidated Financial Statements.*”

Credit Risk

Derivative financial instruments involve credit risk in the event the financial institution counterparty should default. It is our policy to execute such instruments with major financial institutions that we believe to be creditworthy. At December 31, 2013, all derivative financial instruments were with bank counterparties assigned investment grade ratings by national rating agencies. We further diversify our derivative financial instruments among counterparties to minimize exposure to any one of these entities. We have not experienced a counterparty default and do not anticipate any non-performance by our current derivative counterparties.

Concentrations of Risk

We invest excess cash in bank time deposits and diversify the investments between financial institutions.

In the normal course of business, we provide credit to customers in the health care industry, perform credit evaluations of these customers and maintain allowances for potential credit losses which have historically been adequate compared to actual losses. In 2013, we had no customers that represent 10% or more of our total net sales or accounts receivable, net.

We continue to do business with foreign governments in certain European countries that have experienced a deterioration in credit and economic conditions. These conditions have resulted in, and may continue to result in, a reduction in value and an increase in the average length of time that it takes to collect accounts receivable outstanding in these countries. In addition, we may also be impacted by declines in sovereign credit ratings or sovereign defaults in these countries.

During 2011, we recorded a \$12.8 million charge to reflect the increased risk associated with our Southern European receivables, primarily Greece. A significant further decline in sovereign credit ratings or a debt default in these Southern European countries may decrease the likelihood that we will collect these accounts receivable, which could result in a negative impact to our operating results. As of December 31, 2013, our accounts receivables, net of the allowance for doubtful accounts, from customers in certain European countries were \$104.7 million.

Investment Risk

We are exposed to investment risks related to changes in the fair values of our investments. We invest in equity instruments of public and private companies. These investments are classified in "*Investments in Unconsolidated Affiliates*" on the consolidated balance sheets.

As of December 31, 2013, we had \$21.9 million of investments in equity instruments of other companies and had recorded unrealized gains of \$0.3 million on these investments in "*Accumulated Other Comprehensive Loss*," net of tax. Should these companies experience a decline in financial condition or fail to meet certain development milestones, the decline in the investments' values may be considered other than temporary and impairment charges may be necessary.

Item 8. Financial Statements and Supplementary Data

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Edwards Lifesciences Corporation:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Edwards Lifesciences Corporation and its subsidiaries at December 31, 2013 and December 31, 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Irvine, California
February 28, 2014

EDWARDS LIFESCIENCES CORPORATION
CONSOLIDATED BALANCE SHEETS
(in millions, except par value)

	December 31,	
	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 420.4	\$ 310.9
Short-term investments (Note 2)	516.5	210.5
Accounts receivable, net (Note 4)	302.5	321.1
Other receivables	25.5	26.4
Inventories (Note 4)	308.9	281.0
Deferred income taxes	33.4	43.4
Prepaid expenses	46.8	41.6
Other current assets	71.8	57.0
Total current assets	1,725.8	1,291.9
Long-term accounts receivable, net (Note 4)	7.3	9.9
Property, plant and equipment, net (Note 4)	421.6	373.3
Goodwill (Note 6)	385.4	384.7
Other intangible assets, net (Note 6)	57.2	67.0
Investments in unconsolidated affiliates (Note 7)	21.9	21.1
Deferred income taxes	70.1	47.3
Other assets	35.4	26.3
Total assets	\$ 2,724.7	\$2,221.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 48.4	\$ 74.7
Accrued and other liabilities (Note 4)	297.2	272.7
Total current liabilities	345.6	347.4
Long-term debt (Note 8)	593.1	189.3
Uncertain tax positions	126.4	110.7
Other long-term liabilities	100.4	94.8
Commitments and contingencies (Notes 8 and 16)		
Stockholders' equity (Note 12)		
Preferred stock, \$.01 par value, authorized 50.0 shares, no shares outstanding	—	—
Common stock, \$1.00 par value, 350.0 shares authorized, 126.0 and 124.2 shares issued, and 109.3 and 114.3 shares outstanding, respectively	126.0	124.2
Additional paid-in capital	671.2	489.0
Retained earnings	2,045.6	1,653.9
Accumulated other comprehensive loss	(27.6)	(37.9)
Treasury stock, at cost, 16.7 and 9.9 shares, respectively	(1,256.0)	(749.9)
Total stockholders' equity	1,559.2	1,479.3
Total liabilities and stockholders' equity	\$ 2,724.7	\$2,221.5

The accompanying notes are an integral part of these consolidated financial statements.

EDWARDS LIFESCIENCES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share information)

	<u>Years Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net sales	\$2,045.5	\$1,899.6	\$1,678.6
Cost of goods sold	522.4	494.6	489.8
Gross profit	1,523.1	1,405.0	1,188.8
Selling, general and administrative expenses	745.6	705.3	642.4
Research and development expenses	323.0	291.3	246.3
Special (gains) charges (Note 3)	(67.3)	16.0	21.6
Interest expense	9.8	4.4	3.1
Interest income	(4.6)	(4.8)	(3.4)
Other expense (income), net (Note 14)	1.3	1.7	(4.8)
Income before provision for income taxes	515.3	391.1	283.6
Provision for income taxes (Note 15)	123.6	97.9	46.9
Net income	<u>\$ 391.7</u>	<u>\$ 293.2</u>	<u>\$ 236.7</u>
Share information (Note 2):			
Earnings per share:			
Basic	\$ 3.51	\$ 2.55	\$ 2.07
Diluted	\$ 3.44	\$ 2.48	\$ 1.98
Weighted-average number of common shares outstanding:			
Basic	111.7	114.9	114.6
Diluted	113.8	118.3	119.4

The accompanying notes are an integral part of these consolidated financial statements.

EDWARDS LIFESCIENCES CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	<u>Years Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net income	\$391.7	\$293.2	\$236.7
Other comprehensive income (loss), net of tax (Note 13):			
Foreign currency translation adjustments	5.6	4.2	(5.2)
Unrealized (loss) gain on cash flow hedges	(3.5)	1.1	16.8
Unrealized loss on available-for-sale investments for the period	(1.1)	—	(0.1)
Reclassification of net realized investment loss (gain) to earnings	—	0.3	(1.0)
Defined benefit pension plans—net actuarial gain (loss) and other	9.3	(6.0)	(5.9)
Other comprehensive income (loss), net of tax	<u>10.3</u>	<u>(0.4)</u>	<u>4.6</u>
Comprehensive income	<u>\$402.0</u>	<u>\$292.8</u>	<u>\$241.3</u>

The accompanying notes are an integral part of these consolidated financial statements.

EDWARDS LIFESCIENCES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	<u>Years Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash flows from operating activities			
Net income	\$ 391.7	\$ 293.2	\$ 236.7
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	68.7	57.3	58.0
Stock-based compensation (Notes 2 and 12)	47.4	42.1	35.0
Excess tax benefit from stock plans (Notes 2 and 12)	(73.5)	(56.5)	(6.0)
Deferred income taxes	0.1	8.1	(0.6)
Special charges (Note 3)	14.6	14.9	21.2
(Gain) loss on trading securities	(1.0)	(0.7)	1.0
Other	3.2	3.9	(1.1)
Changes in operating assets and liabilities:			
Accounts and other receivables, net	8.5	(26.5)	(53.7)
Inventories	(44.4)	(21.7)	(57.0)
Accounts payable and accrued liabilities	50.3	30.2	55.4
Prepaid expenses and other current assets	4.6	12.8	20.6
Other	2.5	5.0	(1.3)
Net cash provided by operating activities	<u>472.7</u>	<u>362.1</u>	<u>308.2</u>
Cash flows from investing activities			
Capital expenditures	(109.0)	(109.0)	(76.6)
Proceeds from short-term investments (Note 2)	526.4	662.3	349.9
Purchases of short-term investments (Note 2)	(823.2)	(592.6)	(643.3)
Acquisitions (Note 5)	—	(36.6)	(42.6)
Investments in intangible assets	(1.1)	(7.0)	(7.7)
Proceeds from sale of assets	2.3	3.0	3.9
Proceeds from unconsolidated affiliates	0.3	2.8	9.1
Investments in unconsolidated affiliates	(3.0)	(2.0)	(2.3)
(Investments in) proceeds from trading securities, net	(1.4)	(0.6)	3.1
Other	(4.0)	0.9	—
Net cash used in investing activities	<u>(412.7)</u>	<u>(78.8)</u>	<u>(406.5)</u>
Cash flows from financing activities			
Proceeds from issuance of debt	1,305.0	407.0	526.1
Payments on debt	(895.4)	(367.5)	(421.7)
Repurchase of common stock	(496.9)	(344.1)	(303.4)
Equity forward contract related to accelerated share repurchase agreement (Note 12)	—	(9.1)	—
Proceeds from stock plans	45.5	100.1	59.5
Excess tax benefit from stock plans (Notes 2 and 12)	73.5	56.5	6.0
Other	3.2	1.5	(1.7)
Net cash provided by (used in) financing activities	<u>34.9</u>	<u>(155.6)</u>	<u>(135.2)</u>
Effect of currency exchange rate changes on cash and cash equivalents	14.6	12.0	8.6
Net increase (decrease) in cash and cash equivalents	109.5	139.7	(224.9)
Cash and cash equivalents at beginning of year	310.9	171.2	396.1
Cash and cash equivalents at end of year	<u>\$ 420.4</u>	<u>\$ 310.9</u>	<u>\$ 171.2</u>
Supplemental disclosures:			
Cash paid during the year for:			
Interest	\$ 4.3	\$ 4.4	\$ 3.2
Income taxes	\$ 54.0	\$ 38.0	\$ 15.4
Non-cash investing and financing transactions:			
Capital expenditures accruals	\$ 8.4	\$ 20.9	\$ 11.0
Capital additions transferred from inventory	\$ 7.8	\$ —	\$ —

The accompanying notes are an integral part of these consolidated financial statements.

EDWARDS LIFESCIENCES CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
	Shares	Par Value	Shares	Amount				
BALANCE AT DECEMBER 31,								
2010	117.0	\$117.0	2.0	\$ (102.0)	\$211.3	\$1,124.0	\$(42.1)	\$1,308.2
Net income						236.7		236.7
Other comprehensive income, net of tax							4.6	4.6
Common stock issued under equity plans, including tax benefits	3.0	3.0			54.2			57.2
Stock-based compensation expense .					35.0			35.0
Repurchase of common stock			3.9	(303.8)				(303.8)
BALANCE AT DECEMBER 31,								
2011	120.0	120.0	5.9	(405.8)	300.5	1,360.7	(37.5)	1,337.9
Net income						293.2		293.2
Other comprehensive loss, net of tax							(0.4)	(0.4)
Common stock issued under equity plans, including tax benefits	4.2	4.2			155.5			159.7
Stock-based compensation expense .					42.1			42.1
Repurchase of common stock			4.0	(344.1)	(9.1)			(353.2)
BALANCE AT DECEMBER 31,								
2012	124.2	124.2	9.9	(749.9)	489.0	1,653.9	(37.9)	1,479.3
Net income						391.7		391.7
Other comprehensive income, net of tax							10.3	10.3
Common stock issued under equity plans, including tax benefits	1.8	1.8			125.7			127.5
Stock-based compensation expense .					47.4			47.4
Repurchase of common stock			6.8	(506.1)	9.1			(497.0)
BALANCE AT DECEMBER 31,								
2013	<u>126.0</u>	<u>\$126.0</u>	<u>16.7</u>	<u>\$(1,256.0)</u>	<u>\$671.2</u>	<u>\$2,045.6</u>	<u>\$(27.6)</u>	<u>\$1,559.2</u>

The accompanying notes are an integral part of these consolidated financial statements.

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Edwards Lifesciences Corporation (“Edwards Lifesciences” or the “Company”) conducts operations worldwide and is managed in the following geographical regions: United States, Europe, Japan and Rest of World. Edwards Lifesciences is focused on technologies that treat structural heart disease and critically ill patients. A pioneer in the development and commercialization of heart valve products, Edwards Lifesciences is the world’s leading manufacturer of heart valves and repair products used to replace or repair a patient’s diseased or defective heart valve. The Company is also a global leader in hemodynamic monitoring systems used to measure a patient’s cardiovascular function in the hospital setting.

The products and technologies provided by Edwards Lifesciences to treat advanced cardiovascular disease or critically ill patients are categorized into the following main areas: Surgical Heart Valve Therapy, Transcatheter Heart Valves, and Critical Care. The Company’s Surgical Heart Valve Therapy portfolio includes tissue heart valves and heart valve repair products for the surgical replacement or repair of a patient’s heart valve. The portfolio also includes a diverse line of cardiac surgery systems used during minimally invasive surgical procedures, and cannulae, embolic protection devices and other products used during cardiopulmonary bypass. The Company’s Transcatheter Heart Valves portfolio includes technologies designed to treat heart valve disease using catheter-based approaches as opposed to open surgical techniques. In the Critical Care portfolio, Edwards Lifesciences’ products include pulmonary artery catheters, disposable pressure transducers and advanced monitoring systems. The portfolio also includes a line of balloon catheter-based vascular products, surgical clips and inserts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Edwards Lifesciences and its majority-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Cash Flow Statement Revision

In preparing the consolidated financial statements for the year ended December 31, 2013, the Company determined that it had misclassified certain accrued capital expenditures in the consolidated statements of cash flows for the years ended December 31, 2012 and 2011. The Company has evaluated and concluded that this did not result in a material misstatement of the Company’s previously issued consolidated financial statements. However, the Company has elected to revise its consolidated statements of cash flows for the years ended December 31, 2012 and 2011 to correct the presentation of accrued capital expenditures, resulting in a decrease to net cash used in investing activities (with a corresponding decrease to net cash provided by operating activities) of \$11.7 million and \$6.3 million, respectively.

Use of Estimates

The consolidated financial statements of Edwards Lifesciences have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America (“GAAP”) which have been applied consistently in all material respects. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency Translation

When the local currency of the Company's foreign entities is the functional currency, all assets and liabilities are translated into United States dollars at the rate of exchange in effect at the balance sheet date. Income and expense items are translated at the weighted-average exchange rate prevailing during the period. The effects of foreign currency translation adjustments for these entities are deferred and reported in stockholders' equity as a component of "*Accumulated Other Comprehensive Loss*." The effects of foreign currency transactions denominated in a currency other than an entity's functional currency are included in "*Other Expense (Income), net*."

Revenue Recognition

The Company recognizes revenue when it is realized or realizable and earned. Revenue is considered realized or realizable and earned upon delivery of the product, provided that an agreement of sale exists, the sales price is fixed or determinable, and collection is reasonably assured. In the case of certain products where the Company maintains consigned inventory at customer locations, revenue is recognized at the time the Company is notified that the customer has used the inventory.

The Company's principal sales terms provide for title and risk of loss transferring upon delivery to the customer, limited right of return and no unusual provisions or conditions. When the Company recognizes revenue from the sale of its products, an estimate of various sales returns and allowances is recorded which reduces product sales and accounts receivable. These adjustments include estimates for rebates, returns and other sales allowances. These provisions are estimated and recorded at the time of sale based upon historical payment experience, historical relationship to revenues, estimated customer inventory levels, and current contract sales terms with direct and indirect customers. Other than in limited circumstances, product returns are not significant because returns are generally not allowed unless the product is damaged at time of receipt. In addition, the Company may allow customers to return previously purchased products for next-generation product offerings. For these transactions, the Company defers recognition of revenue on the sale of the earlier generation product based upon an estimate of the amount of product to be returned when the next-generation products are shipped to the customer.

The Company's primary sales adjustment relates to distributor rebates which are given to the Company's United States distributors and represents the difference between the Company's sales price to the distributor (at the Company's distributor "list price") and the negotiated price to be paid by the end-customer. This distributor rebate is recorded by the Company as a reduction to sales and a reduction to the distributor's accounts receivable at the time of sale to a distributor. The Company validates the distributor rebate accrual quarterly through either a review of the inventory reports obtained from its distributors or an estimate of its distributor's inventory. This distributor inventory information is used to verify the estimated liability for future distributor rebate claims based on historical rebates and contract rates. The Company periodically monitors current pricing trends and distributor inventory levels to ensure the credit for future distributor rebates is fairly stated.

The Company also offers volume rebates to certain group purchasing organizations ("GPOs") and customers based upon target sales levels. For volume rebates offered to GPOs, the rebates are recorded as a reduction to sales and an obligation to the GPO, as the Company expects to pay in cash. For volume rebates offered to customers, the rebates are recorded as a reduction to sales and accounts receivable, as the Company expects a net payment from the customer. The provision for volume rebates is estimated based on customers'

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

contracted rebate programs and historical experience of rebates paid. The Company periodically monitors its customer rebate programs to ensure that the allowance and liability for accrued rebates is fairly stated.

Shipping and Handling Costs

Shipping costs, which are costs incurred to physically move product from the Company's premises to the customer's premises, are included in "*Selling, General and Administrative Expenses*." Handling costs, which are costs incurred to store, move and prepare products for shipment, are included in "*Cost of Goods Sold*." For the years ended December 31, 2013, 2012 and 2011, shipping costs of \$56.6 million, \$54.9 million and \$51.0 million, respectively, were included in "*Selling, General and Administrative Expenses*."

Cash Equivalents

The Company considers highly liquid investments with original maturities of three months or less to be cash equivalents. These investments are valued at cost, which approximates fair value.

Short-term Investments

Short-term investments include bank time deposits with original maturities between three months and one year. Bank time deposits with original maturities of three months or less are classified as cash equivalents. Investments in bank time deposits are classified as held-to-maturity, as management has both the intent and ability to hold these investments to maturity, and are reported at cost, which approximates fair value. Income relating to these bank time deposits is reported as "*Interest Income*."

Allowance for Doubtful Accounts

The Company records allowances for doubtful accounts based on customer-specific analysis and general matters such as current assessments of past due balances and economic conditions. When evaluating its allowances for doubtful accounts related to receivables from customers in certain European countries that have historically paid beyond the stated terms, the Company's analysis considers a number of factors including evidence of the customer's ability to comply with credit terms, economic conditions and procedures implemented by the Company to collect the historical receivables. Additional allowances for doubtful accounts may be required if there is deterioration in past due balances, if economic conditions are less favorable than the Company has anticipated, or for customer-specific circumstances, such as financial difficulty. The allowance for doubtful accounts was \$12.2 million and \$12.0 million at December 31, 2013 and 2012, respectively.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market value. Market value for raw materials is based on replacement costs, and for other inventory classifications is based on net realizable value.

A write-down for excess or inactive inventory is recorded for inventory which is obsolete, nearing its expiration date (generally triggered at six months prior to expiration), is damaged or slow moving (generally defined as quantities in excess of a two year supply). The allowance for excess and obsolete inventory was \$29.6 million and \$16.3 million at December 31, 2013 and 2012, respectively.

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company allocates to inventory general and administrative costs that are related to the production process. These costs include insurance, manufacturing accounting personnel, human resources personnel and information technology. During the years ended December 31, 2013, 2012 and 2011, the Company allocated \$24.7 million, \$26.2 million and \$25.3 million, respectively, of general and administrative costs to inventory. General and administrative costs included in inventory at December 31, 2013 and 2012 were \$14.3 million and \$15.1 million, respectively.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is principally calculated for financial reporting purposes on the straight-line method over the estimated useful lives of the related assets, which range from 10 to 40 years for buildings and improvements, from 3 to 15 years for machinery and equipment, and from 3 to 10 years for software. Leasehold improvements are amortized over the life of the related facility leases or the asset, whichever is shorter. Straight-line and accelerated methods of depreciation are used for income tax purposes.

Depreciation expense for property, plant and equipment was \$53.1 million, \$44.0 million and \$44.0 million for the years ended December 31, 2013, 2012 and 2011, respectively. Repairs and maintenance expense was \$21.7 million, \$20.6 million and \$18.1 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Impairment of Goodwill and Long-lived Assets

Goodwill is reviewed for impairment annually in the fourth quarter of each fiscal year or whenever an event occurs or circumstances change that would indicate that the carrying amount may be impaired. The Company identifies its reporting units and determines the carrying value of each reporting unit by assigning the assets and liabilities, including existing goodwill, to those reporting units. The fair value of the reporting unit is estimated based on the Company's market capitalization and a market revenue multiple. If the carrying value of the reporting unit exceeds its estimated fair value, then the Company measures the amount of the impairment loss by comparing the implied fair value of goodwill to its carrying value. In 2013, 2012 and 2011, the Company did not record any impairment loss as the fair value of each reporting unit significantly exceeded its respective carrying value.

Indefinite-lived intangible assets relate to in-process research and development ("IPR&D") acquired in business combinations. The estimated fair values of IPR&D projects acquired in a business combination which have not reached technological feasibility are capitalized and accounted for as indefinite-lived intangible assets subject to impairment testing until completion or abandonment of the projects. Upon successful completion of the project, the capitalized amount is amortized over its estimated useful life. If the project is abandoned, all remaining capitalized amounts are written off immediately. Indefinite-lived intangible assets are reviewed for impairment annually, or whenever an event occurs or circumstances change that would indicate the carrying amount may be impaired. An impairment loss is recognized when the asset's carrying value exceeds its fair value. IPR&D projects acquired in an asset acquisition are expensed unless the project has an alternative future use.

Management reviews the carrying amounts of other finite-lived intangible assets and long-lived tangible assets whenever events or circumstances indicate that the carrying amounts of an asset may not be recoverable. Impairment indicators include, among other conditions, cash flow deficits, historic or anticipated declines in revenue or operating profit, and adverse legal or regulatory developments. If it is determined that

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

such indicators are present and the review indicates that the assets will not be fully recoverable, based on undiscounted estimated cash flows over the remaining amortization periods, their carrying values are reduced to estimated fair market value. Estimated fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. For the purposes of identifying and measuring impairment, long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

Patent Costs

The Company expenses legal costs incurred for patent preparation and applications. The Company capitalizes certain legal costs related to the defense and enforcement of issued patents for which success is deemed probable. These capitalized legal costs are amortized over the life of the related patent. Such legal costs are periodically reviewed for impairment and recoverability.

Investments in Unconsolidated Affiliates

Investments in unconsolidated affiliates are long-term equity investments in companies that are in various stages of development. Certain of these investments are designated as available-for-sale. These investments are carried at fair market value, with unrealized gains and losses reported in stockholders' equity as a component of "*Accumulated Other Comprehensive Loss*." Gains or losses on investments sold are based on the specific identification method. Other investments in unconsolidated affiliates are accounted for under the cost or the equity method of accounting, as appropriate. The Company accounts for investments in limited partnerships or limited liability corporations, whereby the Company owns a minimum of 5% of the investee's outstanding voting stock, under the equity method of accounting. These investments are recorded at the amount of the Company's investment and adjusted each period for the Company's share of the investee's income or loss and dividends paid. As investments accounted for under the cost method do not have readily determinable fair values, the Company only estimates fair value if there are identified events or changes in circumstances that could have a significant adverse effect on the investment's fair value.

When the fair value of an available-for-sale investment declines below cost, management uses the following criteria to determine if such a decline should be considered other-than-temporary and result in a recognized loss:

- the duration and extent to which the market value has been less than cost;
- the financial condition and near term prospects of the investee;
- the reasons for the decline in market value;
- the investee's performance against product development milestones; and
- the Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value.

Income Taxes

Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. The Company evaluates quarterly the realizability of its deferred tax assets by assessing its valuation allowance and adjusting the amount, if necessary. The factors used to assess the likelihood of realization are both historical experience and the

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income in the applicable taxing jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in the Company's effective tax rate on future earnings.

When assessing whether a windfall tax benefit relating to stock-based compensation has been realized, the Company follows the with and without approach, under which the windfall benefit is recognized only if an incremental benefit is provided after considering all other tax attributes presently available to the Company. Consideration is given only to the direct impacts of stock awards when calculating the amount of windfalls and shortfalls.

The Company is subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgment is required in evaluating the Company's uncertain tax positions and determining its provision for income taxes. The Company recognizes the financial statement benefit of a tax position only after determining that a position would more likely than not be sustained based upon its technical merit if challenged by the relevant taxing authority and taken by management to the court of last resort. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon settlement with the relevant tax authority. The Company recognizes interest and penalties related to income tax matters in income tax expense.

Research and Development Costs

Research and development costs are charged to expense when incurred.

Earnings per Share

Basic earnings per share is computed by dividing net income by the weighted-average common shares outstanding during a period. Employee equity share options, nonvested shares and similar equity instruments granted by the Company are treated as potential common shares in computing diluted earnings per share. Diluted shares outstanding include the dilutive effect of restricted stock units, market-based restricted stock units and in-the-money options. The dilutive impact of the restricted stock units, market-based restricted stock units and in-the-money options is calculated based on the average share price for each fiscal period using the treasury stock method. Under the treasury stock method, the amount that the employee must pay for exercising stock options, the amount of compensation expense for future service that the Company has not yet recognized, and the amount of tax benefits that would be recorded in "*Additional Paid-in Capital*" when the award becomes deductible are assumed to be used to repurchase shares. Potential common share equivalents have been excluded where their inclusion would be anti-dilutive.

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The table below presents the computation of basic and diluted earnings per share (in millions, except for per share information):

	<u>Years ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Basic:			
Net income	\$391.7	\$293.2	\$236.7
Weighted-average shares outstanding	<u>111.7</u>	<u>114.9</u>	<u>114.6</u>
Basic earnings per share	<u>\$ 3.51</u>	<u>\$ 2.55</u>	<u>\$ 2.07</u>
Diluted:			
Net income	\$391.7	\$293.2	\$236.7
Weighted-average shares outstanding	111.7	114.9	114.6
Dilutive effect of stock plans	<u>2.1</u>	<u>3.4</u>	<u>4.8</u>
Dilutive weighted-average shares outstanding	<u>113.8</u>	<u>118.3</u>	<u>119.4</u>
Diluted earnings per share	<u>\$ 3.44</u>	<u>\$ 2.48</u>	<u>\$ 1.98</u>

Stock options, restricted stock units and market-based restricted stock units to purchase approximately 3.3 million, 1.7 million and 1.0 million shares for the years ended December 31, 2013, 2012 and 2011, respectively, were outstanding, but were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive.

Stock-based Compensation

The Company measures and recognizes compensation expense for all stock-based awards based on estimated fair values. Stock-based awards consist of stock options, restricted stock units, market-based restricted stock units, and employee stock purchase subscriptions. Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period (vesting period) on a straight-line basis. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Upon exercise of stock options or vesting of restricted stock units and market-based restricted stock units, the Company issues common stock.

Total stock-based compensation expense for the years ended December 31, 2013, 2012 and 2011 was as follows (in millions):

	<u>December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cost of goods sold	\$ 5.9	\$ 5.0	\$ 4.0
Selling, general and administrative expenses	34.7	31.2	25.4
Research and development expenses	<u>6.8</u>	<u>5.9</u>	<u>5.6</u>
Total stock-based compensation expense	<u>\$47.4</u>	<u>\$42.1</u>	<u>\$35.0</u>

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Upon retirement, all unvested stock options are immediately forfeited. In addition, upon retirement, a participant will immediately vest in 25% of restricted stock units for each full year of employment with the Company measured from the grant date. All remaining unvested restricted stock units are immediately forfeited. For market-based restricted stock units, upon retirement and in certain other specified cases, a participant will receive a pro-rated portion of the shares that would ultimately be issued based on attainment of the performance goals as determined on the vesting date. The pro-rated portion is based on the participant's whole months of service with the Company during the performance period prior to the date of termination.

Derivatives

The Company uses derivative financial instruments to manage interest rate and foreign currency risks. It is the Company's policy not to enter into derivative financial instruments for speculative purposes. The Company uses interest rate swaps to convert a portion of its fixed-rate debt into variable-rate debt. These interest rate swaps are designated as fair value hedges and meet the shortcut method requirements under the accounting standards for derivatives and hedging. Accordingly, changes in the fair values of the interest rate swaps are considered to exactly offset changes in the fair value of the underlying long-term debt. The Company uses foreign currency forward exchange contracts to offset the changes due to currency rate movements in the amount of future cash flows associated with intercompany transactions and certain third-party expenses expected to occur within the next 13 months. These foreign currency forward exchange contracts are designated as cash flow hedges. Certain of the Company's locations have assets and liabilities denominated in currencies other than their functional currencies resulting from intercompany and third-party transactions. The Company uses foreign currency forward exchange contracts that are not designated as hedging instruments to offset the transaction gains and losses associated with certain of these assets and liabilities. All foreign currency forward exchange contracts are denominated in currencies of major industrial countries, principally the Euro and the Japanese yen.

All derivative financial instruments are recognized at fair value in the consolidated balance sheets. For each derivative instrument that is designated and effective as a fair value hedge, the gain or loss on the derivative is recognized immediately to earnings, and offsets the loss or gain on the underlying hedged item. The gain or loss on fair value hedges is classified in net interest expense, as they hedge the interest rate risk associated with the Company's fixed-rate debt. The Company reports in "*Accumulated Other Comprehensive Loss*" the effective portion of the gain or loss on derivative financial instruments that are designated, and that qualify, as cash flow hedges. The Company reclassifies these gains and losses into earnings in the same period in which the underlying hedged transactions affect earnings. Any hedge ineffectiveness (which represents the amount by which the changes in fair value of the derivative exceed the variability in the cash flows of the forecasted transaction) is recorded in current period earnings. During 2013, 2012 and 2011, the Company did not record any gains or losses due to hedge ineffectiveness. The gains and losses on derivative financial instruments for which the Company does not elect hedge accounting treatment are recognized in the consolidated statements of operations in each period based upon the change in the fair value of the derivative financial instrument. Cash flows from derivative financial instruments are reported as operating activities in the consolidated statements of cash flows.

Derivative financial instruments involve credit risk in the event the counterparty should default. It is the Company's policy to execute such instruments with global financial institutions that the Company believes to be creditworthy. The Company diversifies its derivative financial instruments among counterparties to minimize exposure to any one of these entities. The Company also uses International Swap Dealers

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Association master-netting agreements. Under the master-netting agreements, the Company's counterparty settlement risk is the net amount of any receipts or payments due between the Company and the counterparty financial institution.

Recently Adopted Accounting Standards

In December 2011, the Financial Accounting Standards Board ("FASB") issued an amendment to the accounting guidance on disclosures about offsetting assets and liabilities. The guidance requires an entity to disclose both gross and net information about financial instruments and derivative instruments that are eligible for offset in the consolidated balance sheet or subject to an enforceable master-netting arrangement or similar agreement. In January 2013, the FASB clarified that this guidance applies only to derivatives, repurchase agreements and reverse purchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with specific criteria contained in the accounting guidance or subject to a master-netting arrangement or similar agreement. The guidance was effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company has provided the information required by this guidance in Note 10.

In July 2012, the FASB issued an amendment to the accounting guidance on intangible assets to permit an entity to first assess qualitative factors to determine whether it is more likely than not that the indefinite-lived asset is impaired as a basis for determining whether it is necessary to calculate the fair value of the indefinite-lived asset and perform the quantitative impairment test by comparing the fair value with the carrying amount. The guidance was effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In February 2013, the FASB issued an amendment to the accounting guidance on reporting amounts reclassified out of accumulated other comprehensive income. The guidance requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required to be reclassified in its entirety to net income. For other amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. The guidance was effective prospectively for reporting periods beginning after December 15, 2012, and interim periods within those annual periods. The Company has provided the information required by this guidance in Note 13.

New Accounting Standards Not Yet Adopted

In July 2013, the FASB issued an amendment to the accounting guidance on income taxes impacting the presentation of unrecognized tax benefits. The guidance requires an entity to net its unrecognized tax benefits against the deferred tax assets for all same jurisdiction net operating loss or similar tax loss carryforwards, or tax credit carryforwards. The guidance is effective for annual reporting periods beginning after December 15, 2013 and interim periods therein. The Company does not expect the adoption of this guidance will have a material impact on its consolidated financial statements.

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SPECIAL (GAINS) CHARGES

	Years Ended December 31,		
	2013	2012	2011
	(in millions)		
Settlements and litigation	\$(83.6)	\$ —	\$ 3.3
Realignment expenses	10.4	9.0	5.5
IPR&D impairment	5.9	—	—
Licensing of intellectual property	—	7.0	—
European receivables reserve	—	—	12.8
Total special (gains) charges	<u>\$(67.3)</u>	<u>\$16.0</u>	<u>\$21.6</u>

Settlements and Litigation

In February 2013, the Company received \$83.6 million from Medtronic, Inc. in satisfaction of the April 2010 jury award of damages for infringement of the U.S. Andersen transcatheter heart valve patent, including accrued interest. For further information, see Note 16.

In December 2011, the Company recorded a \$3.3 million charge related to a litigation settlement.

Realignment Expenses

In December 2013, the Company recorded a \$10.4 million charge related primarily to severance expenses associated with a global workforce realignment impacting 118 employees. As of December 31, 2013, the Company's remaining severance obligations of \$9.2 million are expected to be substantially paid by the end of 2014.

In December 2012, the Company recorded a \$9.0 million charge related primarily to severance expenses associated with a global workforce realignment impacting 92 employees. As of December 31, 2013, payments related to the realignment were substantially complete.

In December 2011, the Company recorded a \$5.5 million charge related primarily to severance expenses associated with a global workforce realignment impacting 49 employees. As of December 31, 2013, payments related to the realignment were complete.

IPR&D Impairment

In December 2013, the Company recorded a \$5.9 million write-off of IPR&D assets acquired from Embrella Cardiovascular, Inc. ("Embrella"). For further information, see Note 5.

Licensing of Intellectual Property

In April 2012, the Company obtained an exclusive license to a suturing device for minimally invasive surgery applications. The intellectual property is under development and there is uncertainty as to whether the product will ultimately be approved. The Company recorded a charge of \$2.0 million related to the upfront licensing and royalty fees.

In June 2012, the Company obtained a co-exclusive sublicense to intellectual property related to processing tissue and implanting cardiovascular valves. The intellectual property is under development and there is uncertainty as to whether the product will ultimately be approved. The Company recorded a charge of \$5.0 million related to the upfront licensing fee.

European Receivables Reserve

During 2011, the Company recorded a \$12.8 million charge to reflect the increased risk associated with its southern European receivables, primarily Greece.

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. COMPOSITION OF CERTAIN FINANCIAL STATEMENT CAPTIONS

Components of selected captions in the consolidated balance sheets at December 31 are as follows:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
	(in millions)	
Accounts receivable, net(a)		
Trade accounts receivable	\$ 307.9	\$ 326.7
Allowance for doubtful accounts	(5.4)	(5.6)
	<u>\$ 302.5</u>	<u>\$ 321.1</u>
Inventories		
Raw materials	\$ 57.8	\$ 49.5
Work in process	82.2	58.8
Finished products	168.9	172.7
	<u>\$ 308.9</u>	<u>\$ 281.0</u>
Property, plant and equipment, net		
Land	\$ 21.6	\$ 21.5
Buildings and leasehold improvements	268.2	183.7
Machinery and equipment	307.6	278.9
Equipment with customers	40.2	40.2
Software	99.2	102.1
Construction in progress	27.9	68.1
	764.7	694.5
Accumulated depreciation	(343.1)	(321.2)
	<u>\$ 421.6</u>	<u>\$ 373.3</u>
Long-term accounts receivable, net(a)		
Long-term trade accounts receivable	\$ 14.1	\$ 16.3
Allowance for doubtful accounts	(6.8)	(6.4)
	<u>\$ 7.3</u>	<u>\$ 9.9</u>
Accrued and other liabilities		
Employee compensation and withholdings	\$ 101.1	\$ 102.7
Clinical trial accruals	37.2	23.1
Property, payroll and other taxes	31.6	31.0
Fair value of derivatives	17.2	—
Accrued rebates	15.0	14.2
Realignment reserves	9.5	8.7
Deferred income taxes	7.2	8.7
Taxes payable	7.1	9.5
Litigation reserves (Note 16)	1.7	3.1
Other accrued liabilities	69.6	71.7
	<u>\$ 297.2</u>	<u>\$ 272.7</u>

(a) As of December 31, 2013 and 2012, the Company's accounts receivables, net of the allowance for doubtful accounts, from customers in certain European countries were \$104.7 million and \$104.7 million, respectively. Balances from customers located in these countries that are expected to be collected beyond one year have been discounted to present value based on the estimated collection date.

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. ACQUISITIONS

BMEYE, B.V.

On October 9, 2012, the Company acquired all the outstanding shares of BMEYE, B.V. (“BMEYE”) for an aggregate cash purchase price of €28.4 million (\$36.9 million). In addition, the Company paid €3.9 million (\$5.1 million) to BMEYE as an intercompany loan for payment of certain liabilities that were assumed as part of the acquisition. In connection with the acquisition, the Company placed €4.3 million (\$5.5 million) of the purchase price into escrow to satisfy any claims for indemnification made in accordance with the merger agreement. Any funds remaining 18 months after the acquisition date will be disbursed to BMEYE’s former shareholders. Acquisition-related costs of \$0.5 million were recorded in “*Selling, General and Administrative Expenses*” during the year ended December 31, 2012.

BMEYE was a medical device company that specialized in the development of non-invasive technology for advanced hemodynamic monitoring. The acquisition provides the Company with full rights to develop BMEYE’s existing technology platform to create a new, integrated hemodynamic monitoring system that has a disposable sensor unit worn by the patient. The acquisition was accounted for as a business combination. Tangible and intangible assets acquired were recorded based on their estimated fair values at the acquisition date. The excess of the purchase price over the fair value of net assets acquired was recorded to goodwill. The following table summarizes the fair values of the assets acquired and liabilities assumed (in millions):

Cash	\$ 0.3
Other current assets	0.9
Property and equipment, net	1.3
Goodwill	34.9
IPR&D	5.2
Developed technology	1.2
Current liabilities assumed	(4.5)
Long-term liabilities assumed	<u>(2.4)</u>
Total purchase price	36.9
Less: cash acquired	<u>(0.3)</u>
Total purchase price, net of cash acquired	<u>\$36.6</u>

Goodwill includes expected synergies and other benefits the Company believes will result from the acquisition. Goodwill was assigned to the Company’s Europe segment and is not deductible for tax purposes. IPR&D has been capitalized at fair value as an intangible asset with an indefinite life and will be assessed for impairment in subsequent periods. The fair value of the IPR&D was determined using the income approach. This approach determines fair value based on cash flow projections which are discounted to present value using a risk-adjusted rate of return. Completion of successful design developments, bench testing, pre-clinical studies and human clinical studies are required prior to selling any product. The risks and uncertainties associated with completing development within a reasonable period of time include those related to the design, development and manufacturability of the product, the success of pre-clinical and clinical studies, and the timing of regulatory approvals. The valuation assumed approximately \$8.4 million of additional research and development expenditures would be incurred prior to the date of product introduction. In the valuation, net cash inflows were forecasted to commence in 2014. During the fourth quarter of 2013, the Company transferred \$0.8 million of the IPR&D to developed technology because the Company received CE mark for the product in Europe. The Company is currently projecting that approximately \$0.6 million of research and

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. ACQUISITIONS (Continued)

development expenditures will be incurred prior to the date of product introduction in the United States and Japan, and that net cash inflows will commence in 2014. Upon completion of development, the underlying research and development intangible asset will be amortized over its estimated useful life. Developed technology assets are being amortized over a weighted-average useful life of 6 years.

The results of operations for BMEYE have been included in the accompanying consolidated financial statements from the date of acquisition. Pro forma results have not been presented as the results of BMEYE are not material in relation to the consolidated financial statements of the Company.

Embrella Cardiovascular, Inc.

On March 11, 2011, the Company acquired all the outstanding shares of Embrella, including shares already owned by the Company, for an aggregate cash purchase price of \$42.6 million. IPR&D acquired as part of the acquisition was capitalized at fair value, which was determined using the income approach. This approach determines fair value based on cash flow projections which are discounted to present value using a risk-adjusted rate of return. Completion of successful design developments, bench testing, pre-clinical studies and human clinical studies are required prior to selling any product. The risks and uncertainties associated with completing development within a reasonable period of time include those related to the design, development and manufacturability of the product, the success of pre-clinical and clinical studies, and the timing of regulatory approvals. At the time of the valuation, it was assumed that approximately \$4.4 million of additional research and development expenditures would be incurred prior to the date of product introduction and that net cash inflows would commence in late 2013. In the fourth quarter of 2013, the Company recorded a \$5.9 million impairment charge because the carrying amount of the IPR&D was determined to be in excess of its estimated fair value due to a significant decrease in estimated future unit sales. The impaired IPR&D was reported in the Company's Europe segment. The decrease in estimated future unit sales was due to recent medical findings that diminished concern surrounding in embolic protection devices with transcatheter aortic valve replacement procedures.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill, by segment, during the years ended December 31, 2013 and 2012 were as follows:

	<u>United States</u>	<u>Europe</u>	<u>Total</u>
	(in millions)		
Goodwill at December 31, 2011	\$308.3	\$41.5	\$349.8
Goodwill acquired during the year	—	34.9	34.9
Goodwill at December 31, 2012	308.3	76.4	384.7
Currency translation adjustment	—	0.7	0.7
Goodwill at December 31, 2013	<u>\$308.3</u>	<u>\$77.1</u>	<u>\$385.4</u>

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

Other intangible assets consist of the following (in millions):

	December 31,					
	2013			2012		
	Cost	Accumulated Amortization	Net Carrying Value	Cost	Accumulated Amortization	Net Carrying Value
Amortizable intangible assets						
Patents	\$221.7	\$(179.9)	\$41.8	\$211.2	\$(167.3)	\$43.9
Developed technology	43.3	(35.1)	8.2	41.3	(33.0)	8.3
Other	10.7	(8.1)	2.6	10.6	(6.8)	3.8
	<u>275.7</u>	<u>(223.1)</u>	<u>52.6</u>	<u>263.1</u>	<u>(207.1)</u>	<u>56.0</u>
Unamortizable intangible assets						
IPR&D	4.6	—	4.6	11.0	—	11.0
	<u>\$280.3</u>	<u>\$(223.1)</u>	<u>\$57.2</u>	<u>\$274.1</u>	<u>\$(207.1)</u>	<u>\$67.0</u>

Goodwill and IPR&D resulting from purchase business combinations are not subject to amortization. Other acquired intangible assets with definite lives are amortized on a straight-line basis over their expected useful lives. The Company expenses costs incurred to renew or extend the term of acquired intangible assets.

In December 2013, the Company recorded a \$5.9 million write-off of IPR&D assets acquired from Embrella. For further information, see Note 5.

The net carrying value of patents includes \$23.4 million and \$19.2 million of capitalized legal costs related to the defense and enforcement of issued patents for which success is deemed probable as of December 31, 2013 and 2012, respectively (see Note 2).

Amortization expense related to other intangible assets for the years ended December 31, 2013, 2012 and 2011 was \$15.7 million, \$13.3 million and \$14.1 million, respectively. Estimated amortization expense for each of the years ending December 31 is as follows (in millions):

2014	\$15.1
2015	13.8
2016	13.4
2017	6.6
2018	1.3

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

The Company has a number of equity investments in privately and publicly held companies. Investments in these unconsolidated affiliates are as follows:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
	(in millions)	
Available-for-sale investments		
Cost	\$ 0.4	\$ 0.4
Unrealized gains	<u>0.4</u>	<u>1.6</u>
Fair value of available-for-sale investments	<u>0.8</u>	<u>2.0</u>
Equity method investments		
Cost	14.1	13.3
Equity in losses	<u>(2.7)</u>	<u>(1.8)</u>
Carrying value of equity method investments	<u>11.4</u>	<u>11.5</u>
Cost method investments		
Carrying value of cost method investments	<u>9.7</u>	<u>7.6</u>
Total investments in unconsolidated affiliates	<u><u>\$21.9</u></u>	<u><u>\$21.1</u></u>

There were no sales of available-for-sale investments during the year ended December 31, 2013. Proceeds from sales of available-for-sale investments for the years ended December 31, 2012 and 2011 were \$2.1 million and \$3.6 million, respectively, and the Company realized pre-tax gains of \$0.4 million and \$1.4 million, respectively.

8. DEBT, CREDIT FACILITIES AND LEASE OBLIGATIONS

In October 2013, the Company issued \$600.0 million of 2.875% fixed-rate unsecured senior notes due October 15, 2018 (the “Notes”). The proceeds from the Notes of \$597.0 million, which is net of an issuance discount of \$3.0 million, was used to repay all amounts then outstanding under the Company’s Four-Year Credit Agreement (“the Credit Facility”) and the remainder will be used for general corporate purposes. Interest is payable semi-annually in arrears, with the first payment due in April 2014. The effective interest rate is 2.983%. Issuance costs of \$5.4 million, as well as the discount on the Notes, are being amortized to interest expense over the term of the Notes. The Company may redeem the Notes, in whole or in part, at any time and from time to time at specified redemption prices. In addition, upon the occurrence of certain change of control triggering events, the Company may be required to repurchase all or a portion of the Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest. The Notes also include covenants that limit the Company’s ability to incur secured indebtedness, enter into sale and leaseback transactions, and consolidate, merge or transfer all or substantially all of its assets. As of December 31, 2013, the carrying value of the Notes was \$593.1 million, which is net of the unamortized discount of \$2.9 million and a \$4.0 million adjustment related to changes in the fair value of the portion of the Notes in a fair value hedging relationship (see further information in Note 10). As of December 31, 2013, the fair value of the Notes, based on Level 2 inputs, approximated the face value of the Notes.

The Company’s Credit Facility matures on July 29, 2015. On June 13, 2013, the Company amended the Credit Facility to increase the aggregate borrowings provided under the Credit Facility to \$750.0 million. Borrowings generally bear interest at the London interbank offered rate (“LIBOR”) plus a spread ranging

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. DEBT, CREDIT FACILITIES AND LEASE OBLIGATIONS (Continued)

from 0.875% to 1.600%, depending on the leverage ratio as defined in the Credit Facility. The Company also pays a facility fee ranging from 0.125% to 0.275%, depending on the leverage ratio, on the entire facility whether or not drawn. During 2013, the spread over LIBOR was 0.875% and the facility fee ranged from 0.125% to 0.150%. Issuance costs of \$2.4 million are being amortized to interest expense over 4 years. As of December 31, 2013, there were no borrowings outstanding under the Credit Facility. The Credit Facility is unsecured and contains various financial and other covenants, including a maximum leverage ratio and a minimum interest coverage ratio, as defined in the Credit Facility. The Company was in compliance with all covenants at December 31, 2013.

As of December 31, 2012, included in the Credit Facility were unsecured notes denominated in Japanese yen of ¥1.2 billion (US\$14.3 million).

The weighted-average interest rate under all debt obligations was 2.7% and 1.7% at December 31, 2013 and 2012, respectively.

Certain facilities and equipment are leased under operating leases expiring at various dates. Most of the operating leases contain renewal options. Total expense for all operating leases was \$25.9 million, \$23.9 million and \$21.5 million for the years 2013, 2012 and 2011, respectively.

Future minimum lease payments (including interest) under non-cancelable operating leases and aggregate debt maturities at December 31, 2013 were as follows (in millions):

	Operating Leases	Aggregate Debt Maturities
2014	\$ 23.5	\$ —
2015	17.4	—
2016	12.6	—
2017	8.2	—
2018	7.2	600.0
Thereafter	34.7	—
Total obligations and commitments	<u>\$103.6</u>	<u>\$600.0</u>

9. FAIR VALUE MEASUREMENTS

The consolidated financial statements include financial instruments for which the fair market value of such instruments may differ from amounts reflected on a historical cost basis. Financial instruments of the Company consist of cash deposits, bank time deposits, accounts and other receivables, investments in unconsolidated affiliates, accounts payable, certain accrued liabilities and borrowings under the Credit Facility. The carrying value of these financial instruments generally approximates fair value due to their short-term nature. Financial instruments also include notes payable. See Note 8 for further information on the fair value of the Notes.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Company prioritizes the inputs used to determine fair values in one of the following three categories:

Level 1—Quoted market prices in active markets for identical assets or liabilities.

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. FAIR VALUE MEASUREMENTS (Continued)

Level 2—Inputs, other than quoted prices in active markets, that are observable, either directly or indirectly.

Level 3—Unobservable inputs that are not corroborated by market data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes the Company's financial instruments which are measured at fair value on a recurring basis as of December 31, 2013 and 2012 (in millions):

<u>December 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Investments held for executive deferred compensation plan	\$15.1	\$ —	\$—	\$15.1
Investments in unconsolidated affiliates	0.8	—	—	0.8
Derivatives	—	13.8	—	13.8
	<u>\$15.9</u>	<u>\$13.8</u>	<u>\$—</u>	<u>\$29.7</u>
Liabilities				
Derivatives	\$ —	\$17.2	\$—	\$17.2
Executive deferred compensation plan	15.5	—	—	15.5
	<u>\$15.5</u>	<u>\$17.2</u>	<u>\$—</u>	<u>\$32.7</u>
 <u>December 31, 2012</u>				
Assets				
Investments held for executive deferred compensation plan	\$12.7	\$ —	\$—	\$12.7
Investments in unconsolidated affiliates	2.0	—	—	2.0
Derivatives	—	5.7	—	5.7
	<u>\$14.7</u>	<u>\$ 5.7</u>	<u>\$—</u>	<u>\$20.4</u>
Liabilities				
Executive deferred compensation plan	<u>\$12.4</u>	<u>\$ —</u>	<u>\$—</u>	<u>\$12.4</u>

Executive Deferred Compensation Plan

The Company holds investments in trading securities related to its executive deferred compensation plan. The investments are in a variety of stock and bond mutual funds. The fair values of these investments and the corresponding liabilities are based on quoted market prices and are categorized as Level 1.

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. FAIR VALUE MEASUREMENTS (Continued)

Investments in Unconsolidated Affiliates

Investments in unconsolidated affiliates are long-term equity investments in companies that are in various stages of development. Certain of the Company's investments in unconsolidated affiliates are designated as available-for-sale. These investments are carried at fair market value based on quoted market prices and are categorized as Level 1.

Derivative Instruments

The Company uses derivative financial instruments in the form of foreign currency forward exchange contracts to manage foreign currency exposures and interest rate swap agreements to manage its interest rate exposures. All derivatives contracts are recognized on the balance sheet at their fair value. The fair value of foreign currency derivative financial instruments was estimated by discounting expected cash flows using quoted market interest rates and foreign exchange rates as of December 31, 2013 and 2012. The fair value of the interest rate swap agreements was determined based on a discounted cash flow analysis reflecting the contractual terms of the agreements and the 6 month LIBOR forward interest rate curve. Judgment was employed in interpreting market data to develop estimates of fair value; accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions or valuation methodologies could have a material effect on the estimated fair value amounts. The derivative instruments are categorized as Level 2.

10. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company uses derivative financial instruments to manage its currency exchange rate risk and its interest rate risk as summarized below. Notional amounts are stated in United States dollar equivalents at spot exchange rates at the respective dates. The Company does not enter into these arrangements for trading or speculation purposes.

	Notional Amount	
	December 31, 2013	December 31, 2012
	(in millions)	
Foreign currency forward exchange contracts	\$805.5	\$779.0
Interest rate swap agreements	\$300.0	\$ —

The following table presents the location and fair value amounts of derivative instruments reported in the consolidated balance sheets (in millions):

	Balance Sheet Location	Fair Value	
		December 31, 2013	December 31, 2012
Derivatives designated as hedging instruments			
Assets			
Foreign currency contracts	Other current assets	\$13.8	\$5.7
Liabilities			
Foreign currency contracts	Accrued and other liabilities	\$13.2	\$ —
Interest rate swap agreements	Other long-term liabilities	\$ 4.0	\$ —

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

The following table presents the effect of master-netting agreements and rights of offset on the consolidated balance sheets (in millions):

<u>December 31, 2013</u>	Gross Amounts(a)	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Derivative Assets						
Foreign currency contracts	\$13.8	\$ —	\$13.8	\$(9.5)	\$—	\$4.3
Derivative Liabilities						
Foreign currency contracts	\$13.2	\$ —	\$13.2	\$(9.5)	\$—	\$3.7
Interest rate swap agreements . .	\$ 4.0	\$ —	\$ 4.0	\$ —	\$—	\$4.0
<u>December 31, 2012</u>						
Derivative Assets						
Foreign currency contracts	\$10.9	\$(5.2)	\$ 5.7	\$ —	\$—	\$5.7
Derivative Liabilities						
Foreign currency contracts	\$ 5.2	\$(5.2)	\$ —	\$ —	\$—	\$ —

(a) The gross amounts presented as of December 31, 2012 do not include derivative assets of \$3.8 million, and derivative liabilities of \$3.8 million, as these derivatives were not subject to a master-netting arrangement and did not have rights of offset.

The following tables present the effect of derivative instruments on the consolidated statements of operations and consolidated statements of comprehensive income (in millions):

	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income																	
	2013	2012		2013	2012																
	Derivatives in cash flow hedging relationships																				
Foreign currency contracts	\$16.3	\$13.7	Cost of goods sold	\$21.5	\$12.2																
<table border="1" style="margin-left: auto; margin-right: 0;"> <thead> <tr> <th rowspan="2" style="text-align: left; vertical-align: bottom;"></th> <th colspan="3" style="text-align: center; border-bottom: 1px solid black;">Amount of Gain or (Loss) Recognized in Income on Derivative</th> </tr> <tr> <th style="text-align: center;">2013</th> <th style="text-align: center;">2012</th> <th style="text-align: center;">2011</th> </tr> </thead> <tbody> <tr> <td colspan="4">Derivatives in fair value hedging relationships</td> </tr> <tr> <td>Interest rate swap agreements</td> <td style="text-align: left;">Interest expense</td> <td style="text-align: right;">\$(4.0)</td> <td style="text-align: right;">\$—</td> <td style="text-align: right;">\$—</td> </tr> </tbody> </table>							Amount of Gain or (Loss) Recognized in Income on Derivative			2013	2012	2011	Derivatives in fair value hedging relationships				Interest rate swap agreements	Interest expense	\$(4.0)	\$—	\$—
	Amount of Gain or (Loss) Recognized in Income on Derivative																				
	2013	2012	2011																		
Derivatives in fair value hedging relationships																					
Interest rate swap agreements	Interest expense	\$(4.0)	\$—	\$—																	

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

The losses on the interest rate swap agreements are fully offset by the changes in the fair value of the fixed rate debt being hedged.

	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative		
		2013	2012	2011
Derivatives not designated as hedging instruments				
Foreign currency contracts	Other expense (income), net	\$18.4	\$4.4	\$(6.0)

The Company expects that during 2014 it will reclassify to earnings a \$5.1 million gain currently recorded in “*Accumulated Other Comprehensive Loss*.”

For the years ended December 31, 2013, 2012 and 2011, the Company did not record any gains or losses due to hedge ineffectiveness.

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. EMPLOYEE BENEFIT PLANS

Defined Benefit Plans

Edwards Lifesciences maintains defined benefit pension plans in Japan and certain European countries. Information regarding the Company's defined benefit pension plans is as follows (in millions):

	<u>Years Ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Change in projected benefit obligation:		
Beginning of year	\$ 108.0	\$ 95.6
Service cost	7.6	7.2
Interest cost	2.0	2.3
Participant contributions	1.9	2.0
Actuarial (gain) loss	(5.6)	10.2
Benefits paid	—	(6.5)
Curtailement gain	—	(2.0)
Currency exchange rate changes and other	(2.7)	(0.8)
End of year	<u>\$ 111.2</u>	<u>\$ 108.0</u>
Change in fair value of plan assets:		
Beginning of year	\$ 57.2	\$ 53.8
Actual return on plan assets	4.4	1.7
Employer contributions	6.7	6.5
Participant contributions	1.9	2.0
Benefits paid	—	(6.3)
Currency exchange rate changes and other	(1.7)	(0.5)
End of year	<u>\$ 68.5</u>	<u>\$ 57.2</u>
Funded Status		
Projected benefit obligation	\$(111.2)	\$(108.0)
Plan assets at fair value	<u>68.5</u>	<u>57.2</u>
Underfunded status	<u>\$ (42.7)</u>	<u>\$ (50.8)</u>
Net amounts recognized on the consolidated balance sheet:		
Other long-term liabilities	<u>\$ 42.7</u>	<u>\$ 50.8</u>
Accumulated other comprehensive loss, net of tax:		
Net actuarial loss	\$ (16.7)	\$ (27.9)
Net prior service credit	2.1	2.4
Deferred income tax benefit	3.4	5.0
Total	<u>\$ (11.2)</u>	<u>\$ (20.5)</u>

The accumulated benefit obligation ("ABO") for all defined benefit pension plans was \$99.3 million and \$93.3 million as of December 31, 2013 and 2012, respectively. The projected benefit obligation and ABO were in excess of plan assets for all pension plans as of December 31, 2013 and 2012.

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. EMPLOYEE BENEFIT PLANS (Continued)

The components of net periodic benefit cost are as follows (in millions):

	Years Ended December 31,		
	2013	2012	2011
Service cost, net	\$ 7.6	\$ 7.2	\$ 6.6
Interest cost	2.0	2.3	2.2
Expected return on plan assets	(1.2)	(1.4)	(1.4)
Curtailement gain	—	(0.2)	—
Amortization of actuarial loss	1.3	0.8	0.6
Amortization of prior service credit	(0.3)	(0.3)	(0.4)
Amortization of transition obligation	—	0.1	0.1
Net periodic pension benefits cost	<u>\$ 9.4</u>	<u>\$ 8.5</u>	<u>\$ 7.7</u>

The net actuarial loss and prior service credit that will be amortized from “*Accumulated Other Comprehensive Loss*” into net periodic benefits cost in 2014 are expected to be \$0.6 million and \$(0.3) million, respectively.

Expected long-term returns for each of the plans’ strategic asset classes were developed through consultation with investment advisors. Several factors were considered, including survey of investment managers’ expectations, current market data, minimum guaranteed returns in certain insurance contracts, and historical market returns over long periods. Using policy target allocation percentages and the asset class expected returns, a weighted-average expected return was calculated.

To select the discount rates for the defined benefit pension plans, the Company uses a modeling process that involves matching the expected duration of its benefit plans to a yield curve constructed from a portfolio of AA-rated fixed-income debt instruments, or their equivalent. For each country, the Company uses the implied yield of this hypothetical portfolio at the appropriate duration as a discount rate benchmark.

The weighted-average assumptions used to determine the benefit obligations are as follows:

	December 31,	
	2013	2012
Discount rate	2.2%	1.9%
Rate of compensation increase	3.1%	3.1%
Social securities increase	1.8%	1.8%
Pension increase	2.0%	2.0%

The weighted-average assumptions used to determine the net periodic benefit cost are as follows:

	Years ended December 31,		
	2013	2012	2011
Discount rate	1.9%	2.5%	2.4%
Expected return on plan assets	2.1%	2.6%	2.7%
Rate of compensation increase	3.1%	3.1%	2.9%
Social securities increase	1.8%	1.8%	1.8%
Pension increase	2.0%	2.0%	2.0%

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. EMPLOYEE BENEFIT PLANS (Continued)

Plan Assets

The Company's investment strategy for plan assets is to seek a competitive rate of return relative to an appropriate level of risk and to earn performance rates of return in accordance with the benchmarks adopted for each asset class. Risk management practices include diversification across asset classes and investment styles, and periodic rebalancing toward asset allocation targets.

The Administrative and Investment Committee decides on the defined benefit plan provider in each location and that provider decides the target allocation for the Company's defined benefit plan at that location. The target asset allocation selected reflects a risk/return profile the Company feels is appropriate relative to the plans' liability structure and return goals. In certain plans, asset allocations may be governed by local requirements. Target weighted-average asset allocations at December 31, 2013, by asset category, are as follows:

Insurance contracts	81.1%
Equity securities	10.4%
Debt securities	8.5%
Total	<u>100.0%</u>

The fair values of the Company's defined benefit plan assets at December 31, 2013 and 2012, by asset category, are as follows (in millions):

<u>December 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Category				
Cash	\$ 0.8	\$—	\$ —	\$ 0.8
Equity securities:				
United States equities	2.1	—	—	2.1
International equities	5.9	—	—	5.9
Debt securities:				
United States government bonds	0.6	—	—	0.6
International government bonds	4.5	—	—	4.5
Insurance contracts	—	—	54.6	54.6
	<u>\$13.9</u>	<u>\$—</u>	<u>\$54.6</u>	<u>\$68.5</u>
 <u>December 31, 2012</u>				
Asset Category				
Cash	\$ 0.8	\$—	\$ —	\$ 0.8
Equity securities:				
United States equities	1.6	—	—	1.6
International equities	4.5	—	—	4.5
Debt securities:				
United States government bonds	0.6	—	—	0.6
International government bonds	4.0	—	—	4.0
Insurance contracts	—	—	45.7	45.7
	<u>\$11.5</u>	<u>\$—</u>	<u>\$45.7</u>	<u>\$57.2</u>

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. EMPLOYEE BENEFIT PLANS (Continued)

The following table summarizes the changes in fair value of the Company's defined benefit plan assets that have been classified as Level 3 for the years ended December 31, 2013 and 2012 (in millions):

	<u>Insurance Contracts</u>
Balance at December 31, 2011	\$43.5
Actual return on plan assets:	
Relating to assets still held at December 31, 2012	1.2
Relating to assets sold during 2012	0.1
Purchases, sales and settlements	0.4
Currency exchange rate impact	<u>0.5</u>
Balance at December 31, 2012	45.7
Actual return on plan assets:	
Relating to assets still held at December 31, 2013	0.9
Relating to assets sold during 2013	0.1
Purchases, sales and settlements	6.9
Currency exchange rate impact	<u>1.0</u>
Balance at December 31, 2013	<u>\$54.6</u>

Equity and debt securities are valued at fair value based on quoted market prices reported on the active markets on which the individual securities are traded. The insurance contracts are valued at the cash surrender value of the contracts, which is deemed to approximate its fair value.

The following benefit payments, which reflect expected future service, as appropriate, at December 31, 2013, are expected to be paid (in millions):

2014	\$ 4.2
2015	4.4
2016	5.3
2017	5.1
2018	5.3
2019-2023	34.1

As of December 31, 2013, expected employer contributions for 2014 are \$6.3 million.

Defined Contribution Plans

The Company's employees in the United States and Puerto Rico are eligible to participate in a qualified 401(k) and 1165(e) plan, respectively. In the United States, participants may contribute up to 25% of their eligible compensation (subject to tax code limitation) to the plan. Edwards Lifesciences matches the first 3% of the participant's annual eligible compensation contributed to the plan on a dollar-for-dollar basis. Edwards Lifesciences matches the next 2% of the participant's annual eligible compensation to the plan on a 50% basis. In Puerto Rico, participants may contribute up to 25% of their annual compensation (subject to tax code limitation) to the plan. Edwards Lifesciences matches the first 4% of participant's annual eligible compensation contributed to the plan on a 50% basis. The Company also provides a 2% profit sharing contribution calculated on eligible earnings for each employee. Matching contributions relating to Edwards

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. EMPLOYEE BENEFIT PLANS (Continued)

Lifesciences employees were \$12.0 million, \$10.8 million and \$9.9 million in 2013, 2012 and 2011, respectively.

The Company has a nonqualified deferred compensation plan for a select group of employees that provides the opportunity to defer a specified percentage of their eligible cash compensation. Participants may elect to defer up to 25% of total eligible compensation. The Company's obligations under this plan are unfunded. The amount accrued under this plan was \$10.4 million and \$8.2 million at December 31, 2013 and 2012, respectively.

During 2001, the Company adopted a nonqualified option plan ("Executive Option Plan") for the benefit of the executive officers and other key employees. The Executive Option Plan permitted participants to receive options to purchase shares of mutual funds or common stock of the Company in lieu of all or a portion of their compensation (base salary and bonus) earned prior to January 1, 2005. The Company discontinued option grants under the Executive Option Plan and has adopted the Executive Deferred Compensation Plan to provide officers and other key employees the opportunity to defer compensation earned after December 31, 2004 to future dates specified by the participant with a return based on investment alternatives selected by the participant. The amount accrued under this plan was \$15.5 million and \$12.4 million at December 31, 2013 and 2012, respectively.

12. COMMON STOCK

Treasury Stock

In September 2011, the Board of Directors approved a stock repurchase program authorizing the Company to purchase on the open market, including under a Rule 10b5-1 plan, and in privately negotiated transactions up to \$500.0 million of the Company's common stock. In May 2013, the Board of Directors approved a new stock repurchase program authorizing the Company to purchase on the open market, including pursuant to a Rule 10b5-1 plan, and in privately negotiated transactions up to an additional \$750.0 million of the Company's common stock from time to time until December 31, 2016. Stock repurchased under these programs will be used to offset obligations under the Company's employee stock option programs and reduce the total shares outstanding.

During 2013, 2012 and 2011, the Company repurchased 6.8 million, 4.0 million and 3.9 million shares, respectively, at an aggregate cost of \$497.0 million, \$353.2 million and \$303.4 million, respectively, including shares purchased under the accelerated share repurchase ("ASR") agreements described below and shares acquired to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to employees. The timing and size of any future stock repurchases are subject to a variety of factors, including market conditions, stock prices and other cash requirements.

Accelerated Share Repurchase

During 2013 and 2012, the Company entered into ASR agreements providing for the repurchase of the Company's common stock based on the volume-weighted average price ("VWAP") of the Company's common stock during the terms of the agreements, less a discount. The ASR agreements were subject to

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. COMMON STOCK (Continued)

collar provisions that established minimum and maximum number of shares to be repurchased. The following table summarizes the terms of the ASR agreements (dollars and shares in millions, except per-share data):

<u>Agreement Date</u>	<u>Initial Delivery</u>				<u>Final Settlement</u>		
	<u>Amount Paid</u>	<u>Shares Received</u>	<u>Price per Share</u>	<u>Value of Shares as % of Contract Value</u>	<u>Settlement Date</u>	<u>Total Shares Received</u>	<u>Average Price per Share</u>
February 2012	\$ 54.0	0.6	\$72.40	80%	May 2012	0.7	\$75.12
May 2012	\$ 50.0	0.5	\$84.81	80%	August 2012	0.5	\$97.50
November 2012	\$100.0	1.1	\$85.73	90%	February 2013	1.2	\$88.93
August 2013	\$250.0	3.1	\$72.39	90%	October 2013	3.5	\$71.24

The ASR agreements were accounted for as two separate transactions: (a) the value of the initial delivery of shares was recorded as shares of common stock acquired in a treasury stock transaction on the acquisition date and (b) the remaining amount of the purchase price paid was recorded as a forward contract indexed to the Company's own common stock and was recorded in "Additional Paid-in Capital" on the consolidated balance sheets. The initial delivery of shares resulted in an immediate reduction of the outstanding shares used to calculate the weighted-average common shares outstanding for basic and diluted earnings per share. The Company determined that the forward contract indexed to the Company's common stock met all the applicable criteria for equity classification and, therefore, was not accounted for as a derivative instrument.

Employee and Director Stock Plans

The Edwards Lifesciences Corporation Long-term Stock Incentive Compensation Program (the "Program") provides for the grant of incentive and non-qualified stock options, restricted stock and restricted stock units for eligible employees and contractors of the Company. Under the Program, these grants are awarded at a price equal to the fair market value at the date of grant based upon the closing price on that date. Options to purchase shares of the Company's common stock granted under the Program generally vest over predetermined periods of between three to four years and expire seven years after the date of grant. Restricted stock units of the Company's common stock granted under the Program generally vest over predetermined periods ranging from three to five years after the date of grant. Market-based restricted stock units of the Company's common stock granted under the Program vest based on a combination of certain service and market conditions. The actual number of shares issued will be determined based on the Company's total shareholder return relative to a selected industry peer group over a three-year performance period, and may range from 0 percent to 175 percent of the targeted number of shares granted. On May 14, 2013, an amendment and restatement of the Program was approved by the Company's stockholders. Under the amended Program, the number of shares of common stock available for issuance under the Program was 48.9 million shares. No more than 3.6 million shares reserved for issuance may be granted in the form of restricted stock or restricted stock units.

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. COMMON STOCK (Continued)

The Company also maintains the Nonemployee Directors Stock Incentive Compensation Program (the “Nonemployee Directors Program”). Under the Nonemployee Directors Program, each nonemployee director may receive annually up to 10,000 stock options or 4,000 restricted stock units of the Company’s common stock, or a combination thereof, provided that in no event may the total value of the combined annual award exceed \$0.2 million. Additionally, each nonemployee director may elect to receive all or a portion of the annual cash retainer to which the director is otherwise entitled through the issuance of stock options or restricted stock units. Each option and restricted stock unit award granted in 2011 or prior generally vests in three equal annual installments. Each option and restricted stock unit award granted after 2011 generally vests after one year. Upon a director’s initial election to the Board, the director receives an initial grant of restricted stock units equal to a fair market value on grant date of \$0.2 million, not to exceed 10,000 shares. These grants vest over three years from the date of grant. Under the Nonemployee Directors Program, an aggregate of 1.4 million shares of the Company’s common stock has been authorized for issuance.

The Company has an employee stock purchase plan for United States employees and a plan for international employees (collectively “ESPP”). Under the ESPP, eligible employees may purchase shares of the Company’s common stock at 85% of the lower of the fair market value of Edwards Lifesciences common stock on the effective date of subscription or the date of purchase. Under the ESPP, employees can authorize the Company to withhold up to 12% of their compensation for common stock purchases, subject to certain limitations. The ESPP is available to all active employees of the Company paid from the United States payroll and to eligible employees of the Company outside the United States to the extent permitted by local law. The ESPP for United States employees is qualified under Section 423 of the Internal Revenue Code. The number of shares of common stock authorized for issuance under the ESPP was 6.6 million shares.

The fair value of each option award and employee stock purchase subscription is estimated on the date of grant using the Black-Scholes option valuation model that uses the assumptions noted in the following tables. The risk-free interest rate is estimated using the U.S. Treasury yield curve and is based on the expected term of the award. Expected volatility is estimated based on a blend of the weighted-average of the historical volatility of Edwards’ stock and the implied volatility from traded options on Edwards’ stock. The expected term of awards granted is estimated from the vesting period of the award, as well as historical exercise behavior, and represents the period of time that awards granted are expected to be outstanding. The Company uses historical data to estimate forfeitures and has estimated an annual forfeiture rate of 5.1%.

The Black-Scholes option pricing model was used with the following weighted-average assumptions for options granted during the following periods:

Option Awards

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Average risk-free interest rate	0.8%	0.7%	1.7%
Expected dividend yield	None	None	None
Expected volatility	31%	31%	27%
Expected life (years)	4.6	4.6	4.5
Fair value, per share	\$19.47	\$23.93	\$22.78

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. COMMON STOCK (Continued)

The Black-Scholes option pricing model was used with the following weighted-average assumptions for ESPP subscriptions granted during the following periods:

ESPP

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Average risk-free interest rate	0.1%	0.1%	0.2%
Expected dividend yield	None	None	None
Expected volatility	33%	33%	28%
Expected life (years)	0.6	0.6	0.6
Fair value, per share	\$19.87	\$21.30	\$20.02

The fair value of market-based restricted stock units was determined using a Monte Carlo simulation model, which uses multiple input variables to determine the probability of satisfying the market condition requirements. The weighted-average assumptions used to determine the fair value of the market-based restricted stock units during the years ended December 31, 2013 and 2012 included a risk-free interest rate of 0.4 percent and 0.3 percent, respectively, and an expected volatility rate of 33.4 percent and 30.4 percent, respectively.

Stock option activity during the year ended December 31, 2013 under the Program and the Nonemployee Directors Program was as follows (in millions, except years and per-share amounts):

	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Weighted-Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
Outstanding as of December 31, 2012	7.5	\$49.92		
Options granted	1.4	71.48		
Options exercised	(1.0)	25.82		
Options forfeited	(0.2)	77.46		
Outstanding as of December 31, 2013	<u>7.7</u>	56.37	3.7 years	\$126.4
Exercisable as of December 31, 2013	<u>5.2</u>	46.90	2.8 years	122.8
Vested and expected to vest as of December 31, 2013	<u>7.5</u>	55.68	3.6 years	126.0

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. COMMON STOCK (Continued)

The following table summarizes nonvested restricted stock unit activity during the year ended December 31, 2013 under the Program and the Nonemployee Directors Program (in millions, except per-share amounts):

	<u>Shares</u>	<u>Weighted-Average Grant-Date Fair Value</u>
Nonvested as of December 31, 2012	0.8	\$67.92
Granted(a)	0.3	66.52
Vested	(0.3)	44.31
Forfeited	—	—
Nonvested as of December 31, 2013	<u>0.8</u>	<u>75.87</u>

(a) Includes 0.1 million shares of market-based restricted stock units granted during 2013, which represents the targeted number of shares to be issued. As described above, the actual number of shares ultimately issued will be determined based on the Company's total shareholder return relative to a selected industry peer group.

The intrinsic value of stock options exercised and restricted stock units vested during the years ended December 31, 2013, 2012 and 2011 were \$73.9 million, \$252.8 million and \$180.7 million, respectively. The intrinsic value of stock options is calculated as the amount by which the market price of the Company's common stock exceeds the exercise price of the option. During the years ended December 31, 2013, 2012 and 2011, the Company received cash from exercises of stock options of \$26.3 million, \$80.5 million and \$42.4 million, respectively, and realized tax benefits from exercises of stock options and vesting of restricted stock units of \$24.7 million, \$82.6 million and \$60.7 million, respectively. The total grant-date fair value of stock options vested during the years ended December 31, 2013, 2012 and 2011 were \$21.8 million, \$19.5 million and \$16.9 million, respectively.

As of December 31, 2013, the total remaining unrecognized compensation expense related to nonvested stock options, restricted stock units, market-based restricted stock units and employee stock purchase subscriptions amounted to \$76.0 million, which will be amortized over the weighted-average remaining requisite service period of 29 months.

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

Presented below is a summary of activity for each component of “Accumulated Other Comprehensive Loss” for the years ended December 31, 2013, 2012 and 2011. Foreign currency translation adjustments are generally not adjusted for income taxes as they relate to indefinite investments in non-United States subsidiaries.

	Foreign Currency Translation Adjustments	Unrealized Gain (Loss) on Cash Flow Hedges	Unrealized Gain (Loss) on Available-for-Sale Investments (in millions)	Unrealized Pension Costs(a)	Total Accumulated Other Comprehensive Loss
December 31, 2010	\$(24.8)	\$(10.9)	\$ 2.2	\$ (8.6)	\$(42.1)
Other comprehensive loss before reclassifications	(5.2)	(1.6)	(0.7)	(6.9)	(14.4)
Amounts reclassified from accumulated other comprehensive loss	—	29.0	(1.6)	0.3	27.7
Deferred income tax (expense) benefit . .	—	(10.6)	1.2	0.7	(8.7)
December 31, 2011	(30.0)	5.9	1.1	(14.5)	(37.5)
Other comprehensive income (loss) before reclassifications	4.2	13.7	0.1	(7.8)	10.2
Amounts reclassified from accumulated other comprehensive loss	—	(12.2)	0.3	0.6	(11.3)
Deferred income tax (expense) benefit . .	—	(0.4)	(0.1)	1.2	0.7
December 31, 2012	(25.8)	7.0	1.4	(20.5)	(37.9)
Other comprehensive income (loss) before reclassifications	5.6	16.3	(1.2)	9.9	30.6
Amounts reclassified from accumulated other comprehensive loss	—	(21.5)	—	1.0	(20.5)
Deferred income tax benefit (expense) . .	—	1.7	0.1	(1.6)	0.2
December 31, 2013	<u>\$(20.2)</u>	<u>\$ 3.5</u>	<u>\$ 0.3</u>	<u>\$(11.2)</u>	<u>\$(27.6)</u>

(a) For the years ended December 31, 2013, 2012 and 2011, the change in unrealized pension costs consisted of the following (in millions):

	Pre-Tax Amount	Tax Benefit (Expense)	Net of Tax Amount
2013			
Prior service cost arising during period	\$ —	\$ —	\$ —
Amortization of prior service credit	(0.3)	—	(0.3)
Net prior service cost arising during period	(0.3)	—	(0.3)
Net transition obligation amortized during period	—	—	—
Net actuarial gain arising during period	11.2	(1.6)	9.6
Unrealized pension costs, net	<u>\$10.9</u>	<u>\$1.6</u>	<u>\$ 9.3</u>

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. ACCUMULATED OTHER COMPREHENSIVE LOSS (Continued)

	<u>Pre-Tax Amount</u>	<u>Tax Benefit (Expense)</u>	<u>Net of Tax Amount</u>
2012			
Prior service cost arising during period	\$(0.2)	\$ —	\$(0.2)
Amortization of prior service credit	(0.3)	—	(0.3)
Net prior service cost arising during period	(0.5)	—	(0.5)
Net transition obligation amortized during period	0.1	—	0.1
Net actuarial loss arising during period	(6.8)	1.2	(5.6)
Unrealized pension costs, net	<u>\$(7.2)</u>	<u>\$1.2</u>	<u>\$(6.0)</u>
2011			
Prior service credit arising during period	\$ 0.1	\$ —	\$ 0.1
Amortization of prior service credit	(0.4)	0.1	(0.3)
Net prior service cost arising during period	(0.3)	0.1	(0.2)
Net transition obligation amortized during period	0.1	—	0.1
Net actuarial loss arising during period	(6.4)	0.6	(5.8)
Unrealized pension costs, net	<u>\$(6.6)</u>	<u>\$0.7</u>	<u>\$(5.9)</u>

The following table provides information about amounts reclassified from “*Accumulated Other Comprehensive Loss*” (in millions):

<u>Details about Accumulated Other Comprehensive Loss Components</u>	<u>Year Ended December 31, 2013</u>	<u>Affected Line on Consolidated Statements of Operations</u>
Gain on cash flow hedges	\$21.5	Cost of goods sold
	(8.4)	Provision for income taxes
	<u>\$13.1</u>	Net of tax
Amortization of pension adjustments	\$ (1.0)	(a)
	0.2	Provision for income taxes
	<u>\$(0.8)</u>	Net of tax

(a) This item is included in the components of net periodic benefit costs. See Note 11 for additional information.

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. OTHER EXPENSE (INCOME), NET

	Years Ended December 31,		
	2013	2012	2011
	(in millions)		
Foreign exchange losses, net	\$ 1.5	\$ 1.2	\$ 1.9
Loss (gain) on investments in unconsolidated affiliates	0.4	0.7	(5.4)
Earn-out payments	—	—	(1.0)
Other	(0.6)	(0.2)	(0.3)
Total other expense (income), net	<u>\$ 1.3</u>	<u>\$ 1.7</u>	<u>\$(4.8)</u>

15. INCOME TAXES

The Company's income before provision for income taxes was generated from United States and international operations as follows (in millions):

	Years Ended December 31,		
	2013	2012	2011
United States	\$219.6	\$143.7	\$ 23.6
International, including Puerto Rico	295.7	247.4	260.0
	<u>\$515.3</u>	<u>\$391.1</u>	<u>\$283.6</u>

The provision for income taxes consists of the following (in millions):

	Years Ended December 31,		
	2013	2012	2011
Current			
United States:			
Federal	\$ 42.5	\$ 87.2	\$ 29.1
State and local	5.7	5.9	3.0
International, including Puerto Rico	27.9	31.6	25.0
Current income tax expense	<u>76.1</u>	<u>124.7</u>	<u>57.1</u>
Deferred			
United States:			
Federal	41.2	(23.8)	(6.4)
State and local	0.9	(2.0)	1.2
International, including Puerto Rico	5.4	(1.0)	(5.0)
Deferred income tax expense (benefit)	<u>47.5</u>	<u>(26.8)</u>	<u>(10.2)</u>
Total income tax provision	<u>\$123.6</u>	<u>\$ 97.9</u>	<u>\$ 46.9</u>

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. INCOME TAXES (Continued)

The components of deferred tax assets and liabilities are as follows (in millions):

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Deferred tax assets		
Compensation and benefits	\$ 58.2	\$ 53.5
Net operating loss carryforwards	33.6	27.6
Benefits from uncertain tax positions	32.6	28.1
Net tax credit carryforwards	25.1	20.8
Accrued liabilities	23.0	13.0
Inventories	8.7	0.4
Cash flow hedges	3.2	—
Investments in unconsolidated affiliates	2.1	2.8
Other	3.2	0.5
Total deferred tax assets	<u>189.7</u>	<u>146.7</u>
Deferred tax liabilities		
Property, plant and equipment	(23.6)	(20.8)
Deferred tax on foreign earnings	(15.6)	(0.4)
Other intangible assets	(10.1)	(1.8)
Cash flow hedges	—	(2.0)
Other	(1.6)	(2.9)
Total deferred tax liabilities	<u>(50.9)</u>	<u>(27.9)</u>
Valuation allowance	<u>(46.4)</u>	<u>(38.6)</u>
Net deferred tax assets	<u>\$ 92.4</u>	<u>\$ 80.2</u>

During 2013, net deferred tax assets increased \$12.2 million, including items that were recorded to stockholders' equity and which did not impact the Company's income tax provision.

The valuation allowance of \$46.4 million as of December 31, 2013 reduces certain deferred tax assets to amounts that are more likely than not to be realized. This allowance primarily relates to the net operating loss carryforwards of certain United States and non-United States subsidiaries and to the deferred tax assets established for impairment losses on certain investments and for certain non-United States credit carryforwards.

A valuation allowance of \$2.8 million has been provided for other-than-temporary impairments and unrealized losses related to certain investments in unconsolidated affiliates that may not be recognized due to the uncertainty of the ready marketability of certain impaired investments.

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. INCOME TAXES (Continued)

Net operating loss carryforwards and the related carryforward periods at December 31, 2013 are summarized as follows (in millions):

	<u>Carryforward Amount</u>	<u>Tax Benefit Amount</u>	<u>Valuation Allowance</u>	<u>Net Tax Benefit</u>	<u>Carryforward Period Ends</u>
United States state net operating losses	\$ 46.9	\$ 2.7	\$ (1.5)	\$1.2	2014-2032
Non-United States net operating losses	55.4	13.9	(12.9)	1.0	2014-2022
Non-United States net operating losses	<u>53.7</u>	<u>18.2</u>	<u>(17.1)</u>	<u>1.1</u>	Indefinite
Total	<u>\$156.0</u>	<u>\$34.8</u>	<u>\$(31.5)</u>	<u>\$3.3</u>	

Tax credit carryforwards and the related carryforward periods at December 31, 2013 are summarized as follows (in millions):

	<u>Carryforward Amount</u>	<u>Valuation Allowance</u>	<u>Net Tax Benefit</u>	<u>Carryforward Period Ends</u>
United States federal tax credits	\$ 9.0	\$ —	\$ 9.0	2021-2033
California research expenditure tax credits	46.6	—	46.6	Indefinite
Puerto Rico purchases credit	12.1	(12.1)	—	Indefinite
Other non-United States tax credits	<u>0.2</u>	<u>—</u>	<u>0.2</u>	2015-2016
Total	<u>\$67.9</u>	<u>\$(12.1)</u>	<u>\$55.8</u>	

The Company has \$46.6 million of California research expenditure tax credits it expects to use in future periods. The credits may be carried forward indefinitely. Based upon anticipated future taxable income, the Company expects that it is more likely than not that all California research expenditure tax credits will be utilized, although the utilization of the full benefit is expected to occur over a number of years and into the far distant future. Accordingly, no valuation allowance has been provided.

The United States state net operating loss carryforwards include \$46.9 million of losses attributable to windfall stock option deductions. A net benefit of \$1.2 million will be recorded to “*Additional Paid-in Capital*” when realized as a reduction to income taxes payable.

Approximately \$17.3 million of the total \$55.6 million United States federal and state tax credit carryforwards are attributable to windfall stock option deductions and will be recorded as a benefit to “*Additional Paid-in Capital*” when realized as a reduction to income taxes payable.

Deferred income taxes have not been provided on the undistributed earnings of certain of the Company’s foreign subsidiaries of approximately \$1,368.7 million as of December 31, 2013 since these amounts are intended to be indefinitely reinvested in foreign operations. It is not practicable to calculate the deferred taxes associated with these earnings because of the variability of multiple factors that would need to be assessed at the time of any assumed repatriation; however, foreign tax credits would likely be available to reduce federal income taxes in the event of distribution. In making this assertion, the Company evaluates, among other factors, the profitability of its United States and foreign operations and the need for cash within and outside the United States, including cash requirements for capital improvement, acquisitions, market expansion and stock repurchase programs. The Company does not expect any earnings for certain of its European subsidiaries to be indefinitely reinvested and records the tax impact in net income currently. In addition, a

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. INCOME TAXES (Continued)

portion of the 2013 earnings of another European subsidiary was determined not to be indefinitely reinvested and the tax impact was recorded in net income currently.

The Company has received tax incentives in Puerto Rico, the Dominican Republic, Singapore and Switzerland. The tax reductions as compared to the local statutory rates favorably impacted earnings per diluted share for the years ended December 31, 2013, 2012 and 2011 by \$0.44, \$0.39 and \$0.40, respectively. The Puerto Rico, Dominican Republic, Singapore and Switzerland grants provide the Company's manufacturing operations partial or full exemption from local taxes until the years 2028, 2030 (subject to review beginning in 2015), 2024 and 2015, respectively.

A reconciliation of the United States federal statutory income tax rate to the Company's effective income tax rate is as follows (in millions):

	<u>Years Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Income tax expense at U.S. federal statutory rate	\$180.3	\$136.9	\$ 99.2
Foreign income taxed at different rates	(60.6)	(41.5)	(55.3)
Tax credits, federal and state	(19.8)	(4.9)	(10.4)
U.S. tax on foreign earnings, net of credits	18.9	0.7	9.7
State and local taxes, net of federal tax benefit	5.9	3.9	4.6
Nondeductible stock-based compensation	2.6	1.9	1.9
Release of reserve for uncertain tax positions for prior years	(3.9)	(0.8)	(4.1)
Other	0.2	1.7	1.3
Income tax provision	<u>\$123.6</u>	<u>\$ 97.9</u>	<u>\$ 46.9</u>

Certain previously reported amounts in the above table have been reclassified to conform to our current year presentation.

The federal research credit expired on December 31, 2011 and was not reinstated until January 2, 2013. As a result, the effective income tax rate for the year ended December 31, 2012 was calculated without a benefit for the federal research credit. The effective income tax rate for the year ended December 31, 2013 included (1) an \$8.4 million benefit for the full year 2012 federal research credit and (2) \$31.3 million of tax expense associated with the \$83.6 million litigation award received from Medtronic, Inc. in February 2013 (see Note 3).

Reserve for Uncertain Tax Positions

As of December 31, 2013 and 2012, the liability for income taxes associated with uncertain tax positions was \$127.7 million and \$113.6 million, respectively. The Company estimates that these liabilities would be reduced by \$30.9 million and \$26.1 million, respectively, from offsetting tax benefits associated with the correlative effects of potential transfer pricing adjustments, state income taxes and timing adjustments. The net amounts of \$96.8 million and \$87.5 million, respectively, if not required, would favorably affect the Company's effective tax rate.

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. INCOME TAXES (Continued)

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest, penalties and foreign exchange, is as follows (in millions):

	December 31,		
	2013	2012	2011
Unrecognized tax benefits, January 1	\$113.6	\$ 78.0	\$55.1
Current year tax positions	17.8	41.7	26.0
Increase prior year tax positions	5.7	2.6	5.9
Decrease prior year tax positions	(9.0)	(4.3)	(5.5)
Settlements	(0.1)	(4.3)	(0.1)
Lapse of statute of limitations	(0.3)	(0.1)	(3.4)
Unrecognized tax benefits, December 31	<u>\$127.7</u>	<u>\$113.6</u>	<u>\$78.0</u>

The Company recognizes interest and penalties, if any, related to uncertain tax positions in the provision for income taxes. As of December 31, 2013, the Company had accrued \$4.5 million (net of \$3.3 million tax benefit) of interest related to uncertain tax positions, and as of December 31, 2012, the Company had accrued \$3.1 million (net of \$2.1 million tax benefit) of interest related to uncertain tax positions. During 2013, 2012 and 2011, the Company recognized interest expense, net of tax benefit, of \$1.4 million, \$1.0 million and \$0.4 million, respectively, in “*Provision for Income Taxes*” on the consolidated statements of operations.

The Company strives to resolve open matters with each tax authority at the examination level and could reach agreement with a tax authority at any time. While the Company has accrued for matters it believes are more likely than not to require settlement, the final outcome with a tax authority may result in a tax liability that is more or less than that reflected in the consolidated financial statements. Furthermore, the Company may later decide to challenge any assessments, if made, and may exercise its right to appeal. The uncertain tax positions are reviewed quarterly and adjusted as events occur that affect potential liabilities for additional taxes, such as lapsing of applicable statutes of limitations, proposed assessments by tax authorities, negotiations between tax authorities, identification of new issues and issuance of new legislation, regulations or case law.

At December 31, 2013, all material state, local and foreign income tax matters have been concluded for years through 2006. During the third quarter of 2013, the Internal Revenue Service (“IRS”) completed its fieldwork for the 2009 and 2010 tax years. The case is currently in suspense pending finalization of an Advance Pricing Agreement (“APA”) and Joint Committee of Taxation approval. The IRS began its examination of the 2011 and 2012 tax years during the fourth quarter of 2013. The Company has also entered into an APA process between the Switzerland and the United States governments for the years 2009 through 2013 covering transfer pricing matters. These transfer pricing matters are significant to the Company’s consolidated financial statements, and the final outcome of the negotiations between the two governments is uncertain. Management believes that adequate amounts of tax and related penalty and interest have been provided in income tax expense for any adjustments that may result for the Company’s uncertain tax positions. The Company does not anticipate any significant changes in the Company’s existing uncertain tax positions in the next 12 months other than immaterial expected settlements which have been classified as current liabilities within the accompanying consolidated balance sheets.

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. LEGAL PROCEEDINGS

In February 2008, Edwards Lifesciences filed a lawsuit against CoreValve, Inc. in the U.S. District Court for the District of Delaware alleging that its ReValving System infringes three of Edwards' U.S. Andersen patents, later narrowed to one patent ("the '552 patent"). Medtronic, Inc. ("Medtronic") acquired CoreValve, Inc. ("Medtronic CoreValve") in April 2009. In April 2010, a federal jury found the '552 patent to be valid and found that Medtronic CoreValve willfully infringes it. The jury also awarded Edwards \$73.9 million in damages. In February 2011, the District Court reaffirmed the jury decision and ruled that Edwards is entitled to recover additional damages due to Medtronic CoreValve's continued infringing sales from the trial through the life of the patent, plus interest. In the same ruling, the court denied Edwards' motions for a permanent injunction, as well as its motion for increased damages relating to Medtronic CoreValve's willful infringement. In November 2012, the U.S. Court of Appeals for the Federal Circuit affirmed the April 2010 federal jury decision that Medtronic CoreValve is willfully infringing the '552 patent and ordered the trial court to reconsider Edwards' request for a permanent injunction that would prohibit the manufacture or sale of the CoreValve System in the United States. The Court of Appeals also affirmed the validity of the '552 patent and the federal jury's verdict awarding an initial payment of \$73.9 million in damages to Edwards, which covers infringement through early 2010. In February 2013, the Court of Appeals issued a mandate affirming the judgment of the District Court and directing it to reconsider its prior denial of Edwards' request for a permanent injunction and to assess additional damages for the period after the date of the jury award. In February 2013, Edwards received a payment of \$83.6 million from Medtronic in satisfaction of the April 2010 jury award of damages for infringement, including accrued interest, through April 2010 (see Note 3). Proceedings continue before the District Court regarding the permanent injunction and the additional damages. In October 2013, the U.S. Supreme Court denied Medtronic's request for review of the Court of Appeals decision.

A second lawsuit is pending in the same District Court against Medtronic CoreValve and Medtronic alleging infringement of three of Edwards' U.S. Andersen patents. In July 2013, the District Court dismissed one of the patents from the lawsuit based on the outcome of reexamination proceedings at the United States Patent and Trademark Office ("USPTO").

In May 2012, the USPTO granted Medtronic's fourth request to reexamine the validity of the '552 patent and in February 2013 confirmed the validity of that patent.

In June 2011, Medtronic filed a lawsuit in the U.S. District Court for the District of Minnesota alleging that certain surgical valve holders and a surgical embolic filter device infringe its patents. Edwards counterclaimed against Medtronic, alleging that the Medtronic Contour 3D annuloplasty ring infringes an Edwards ring patent. Edwards subsequently added two more patents to its counterclaim. In February and March 2012, the USPTO granted Edwards' requests to reexamine the validity of three of the four Medtronic patents involved in this lawsuit.

In June 2011, Medtronic CoreValve also filed another lawsuit in the U.S. District Court for the Central District of California alleging that the *Edwards SAPIEN* transcatheter heart valve infringes a Medtronic CoreValve patent. Edwards counterclaimed against Medtronic CoreValve and Medtronic, alleging that the Medtronic CoreValve heart valve infringes Edwards' U.S. Letac-Cribier transcatheter heart valve patent. Edwards' counterclaim was subsequently transferred to the U.S. District Court for the District of Delaware, and in January 2014, a federal jury found Edwards' patent to be valid and found that Medtronic CoreValve willfully infringes it. The jury also awarded Edwards \$393.6 million in damages based on Medtronic's worldwide sales of its infringing devices. As to Medtronic CoreValve's original lawsuit in California, in November 2012, the California court ruled that the Medtronic CoreValve patent is invalid and dismissed the

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. LEGAL PROCEEDINGS (Continued)

lawsuit in favor of Edwards. Medtronic filed an appeal, and in January 2014 the U.S. Court of Appeals for the Federal Circuit confirmed that Medtronic CoreValve's patent is invalid.

In March 2012, Medtronic filed another lawsuit in the U.S. District Court for the Central District of California alleging that the methods of implanting the *Edwards SAPIEN* transcatheter heart valve in the United States infringe two Medtronic patents relating to methods of pacing the heart. The Company is vigorously defending this lawsuit and trial is scheduled for August 2014.

In August 2012, Edwards filed a lawsuit against Medtronic in the German District Court of Mannheim alleging that Medtronic's CoreValve and Evolut valves infringe two of Edwards' transcatheter valve patents. These patents were issued by the European Patent Office ("EPO") and were validated as national patents in various European countries, including Germany. In April 2013, Edwards added a third transcatheter valve patent to the lawsuit. An infringement hearing was held in April 2013 for one of the original patents, and the Court ruled that the Medtronic valves did not infringe that patent. Edwards has appealed this decision. In the opposition to the first patent, the EPO determined that patent to be invalid in December 2013. Edwards intends to appeal this decision. The hearing for the second patent was held in May 2013 and the Court subsequently ruled that the Medtronic valves infringe that patent. The Court granted an injunction prohibiting the sale of CoreValve and Evolut systems in Germany, a recall of these products, and an accounting for past damages. Enforcement of this decision was later stayed pending validity proceedings at the EPO. In the opposition to the second patent, the EPO issued a non-binding preliminary opinion in October 2013 outlining concerns about the validity of that patent. An EPO hearing for the opposition to the second patent is scheduled for March 2014. A hearing date for the third patent is pending determination by the EPO in ongoing related oppositions on the validity of the patent.

In September 2013 and October 2013, persons purporting to represent a class of persons who purchased the common stock of Edwards between April 25, 2012 and April 23, 2013 filed lawsuits against Edwards and certain of its officers in the United States District Court for the Central District of California. The lawsuits allege that certain of Edwards' public statements concerning the projected sales and prospects of the *SAPIEN* transcatheter aortic heart valve were false and misleading and assert claims under Sections 10(b) and 20 of the Securities Exchange Act of 1934. On February 21, 2014, these suits were voluntarily dismissed without prejudice.

In addition, Edwards Lifesciences is or may be a party to, or may otherwise be responsible for, pending or threatened lawsuits related primarily to products and services currently or formerly manufactured or performed, as applicable, by Edwards Lifesciences. Such cases and claims raise difficult and complex factual and legal issues and are subject to many uncertainties, including, but not limited to, the facts and circumstances of each particular case or claim, the jurisdiction in which each suit is brought, and differences in applicable law. Upon resolution of any such legal matter or other claim, Edwards Lifesciences may incur charges in excess of established reserves. The Company is not able to estimate the amount or range of any loss for legal contingencies for which there is no reserve or additional loss for matters already reserved. While any such charge could have a material adverse impact on Edwards Lifesciences' net income or cash flows in the period in which it is recorded or paid, management does not believe that any such charge relating to any currently pending lawsuit would have a material adverse effect on Edwards Lifesciences' financial position, results of operations or liquidity.

Edwards Lifesciences is subject to various environmental laws and regulations both within and outside of the United States. The operations of Edwards Lifesciences, like those of other medical device companies, involve the use of substances regulated under environmental laws, primarily in manufacturing and sterilization

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. LEGAL PROCEEDINGS (Continued)

processes. While it is difficult to quantify the potential impact of continuing compliance with environmental protection laws, management believes that such compliance will not have a material impact on Edwards Lifesciences' financial position, results of operations or liquidity.

17. SEGMENT INFORMATION

Edwards Lifesciences conducts operations worldwide and is managed in the following geographical regions: United States, Europe, Japan and Rest of World. All regions sell products that are used to treat advanced cardiovascular disease.

The Company's geographic segments are reported based on the financial information provided to the Chief Operating Decision Maker (the Chief Executive Officer). The Company evaluates the performance of its geographic segments based on net sales and income before provision for income taxes ("pre-tax income"). The accounting policies of the segments are substantially the same as those described in Note 2. Segment net sales and segment pre-tax income are based on internally derived standard foreign exchange rates, which may differ from year to year, and do not include inter-segment profits. Because of the interdependence of the reportable segments, the operating profit as presented may not be representative of the geographical distribution that would occur if the segments were not interdependent. Net sales by geographic area are based on the location of the customer.

Certain items are maintained at the corporate level and are not allocated to the segments. The non-allocated items include net interest expense, global marketing expenses, corporate research and development expenses, manufacturing variances, corporate headquarters costs, special gains and charges, stock-based compensation, foreign currency hedging activities, certain litigation costs and most of the Company's amortization expense. Although most of the Company's depreciation expense is included in segment pre-tax income, due to the Company's methodology for cost build-up, it is impractical to determine the amount of depreciation expense included in each segment, and, therefore, a portion is maintained at the corporate level. The Company neither discretely allocates assets to its operating segments, nor evaluates the operating segments using discrete asset information.

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. SEGMENT INFORMATION (Continued)

The table below presents information about Edwards Lifesciences' reportable segments (in millions):

	Years Ended December 31,		
	2013	2012	2011
Segment Net Sales			
United States	\$ 939.6	\$ 812.1	\$ 605.6
Europe	622.2	577.0	549.4
Japan	293.7	293.4	226.8
Rest of World	252.8	236.0	200.8
Total segment net sales	<u>\$2,108.3</u>	<u>\$1,918.5</u>	<u>\$1,582.6</u>
Segment Pre-tax Income			
United States	\$ 550.5	\$ 465.0	\$ 314.9
Europe	287.7	250.9	237.9
Japan	145.6	153.1	107.6
Rest of World	68.3	68.8	60.3
Total segment pre-tax income	<u>\$1,052.1</u>	<u>\$ 937.8</u>	<u>\$ 720.7</u>

The table below presents reconciliations of segment net sales to consolidated net sales and segment pre-tax income to consolidated pre-tax income (in millions):

	Years Ended December 31,		
	2013	2012	2011
Net Sales Reconciliation			
Segment net sales	\$2,108.3	\$1,918.5	\$1,582.6
Foreign currency	(62.8)	(18.9)	96.0
Consolidated net sales	<u>\$2,045.5</u>	<u>\$1,899.6</u>	<u>\$1,678.6</u>
Pre-tax Income Reconciliation			
Segment pre-tax income	\$1,052.1	\$ 937.8	\$ 720.7
Unallocated amounts:			
Corporate items	(586.5)	(536.2)	(436.3)
Special gains (charges)	67.3	(16.0)	(21.6)
Interest (expense) income, net	(5.2)	0.4	0.3
Foreign currency	(12.4)	5.1	20.5
Consolidated pre-tax income	<u>\$ 515.3</u>	<u>\$ 391.1</u>	<u>\$ 283.6</u>

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. SEGMENT INFORMATION (Continued)

Enterprise-Wide Information

Enterprise-wide information is based on actual foreign exchange rates used in the Company's consolidated financial statements.

	As of or for the Years Ended December 31,		
	2013	2012	2011
	(in millions)		
Net Sales by Geographic Area			
United States	\$ 939.6	\$ 812.1	\$ 605.6
Europe	616.5	559.7	574.0
Japan	243.6	294.1	283.7
Rest of World	245.8	233.7	215.3
	<u>\$2,045.5</u>	<u>\$1,899.6</u>	<u>\$1,678.6</u>
Net Sales by Major Product Area			
Surgical Heart Valve Therapy	\$ 801.2	\$ 787.5	\$ 784.4
Transcatheter Heart Valves	707.7	552.1	333.8
Critical Care	536.6	560.0	560.4
	<u>\$2,045.5</u>	<u>\$1,899.6</u>	<u>\$1,678.6</u>
Long-lived Tangible Assets by Geographic Area			
United States	\$ 308.2	\$ 263.4	\$ 223.0
Europe	40.9	38.8	36.3
Japan	10.8	13.2	11.9
Rest of World	97.1	84.2	57.7
	<u>\$ 457.0</u>	<u>\$ 399.6</u>	<u>\$ 328.9</u>

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. QUARTERLY FINANCIAL RESULTS AND MARKET FOR THE COMPANY'S STOCK (UNAUDITED)

<u>Years Ended December 31,</u>	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>	<u>Total Year</u>
	(in millions, except per share data)				
2013					
Net sales	\$496.7	\$ 517.2	\$ 495.6	\$ 536.0	\$2,045.5
Gross profit	374.5	392.2	365.9	390.5	1,523.1
Net income(a)	144.9	94.1	76.9	75.8	391.7
Earnings per common share(a):					
Basic	1.27	0.84	0.69	0.69	3.51
Diluted	1.24	0.82	0.68	0.68	3.44
Market price:					
High	\$94.98	\$ 86.11	\$ 73.73	\$ 78.89	\$ 94.98
Low	78.10	62.34	65.03	60.62	60.62
2012					
Net sales	\$459.2	\$ 482.0	\$ 447.9	\$ 510.5	\$1,899.6
Gross profit	331.9	352.2	336.2	384.7	1,405.0
Net income(b)	65.1	67.8	69.2	91.1	293.2
Earnings per common share(b):					
Basic	0.57	0.59	0.60	0.79	2.55
Diluted	0.55	0.57	0.58	0.77	2.48
Market price:					
High	\$83.96	\$104.25	\$109.88	\$110.79	\$ 110.79
Low	67.95	67.86	96.36	81.29	67.86

(a) The first quarter of 2013 includes \$83.6 million received in satisfaction of a jury award of damages for infringement of the Company's U.S. Andersen transcatheter heart valve patent, including interest.

The fourth quarter of 2013 includes a \$15.2 million charge to record a sales returns reserve and related costs for estimated Transcatheter Heart Valve product returns expected upon introduction of next-generation Transcatheter Heart Valve products; a \$10.4 million charge related primarily to severance associated with a global workforce realignment; and a \$5.9 million charge to write off certain acquired IPR&D assets.

(b) The second quarter of 2012 includes an \$8.1 million charge due to the voluntary recalls of certain of the Company's heart valves and Critical Care catheters and a \$7.0 million charge for the licensing of intellectual property.

The fourth quarter of 2012 includes a \$9.0 million charge related primarily to severance associated with a global workforce realignment.

EDWARDS LIFESCIENCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Period	Additions		Deductions From Reserves	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts <small>(in millions)</small>		
Year ended December 31, 2013					
Allowance for doubtful accounts(a)	\$12.0	\$ 2.4	\$ —	\$ (2.2)	\$12.2
Inventory reserves(b)	16.3	27.5	—	(14.2)	29.6
Tax valuation allowance(c)	38.6	8.2	—	(0.4)	46.4
Year ended December 31, 2012					
Allowance for doubtful accounts(a)	\$19.0	\$ 3.0	\$0.4	\$(10.4)	\$12.0
Inventory reserves(b)	12.9	21.8	—	(18.4)	16.3
Tax valuation allowance(c)	32.4	3.1	5.2	(2.1)	38.6
Year ended December 31, 2011					
Allowance for doubtful accounts(a)	\$11.6	\$ 9.0	\$0.3	\$ (1.9)	\$19.0
Inventory reserves(b)	11.2	15.3	—	(13.6)	12.9
Tax valuation allowance(c)	30.3	3.1	0.4	(1.4)	32.4

- (a) The deductions related to allowances for doubtful accounts represent accounts receivable which are written off and product which is returned from customers.
- (b) Inventory reserves result from inventory which is obsolete, nearing its expiration date, damaged or slow moving. The deductions related to inventory reserves represent inventory that has been disposed.
- (c) The tax valuation allowances are provided for other-than-temporary impairments and unrealized losses related to certain unconsolidated affiliates that may not be recognized due to the uncertainty of the ready marketability of certain impaired investments, and net operating loss and credit carryforwards that may not be recognized due to insufficient taxable income.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. The Company's management, including the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of December 31, 2013.

Based on their evaluation, the Chief Executive Officer and Chief Financial Officer have concluded as of December 31, 2013 that the Company's disclosure controls and procedures are designed at a reasonable assurance level and are effective in providing reasonable assurance that the information required to be disclosed by the Company in the reports it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting. The Company's management, including the Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, the Company's management concluded that its internal control over financial reporting was effective as of December 31, 2013. The effectiveness of the Company's internal control over financial reporting as of December 31, 2013 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting. There have been no changes in the Company's internal controls over financial reporting that occurred during the Company's fourth fiscal quarter of 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Certain information required by this Item is set forth under the headings “Corporate Governance,” “Executive Compensation and Other Information—Executive Officers,” and “Other Matters and Business—Additional Information” and “—Section 16(a) Beneficial Ownership Reporting Compliance” in the definitive proxy materials to be filed in connection with its 2014 Annual Meeting of Stockholders (the “Proxy Statement”) (which Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of December 31, 2013). The information required by this Item to be contained in the Proxy Statement is incorporated herein by reference. To the extent required by applicable rules of the Securities and Exchange Commission and the New York Stock Exchange, the Company has adopted a code of ethics that applies to all directors and employees, including the Company’s principal executive officer, principal financial officer and controller or persons performing similar functions. The code of ethics (business practice standards) is posted on the Company’s website, which is found at www.edwards.com under “Investors.” The Company intends to disclose on its website any amendments to, or waivers from, any provision of its code of ethics that apply to the Company’s directors and executive officers, including the principal executive officer, principal financial officer or controller or persons performing similar functions and that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K.

Item 11. Executive Compensation

The information contained under the heading “Executive Compensation and Other Information” in the Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information contained under the headings “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” in the Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information contained under the heading “Other Matters and Business—Related Party Transactions” and under the heading “Corporate Governance—Director Independence” in the Proxy Statement is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information contained under the heading “Audit Matters—Fees Paid to Principal Accountants” in the Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

EXHIBITS FILED WITH SECURITIES AND EXCHANGE COMMISSION

<u>Exhibit No.</u>	<u>Description</u>
3.1	Amended and Restated Certificate of Incorporation of Edwards Lifesciences Corporation dated May 16, 2013 (incorporated by reference to Exhibit 3.1 in Edwards Lifesciences' report on Form 8-K dated May 17, 2013)
3.2	Bylaws of Edwards Lifesciences Corporation amended and restated as of February 20, 2014 (incorporated by reference to Exhibit 3.1 in Edwards Lifesciences' report on Form 8-K dated February 26, 2014)
4.1	Specimen form of certificate representing Edwards Lifesciences Corporation common stock (incorporated by reference to Exhibit 4.1 in Edwards Lifesciences' Registration Statement on Form 10 (File No. 001-15525) filed on March 15, 2000)
4.2	Indenture, dated as of September 6, 2013, between Edwards Lifesciences Corporation and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.5 in Edwards Lifesciences' Registration Statement on Form S-3 (File No. 333-191022) filed on September 6, 2013) (the "Indenture")
4.3	First Supplemental Indenture, dated as of October 3, 2013, to the Indenture (incorporated by reference to Exhibit 4.1 in Edwards Lifesciences' report on Form 8-K, filed October 3, 2013) ("First Supplemental Indenture")
4.4	Form of Global Note for the 2.875% Senior Notes due 2018 (incorporated by reference to Exhibit A in the First Supplemental Indenture filed as Exhibit 4.1 in Edwards Lifesciences' report on Form 8-K, filed October 3, 2013)
10.1	Four Year Credit Agreement dated as of July 29, 2011, among Edwards Lifesciences Corporation and certain of its subsidiaries, as Borrower; the lenders signatory thereto, Bank of America, N.A., as Administrative Agent; JPMorgan Chase Bank, N.A. and Wells Fargo Bank, National Association, as Co-Syndication Agents, and U.S. Bank, National Association, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Deutsche Bank AG New York Branch and Mizuho Corporate Bank, Ltd., as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 in Edwards Lifesciences' report on Form 8-K, filed August 4, 2011) (the "Credit Facility")
10.2	Amendment No. 1 dated June 13, 2013 to the Credit Facility (incorporated by reference to Exhibit 10.1 in Edwards Lifesciences' report on Form 8-K dated June 18, 2013)
*10.3	Form of Employment Agreement (incorporated by reference to Exhibit 10.8 in Edwards Lifesciences' report on Form 10-Q for the quarterly period ended March 31, 2003)
*10.4	Edwards Lifesciences Corporation Amended and Restated Employment Agreement for Michael A. Mussallem dated March 30, 2009 (incorporated by reference to Exhibit 10.2 in Edwards Lifesciences' report on Form 10-Q for the quarterly period ended March 31, 2009)
*10.5	Offer Letter between Scott B. Ullem and Edwards Lifesciences Corporation dated December 4, 2013 (incorporated by reference to Exhibit 10.1 in Edwards Lifesciences' report on Form 8-K dated December 6, 2013)

Exhibit No.	Description
*10.6	Edwards Lifesciences Corporation Amended and Restated Chief Executive Officer Change-in-Control Severance Agreement, dated October 9, 2012 (incorporated by reference to Exhibit 10.1 in Edwards Lifesciences' report on Form 10-Q for the quarterly period ended September 30, 2012)
*10.7	Edwards Lifesciences Corporation Form of Change-in-Control Severance Agreement (incorporated by reference to Exhibit 10.2 in Edward Lifesciences' report on Form 10-Q for the quarterly period ended September 30, 2012)
*10.8	Long-Term Stock Incentive Compensation Program, as amended and restated as of February 16, 2012 (incorporated by reference to Appendix A in Edwards Lifesciences' Definitive Proxy Statement filed on March 29, 2013)
*10.9	Edwards Lifesciences Corporation Form of Participant Stock Option Statement and related Long-Term Stock Incentive Compensation Program Global Nonqualified Stock Option Award Agreement (incorporated by reference to Exhibit 10.1 in Edwards Lifesciences' report on Form 10-Q for the quarterly period ended March 31, 2011)
*10.10	Edwards Lifesciences Corporation Form of Participant Restricted Stock Unit Statement and related Long-Term Stock Incentive Compensation Program Global Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 in Edwards Lifesciences' report on Form 10-Q for the quarterly period ended March 31, 2011)
*10.11	Edwards Lifesciences Corporation Form of Performance-Based Restricted Stock Unit Statement and related Long-Term Stock Incentive Compensation Program Global Performance-Based Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 in Edwards Lifesciences' report on Form 10-Q for the quarterly period ended June 30, 2012)
*10.12	Nonemployee Directors Stock Incentive Program, as amended and restated as of May 14, 2013(incorporated by reference to Exhibit 10.1 in Edwards Lifesciences' report on Form 10-Q for the quarterly period ended June 30, 2013)
*10.13	Edwards Lifesciences Corporation Form of Participant Stock Option Statement and related Nonemployee Directors Stock Incentive Program Nonqualified Stock Option Award Agreement (incorporated by reference to Exhibit 10.2 in Edwards Lifesciences' report on Form 10-Q for the quarterly period ended June 30, 2013)
*10.14	Edwards Lifesciences Corporation Form of Nonemployee Directors Stock Incentive Program Restricted Stock Units Agreement (incorporated by reference to Exhibit 10.4 in Edwards Lifesciences' report on Form 10-Q for the quarterly period ended March 31, 2011)
*10.15	Edwards Lifesciences Corporation Form of Nonemployee Directors Stock Incentive Program Restricted Stock Agreement (incorporated by reference to Exhibit 10.5 in Edwards Lifesciences' report on Form 10-Q for the quarterly period ended March 31, 2011)
*10.16	Edwards Lifesciences Corporation Severance Pay Plan, restated effective January 1, 2013 (incorporated by reference to Exhibit 10.1 in Edwards Lifesciences' report on Form 10-Q for the quarterly period ended March 31, 2013)
*10.17	Edwards Lifesciences Corporation Executive Option Plan (incorporated by reference to Exhibit 10.6 in Edwards Lifesciences' report on Form 10-Q for the quarterly period ended March 31, 2003)
*10.18	Edwards Lifesciences Corporation Executive Deferred Compensation Plan, as amended and restated effective November 9, 2011 (incorporated by reference to Exhibit 10.7 in Edwards Lifesciences' report on Form 10-K for the fiscal year ended December 31, 2011)

Exhibit No.	Description
*10.19	Edwards Lifesciences Corporation of Puerto Rico Savings and Investment Plan, as amended and restated January 1, 2011 (incorporated by reference to Exhibit 10.17 in Edwards Lifesciences' report on Form 10-K for the fiscal year ended December 31, 2012)
*10.20	Edwards Lifesciences Corporation 401(k) Savings and Investment Plan, as amended and restated January 1, 2009 (incorporated by reference to Exhibit 10.18 in Edwards Lifesciences' report on Form 10-K for the fiscal year ended December 31, 2012)
*10.21	Amendment #1 to the Edwards Lifesciences Corporation 401(k) Savings and Investment Plan, dated April 1, 2011 (incorporated by reference to Exhibit 10.19 in Edwards Lifesciences' report on Form 10-K for the fiscal year ended December 31, 2012)
*10.22	Amendment #2 to the Edwards Lifesciences Corporation 401(k) Savings and Investment Plan, dated September 13, 2011 (incorporated by reference to Exhibit 10.20 in Edwards Lifesciences' report on Form 10-K for the fiscal year ended December 31, 2012)
*10.23	Amendment #3 to the Edwards Lifesciences Corporation 401(k) Savings and Investment Plan, dated October 21, 2011 (incorporated by reference to Exhibit 10.21 in Edwards Lifesciences' report on Form 10-K for the fiscal year ended December 31, 2012)
*10.24	2001 Employee Stock Purchase Plan for United States Employees, as amended and restated November 10, 2009 (incorporated by reference to Appendix B in Edwards Lifesciences' Definitive Proxy Statement filed on March 29, 2013)
*10.25	2001 Employee Stock Purchase Plan for International Employees, as amended and restated November 10, 2009 (incorporated by reference to Exhibit 10.15 in Edwards Lifesciences' report on Form 10-K for the fiscal year ended December 31, 2009)
*10.26	Edwards Lifesciences Corporation 2010 Edwards Incentive Plan (incorporated by reference to Appendix C in Edwards Lifesciences' Definitive Proxy Statement filed March 31, 2010)
*10.27	Edwards Lifesciences' Officer Perquisite Program Guidelines, as of February 20, 2013 (incorporated by reference to Exhibit 10.25 in Edwards Lifesciences' report on Form 10-K for the fiscal year ended December 31, 2012)
*10.28	Edwards Lifesciences Corporation Form of Indemnification Agreement (incorporated by reference to Exhibit 10.20 in Edwards Lifesciences' report on Form 10-K for the fiscal year ended December 31, 2011)
12.1	Ratio of Earnings to Fixed Charges
21.1	Subsidiaries of Edwards Lifesciences Corporation
23	Consent of Independent Registered Public Accounting Firm
24	Power of Attorney (see the signature page of this Annual Report on Form 10-K)
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

<u>Exhibit No.</u>	<u>Description</u>
101	The following financial statements from Edwards Lifesciences' Annual Report on Form 10-K for the year ended December 31, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Stockholders' Equity and (vi) Notes to Consolidated Financial Statements.

* Represents management contract or compensatory plan

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EDWARDS LIFESCIENCES CORPORATION

February 28, 2014

By: /s/ MICHAEL A. MUSSALLEM
 Michael A. MussalleM
 Chairman of the Board and
 Chief Executive Officer

We, the undersigned officers and directors of Edwards Lifesciences Corporation, hereby severally constitute and appoint Denise E. Botticelli and Aimee S. Weisner, and each of them singly, our true and lawful attorneys, with full power to them and each of them singly, to sign for us in our names in the capacities indicated below, all amendments to this Annual Report on Form 10-K, and generally to do all things in our names and on our behalf in such capacities to enable Edwards Lifesciences Corporation to comply with the provisions of the Securities Act of 1934, as amended, and all requirements of the Securities and Exchange Commission. Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u> /s/ MICHAEL A. MUSSALLEM </u> Michael A. MussalleM	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	February 28, 2014
<u> /s/ SCOTT B. ULLEM </u> Scott B. Ullem	Corporate Vice President, Chief Financial Officer (Principal Financial Officer)	February 28, 2014
<u> /s/ ROBERT W.A. SELLERS </u> Robert W.A. Sellers	Vice President, Corporate Controller (Principal Accounting Officer)	February 28, 2014
<u> /s/ MIKE R. BOWLIN </u> Mike R. Bowlin	Director	February 28, 2014
<u> /s/ JOHN T. CARDIS </u> John T. Cardis	Director	February 28, 2014

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ ROBERT A. INGRAM</u> Robert A. Ingram	Director	February 28, 2014
<u>/s/ WILLIAM J. LINK, PH.D.</u> William J. Link, Ph.D.	Director	February 28, 2014
<u>/s/ BARBARA J. MCNEIL, M.D., PH.D.</u> Barbara J. McNeil, M.D., Ph.D.	Director	February 28, 2014
<u>/s/ DAVID E.I. PYOTT</u> David E.I. Pyott	Director	February 28, 2014
<u>/s/ WESLEY W. VON SCHACK</u> Wesley W. von Schack	Director	February 28, 2014

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-191022) and Registration Statements on Form S-8 (Nos. 333-33054, 333-33056, 333-40434, 333-52332, 333-52334, 333-52346, 333-60670, 333-98219, 333-105961, 333-127260, 333-150810, 333-154242, 333-168462, 333-183106 and 333-192229) of Edwards Lifesciences Corporation of our report dated February 28, 2014 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Irvine, California
February 28, 2014

**EDWARDS LIFESCIENCES CORPORATION
CERTIFICATIONS PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002
CERTIFICATION**

I, Scott B. Ullem, certify that:

1. I have reviewed this annual report on Form 10-K of Edwards Lifesciences Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: _____ /s/ SCOTT B. ULLEM

Scott B. Ullem
*Corporate Vice President,
Chief Financial Officer*

February 28, 2014

**EDWARDS LIFESCIENCES CORPORATION
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Edwards Lifesciences Corporation (the "Company") on Form 10-K for the year ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Michael A. Mussallem, Chairman of the Board and Chief Executive Officer of the Company, and Scott B. Ullem, Corporate Vice President, Chief Financial Officer, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL A. MUSSALLEM

Michael A. Mussallem

Chairman of the Board and Chief Executive Officer

February 28, 2014

/s/ SCOTT B. ULLEM

Scott B. Ullem

*Corporate Vice President,
Chief Financial Officer*

February 28, 2014

Corporate Information

Corporate Headquarters

Edwards Lifesciences Corporation
One Edwards Way, Irvine, California 92614
(800) 4-A-HEART or (949) 250-2500

Annual Meeting

The Annual Meeting of Stockholders will be held on May 8, 2014 at 10:00 a.m. (Pacific) at the offices of Edwards Lifesciences Corporation.

Stock Symbol

Edwards Lifesciences' stock is traded on The New York Stock Exchange (NYSE) under the symbol EW.

Information on the Internet

Edwards Lifesciences' website at ir.edwards.com provides access to a wide range of information for our stakeholders and are encouraged to visit the "Investor Relations" section of our website to access our press releases, SEC filings and other company information.

Corporate Public Relations

Members of the news media should call (949) 250-5070.

Investor Information

Members of the investing public should contact Investor Relations at (949) 250-2806 or investor_relations@edwards.com

Transfer Agent

Correspondence about shares, stock certificates and account information may be directed to:

Computershare Investor Services
P.O. Box 43069
Providence, Rhode Island 02940-3069
(800) 446-2617
computershare.com

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
Orange County, CA

Executive Management

Michael A. Mussallem

Chairman and Chief Executive Officer

Donald E. Bobo, Jr.

Corporate Vice President,
Heart Valve Therapy

John H. Kehl, Jr.

Corporate Vice President,
Strategy and Corporate Development

Dirksen J. Lehman

Corporate Vice President,
Public Affairs

Rich Lunsford

Corporate Vice President,
Cardiac Surgery Systems

Christine Z. McCauley

Corporate Vice President,
Human Resources

John P. McGrath, Ph.D.

Corporate Vice President,
Quality, Regulatory, Clinical

Stanton J. Rowe

Corporate Vice President,
Advanced Technology and
Chief Scientific Officer

Carlyn D. Solomon

Corporate Vice President,
Critical Care and Vascular

Scott B. Ullem

Corporate Vice President,
Chief Financial Officer

Patrick B. Verguet

Corporate Vice President,
EMEA, Canada and Latin America

Huimin Wang, M.D.

Corporate Vice President,
Japan, Asia and Pacific

Aimee S. Weisner

Corporate Vice President,
General Counsel

Larry L. Wood

Corporate Vice President,
Transcatheter Heart Valves

Board of Directors

Michael A. Mussallem

Chairman & Chief Executive Officer,
Edwards Lifesciences Corporation

Mike R. Bowlin

Former Chairman and
Chief Executive Officer,
Atlantic Richfield Company

John T. Cardis

Former Senior Partner,
Deloitte & Touche

Robert A. Ingram

General Partner,
Hatteras Venture Partners

William J. Link, Ph.D.

Managing Director & Co-Founder,
Versant Ventures

Barbara J. McNeil, M.D., Ph.D.

Professor and Chair,
Department of Health Care Policy,
Harvard Medical School

David E.I. Pyott

Chairman & Chief Executive Officer,
Allergan, Inc.

Wesley W. von Schack

Former Chairman,
President & Chief Executive Officer,
Energy East Corporation

Our Credo

At Edwards Lifesciences, we are dedicated to providing innovative solutions for people fighting cardiovascular disease.

Through our actions, we will become trusted partners with customers, colleagues and patients creating a community unified in its mission to improve the quality of life around the world. Our results will benefit customers, patients, employees and shareholders.

We will celebrate our successes, thrive on discovery and continually expand our boundaries. We will act boldly, decisively and with determination on behalf of people fighting cardiovascular disease.

Helping patients is our life's work, and

life is now

Trademarks

Edwards, Edwards Lifesciences, the stylized E logo, 1-800-4-A-Heart, Carpentier-Edwards, CENTERA, ClearSight, EDWARDS INTUITY, EDWARDS INTUITY Elite, Edwards SAPIEN, Edwards SAPIEN XT, Edwards SAPIEN 3, Enhanced Surgical Recovery program, EV1000, GlucoClear, GLX, Life is Now, NovaFlex, PARTNER, PARTNER II and PERIMOUNT, SAPIEN, SAPIEN XT, SAPIEN 3, are all trademarks of Edwards Lifesciences Corporation. All other trademarks are the property of their respective owners.

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Edwards