

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2023  
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 36-4316614  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

One Edwards Way  
Irvine , California 92614  
(Address of principal executive offices and zip code)  
( 949 ) 250-2500  
(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$1.00 per share	EW	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares outstanding of the registrant's common stock, \$1.00 par value, as of October 25, 2023 was 606.5 million.

EDWARDS LIFESCIENCES CORPORATION

FORM 10-Q

For the quarterly period ended September 30, 2023

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## NOTE REGARDING FORWARD-LOOKING STATEMENTS

*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. Statements other than statements of historical or current fact in this report or referred to or incorporated by reference into this report are "forward-looking statements" for purposes of these safe harbor provisions. These statements include, among other things, the expected impact of COVID-19 on our business, the expected impact of macroeconomic conditions on our business, any predictions, opinions, expectations, plans, strategies, objectives and any statements of assumptions underlying any of the foregoing relating to our current and future business and operations, including, but not limited to, financial matters, development activities, clinical trials and regulatory matters, manufacturing and supply operations, and product sales and demand. 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. Statements regarding past performance, efforts, or results about which inferences or assumptions may be made can also be forward-looking statements and are not indicative of future performance or results; these statements can be identified by the use of words such as "preliminary," "initial," "diligence," "industry-leading," "compliant," "indications," or "early feedback" or other forms of these words or similar words or expressions or the negative thereof. 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 our historical results or experiences or those expressed or implied in any forward-looking statements contained in this report. These risks and uncertainties include, but are not limited to: our success in developing new products and avoiding manufacturing and quality issues; clinical trial or commercial results or new product approvals and therapy adoption; the impact of domestic and global conditions; competitive dynamics in the markets in which we operate; our reliance on vendors, suppliers, and other third parties; damage, failure or interruption of our information technology systems; the impact of public health crises, including the COVID-19 pandemic; consolidation in the healthcare industry; our ability to protect our intellectual property; our compliance with applicable regulations; our exposure to product liability claims; use of our products in unapproved circumstances; changes to reimbursement for our products; the impact of currency exchange rates; unanticipated actions by the United States Food and Drug Administration and other regulatory agencies; changes to tax laws; unexpected impacts or expenses of litigation or internal or government investigations; and other risks detailed under "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2022, as such risks and uncertainties may be amended, supplemented or superseded from time to time by our subsequent reports on Forms 10-Q and 8-K we file with the United States Securities and Exchange Commission. 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.*

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.

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Part I. Financial Information

Item 1. Financial Statements

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

	September 30, 2023	December 31, 2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,410.1	\$ 769.0
Short-term investments (Note 5)	453.8	446.3
Accounts receivable, net of allowances of \$ 7.9 and \$ 7.9 , respectively	739.8	643.0
Other receivables	62.3	56.1
Inventories (Note 2)	1,032.4	875.5
Prepaid expenses	133.3	110.0
Other current assets	235.8	195.9
Total current assets	4,067.5	3,095.8
Long-term investments (Note 5)	704.6	1,239.0
Property, plant, and equipment, net	1,681.3	1,632.8
Operating lease right-of-use assets	90.9	92.3
Goodwill	1,297.4	1,164.3
Other intangible assets, net (Note 7)	429.8	285.2
Deferred income taxes	651.9	484.0
Other assets (Note 6)	447.4	299.1
Total assets	\$ 9,370.8	\$ 8,292.5
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 190.6	\$ 201.9
Accrued and other liabilities (Note 2)	1,024.0	795.0
Operating lease liabilities	24.3	25.5
Total current liabilities	1,238.9	1,022.4
Long-term debt	596.8	596.3
Contingent consideration liabilities (Note 8)	—	26.2
Taxes payable	81.2	143.4
Operating lease liabilities	70.0	69.5
Uncertain tax positions	312.1	267.5
Litigation settlement accrual	104.4	143.0
Other liabilities	240.3	217.5
Total liabilities	2,643.7	2,485.8
Commitments and contingencies (Note 12)		
<b>Stockholders' equity</b>		
Preferred stock, \$ 0.01 par value, authorized 50.0 shares, no shares outstanding	—	—
Common stock, \$ 1.00 par value, 1,050.0 shares authorized, 649.9 and 646.3 shares issued, and 606.5 and 608.3 shares outstanding, respectively	649.9	646.3
Additional paid-in capital	2,211.3	1,969.3
Retained earnings	8,622.5	7,590.0
Accumulated other comprehensive loss (Note 13)	( 250.1 )	( 254.9 )
Treasury stock, at cost, 43.4 and 38.0 shares, respectively	( 4,576.1 )	( 4,144.0 )
Total Edwards Lifesciences Corporation stockholders' equity	6,657.5	5,806.7
Noncontrolling interest (Note 7)	69.6	—
Total stockholders' equity	6,727.1	5,806.7
Total liabilities and equity	\$ 9,370.8	\$ 8,292.5

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net sales	\$ 1,480.9	\$ 1,319.0	\$ 4,470.7	\$ 4,034.1
Cost of sales	350.4	253.8	1,022.9	822.5
Gross profit	1,130.5	1,065.2	3,447.8	3,211.6
Selling, general, and administrative expenses	439.6	377.3	1,344.6	1,156.6
Research and development expenses	270.3	233.6	801.8	713.0
Intellectual property agreement and litigation expense (income), net (Note 3)	2.2	( 2.4 )	193.6	10.8
Change in fair value of contingent consideration liabilities (Note 8)	—	( 12.5 )	( 26.2 )	( 36.3 )
Special charge (Note 4)	—	66.8	—	66.8
Operating income, net	418.4	402.4	1,134.0	1,300.7
Interest income, net	( 15.1 )	( 6.9 )	( 32.8 )	( 8.4 )
Other (income) expense, net	( 5.8 )	2.0	( 9.6 )	1.0
Income before provision for income taxes	439.3	407.3	1,176.4	1,308.1
Provision for income taxes	55.6	63.8	146.7	184.6
Net income	383.7	343.5	1,029.7	1,123.5
Net loss attributable to noncontrolling interest (Note 7)	( 1.2 )	—	( 2.8 )	—
Net income attributable to Edwards Lifesciences Corporation	\$ 384.9	\$ 343.5	\$ 1,032.5	\$ 1,123.5
<b>Share information (Note 14)</b>				
Earnings per share:				
Basic	\$ 0.63	\$ 0.55	\$ 1.70	\$ 1.81
Diluted	\$ 0.63	\$ 0.55	\$ 1.69	\$ 1.79
Weighted-average number of common shares outstanding:				
Basic	607.0	619.8	607.2	621.0
Diluted	609.5	624.5	610.2	626.9

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

**EDWARDS LIFESCIENCES CORPORATION**  
**CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**  
(in millions; unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 383.7	\$ 343.5	\$ 1,029.7	\$ 1,123.5
Other comprehensive income (loss), net of tax (Note 13):				
Foreign currency translation adjustments	( 23.4 )	( 41.7 )	( 31.1 )	( 94.9 )
Unrealized gain on hedges	18.2	20.6	6.3	65.3
Unrealized pension (costs) credits	—	( 0.1 )	0.1	( 0.2 )
Unrealized gain (loss) on available-for-sale investments	10.6	( 10.4 )	29.5	( 68.5 )
Other comprehensive income (loss), net of tax	5.4	( 31.6 )	4.8	( 98.3 )
Comprehensive income	389.1	311.9	1,034.5	1,025.2
Comprehensive loss attributable to noncontrolling interest	( 1.2 )	—	( 2.8 )	—
Comprehensive income attributable to Edwards Lifesciences Corporation	<u>\$ 390.3</u>	<u>\$ 311.9</u>	<u>\$ 1,037.3</u>	<u>\$ 1,025.2</u>

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

**EDWARDS LIFESCIENCES CORPORATION**  
**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**  
(in millions; unaudited)

	Nine Months Ended September 30,	
	2023	2022
<b>Cash flows from operating activities</b>		
Net income	\$ 1,029.7	\$ 1,123.5
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	108.2	104.2
Non-cash operating lease cost	20.7	20.6
Stock-based compensation (Note 10)	108.9	98.9
Impairment charge (Note 4)	—	55.1
Change in fair value of contingent consideration liabilities (Note 8)	( 26.2 )	( 36.3 )
Loss on investments, net	4.4	49.1
Deferred income taxes	( 180.7 )	( 148.7 )
Other	4.4	5.5
Changes in operating assets and liabilities:		
Accounts and other receivables, net	( 123.0 )	( 83.0 )
Inventories	( 189.7 )	( 151.1 )
Accounts payable and accrued liabilities	112.6	( 55.7 )
Income taxes	106.3	8.8
Prepaid expenses and other current assets	( 63.7 )	20.3
Intellectual property agreement accrual	( 26.0 )	( 36.1 )
Long-term prepaid royalties (Note 3)	( 111.9 )	—
Other	( 14.8 )	( 39.7 )
Net cash provided by operating activities	759.2	935.4
<b>Cash flows from investing activities</b>		
Capital expenditures	( 164.7 )	( 175.7 )
Purchases of held-to-maturity investments (Note 5)	( 23.5 )	( 285.5 )
Proceeds from held-to-maturity investments (Note 5)	91.5	324.5
Purchases of available-for-sale investments (Note 5)	( 8.4 )	( 302.8 )
Proceeds from available-for-sale investments (Note 5)	486.9	761.1
Business combination, net of cash (Note 7)	( 141.2 )	—
Payment for acquisition options (Note 6)	( 15.0 )	( 107.6 )
Issuances of notes receivable	( 47.5 )	( 51.5 )
Collections of notes receivable	—	18.0
Other	( 18.4 )	( 22.9 )
Net cash provided by investing activities	159.7	157.6
<b>Cash flows from financing activities</b>		
Purchases of treasury stock	( 431.2 )	( 861.1 )
Proceeds from stock plans	136.7	118.9
Other	( 3.3 )	( 3.9 )
Net cash used in financing activities	( 297.8 )	( 746.1 )
Effect of currency exchange rate changes on cash, cash equivalents, and restricted cash	20.2	37.4
Net increase in cash, cash equivalents, and restricted cash	641.3	384.3
Cash, cash equivalents, and restricted cash at beginning of period	772.6	867.4
Cash, cash equivalents, and restricted cash at end of period (Note 2)	\$ 1,413.9	\$ 1,251.7

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

**EDWARDS LIFESCIENCES CORPORATION**  
**CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(in millions; unaudited)

	<u>Common Stock</u>		<u>Treasury Stock</u>							
	Shares	Par Value	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Edwards Lifesciences Corporation Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
				( 4,144.0 )						
<b>Balance at December 31, 2022</b>	646.3	\$646.3	38.0	\$	\$ 1,969.3	\$ 7,590.0	\$ ( 254.9 )	\$ 5,806.7	\$ —	\$ 5,806.7
Net income						340.5		340.5		340.5
Other comprehensive loss, net of tax							( 0.5 )	( 0.5 )		( 0.5 )
Common stock issued under stock plans	0.8	0.8			41.1			41.9		41.9
Stock-based compensation expense					38.9			38.9		38.9
Purchases of treasury stock			3.1	( 249.5 )				( 249.5 )		( 249.5 )
Changes to noncontrolling interest								—	84.0	84.0
<b>Balance at March 31, 2023</b>	647.1	647.1	41.1	( 4,393.5 )	2,049.3	7,930.5	( 255.4 )	5,978.0	84.0	6,062.0
Net income						307.1		307.1	( 1.6 )	305.5
Other comprehensive loss, net of tax							( 0.1 )	( 0.1 )		( 0.1 )
Common stock issued under equity plans	2.0	2.0			58.8			60.8		60.8
Stock-based compensation expense					37.4			37.4		37.4
Purchases of treasury stock			0.1	( 7.5 )				( 7.5 )		( 7.5 )
Changes to noncontrolling interest								—	( 11.6 )	( 11.6 )
<b>Balance at June 30, 2023</b>	649.1	649.1	41.2	( 4,401.0 )	2,145.5	8,237.6	( 255.5 )	6,375.7	70.8	6,446.5
Net income						384.9		384.9	( 1.2 )	383.7
Other comprehensive income, net of tax							5.4	5.4		5.4
Common stock issued under equity plans	0.8	0.8			33.2			34.0		34.0
Stock-based compensation expense					32.6			32.6		32.6
Purchases of treasury stock			2.2	( 175.1 )				( 175.1 )		( 175.1 )
				( 4,576.1 )						
<b>Balance at September 30, 2023</b>	649.9	\$649.9	43.4	\$	\$ 2,211.3	\$ 8,622.5	\$ ( 250.1 )	\$ 6,657.5	\$ 69.6	\$ 6,727.1

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

**EDWARDS LIFESCIENCES CORPORATION**  
**CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(in millions; unaudited)

	Common Stock		Treasury Stock				Accumulated	
	Shares	Par Value	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Other Comprehensive Loss	Total Stockholders' Equity
				( 2,416.9 )				
<b>Balance at December 31, 2021</b>	642.0	\$ 642.0	17.9	\$ )	\$ 1,700.4	\$ 6,068.1	\$ ( 157.7 )	\$ 5,835.9
Net income						373.6		373.6
Other comprehensive loss, net of tax							( 28.9 )	( 28.9 )
Common stock issued under stock plans	0.9	0.9			36.6			37.5
Stock-based compensation expense					32.4			32.4
Purchases of treasury stock			3.6	( 405.6 )				( 405.6 )
<b>Balance at March 31, 2022</b>	642.9	642.9	21.5	( 2,822.5 )	1,769.4	6,441.7	( 186.6 )	5,844.9
Net income						406.4		406.4
Other comprehensive loss, net of tax							( 37.8 )	( 37.8 )
Common stock issued under equity plans	2.1	2.1			46.9			49.0
Stock-based compensation expense					36.2			36.2
Purchases of treasury stock			3.7	( 355.1 )				( 355.1 )
<b>Balance at June 30, 2022</b>	645.0	645.0	25.2	( 3,177.6 )	1,852.5	6,848.1	( 224.4 )	5,943.6
Net income						343.5		343.5
Other comprehensive loss, net of tax							( 31.6 )	( 31.6 )
Common stock issued under equity plans	0.7	0.7			31.7			32.4
Stock-based compensation expense					30.3			30.3
Purchases of treasury stock			1.1	( 100.4 )				( 100.4 )
				( 3,278.0 )				
<b>Balance at September 30, 2022</b>	645.7	\$ 645.7	26.3	\$ )	\$ 1,914.5	\$ 7,191.6	\$ ( 256.0 )	\$ 6,217.8

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

## 1. BASIS OF PRESENTATION

The accompanying interim consolidated condensed financial statements and related disclosures have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and should be read in conjunction with the consolidated financial statements and notes included in Edwards Lifesciences' Annual Report on Form 10-K for the year ended December 31, 2022. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") have been condensed or omitted.

The consolidated condensed financial statements include the accounts of all wholly-owned subsidiaries and variable interest entities for which the Company is the primary beneficiary. The Company attributes the net income or losses of its consolidated variable interest entities to controlling and noncontrolling interests using the hypothetical liquidation at book value method. All intercompany accounts and transactions have been eliminated in consolidation.

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.

In the opinion of management, the unaudited interim consolidated condensed financial statements reflect all adjustments necessary for a fair statement of the results for the interim periods presented. All such adjustments, unless otherwise noted herein, are of a normal, recurring nature. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

There have been no material changes to the Company's significant accounting policies from those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

### New Accounting Standards Not Yet Adopted

In March 2023, the Financial Accounting Standards Board ("FASB") issued an amendment to the accounting guidance on investments in tax credit structures to allow entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. The guidance is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial results.

## 2. OTHER CONSOLIDATED FINANCIAL STATEMENT DETAILS

### Composition of Certain Financial Statement Captions

(in millions)

Components of selected captions in the consolidated condensed balance sheets consisted of the following:

	September 30, 2023	December 31, 2022
<b>Inventories</b>		
Raw materials	\$ 204.9	\$ 156.4
Work in process	223.7	177.4
Finished products	603.8	541.7
	<u>\$ 1,032.4</u>	<u>\$ 875.5</u>

At September 30, 2023 and December 31, 2022, \$ 142.5 million and \$ 128.6 million, respectively, of the Company's finished products inventories were held on consignment.

	September 30, 2023	December 31, 2022
<b>Accrued and other liabilities</b>		
Employee compensation and withholdings	\$ 340.0	\$ 268.7
Taxes payable	172.1	50.6
Property, payroll, and other taxes	57.1	45.6
Research and development accruals	70.1	66.9
Accrued rebates	139.5	116.1
Fair value of derivatives	6.7	20.7
Accrued marketing expenses	16.0	17.0
Legal and insurance	30.3	28.1
Litigation settlement	65.9	53.3
Accrued relocation costs	22.3	25.2
Accrued professional services	9.3	6.6
Accrued realignment reserves	13.8	15.6
Other accrued liabilities	80.9	80.6
	<u>\$ 1,024.0</u>	<u>\$ 795.0</u>

**Supplemental Cash Flow Information**  
(in millions)

	Nine Months Ended September 30,	
	2023	2022
Cash paid during the year for:		
Income taxes	\$ 219.1	\$ 315.9
Amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 21.5	\$ 22.2
Non-cash investing and financing transactions:		
Right-of-use assets obtained in exchange for new lease liabilities	\$ 21.2	\$ 24.7
Capital expenditures accruals	\$ 33.0	\$ 25.3

**Cash, Cash Equivalents, and Restricted Cash**  
(in millions)

	September 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 1,410.1	\$ 769.0
Restricted cash included in other current assets	0.4	0.5
Restricted cash included in other assets	3.4	3.1
Total cash, cash equivalents, and restricted cash	<u>\$ 1,413.9</u>	<u>\$ 772.6</u>

Amounts included in restricted cash primarily represent funds placed in escrow related to litigation.

**3. INTELLECTUAL PROPERTY AGREEMENT AND LITIGATION EXPENSE (INCOME), NET**

On April 12, 2023, Edwards entered into an Intellectual Property Agreement (the "Intellectual Property Agreement") with Medtronic, Inc. ("Medtronic") pursuant to which the parties agreed to a 15-year global covenant not to sue ("CNS") for infringement of certain patents in the structural heart space owned or controlled by each other. In consideration for the global CNS and related mutual access to certain intellectual property rights, Edwards paid to Medtronic a one-time, lump sum payment of \$ 300.0 million and will pay annual royalty payments that are tied to net sales of certain Edwards products. Based upon the terms of the Intellectual Property Agreement, the Company identified the relevant elements for accounting purposes and allocated the \$ 300.0 million upfront payment based on their respective fair values. The Company recorded a \$ 37.0 million pre-tax charge in "Intellectual Property Agreement and Litigation Expense" in March 2023 related primarily to prior commercial sales incurred through March 31, 2023. The Company recorded a prepaid royalty asset of \$ 124.0 million in April 2023 related to future commercial sales, which will be amortized to expense during the term of the Intellectual Property

Agreement. Separately, the Company recorded a \$ 139.0 million pre-tax charge in " *Intellectual Property Agreement and Litigation Expense* " in April 2023 related to products currently in development.

#### 4. SPECIAL CHARGE

In September 2022, the Company decided to exit its *HARPOON* surgical mitral repair system program. As a result, the Company recorded a charge to its United States segment of \$ 68.4 million, of which \$ 66.8 million was included in " *Special Charge* " and \$ 1.6 million was included in " *Cost of Sales* " on the consolidated condensed statements of operations. The charge primarily related to the full impairment of intangible assets associated with the technology and other related exit costs. The Company believes that no additional contingent consideration is due and, in September 2022, recorded an \$ 11.7 million contingent consideration gain associated with the exit.

#### 5. INVESTMENTS

##### *Debt Securities*

Investments in debt securities at the end of each period were as follows (in millions):

	September 30, 2023				December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Held-to-maturity</b>								
Bank time deposits	\$ 28.0	\$ —	\$ —	\$ 28.0	\$ 96.0	\$ —	\$ —	\$ 96.0
<b>Available-for-sale</b>								
U.S. government and agency securities	83.9	—	( 4.3 )	79.6	137.7	—	( 6.1 )	131.6
Asset-backed securities	227.5	—	( 7.8 )	219.7	380.6	—	( 14.0 )	366.6
Corporate debt securities	745.0	0.1	( 26.4 )	718.7	1,028.1	—	( 47.8 )	980.3
Municipal securities	2.8	—	( 0.2 )	2.6	2.7	—	( 0.2 )	2.5
Total	\$ 1,059.2	\$ 0.1	\$ ( 38.7 )	\$ 1,020.6	\$ 1,549.1	\$ —	\$ ( 68.1 )	\$ 1,481.0

The cost and fair value of investments in debt securities, by contractual maturity, as of September 30, 2023, were as follows:

	Held-to-Maturity		Available-for-Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(in millions)			
Due in 1 year or less	\$ 28.0	\$ 28.0	\$ 435.8	\$ 425.8
Due after 1 year through 5 years	—	—	365.3	347.1
Due after 5 years through 10 years	—	—	—	—
Instruments not due at a single maturity date <sup>(a)</sup>	—	—	258.1	247.7
	\$ 28.0	\$ 28.0	\$ 1,059.2	\$ 1,020.6

(a) Consists of mortgage- and asset-backed securities.

Actual maturities may differ from the contractual maturities due to call or prepayment rights.

The following tables present gross unrealized losses and fair values for those investments that were in an unrealized loss position as of September 30, 2023 and December 31, 2022, aggregated by investment category and the length of time that individual securities have been in a continuous loss position (in millions):

	September 30, 2023					
	Less than 12 Months		12 Months or Greater		Total	
	Gross Unrealized		Gross Unrealized		Gross Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
U.S. government and agency securities	\$ 2.6	\$ ( 0.1 )	\$ 76.7	\$ ( 4.2 )	\$ 79.3	\$ ( 4.3 )
Asset-backed securities	18.8	( 0.3 )	200.1	( 7.5 )	218.9	( 7.8 )
Corporate debt securities	—	—	674.0	( 26.4 )	674.0	( 26.4 )
Municipal securities	—	—	2.6	( 0.2 )	2.6	( 0.2 )
	<u>\$ 21.4</u>	<u>\$ ( 0.4 )</u>	<u>\$ 953.4</u>	<u>\$ ( 38.3 )</u>	<u>\$ 974.8</u>	<u>\$ ( 38.7 )</u>

	December 31, 2022					
	Less than 12 Months		12 Months or Greater		Total	
	Gross		Gross		Gross	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Los
U.S. government and agency securities	\$ 61.6	\$ ( 1.5 )	\$ 69.5	\$ ( 4.6 )	\$ 131.1	\$ ( 6.1 )
Asset-backed securities	103.3	( 1.3 )	254.6	( 12.7 )	357.9	( 14.0 )
Corporate debt securities	189.0	( 5.3 )	784.8	( 42.5 )	973.8	( 47.8 )
Municipal securities	—	—	2.5	( 0.2 )	2.5	( 0.2 )
	<u>\$ 353.9</u>	<u>\$ ( 8.1 )</u>	<u>\$ 1,111.4</u>	<u>\$ ( 60.0 )</u>	<u>\$ 1,465.3</u>	<u>\$ ( 68.3 )</u>

The Company reviews its investments in debt securities to determine if there has been an other-than-temporary decline in fair value. Consideration is given to 1) the financial condition and near-term prospects of the issuer, including the credit quality of the security's issuer, 2) the Company's intent to sell the security, and 3) whether it is more likely than not the Company will have to sell the security before recovery of its amortized cost. The decline in fair value of the debt securities was largely due to changes in interest rates, not credit quality, and as of September 30, 2023, the Company did not intend to sell the securities, and it was not more likely than not that it will be required to sell the securities before recovery of the unrealized losses, and, therefore, the unrealized losses are considered temporary.

#### Investments in Unconsolidated Entities

The Company has a number of equity investments in unconsolidated entities. These investments are recorded in " *Long-term Investments* " on the consolidated condensed balance sheets, and are as follows:

	September 30, 2023	December 31, 2022
	(in millions)	
<b>Equity method investments</b>		
Carrying value of equity method investments	\$ 22.9	\$ 21.4
<b>Equity securities</b>		
Carrying value of non-marketable equity securities	86.9	86.9
<b>Total investments in unconsolidated entities</b>	<u>\$ 109.8</u>	<u>\$ 108.3</u>

During the nine months ended September 30, 2023, the Company made \$ 1.7 million of equity investments in limited liability companies that invest in qualified community development entities ("CDEs") through the New Markets Tax Credit ("NMTC") program. The NMTC program provides federal tax incentives to investors to make investments in distressed communities and promotes economic improvements through the development of successful businesses in these communities. The NMTC is equal to 39 % of the qualified investment and is taken over seven years . These limited liability companies are variable interest entities ("VIEs"). The Company determined that it is not the primary beneficiary of the VIEs because it does not have the power to direct the activities that most significantly impact the economic performance of the VIEs and, therefore,

the Company does not consolidate these entities. Instead, the NMTC investments are accounted for as equity method investments.

Non-marketable equity securities consist of investments in privately held companies without readily determinable fair values, and are reported at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. As of September 30, 2023, the Company had recorded cumulative upward adjustments of \$ 8.8 million based on observable price changes, and cumulative downward adjustments of \$ 3.1 million due to impairments and observable price changes.

During the three and nine months ended September 30, 2023, the gross realized gains or losses from sales of available-for-sale investments were not material.

## 6. INVESTMENTS IN VARIABLE INTEREST ENTITIES

The Company reviews its investments in other entities to determine whether the Company is the primary beneficiary of a variable interest entity ("VIE"). The Company would be the primary beneficiary of the VIE, and would be required to consolidate the VIE, if it has the power to direct the significant activities of the entity and the obligation to absorb losses or receive benefits from the entity that may be significant to the VIE. The Company's maximum loss exposure to variable interest entities, prior to the exercise of options to acquire the entities, is limited to its investment in the variable interest entities, which include equity investments, options to acquire, and promissory notes.

### *Consolidated VIEs*

In February 2023, the Company acquired a majority equity interest in a medical technology company pursuant to a preferred stock purchase agreement, and amended and restated a previous option agreement to acquire the remaining equity interest. Edwards concluded that it is the primary beneficiary and consolidated the VIE. See Note 7 for additional information.

### *Unconsolidated VIEs*

Edwards has relationships with various VIEs that it does not consolidate as Edwards lacks the power to direct the activities that significantly impact the economic success of these entities.

In March 2023, the Company agreed to pay a medical device company up to \$ 45.0 million as consideration for an option to acquire the medical device company, of which \$ 15.0 million had been paid as of September 30, 2023. Also, in March 2023, Edwards advanced \$ 5.0 million to the medical device company under a convertible promissory note. The option and the note are included in "Other Assets" on the consolidated condensed balance sheet as of September 30, 2023.

In April 2021, the Company entered into a \$ 45.0 million secured promissory note agreement with a privately-held medical device company (the "Investee"), of which \$ 25.0 million had been advanced as of September 30, 2023. Also in 2021, the Company invested \$ 39.3 million, included in "Long-term Investments," in the Investee's preferred equity securities and paid \$ 13.1 million, included in "Other Assets," for an option to acquire the Investee. Pursuant to the agreement, the Company may be required to invest up to an additional \$ 6.5 million in the Investee's preferred equity securities and up to an additional \$ 14.4 million for the option to acquire the Investee.

In August 2022, the Company entered into an option agreement with a medical device company. Under the option agreement, Edwards paid \$ 47.1 million for an option to acquire the medical device company. The \$ 47.1 million option is included in "Other Assets" on the consolidated condensed balance sheets.

In June 2022, the Company entered into a convertible promissory note and amended its existing warrant agreement with a medical device company. Under the convertible promissory note agreement, the Company agreed to loan the medical device company up to \$ 47.5 million, of which \$ 32.5 million had been advanced as of September 30, 2023. In addition, in 2019 the Company paid \$ 35.0 million for an option to acquire the medical device company. The \$ 35.0 million option and the \$ 32.5 million note receivable are included in "Other Assets" on the consolidated condensed balance sheets.

In May 2022, the Company entered into an option agreement with a medical technology company. Under the option agreement, Edwards paid \$ 60.0 million for an option to acquire the medical technology company, of which \$ 10.0 million was paid in 2021. The \$ 60.0 million option is included in "Other Assets" on the consolidated condensed balance sheet. In addition, in August 2023, the Company entered into a \$ 15 million promissory note with the medical technology company.

In addition, Edwards has made equity investments through the NMTC program in limited liability companies that are considered VIEs. For more information, see Note 5.

## 7. BUSINESS COMBINATION

On February 28, 2023, the Company acquired 61 % of the then outstanding shares of a medical technology company in an all cash transaction. The Company determined it was the primary beneficiary of this VIE, and the VIE has been consolidated in the Company's consolidated condensed financial statements. In addition, the Company amended and restated its previous option agreement with the medical technology company. The option agreement gives Edwards the option to acquire the remaining equity interest in the medical technology company.

The medical technology company is dedicated to developing technologies for detecting and managing patients with cardiovascular disease. The transaction was accounted for as a business combination. Tangible and intangible assets and liabilities 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):

Assets	\$	8.1
Goodwill		133.2
In-process research and development		136.6
Liabilities assumed		( 1.7 )
Deferred tax liabilities		( 28.0 )
Fair value of net assets acquired		248.2
Less: Noncontrolling interest <sup>(a)</sup>		( 72.4 )
Total purchase price		175.8
Less: cash acquired		( 6.8 )
Total purchase price, net of cash acquired <sup>(b)</sup>	\$	169.0

(a) Includes the fair value of the noncontrolling interest of \$ 94.4 million, offset by the purchase consideration allocated to the option of \$ 22.0 million, which was ascribed to the noncontrolling interest.

(b) Includes \$ 22.5 million paid in a previous year under option agreements and \$ 5.3 million for the settlement of a pre-existing note.

Goodwill includes expected synergies and other benefits the Company believes will result from the acquisition. Goodwill was assigned to the Company's Rest of World segment and is not deductible for tax purposes.

Pro forma results have not been presented as the results of the medical technology company are not material in relation to the consolidated financial statements of Edwards Lifesciences.

## 8. FAIR VALUE MEASUREMENTS

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.

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.

The consolidated condensed 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, accounts and other receivables, investments, accounts payable, certain accrued liabilities, and borrowings under a

revolving credit agreement. The carrying value of these financial instruments generally approximates fair value due to their short-term nature. Financial instruments also include notes payable. As of September 30, 2023, the fair value of the notes payable, based on Level 2 inputs, was \$ 565.7 million.

#### **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 (in millions):

<b>September 30, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Cash equivalents	\$ 554.5	\$ 266.4	\$ —	\$ 820.9
Available-for-sale investments:				
Corporate debt securities	—	718.7	—	718.7
Asset-backed securities	—	219.7	—	219.7
United States government and agency securities	—	79.6	—	79.6
Municipal securities	—	2.6	—	2.6
Investments held for deferred compensation plans	123.0	—	—	123.0
Derivatives	—	89.3	—	89.3
	<u>\$ 677.5</u>	<u>\$ 1,376.3</u>	<u>\$ —</u>	<u>\$ 2,053.8</u>
<b>Liabilities</b>				
Derivatives	\$ —	\$ 6.7	\$ —	\$ 6.7
Other	—	—	10.3	10.3
	<u>\$ —</u>	<u>\$ 6.7</u>	<u>\$ 10.3</u>	<u>\$ 17.0</u>
<b>December 31, 2022</b>				
<b>Assets</b>				
Cash equivalents	\$ 280.4	\$ —	\$ —	\$ 280.4
Available-for-sale investments:				
Corporate debt securities	—	980.3	—	980.3
Asset-backed securities	—	366.6	—	366.6
United States government and agency securities	37.1	94.5	—	131.6
Municipal securities	—	2.5	—	2.5
Investments held for deferred compensation plans	112.1	—	—	112.1
Derivatives	—	65.5	—	65.5
	<u>\$ 429.6</u>	<u>\$ 1,509.4</u>	<u>\$ —</u>	<u>\$ 1,939.0</u>
<b>Liabilities</b>				
Derivatives	\$ —	\$ 27.2	\$ —	\$ 27.2
Contingent consideration liabilities	—	—	26.2	26.2
Other	—	—	14.0	14.0
	<u>\$ —</u>	<u>\$ 27.2</u>	<u>\$ 40.2</u>	<u>\$ 67.4</u>

#### **Cash Equivalents and Available-for-sale Investments**

Cash equivalents included money market funds for the periods presented above. The Company estimates the fair values of its money market funds based on quoted prices in active markets for identical assets. The Company estimates the fair values of its corporate debt securities, asset-backed securities, United States and foreign government and agency securities, and municipal securities by taking into consideration valuations obtained from third-party pricing services. The pricing services use industry standard valuation models, including both income and market-based approaches, for which all significant inputs are observable, either directly or indirectly, to estimate fair value. These inputs include reported trades and broker-dealer quotes on the same or similar securities, benchmark yields, credit spreads, prepayment and default projections based on historical data, and other observable inputs. The Company independently reviews and validates the pricing received from the third-party pricing service by comparing the prices to prices reported by a secondary pricing source. The Company's validation procedures have not resulted in an adjustment to the pricing received from the pricing service.

### Deferred Compensation Plans

The Company holds investments in trading securities related to its deferred compensation plans. The investments are in a variety of stock, bond and money market mutual funds. The fair values of these investments are based on quoted market prices.

### Derivative Instruments

The Company uses derivative financial instruments in the form of foreign currency forward exchange contracts and cross currency swap contracts to manage foreign currency exposures. All derivatives contracts are recognized on the balance sheet at their fair value. The fair value of the derivative financial instruments was estimated based on quoted market foreign exchange rates, cross currency swap basis rates, and market discount rates. 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.

### Contingent Consideration Liabilities

Certain of the Company's acquisitions involve contingent consideration arrangements. Payment of additional consideration is contingent upon the acquired company reaching certain performance milestones, such as attaining specified sales levels or obtaining regulatory approvals. These contingent consideration liabilities are measured at estimated fair value using either a probability weighted discounted cash flow analysis or a Monte Carlo simulation model, both of which consider significant unobservable inputs. As of September 30, 2023, the probability of milestone achievement was determined to be 0 % and, accordingly, the contingent consideration liability was zero .

The following tables summarize the changes in fair value of Level 3 financial instruments measured at fair value on a recurring basis (in millions):

	Contingent Consideration	Other	Total
Balance at December 31, 2022	\$ 26.2	\$ 14.0	\$ 40.2
Changes in fair value	( 26.2 )	( 3.7 )	( 29.9 )
Balance at September 30, 2023	\$ —	\$ 10.3	\$ 10.3

	Contingent Consideration	Other	Total
Balance at December 31, 2021	\$ 62.0	\$ 14.0	\$ 76.0
Changes in fair value	( 36.3 )	—	( 36.3 )
Balance at September 30, 2022	\$ 25.7	\$ 14.0	\$ 39.7

## 9. 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	
	September 30, 2023	December 31, 2022
	(in millions)	
Foreign currency forward exchange contracts	\$ 1,686.1	\$ 1,678.4
Cross currency swap contracts	300.0	300.0

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 Association master-netting agreements. The master-netting

agreements provide for the net settlement of all contracts through a single payment in a single currency in the event of default, as defined by the agreements.

The Company uses foreign currency forward exchange contracts and cross currency swap contracts to manage its exposure to changes in currency exchange rates from (a) future cash flows associated with intercompany transactions and certain local currency expenses expected to occur within approximately 1 year (designated as cash flow hedges), (b) its net investment in certain foreign subsidiaries (designated as net investment hedges) and (c) foreign currency denominated assets or liabilities (designated as fair value hedges). The Company also uses foreign currency forward exchange contracts that are not designated as hedging instruments to offset the transaction gains and losses associated with revaluation of certain assets and liabilities denominated in currencies other than their functional currencies (resulting principally from intercompany and local currency transactions).

All derivative financial instruments are recognized at fair value in the consolidated condensed balance sheets. For each derivative instrument that is designated as a fair value hedge, the gain or loss on the derivative included in the assessment of hedge effectiveness is recognized immediately to earnings, and offsets the loss or gain on the underlying hedged item. The Company reports in "Accumulated Other Comprehensive Loss" 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 line item and in the same period in which the underlying hedged transactions affect earnings. Changes in the fair value of net investment hedges are reported in "Accumulated Other Comprehensive Loss" as a part of the cumulative translation adjustment and would be reclassified into earnings if the underlying net investment is sold or substantially liquidated. The portion of the change in fair value related to components excluded from the hedge effectiveness assessment are amortized into earnings over the life of the derivative. 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 net investment hedges are reported as investing activities in the consolidated statements of cash flows, and cash flows from all other derivative financial instruments are reported as operating activities.

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

Derivatives designated as hedging instruments	Balance Sheet Location	Fair Value	
		September 30, 2023	December 31, 2022
Assets			
Foreign currency contracts	Other current assets	\$ 53.9	\$ 24.9
Cross currency swap contracts	Other assets	\$ 35.4	\$ 40.6
Liabilities			
Foreign currency contracts	Accrued and other liabilities	\$ 6.7	\$ 20.7
Foreign currency contracts	Other liabilities	\$ —	\$ 6.5

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

	Gross Amounts	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		
				Financial Instruments	Cash	Net Amount
					Collateral Received	
<u>September 30, 2023</u>						
Derivative assets						
Foreign currency contracts	\$ 53.9	\$ —	\$ 53.9	\$ ( 6.7 )	\$ —	\$ 47.2
Cross currency swap contracts	\$ 35.4	\$ —	\$ 35.4	\$ —	\$ —	\$ 35.4
Derivative liabilities						
Foreign currency contracts	\$ 6.7	\$ —	\$ 6.7	\$ ( 6.7 )	\$ —	\$ —
<u>December 31, 2022</u>						
Derivative assets						
Foreign currency contracts	\$ 24.9	\$ —	\$ 24.9	\$ ( 12.0 )	\$ —	\$ 12.9
Cross currency swap contracts	\$ 40.6	\$ —	\$ 40.6	\$ —	\$ —	\$ 40.6
Derivative liabilities						
Foreign currency contracts	\$ 27.2	\$ —	\$ 27.2	\$ ( 12.0 )	\$ —	\$ 15.2

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

	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)					Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)			
	Three Months Ended September 30,				Location of Gain or (Loss) Reclassified from Accumulated OCI into Income	Three Months Ended September 30,			
	2023		2022			2023	2022		
Cash flow hedges									
Foreign currency contracts	\$	33.5	\$	55.5	Cost of sales	\$	9.3	\$	27.1
	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)					Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)			
	Nine Months Ended September 30,				Location of Gain or (Loss) Reclassified from Accumulated OCI into Income	Nine Months Ended September 30,			
	2023		2022			2023	2022		
Cash flow hedges									
Foreign currency contracts	\$	60.4	\$	138.1	Cost of sales	\$	53.0	\$	50.7
	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)					Amount of Gain or (Loss) Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing)			
	Three Months Ended September 30,				Location of Gain or (Loss) Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing)	Three Months Ended September 30,			
	2023		2022			2023	2022		
Net investment hedges									
Cross currency swap contracts	\$	3.8	\$	16.9	Interest income, net	\$	1.7	\$	1.8

	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)			Amount of Gain or (Loss) Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing)					
	Nine Months Ended September 30,		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income	Nine Months Ended September 30,					
	2023	2022		2023	2022				
Net investment hedges									
Cross currency swap contracts	\$	( 5.2 )	\$	40.2	Interest income, net	\$	5.2	\$	5.4

The cross currency swap contracts have an expiration date of June 15, 2028. At maturity of the cross currency swap contracts, the Company will deliver the notional amount of € 257.2 million and will receive \$ 300.0 million from the counterparties. The Company receives semi-annual interest payments from the counterparties based on a fixed interest rate until maturity of the agreements.

		Amount of Gain or (Loss) Recognized in Income on Derivative	
		Three Months Ended September 30,	
Location of Gain or (Loss) Recognized in Income on Derivative		2023	2022
Fair value hedges			
Foreign currency contracts	Other (income) expense, net	\$ 4.8	\$ 4.5

	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	
		Nine Months Ended September 30,	
		2023	2022
Fair value hedges			
Foreign currency contracts	Other (income) expense, net	\$ 16.1	\$ 4.5

		Amount of Gain or (Loss) Recognized in Income on Derivative	
		Three Months Ended September 30,	
		2023	2022
Derivatives not designated as hedging instruments			
Foreign currency contracts	Other (income) expense, net	\$ 14.6	\$ 24.0

		Amount of Gain or (Loss) Recognized in Income on Derivative	
		Nine Months Ended September 30,	
		2023	2022
		Derivatives not designated as hedging instruments	
Foreign currency contracts	Other (income) expense, net	\$ 19.1	\$ 66.1

The following tables present the effect of fair value and cash flow hedge accounting on the consolidated condensed statements of operations (in millions):

	Location and Amount of Gain or (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships			
	Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023	
	Other (income) expense, net		Other (income) expense, net	
	Cost of sales		Cost of sales	
Total amounts of income and expense line items presented in the consolidated condensed statements of operations in which the effects of fair value or cash flow hedges are recorded	\$ ( 350.4 )	\$ 5.8	\$ ( 1,022.9 )	\$ 9.6
The effects of fair value and cash flow hedging:				
Gain (loss) on fair value hedging relationships:				
Foreign currency contracts:				
Hedged items	\$ —	\$ ( 3.6 )	\$ —	\$ ( 12.5 )
Derivatives designated as hedging instruments	\$ —	\$ 3.6	\$ —	\$ 12.5
Amount excluded from effectiveness testing recognized in earnings based on an amortization approach	\$ —	\$ 1.2	\$ —	\$ 3.6
Gain (loss) on cash flow hedging relationships:				
Foreign currency contracts:				
Amount of gain (loss) reclassified from accumulated OCI into income	\$ 9.3	\$ —	\$ 53.0	\$ —

	Location and Amount of Gain or (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships			
	Three Months Ended September 30, 2022		Nine Months Ended September 30, 2022	
	Other (income) expense, net		Other (income) expense, net	
	Cost of sales		Cost of sales	
Total amounts of income and expense line items presented in the consolidated condensed statements of operations in which the effects of fair value or cash flow hedges are recorded	\$ ( 253.8 )	\$ ( 2.0 )	\$ ( 822.5 )	\$ ( 1.0 )
The effects of fair value and cash flow hedging:				
Gain (loss) on fair value hedging relationships:				
Foreign currency contracts:				
Hedged items	\$ —	\$ ( 4.1 )	\$ —	\$ ( 4.1 )
Derivatives designated as hedging instruments	\$ —	\$ 4.1	\$ —	\$ 4.1
Amount excluded from effectiveness testing recognized in earnings based on an amortization approach	\$ —	\$ 0.4	\$ —	\$ 0.4
Gain (loss) on cash flow hedging relationships:				
Foreign currency contracts:				
Amount of gain (loss) reclassified from accumulated OCI into income	\$ 27.1	\$ —	\$ 50.7	\$ —

The Company expects that during the next twelve months it will reclassify to earnings a \$ 5.5 million gain currently recorded in "Accumulated Other Comprehensive Loss."

## 10. STOCK-BASED COMPENSATION

Stock-based compensation expense related to awards issued under the Company's incentive compensation plans for the three and nine months ended September 30, 2023 and 2022 was as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cost of sales	\$ 5.5	\$ 5.3	\$ 18.7	\$ 18.4
Selling, general, and administrative expenses	19.1	18.1	63.9	57.9
Research and development expenses	8.0	6.9	26.3	22.6
Total stock-based compensation expense	32.6	30.3	108.9	98.9
Income tax benefit	( 5.8 )	( 4.9 )	( 17.3 )	( 15.2 )
Total stock-based compensation expense, net of tax	\$ 26.8	\$ 25.4	\$ 91.6	\$ 83.7

At September 30, 2023, the total remaining compensation cost related to nonvested stock options, restricted stock units, market-based restricted stock units, and employee stock purchase plan ("ESPP") subscription awards amounted to \$ 254.5 million, which will be amortized on a straight-line basis over each award's requisite service period. The weighted-average remaining requisite service period is 33 months.

During the nine months ended September 30, 2023, the Company granted 2.0 million stock options at a weighted-average exercise price per share of \$ 88.45 , and 1.0 million restricted stock units at a weighted-average grant-date fair value per share of \$ 87.36 . During the nine months ended September 30, 2023, the Company also granted 0.1 million market-based restricted stock units at a weighted-average grant-date fair value per share of \$ 110.10 . The market-based restricted stock units granted during the nine months ended September 30, 2023 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 % to 175 % of the target number of shares granted.

### Fair Value Disclosures

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 granted during the nine months ended September 30, 2023 and 2022 included a risk-free interest rate of 3.6 % and 2.9 %, respectively, and an expected volatility rate of 32.6 % and 33.9 %, respectively.

The following table includes the weighted-average grant-date fair values of stock options granted during the periods indicated and the related weighted-average assumptions used in the Black-Scholes option pricing model:

Option Awards	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Risk-free interest rate	4.3 %	3.2 %	3.4 %	3.0 %
Expected dividend yield	None	None	None	None
Expected volatility	32.7 %	31.5 %	32.8 %	31.5 %
Expected term (years)	5.2	4.9	5.1	5.0
Fair value, per option	\$ 31.16	\$ 32.00	\$ 31.02	\$ 34.77

The following table includes the weighted-average grant-date fair values for ESPP subscriptions granted during the periods indicated and the related weighted-average assumptions used in the Black-Scholes option pricing model:

ESPP	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Risk-free interest rate	5.3 %	2.5 %	4.6 %	0.5 %
Expected dividend yield	None	None	None	None
Expected volatility	34.8 %	31.1 %	31.5 %	32.0 %
Expected term (years)	0.6	0.8	0.6	0.6
Fair value, per share	\$ 18.53	\$ 21.53	\$ 19.03	\$ 28.18

## 11. ACCELERATED SHARE REPURCHASE

During 2023 and 2022, the Company entered into accelerated share repurchase ("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 term of the applicable agreement, less a discount. The following table summarizes the terms of the ASR agreements (dollars and shares in millions, except per share data):

Agreement Date	Initial Delivery				Final Settlement		
	Amount Paid	Shares Received	Price per Share	Value of Shares as % of Contract Value	Settlement Date	Total Shares Received	Average Price per Share
January 2022	\$ 250.0	1.9	\$ 104.87	80 %	February 2022	2.3	\$ 110.31
February 2023	\$ 200.0	2.0	\$ 80.44	80 %	March 2023	2.5	\$ 79.28

The ASR agreements were each accounted for as two separate transactions: (1) 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 (2) the remaining amount of the purchase price paid was recorded as a forward contract indexed to the Company's own common stock and was initially recorded in "Additional Paid-in Capital" and subsequently, upon settlement, was transferred to "Treasury Stock" on the consolidated condensed 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 contracts indexed to the Company's common stock met all the applicable criteria for equity classification and, therefore, were not accounted for as a derivative instrument.

## 12. COMMITMENTS AND CONTINGENCIES

In 2021, the Company initiated an internal review and investigation into whether business activities in Japan and other markets violated certain provisions of the Foreign Corrupt Practices Act ("FCPA"). The Company voluntarily notified the SEC and the United States Department of Justice ("DOJ") during 2021 that it has engaged outside counsel to conduct this review and investigation. The Company has provided status updates to the SEC and DOJ since that time. Any determination that the Company's operations or activities are not in compliance with existing laws, including the FCPA, could result in the imposition of fines, penalties, and equitable remedies. The Company cannot currently predict the final outcome of the investigation or any potential impact on its financial statements.

On September 28, 2021, Aortic Innovations LLC, a non-practicing entity, filed a lawsuit against Edwards Lifesciences Corporation and certain of its subsidiaries ("Edwards") in the United States District Court for the District of Delaware alleging that Edwards' *SAPIEN 3 Ultra* product infringes certain of its patents. The Company is unable to predict the ultimate outcome of this matter or estimate a range of possible exposure; therefore, no amounts have been accrued. The Company intends to vigorously defend itself in this litigation.

The Company is or may be a party to, or may otherwise be responsible for, pending or threatened lawsuits including those related to products and services currently or formerly manufactured or performed, as applicable, by the Company, workplace and employment matters, matters involving real estate, Company operations or health care regulations, contingent considerations, or governmental investigations (the "Lawsuits"). The Lawsuits 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. Management does not believe that any loss relating to the Lawsuits would have a material adverse effect on the Company's overall financial condition, results of

operations or cash flows. However, the resolution of one or more of the Lawsuits in any reporting period, could have a material adverse impact on the Company's financial results for that period. The Company is not able to estimate the amount or range of any loss for legal contingencies related to the Lawsuits for which there is no reserve or additional loss for matters already reserved.

### 13. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following tables summarize the activity for each component of "Accumulated Other Comprehensive Loss" (in millions):

	Foreign Currency Translation Adjustments	Unrealized Gain on Hedges	Unrealized Loss on Available-for-sale Investments	Unrealized Pension Credits	Total Accumulated Other Comprehensive Loss
December 31, 2022	\$ (218.8)	\$ 23.8	\$ (65.6)	\$ 5.7	\$ (254.9)
Other comprehensive income (loss) before reclassifications	4.9	6.7	9.0	(0.1)	20.5
Amounts reclassified from accumulated other comprehensive loss	(1.7)	(29.8)	4.0	—	(27.5)
Deferred income tax benefit	0.6	5.9	—	—	6.5
March 31, 2023	(215.0)	6.6	(52.6)	5.6	(255.4)
Other comprehensive (loss) income before reclassifications	(11.3)	33.5	2.1	0.2	24.5
Amounts reclassified from accumulated other comprehensive loss	(1.8)	(25.2)	3.8	—	(23.2)
Deferred income tax benefit (expense)	1.6	(3.0)	—	—	(1.4)
June 30, 2023	(226.5)	11.9	(46.7)	5.8	(255.5)
Other comprehensive (loss) income before reclassifications	(20.7)	38.6	9.4	—	27.3
Amounts reclassified from accumulated other comprehensive loss	(1.7)	(14.1)	1.2	—	(14.6)
Deferred income tax (expense) benefit	(1.0)	(6.3)	—	—	(7.3)
September 30, 2023	<u>\$ (249.9)</u>	<u>\$ 30.1</u>	<u>\$ (36.1)</u>	<u>\$ 5.8</u>	<u>\$ (250.1)</u>

	Foreign Currency Translation Adjustments	Unrealized Gain on Hedges	Unrealized Loss on Available-for-sale Investments	Unrealized Pension Costs	Total Accumulated Other Comprehensive Loss
December 31, 2021	\$ (172.5)	\$ 29.7	\$ (6.9)	\$ (8.0)	\$ (157.7)
Other comprehensive (loss) income before reclassifications	(7.4)	24.7	(47.6)	—	(30.3)
Amounts reclassified from accumulated other comprehensive loss	(1.6)	(7.3)	4.8	—	(4.1)
Deferred income tax (expense) benefit	(1.0)	(4.0)	10.5	—	5.5
March 31, 2022	(182.5)	43.1	(39.2)	(8.0)	(186.6)
Other comprehensive (loss) income before reclassifications	(36.5)	57.9	(20.9)	(0.1)	0.4
Amounts reclassified from accumulated other comprehensive loss	(2.0)	(16.3)	5.1	—	(13.2)
Deferred income tax expense	(4.7)	(10.3)	(10.0)	—	(25.0)
June 30, 2022	(225.7)	74.4	(65.0)	(8.1)	(224.4)
Other comprehensive (loss) income before reclassifications	(35.7)	59.2	(15.1)	(0.2)	8.2
Amounts reclassified from accumulated other comprehensive loss	(1.8)	(31.6)	4.7	—	(28.7)
Deferred income tax (expense) benefit	(4.2)	(7.0)	—	0.1	(11.1)
September 30, 2022	<u>\$ (267.4)</u>	<u>\$ 95.0</u>	<u>\$ (75.4)</u>	<u>\$ (8.2)</u>	<u>\$ (256.0)</u>

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

Details about Accumulated Other Comprehensive Loss Components	Three Months Ended September 30,		Nine Months Ended September 30,		Affected Line on Consolidated Condensed Statements of Operations
	2023	2022	2023	2022	
Foreign currency translation adjustments	\$ 1.7	\$ 1.8	\$ 5.2	\$ 5.4	Other (income) expense, net
	(0.5)	(0.4)	(1.3)	(1.3)	Provision for income taxes
	\$ 1.2	\$ 1.4	\$ 3.9	\$ 4.1	Net of tax
Gain on hedges	\$ 9.3	\$ 27.1	\$ 53.0	\$ 50.7	Cost of sales
	4.8	4.5	16.1	4.5	Other (income) expense, net
	14.1	31.6	69.1	55.2	Total before tax
	(2.9)	(7.5)	(14.8)	(13.9)	Provision for income taxes
	\$ 11.2	\$ 24.1	\$ 54.3	\$ 41.3	Net of tax
Loss on available-for-sale investments	\$ (1.2)	\$ (4.7)	\$ (9.0)	\$ (14.6)	Interest income, net
	0.4	1.1	2.3	3.5	Provision for income taxes
	\$ (0.8)	\$ (3.6)	\$ (6.7)	\$ (11.1)	Net of tax

#### 14. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted-average common shares outstanding during the period. Diluted earnings per share is computed based on the weighted-average common shares outstanding plus the effect of dilutive potential common shares outstanding during the period calculated using the treasury stock method. Dilutive potential common shares include employee equity share options, nonvested shares, and similar equity instruments granted by the Company. Potential common share equivalents have been excluded where their inclusion would be anti-dilutive.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Basic:</b>				
Net income attributable to Edwards Lifesciences Corporation	\$ 384.9	\$ 343.5	\$ 1,032.5	\$ 1,123.5
Weighted-average shares outstanding	607.0	619.8	607.2	621.0
Basic earnings per share	\$ 0.63	\$ 0.55	\$ 1.70	\$ 1.81
<b>Diluted:</b>				
Net income attributable to Edwards Lifesciences Corporation	\$ 384.9	\$ 343.5	\$ 1,032.5	\$ 1,123.5
Weighted-average shares outstanding	607.0	619.8	607.2	621.0
Dilutive effect of stock plans	2.5	4.7	3.0	5.9
Dilutive weighted-average shares outstanding	609.5	624.5	610.2	626.9
Diluted earnings per share	\$ 0.63	\$ 0.55	\$ 1.69	\$ 1.79

Stock options, restricted stock units, and market-based restricted stock units to purchase an aggregate of 6.5 million and 4.0 million common shares for the three months ended September 30, 2023 and 2022, respectively, and 6.1 million and 3.1 million shares for the nine months ended September 30, 2023 and 2022, respectively, were outstanding, but were not included in the computation of diluted earnings per share for such periods because the effect would have been anti-dilutive.

## 15. INCOME TAXES

The Company's effective income tax rates were 12.7 % and 15.7 % for the three months ended September 30, 2023 and 2022, respectively, and 12.5 % and 14.1 % for the nine months ended September 30, 2023 and 2022, respectively. The decrease in the effective rate between the nine months ended September 30, 2023 and 2022 is primarily due to the impact of temporary relief provided by the Internal Revenue Service ("IRS") relating to U.S. foreign tax credit regulations. On July 21, 2023, the IRS issued Notice 2023-55 which delayed the application of certain U.S. foreign tax credit regulations that had previously limited the Company's ability to claim credits on certain foreign taxes for tax years 2022 and 2023. In addition, there was an increase in the benefit from the federal research and development credit and the Intellectual Property Agreement with Medtronic (see Note 3), partially offset by a reduced tax benefit from employee share-based compensation. The effective rates for the nine months ended September 30, 2023 and 2022 were lower than the federal statutory rate of 21% primarily due to (1) foreign earnings taxed at lower rates, (2) Federal and California research and development credits, and (3) the tax benefit from employee share-based compensation. The effective rates include a tax benefit from employee share-based compensation of \$ 1.9 million and \$ 3.4 million for the three months ended September 30, 2023 and 2022, respectively, and \$ 14.2 million and \$ 36.7 million for the nine months ended September 30, 2023 and 2022, respectively.

In the normal course of business, the IRS and other taxing authorities are in different stages of examining various years of the Company's tax filings. During these audits the Company may receive proposed audit adjustments that could be material. Therefore, there is a possibility that an adverse outcome in these audits could have a material effect on the Company's results of operations and financial condition. 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 materially different from 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.

As of September 30, 2023 and December 31, 2022, the gross liability recorded for income taxes associated with uncertain tax positions was \$ 542.9 million and \$ 475.3 million, respectively. The Company estimates that these liabilities would be reduced by \$ 226.4 million and \$ 182.1 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 \$ 316.5 million and \$ 293.2 million, respectively, if not required, would favorably affect the Company's effective tax rate.

The Company executed an Advance Pricing Agreement ("APA") in 2018 between the United States and Switzerland governments for tax years 2009 through 2020 covering various, but not all, transfer pricing matters. The unagreed transfer pricing matters, namely Surgical Structural Heart and Transcatheter Aortic Valve Replacement (collectively "Surgical/TAVR") intercompany royalty transactions, then reverted to IRS Examination for further consideration as part of the respective years' regular tax audits. In addition, the Company executed other bilateral APAs as follows: during 2017, an APA between the United States and Japan covering tax years 2015 through 2019; and during 2018, APAs between Singapore and Japan and between Switzerland and Japan covering tax years 2015 through 2019. The Company has filed to renew all three of the APAs with Japan for the years 2020 and forward. An APA between Switzerland and Japan covering tax years 2020 through 2024 was executed in 2021. The execution of some or all of these APA renewals depends on many variables outside of the Company's control.

The audits of the Company's United States federal income tax returns through 2014 have been closed. The IRS audit field work for the 2015 through 2017 tax years was completed during the second quarter of 2021, except for certain transfer pricing and related matters. The IRS began its examination of the 2018 through 2020 tax years during the first quarter of 2022.

The audits of the Company's material state, local, and foreign income tax matters have been concluded for years through 2015. While not material, the Company continues to address matters in India for years from 2010 and on.

During 2021, the Company received a Notice of Proposed Adjustment ("NOPA") from the IRS for the 2015-2017 tax years relating to transfer pricing involving Surgical/TAVR intercompany royalty transactions between the Company's United States and Switzerland subsidiaries. The NOPA proposed an increase to the Company's United States taxable income, which could result in additional tax expense for this period of approximately \$ 220 million and reflects a departure from a transfer pricing method the Company had previously agreed upon with the IRS. The Company disagreed with the NOPA and submitted a formal protest on the matter during the fourth quarter of 2021. During the second quarter of 2022, the Company received the IRS's rebuttal to the Company's protest and was notified that the case had been transferred to the IRS Independent Office of

Appeals ("Appeals"). The opening conference was held with Appeals during March 2023 and discussions with Appeals continued into the third quarter of 2023. While Appeals still maintains jurisdiction over the matter as of September 30, 2023, the Company and Appeals have concluded that a satisfactory resolution of this matter at the administrative level is not possible.

The Company plans to vigorously contest the proposed adjustments through the judicial process. Final resolution of this matter is not likely within the next 12 months. The Company believes the amounts previously accrued related to this uncertain tax position are appropriate for a number of reasons, including the interpretation and application of relevant tax law and accounting standards to the Company's facts and, accordingly, has not accrued any additional amount based on the NOPA received or as a result of the Appeals proceedings to date. Nonetheless, the outcome of the judicial process cannot be predicted with certainty, and it is possible that the outcome of that process could have a material impact on the Company's consolidated financial statements. As noted below, similar material tax disputes may arise for the 2018-2023 tax years. While no payment of any amount related to the NOPA has yet been required, the Company made a partial deposit in November 2022 to prevent the further accrual of interest on that portion of any potential deficiency that may be ultimately sustained.

Surgical/TAVR intercompany royalty transactions covering tax years 2018-2023 remain subject to IRS examination, and those transactions and related tax positions remain uncertain as of September 30, 2023. The Company has considered this information, as well as information regarding the NOPA, the rebuttal and Appeals discussions described above, in its evaluation of its uncertain tax positions. The impact of these unresolved transfer pricing matters, net of any correlative tax adjustments, may be significant to the Company's consolidated financial statements. Based on the information currently available and numerous possible outcomes, the Company cannot reasonably estimate what, if any, changes in its existing uncertain tax positions may occur in the next 12 months and, therefore, has continued to record the uncertain tax positions as a long-term liability.

## **16. 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 operating income. Segment net sales and segment operating income are based on internally derived foreign exchange rates 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. There were no customers that represented 10% or more of the Company's total net sales.

Certain items are maintained at the corporate level and are not allocated to the segments. The non-allocated items include corporate research and development expenses, manufacturing variances, corporate headquarters costs, net interest income, global marketing expenses, special gains and charges, stock-based compensation, foreign currency hedging activities, certain litigation costs, changes in the fair value of contingent consideration liabilities, and most of the Company's amortization expense. Although most of the Company's depreciation expense is included in segment operating 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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Segment Net Sales</b>				
United States	\$ 869.9	\$ 786.8	\$ 2,614.3	\$ 2,337.1
Europe	317.8	291.9	989.2	901.8
Japan	107.2	130.9	321.2	416.9
Rest of World	181.2	160.9	529.0	449.1
Total segment net sales	<u>\$ 1,476.1</u>	<u>\$ 1,370.5</u>	<u>\$ 4,453.7</u>	<u>\$ 4,104.9</u>
<b>Segment Operating Income</b>				
United States	\$ 571.7	\$ 535.0	\$ 1,727.5	\$ 1,596.0
Europe	168.5	156.0	527.9	487.1
Japan	63.9	87.3	190.7	282.7
Rest of World	80.3	63.7	230.9	178.0
Total segment operating income	<u>\$ 884.4</u>	<u>\$ 842.0</u>	<u>\$ 2,677.0</u>	<u>\$ 2,543.8</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Net Sales Reconciliation</b>				
Segment net sales	\$ 1,476.1	\$ 1,370.5	\$ 4,453.7	\$ 4,104.9
Foreign currency	4.8	( 51.5 )	17.0	( 70.8 )
Consolidated net sales	<u>\$ 1,480.9</u>	<u>\$ 1,319.0</u>	<u>\$ 4,470.7</u>	<u>\$ 4,034.1</u>
<b>Pre-tax Income Reconciliation</b>				
Segment operating income	\$ 884.4	\$ 842.0	\$ 2,677.0	\$ 2,543.8
Unallocated amounts:				
Corporate items	( 473.9 )	( 415.6 )	( 1,435.2 )	( 1,285.4 )
Special charge (Note 4)	—	( 66.8 )	—	( 66.8 )
Intellectual property agreement and litigation (expense) income, net	( 2.2 )	2.4	( 193.6 )	( 10.8 )
Change in fair value of contingent consideration liabilities	—	12.5	26.2	36.3
Foreign currency	10.1	27.9	59.6	83.6
Consolidated operating income	<u>418.4</u>	<u>402.4</u>	<u>1,134.0</u>	<u>1,300.7</u>
Non-operating income	20.9	4.9	42.4	7.4
Consolidated pre-tax income	<u>\$ 439.3</u>	<u>\$ 407.3</u>	<u>\$ 1,176.4</u>	<u>\$ 1,308.1</u>

**Enterprise-wide Information**  
(in millions)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Net Sales by Geographic Region</b>				
United States	\$ 869.9	\$ 786.8	\$ 2,614.3	\$ 2,337.1
Europe	322.3	270.1	989.6	884.0
Japan	108.4	104.1	340.4	362.5
Rest of World	180.3	158.0	526.4	450.5
	<u>\$ 1,480.9</u>	<u>\$ 1,319.0</u>	<u>\$ 4,470.7</u>	<u>\$ 4,034.1</u>
<b>Net Sales by Major Product Group</b>				
Transcatheter Aortic Valve Replacement	\$ 960.9	\$ 862.3	\$ 2,900.4	\$ 2,650.5
Transcatheter Mitral and Tricuspid Therapies	52.4	29.7	141.6	84.6
Surgical Structural Heart	246.6	219.7	751.1	669.0
Critical Care	221.0	207.3	677.6	630.0
	<u>\$ 1,480.9</u>	<u>\$ 1,319.0</u>	<u>\$ 4,470.7</u>	<u>\$ 4,034.1</u>

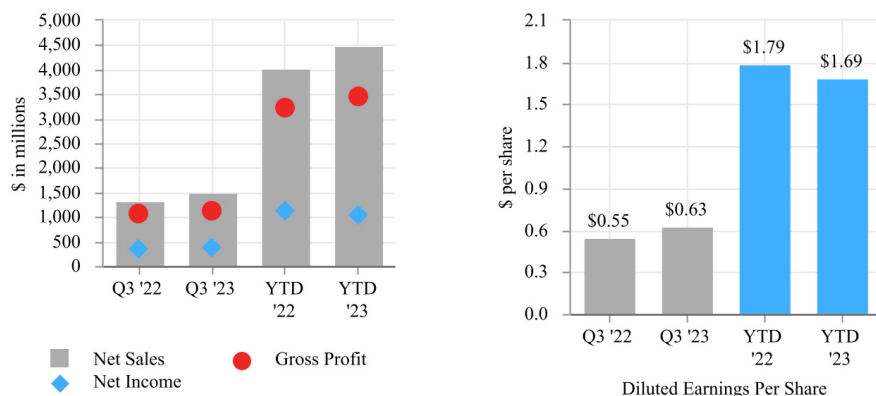
## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Overview

The following discussion and analysis contains forward-looking statements within the meaning of the federal securities laws, and should be read in conjunction with the disclosures we make concerning risks and other factors that may affect our business and operating results. See "Note Regarding Forward-Looking Statements" preceding Part I, Item 1 in this Quarterly Report on Form 10-Q.

We are the global leader in patient-focused medical innovations for structural heart disease and critical care monitoring. Driven by a passion to help patients, we partner with the world's leading clinicians and researchers and invest in research and development to transform care for those impacted by structural heart disease or who require hemodynamic monitoring during surgery or in intensive care. 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 groups: Transcatheter Aortic Valve Replacement ("TAVR"), Transcatheter Mitral and Tricuspid Therapies ("TMTT"), Surgical Structural Heart ("Surgical"), and Critical Care.

### Financial Highlights and Market Update



### COVID-19 and Macroeconomic Uncertainties

While conditions related to the COVID-19 pandemic have improved compared to 2022, we have continued to experience the impacts of the COVID-19 pandemic in 2023, particularly in Japan and disruptions related to staffing shortages in the United States and Europe. The COVID-19 pandemic adversely impacted, and may further adversely impact, aspects of our business and markets, including our workforce and the operations of our customers, suppliers, and business partners. Our priority has been to maintain access for patients to our life-saving technologies while providing continuous front-line support to our clinician partners, and protecting the well-being of our employees. Our manufacturing operations have continued to respond to impacts related to COVID-19, and we have been able to supply our technologies around the world. Across our organization, we are proactively managing inventory, assessing alternative logistics options, and closely monitoring the supply of components to address potential supply constraints.

In addition to the impacts described above, the global economy, including the financial and credit markets, continues to experience extreme volatility and disruptions, including inflationary conditions, rising interest rates, declines in consumer confidence, and uncertainty about economic growth and stability. The severity and duration of the impact of these conditions on our business cannot be predicted. See Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended December 31, 2022 for additional information.

## Financial Highlights

Despite the challenges to our business due to COVID-19 and macroeconomic factors, our net sales for the first nine months of 2023 were \$4.5 billion, representing an increase of \$436.6 million over the first nine months of 2022, driven primarily by sales of our TAVR products.

Our gross profit increased in the nine months ended September 30, 2023, driven by our sales growth. Gross profit as a percentage of sales decreased primarily due to the impact of foreign currency exchange rate fluctuations. The decrease in our diluted earnings per share in the nine months ended September 30, 2023 was driven by an after-tax charge of \$138.7 million related to an intellectual property agreement. See Note 3 to the "Consolidated Condensed Financial Statements" for further information.

### Healthcare Environment, Opportunities, and Challenges

The medical technology 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 in support of those developments. In the first nine months of 2023, we invested 17.9% of our net sales in research and development.

We are dedicated to generating robust clinical, economic, and quality-of-life evidence increasingly expected by patients, clinicians, and payors in the current healthcare environment, with the goal of encouraging the adoption of innovative new medical therapies that demonstrate superior outcomes.

## New Accounting Standards

Information on new accounting standards is included in Note 1 to the "Consolidated Condensed Financial Statements."

## Results of Operations

### Net Sales by Region

(dollars in millions)

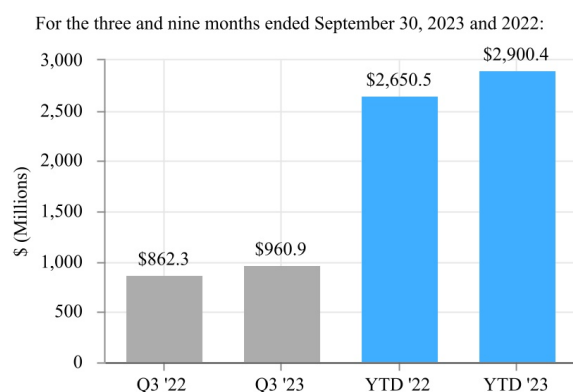
	Three Months Ended September 30,			Percent		Nine Months Ended September 30,			Percent	
	2023	2022	Change	Change		2023	2022	Change	Change	
United States	\$ 869.9	\$ 786.8	\$ 83.1	10.6	%	\$ 2,614.3	\$ 2,337.1	\$ 277.2	11.9	%
Europe	322.3	270.1	52.2	19.3	%	989.6	884.0	105.6	11.9	%
Japan	108.4	104.1	4.3	4.1	%	340.4	362.5	(22.1)	(6.1)	%
Rest of World	180.3	158.0	22.3	14.2	%	526.4	450.5	75.9	16.9	%
Outside of the United States	611.0	532.2	78.8	14.8	%	1,856.4	1,697.0	159.4	9.4	%
Total net sales	\$ 1,480.9	\$ 1,319.0	\$ 161.9	12.3	%	\$ 4,470.7	\$ 4,034.1	\$ 436.6	10.8	%

Net sales outside of the United States include the impact of foreign currency exchange rate fluctuations. 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.

**Net Sales by Product Group**  
(dollars in millions)

	Three Months Ended September 30,			Percent Change	Nine Months Ended September 30,			
	2023	2022	Change		2023	2022	Change	Percent Change
Transcatheter Aortic Valve Replacement	\$ 960.9	\$ 862.3	\$ 98.6	11.4 %	\$ 2,900.4	\$ 2,650.5	\$ 249.9	9.4 %
Transcatheter Mitral and Tricuspid Therapies	52.4	29.7	22.7	76.0 %	141.6	84.6	57.0	67.3 %
Surgical Structural Heart	246.6	219.7	26.9	12.2 %	751.1	669.0	82.1	12.3 %
Critical Care	221.0	207.3	13.7	6.6 %	677.6	630.0	47.6	7.6 %
Total net sales	\$ 1,480.9	\$ 1,319.0	\$ 161.9	12.3 %	\$ 4,470.7	\$ 4,034.1	\$ 436.6	10.8 %

**Transcatheter Aortic Valve Replacement Sales**



Net sales of TAVR products increased for the three and nine months ended September 30, 2023 driven by:

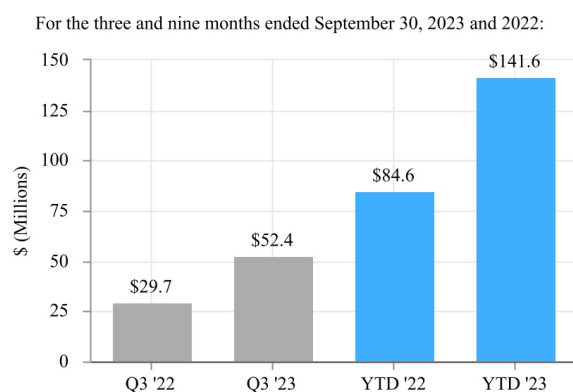
- higher sales of the *Edwards SAPIEN* platform in 2023, primarily the *Edwards SAPIEN 3 Ultra RESILIA* valve in the United States;

partially offset by:

- foreign currency exchange rate fluctuations, which increased net sales outside of the United States by \$11.4 million for the three months ended September 30, 2023, primarily due to the strengthening of the Euro against the United States dollar, and decreased net sales outside of the United States by \$17.1 million for the nine months ended September 30, 2023, primarily due to the weakening of the Japanese yen against the United States dollar.

During the first nine months of 2023, we continued to enroll our PROGRESS pivotal trial, studying moderate aortic stenosis patients. In March 2023, we launched the *Edwards SAPIEN 3 Ultra RESILIA* valve in Japan. In July 2023, we announced the restart of enrollment in our pivotal trial, ALLIANCE, designed to study our next generation TAVR technology, *SAPIEN X4*.

### Transcatheter Mitral and Tricuspid Therapies Sales

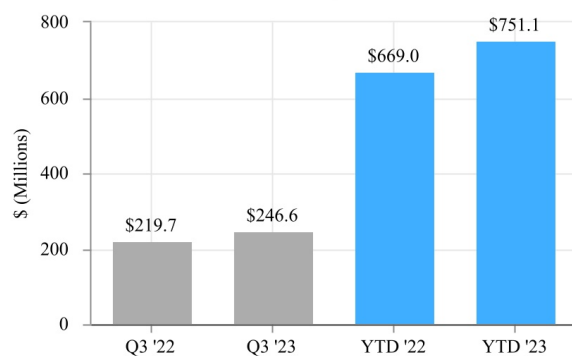


Net sales of TMTT products increased for the three and nine months ended September 30, 2023 primarily due to the launch of our *PASCAL* system in the United States and its continued adoption in Europe.

During the first nine months of 2023, we continued to enroll the CLASP IIF pivotal trial with *PASCAL* for patients with functional mitral regurgitation. In mitral replacement, we completed enrollment in the ENCIRCLE pivotal trial for *SAPIEN M3*. In tricuspid, we completed the enrollment of the full cohort of the TRISCEND II pivotal trial of the *EVOQUE* replacement system. In the United States, in December 2022, the Food and Drug Administration approved continued access allowing hospitals that were involved in the clinical trial to continue to have *EVOQUE* as a therapy option. In October 2023, we received CE Mark approval in Europe for *EVOQUE* and we received approval in Japan for *PASCAL Precision* to treat patients with degenerative mitral regurgitation. In addition, enrollment continued in the CLASP IITR pivotal trial with the *PASCAL* repair system in patients with symptomatic, severe tricuspid regurgitation.

### Surgical Structural Heart Sales

For the three and nine months ended September 30, 2023 and 2022:

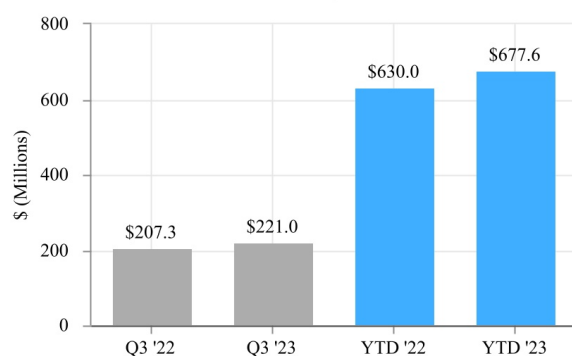


Net sales of Surgical products increased for the three and nine months ended September 30, 2023 primarily due to increased sales of the *INSPIRIS RESILIA* aortic valve in the United States and Europe, and the *MITRIS RESILIA* valve in the United States. These increases were partially offset by the impact of foreign currency exchange rate fluctuations, which increased net sales outside of the United States by \$2.4 million for the three months ended September 30, 2023, primarily due to the strengthening of the Euro against the United States dollar, and decreased net sales outside of the United States by \$8.1 million for the nine months ended September 30, 2023, primarily due to the weakening of the Japanese yen against the United States dollar.

We are continuing to enroll patients in our MOMENTIS clinical study to demonstrate the durability of *RESILIA* tissue in the mitral position. In October 2023, we received CE Mark approval for our *MITRIS RESILIA* mitral valve.

### Critical Care Sales

For the three and nine months ended September 30, 2023 and 2022:



Net sales of Critical Care products increased for the three and nine months ended September 30, 2023 primarily due to:

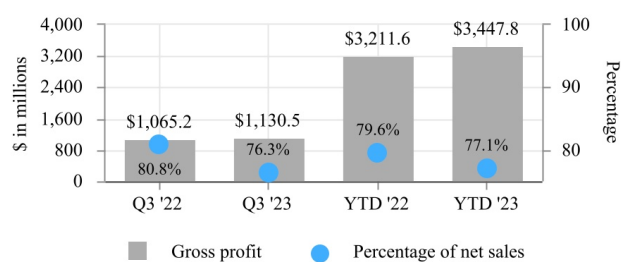
- increased demand for our enhanced surgical recovery products and pressure monitoring products, primarily in the United States;

partially offset by:

- foreign currency exchange rate fluctuations, which increased net sales outside of the United States by \$0.5 million for the three months ended September 30, 2023, primarily due to the strengthening of the Euro against the United States dollar, and decreased net sales outside of the United States by \$10.8 million for the nine months ended September 30, 2023, primarily due to the weakening of the Japanese yen against the United States dollar.

## Gross Profit

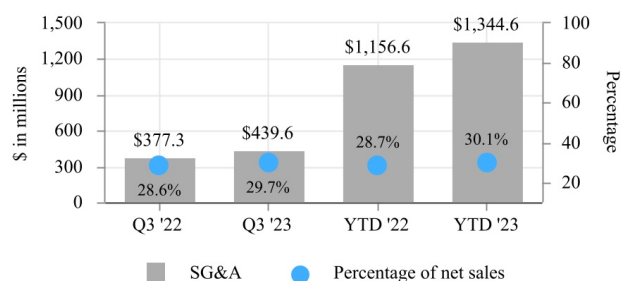
For the three and nine months ended September 30, 2023 and 2022:



The decrease in gross profit as a percentage of net sales for the three and nine months ended September 30, 2023 was driven by a 4.1 percentage point and 2.3 percentage point decrease, respectively, from the impact of foreign currency exchange rate fluctuations, primarily the weakening of the United States dollar against the Euro.

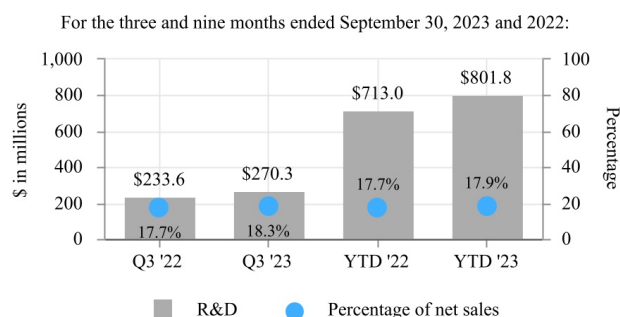
## Selling, General, and Administrative ("SG&A") Expenses

For the three and nine months ended September 30, 2023 and 2022:



SG&A expenses increased for the three and nine months ended September 30, 2023 primarily due to higher performance-based compensation and higher field-based personnel-related costs, primarily TAVR and TMTT in the United States. Foreign currency exchange rate fluctuations increased expenses by \$5.3 million in the three months ended September 30, 2023 due to the weakening of the United States dollar against the Euro, and decreased expenses by \$4.6 million for the nine months ended September 30, 2023 due to the strengthening of the United States dollar against multiple foreign currencies, primarily the Japanese yen.

### Research and Development ("R&D") Expenses



R&D expenses increased for the three and nine months ended September 30, 2023 primarily due to continued investments in our transcatheter aortic valve innovations, including increased clinical trial activity.

### Intellectual Property Agreement and Litigation Expense (Income), net

We incurred intellectual property agreement and litigation expenses of \$2.2 million and income of \$2.4 million during the three months ended September 30, 2023 and 2022, respectively, and expenses of \$193.6 million and \$10.8 million during the nine months ended September 30, 2023 and 2022, respectively. On April 12, 2023, we entered into an Intellectual Property Agreement (the "Intellectual Property Agreement") with Medtronic, Inc. ("Medtronic") and recorded a \$37.0 million charge in March 2023 and a \$139.0 million charge in April 2023. For more information, see Note 3 to the "Consolidated Condensed Financial Statements."

### Change in Fair Value of Contingent Consideration Liabilities

The change in fair value of contingent consideration liabilities resulted in gains of \$26.2 million and \$36.3 million during the nine months ended September 30, 2023 and 2022. The gains in 2023 were primarily due to changes in projected probabilities of milestone achievement. The gains in 2022 were due to changes in projected probabilities of milestone achievement and our decision in the third quarter of 2022 to exit our HARPOON surgical mitral repair system program.

### Special Charge

In September 2022, we decided to exit our HARPOON surgical mitral repair system program. As a result, we recorded a charge of \$68.4 million, of which \$66.8 million was included in "Special Charge" and \$1.6 million was included in "Cost of Sales" on the consolidated condensed statements of operations. The charge primarily related to the full impairment of intangible assets associated with the technology and other related exit costs. We believe that no additional contingent consideration is due and, in September 2022, recorded an \$11.7 million contingent consideration gain associated with the exit.

### Provision for Income Taxes

The provision for income taxes consists of provisions for federal, state, and foreign income taxes. We operate in an international environment with significant operations in various locations outside the United States which have statutory tax rates typically lower than the United States tax rate. Accordingly, the consolidated income tax rate is a composite rate reflecting the earnings in the various locations and the applicable rates.

Our effective income tax rate was 12.7% and 15.7% for the three months ended September 30, 2023 and 2022, respectively, and 12.5% and 14.1% for the nine months ended September 30, 2023 and 2022, respectively. The decrease in the effective rate between the nine months ended September 30, 2023 and 2022 is primarily due to the impact of temporary relief provided by the Internal Revenue Service ("IRS") relating to U.S. foreign tax credit regulations. On July 21, 2023, the IRS

issued Notice 2023-55 which delayed the application of certain U.S. foreign tax credit regulations that had previously limited our ability to claim credits on certain foreign taxes for tax years 2022 and 2023. In addition, there is an increase in the benefit from the Federal research and development credit and the Intellectual Property Agreement with Medtronic (see Note 3 to the "Consolidated Condensed Financial Statements"), partially offset by a reduced tax benefit from employee share-based compensation. The effective rates for the nine months ended September 30, 2023 and 2022 were lower than the federal statutory rate of 21% primarily due to (1) foreign earnings taxed at lower rates, (2) Federal and California research and development credits, and (3) the tax benefit from employee share-based compensation.

In the normal course of business, the IRS and other taxing authorities are in different stages of examining various years of our tax filings. During these audits we may receive proposed audit adjustments that could be material. Therefore, there is a possibility that an adverse outcome in these audits could have a material effect on our results of operations and financial condition. 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 eventual outcome with a tax authority may result in a tax liability that is materially different from 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.

We executed an Advance Pricing Agreement ("APA") in 2018 between the United States and Switzerland governments for tax years 2009 through 2020 covering various, but not all, transfer pricing matters. The unagreed transfer pricing matters, namely Surgical Structural Heart and Transcatheter Aortic Valve Replacement (collectively "Surgical/TAVR") intercompany royalty transactions, then reverted to IRS Examination for further consideration as part of the respective years' regular tax audits. In addition, we executed other bilateral APAs as follows: during 2017, an APA between the United States and Japan covering tax years 2015 through 2019; and during 2018, APAs between Singapore and Japan and between Switzerland and Japan covering tax years 2015 through 2019. We have filed to renew all three of the APAs with Japan for the years 2020 and forward. An APA between Switzerland and Japan covering tax years 2020 through 2024 was executed in 2021. The execution of some or all these APA renewals depends on many variables outside of our control.

The audits of our United States federal income tax returns through 2014 have been closed. The IRS audit field work for the 2015 through 2017 tax years was completed during the second quarter of 2021, except for certain transfer pricing and related matters. The IRS began its examination of the 2018 through 2020 tax years during the first quarter of 2022.

The audits of our material state, local, and foreign income tax matters have been concluded for years through 2015. While not material, we continue to address matters in India for years from 2010 and on.

During 2021, we received a Notice of Proposed Adjustment ("NOPA") from the IRS for the 2015-2017 tax years relating to transfer pricing involving Surgical/TAVR intercompany royalty transactions between our United States and Switzerland subsidiaries. The NOPA proposed an increase to our United States taxable income, which could result in additional tax expense for this period of approximately \$220 million and reflects a departure from a transfer pricing method we had previously agreed upon with the IRS. We have disagreed with the NOPA and submitted a formal protest on the matter during the fourth quarter of 2021. During the second quarter of 2022, we received the IRS's rebuttal to our protest and were notified that the case had been transferred to the IRS Independent Office of Appeals ("Appeals"). The opening conference was held with Appeals during March 2023 and discussions with Appeals continued into the third quarter of 2023. While Appeals still maintains jurisdiction over the matter as of September 30, 2023, we and Appeals have concluded that a satisfactory resolution of this matter at the administrative level is not possible.

We plan to vigorously contest the proposed adjustments through the judicial process. Final resolution of this matter is not likely within the next 12 months. We believe the amounts previously accrued related to this uncertain tax position are appropriate for a number of reasons, including the interpretation and application of relevant tax law and accounting standards to our facts and, accordingly, have not accrued any additional amount based on the NOPA received or as a result of the Appeals proceedings to date. Nonetheless, the outcome of the judicial process cannot be predicted with certainty, and it is possible that the outcome of that process could have a material impact on our consolidated financial statements. As noted below, similar material tax disputes may arise for the 2018-2023 tax years. While no payment of any amount related to the NOPA has yet been required, we made a partial deposit in November 2022 to prevent the further accrual of interest on that portion of any potential deficiency that may ultimately be sustained.

Surgical/TAVR intercompany royalty transactions covering tax years 2018-2023 remain subject to IRS examination, and those transactions and related tax positions remain uncertain as of September 30, 2023. We have considered this information, as well as information regarding the NOPA, the rebuttal and Appeals discussions described above, in our evaluation of our uncertain tax positions. The impact of these unresolved transfer pricing matters, net of any correlative tax adjustments, may be significant to our consolidated financial statements. Based on the information currently available and numerous possible outcomes, we cannot reasonably estimate what, if any, changes in our existing uncertain tax positions may occur in the next 12 months and, therefore, have continued to record the uncertain tax positions as a long-term liability.

On August 16, 2022, the Inflation Reduction Act of 2022 ("IRA") was signed into law. The IRA includes, among other provisions, changes to the U.S. corporate income tax system, including a 15% minimum tax based on "adjusted financial statement income," which is effective for tax years beginning after December 31, 2022, and a one percent excise tax on net repurchases of stock after December 31, 2022. Based upon our analysis to date, we do not expect the IRA will have a material impact on our consolidated financial statements.

## **Liquidity and Capital Resources**

Our sources of cash liquidity include cash and cash equivalents, short-term investments, cash from operations, and amounts available under credit facilities. We believe that these sources are sufficient to fund the current and long-term requirements of working capital, capital expenditures, and other financial commitments. 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.

As of September 30, 2023, cash and cash equivalents and short-term investments held in the United States and outside of the United States were \$1.3 billion and \$523.9 million, respectively.

We have a Five-year Credit Agreement (the "Credit Agreement") which provides for a \$750.0 million multi-currency unsecured revolving credit facility and matures on July 15, 2027. We may increase the amount available under the Credit Agreement by up to an additional \$250.0 million in the aggregate and extend the maturity date for an additional year, subject to agreement of the lenders. As of September 30, 2023, no amounts were outstanding under the Credit Agreement.

In June 2018, we issued \$600.0 million of 4.3% fixed-rate unsecured senior notes (the "2018 Notes") due June 15, 2028. As of September 30, 2023, the carrying value of the 2018 Notes was \$596.8 million.

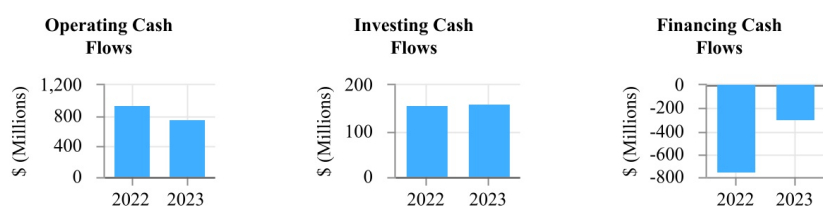
From time to time, we repurchase shares of our common stock under share repurchase programs authorized by the Board of Directors. We consider several factors in determining when to execute share repurchases, including, among other things, expected dilution from stock plans, cash capacity, and the market price of our common stock. During the nine months ended September 30, 2023, under the Board authorized repurchase program, we repurchased a total of 5.4 million shares at an aggregate cost of \$422.8 million. See Part II, Item 2, "*Unregistered Sales of Equity Securities and Use of Proceeds*," for additional information about our share repurchase program. As of September 30, 2023, we had remaining authority to purchase \$492.8 million of our common stock under the share repurchase program.

On April 12, 2023, we entered into the Intellectual Property Agreement with Medtronic pursuant to which the parties agreed to a 15-year global covenant not to sue ("CNS") for infringement of certain patents in the structural heart space owned or controlled by each other. In consideration for the global CNS, we paid Medtronic a one-time, lump sum payment of \$300.0 million and will pay annual royalty payments that are tied to net sales of certain Edwards products. For more information, see Note 3 to the "*Consolidated Condensed Financial Statements*."

On February 28, 2023, we acquired a majority equity interest in a medical technology company. In addition, we amended and restated our previous option agreement with the medical technology company. The option agreement gives us the option to acquire the remaining equity interest in the medical technology company. For more information, see Note 7 to the "*Consolidated Condensed Financial Statements*."

At September 30, 2023, there had been no material changes in our cash requirements from known contractual and other obligations, including commitments for capital expenditures, as disclosed in Item 7, "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," of our Annual Report on Form 10-K for the year ended December 31, 2022.

**Consolidated Cash Flows - For the nine months ended September 30, 2023 and 2022:**



Net cash flows provided by **operating activities** of \$759.2 million for the nine months ended September 30, 2023 decreased \$176.2 million over the same period last year primarily due to a \$300.0 million payment in 2023 under the Intellectual Property Agreement, partially offset by a higher bonus payout in 2022 associated with 2021 performance.

Net cash provided by **investing activities** of \$159.7 million for the nine months ended September 30, 2023 consisted primarily of net proceeds from investments of \$541.1 million, partially offset by a payment of \$141.2 million to acquire a majority interest in another company (see Note 7 to the "Consolidated Condensed Financial Statements") and capital expenditures of \$164.7 million.

Net cash provided by investing activities of \$157.6 million for the nine months ended September 30, 2022 consisted primarily of net proceeds from investments of \$474.7 million, partially offset by capital expenditures of \$175.7 million and payments of 107.6 million for options to acquire other companies. For further information, see Note 6 to the "Consolidated Condensed Financial Statements."

Net cash used in **financing activities** of \$297.8 million for the nine months ended September 30, 2023 consisted primarily of purchases of treasury stock of \$431.2 million, partially offset by proceeds from stock plans of \$136.7 million.

Net cash used in financing activities of \$746.1 million for the nine months ended September 30, 2022 consisted primarily of purchases of treasury stock of \$861.1 million, partially offset by proceeds from stock plans of \$118.9 million.

**Critical Accounting Policies and Estimates**

The consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated condensed financial statements and sales and expenses during the periods reported. Actual results could differ from those estimates. Information with respect to our critical accounting policies and estimates which we believe could have the most significant effect on our reported results and require subjective or complex judgments by management is contained on pages 34-36 in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of our Annual Report on Form 10-K for the year ended December 31, 2022. There have been no significant changes from the information discussed therein.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

**Interest Rate Risk, Foreign Currency Risk, Credit Risk, and Concentrations of Risk**

For a complete discussion of our exposure to interest rate risk, foreign currency risk, credit risk, and concentrations of risk, refer to Item 7A "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the year ended December 31, 2022. There have been no material changes from the information discussed therein.

### **Investment Risk**

We are exposed to investment risks related to changes in the underlying financial condition and credit capacity of certain of our investments. As of September 30, 2023, we had \$1.0 billion of investments in debt securities, of which \$0.6 billion were long-term. In addition, we had \$109.8 million of investments in equity instruments of public and private companies. Should these companies experience a decline in financial performance, financial condition or credit capacity, or fail to meet certain development milestones, a decline in the investments' value may occur, resulting in unrealized or realized losses. See Note 5 to the *"Consolidated Condensed Financial Statements"* for additional information.

### **Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures.** Our management, including the Chief Executive Officer and the Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our 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 September 30, 2023. Based on their evaluation, the Chief Executive Officer and Chief Financial Officer have concluded as of September 30, 2023 that our disclosure controls and procedures are designed at a reasonable assurance level and effective in providing reasonable assurance that the information we are required to disclose in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

**Changes in Internal Control Over Financial Reporting.** There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Part II. Other Information

### Item 1. Legal Proceedings

In 2021, we initiated an internal review and investigation into whether business activities in Japan and other markets violated certain provisions of the Foreign Corrupt Practices Act ("FCPA"). We voluntarily notified the United States Securities and Exchange Commission ("SEC") and the United States Department of Justice ("DOJ") during 2021 that we engaged outside counsel to conduct this review and investigation. We have provided status updates to the SEC and DOJ since that time. Any determination that our operations or activities are not in compliance with existing laws, including the FCPA, could result in the imposition of fines, penalties, and equitable remedies. We cannot currently predict the final outcome of the investigation or any potential impact on our financial statements.

On September 28, 2021, Aortic Innovations LLC, a non-practicing entity, filed a lawsuit against Edwards Lifesciences Corporation and certain of its subsidiaries ("Edwards") in the United States District Court for the District of Delaware alleging that Edwards' *SAPIEN 3 Ultra* product infringes certain of its patents. We are unable to predict the ultimate outcome of this matter or estimate a range of possible exposure; therefore, no amount has been accrued. We intend to vigorously defend ourselves in this litigation.

We are subject to various environmental laws and regulations both within and outside of the United States. Our operations, like those of other medical device companies, involve the use of substances regulated under environmental laws, primarily in manufacturing and sterilization 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 our financial results. Our threshold for disclosing material environmental legal proceedings involving a governmental authority where potential monetary sanctions are involved is \$1 million.

### Item 1A. Risk Factors

A description of the risk factors associated with our business is contained in the "Risk Factors" section of our Annual Report on Form 10-K for our fiscal year ended December 31, 2022. There have been no material changes to our risk factors as previously reported.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

#### Issuer Purchases of Equity Securities

Period	Total Number of Shares (or Units) Purchased (a)	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) (b)
July 1, 2023 through July 31, 2023	226,243	\$ 89.84	219,812	\$ 646.8
August 1, 2023 through August 31, 2023	1,678,376	78.53	1,678,376	514.9
September 1, 2023 through September 30, 2023	294,146	75.70	292,790	492.8
Total	2,198,765	79.32	2,190,978	

- (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) In July 2022, the Board of Directors approved a stock repurchase program providing for up to \$1.5 billion of repurchases of our common stock, effective July 28, 2022. Repurchases under the program may be made on the open market, including pursuant to a Rule 10b5-1 plan, and in privately negotiated transactions. The repurchase program does not have an expiration date.

## Item 5. Other Information

### Rule 10b5-1 Trading Plans

On August 31, 2023, Jean-Luc Lemerrier, Corporate Vice President of EMEA, Canada, Latin America, and JAPAC, entered into a 10b5-1 trading plan (the "Plan") intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act. The Plan provides for the potential sale of 43,200 shares of the Company's stock commencing March 11, 2024. The Plan terminates on the earlier of May 10, 2024 or the date all shares are sold.

## Item 6. Exhibits

The exhibits listed in the Exhibit Index below are filed, furnished, or incorporated by reference as part of this report on Form 10-Q.

Exhibit No.	Description
3.1	<a href="#">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 filed on May 17, 2013)</a>
3.2	<a href="#">Certificate of Amendment of Amended and Restated Certificate of Incorporation of Edwards Lifesciences Corporation, dated May 7, 2020 (incorporated by reference to Exhibit 3.1 in Edwards Lifesciences' report on Form 8-K filed on May 8, 2020)</a>
3.3	<a href="#">Certificate of Amendment of Amended and Restated Certificate of Incorporation of Edwards Lifesciences Corporation, dated May 11, 2023 (incorporated by reference to Exhibit 3.1 in Edwards Lifesciences' report on Form 8-K filed on May 15, 2023)</a>
3.4	<a href="#">Bylaws of Edwards Lifesciences Corporation, as amended and restated as of February 16, 2023 (incorporated by reference to Exhibit 3.1 in Edwards Lifesciences' report on Form 8-K filed on February 21, 2023)</a>
31.1	<a href="#">Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	<a href="#">Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	XBRL Inline Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

## SIGNATURES

Pursuant to the requirements 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

(Registrant)

Date: October 27, 2023

By: /s/ SCOTT B. ULLEM

Scott B. Ullem

*Chief Financial Officer*

*(Principal Financial Officer; Duly Authorized Officer)*

Date: October 27, 2023

By: /s/ ROBERT W.A. SELLERS

Robert W.A. Sellers

*Corporate Controller*

*(Principal Accounting Officer)*

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

**CERTIFICATION**

I, Bernard J. Zovighian, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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.

Date: October 27, 2023

By: /s/ BERNARD J. ZOVIGHIAN

Bernard J. Zovighian  
Chief Executive Officer

**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 quarterly report on Form 10-Q 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.

Date: October 27, 2023

By: /s/ SCOTT B. ULLEM

Scott B. Ullem  
Chief Financial Officer

**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 Quarterly Report of Edwards Lifesciences Corporation (the "Company") on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Bernard J. Zovighian, 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.

October 27, 2023

/s/ BERNARD J. ZOVIGHIAN

Bernard J. Zovighian  
Chief Executive Officer

October 27, 2023

/s/ SCOTT B. ULLEM

Scott B. Ullem  
Chief Financial Officer