

**EDWARDS LIFESCIENCES CORPORATION**  
**Unaudited Consolidated Statements of Operations**

(in millions, except per share data)	Three Months Ended December 31,		Year Ended December 31,	
	2007	2006	2007	2006
Net sales	\$293.0	\$265.6	\$1,091.1	\$1,037.0
Cost of goods sold	99.6	97.4	378.2	373.6
Gross profit	193.4	168.2	712.9	663.4
Selling, general and administrative expenses	114.5	95.1	418.0	376.0
Research and development expenses	33.5	30.0	122.3	114.2
Special charges (gains), net	25.8	18.0	23.3	(4.5)
Interest expense, net	0.4	0.4	1.4	2.7
Other (income) expenses, net	(0.4)	1.0	(1.9)	2.7
Income before provision for income taxes	19.6	23.7	149.8	172.3
Provision for income taxes	3.8	3.0	36.8	41.8
Net income	\$15.8	\$20.7	\$113.0	\$130.5
<b>Earnings per share:</b>				
Basic earnings per share	\$0.28	\$0.36	\$1.97	\$2.23
Diluted earnings per share	\$0.27	\$0.34	\$1.87	\$2.10
<b>Weighted average common shares outstanding:</b>				
Basic	56.7	57.7	57.3	58.5
Diluted	59.3	60.4	62.7	63.9

**Operating Statistics**

As a percentage of net sales:				
Gross profit	66.0%	63.3%	65.3%	64.0%
Selling, general and administrative expenses	39.1%	35.8%	38.3%	36.3%
Research and development expenses	11.4%	11.3%	11.2%	11.0%
Income before provision for income taxes	6.7%	8.9%	13.7%	16.6%
Net income	5.4%	7.8%	10.4%	12.6%
Effective tax rate	19.4%	12.7%	24.6%	24.3%

**Computation of Diluted Earnings per Share**

Net income	\$15.8	\$20.7	\$113.0	\$130.5
Adjustment for convertible debt interest expense	-	-	4.0	4.0
Adjusted net income	\$15.8	\$20.7	\$117.0	\$134.5
Weighted average common shares outstanding used to calculate diluted earnings per share excluding convertible debt	59.3	60.4	60.0	61.2
Weighted average common shares outstanding for the convertible debt	-	-	2.7	2.7
Weighted average common shares outstanding used to calculate diluted earnings per share including the convertible debt	59.3	60.4	62.7	63.9
Diluted earnings per share including the convertible debt	\$0.27	\$0.34	\$1.87	\$2.10

Note: Numbers may not foot due to rounding

**EDWARDS LIFESCIENCES CORPORATION****Unaudited Balance Sheets**

(in millions)

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$141.8	\$182.8
Short-term investments	49.4	-
Accounts and other receivables, net	145.3	127.1
Inventories, net	152.6	142.1
Deferred income taxes	30.2	21.8
Prepaid expenses	25.4	25.7
Other current assets	37.0	32.1
Total current assets	<u>581.7</u>	<u>531.6</u>
Property, plant and equipment, net	228.2	213.0
Goodwill	350.3	337.7
Other intangible assets, net	122.5	116.1
Investments in unconsolidated affiliates	34.3	20.2
Deferred income taxes	13.8	14.5
Other assets	14.3	13.7
Total assets	<u><u>\$1,345.1</u></u>	<u><u>\$1,246.8</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$225.4	\$226.2
Convertible debt	150.0	-
Total current liabilities	<u>375.4</u>	<u>226.2</u>
Long-term debt	61.7	235.9
Other long-term liabilities	73.0	35.3
<b>Stockholders' equity</b>		
Common stock	68.6	67.0
Additional contributed capital	680.6	603.7
Retained earnings (1)	548.6	433.9
Accumulated other comprehensive income (loss)	7.5	(15.8)
Common stock in treasury, at cost	(470.3)	(339.4)
Total stockholders' equity	<u>835.0</u>	<u>749.4</u>
Total liabilities and stockholders' equity	<u><u>\$1,345.1</u></u>	<u><u>\$1,246.8</u></u>

(1) Effective January 1, 2007, the Company adopted Financial Accounting Standard Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN 48"). The adoption of FIN 48 increased the January 1, 2007 balance of retained earnings by \$1.7 million.

## EDWARDS LIFESCIENCES CORPORATION

### Non-GAAP Financial Information

To supplement the consolidated financial results prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), the Company uses non-GAAP financial measures that exclude certain items, such as in-process research and development expenses, special charges and gains, results of discontinued products, and fluctuations in exchange rates. Management does not consider the excluded items part of day-to-day business or reflective of the core operational activities of the Company as they result from transactions outside the ordinary course of business.

Management uses non-GAAP financial measures internally for strategic decision making, forecasting future results and evaluating current performance. Certain guidance is provided only on a non-GAAP basis that excludes special items and foreign exchange fluctuations due to the inherent difficulty in forecasting such items. By disclosing non-GAAP financial measures, management intends to provide investors with a more meaningful, consistent comparison of the Company's core operating results and trends for the periods presented.

Non-GAAP financial measures are not prepared in accordance with GAAP; therefore, the information is not necessarily comparable to other companies and should be considered as a supplement to, not a substitute for, nor superior to, the corresponding measures calculated in accordance with GAAP.

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

**Cost of Goods Sold** - The Company incurred a \$2.0 million charge in the fourth quarter of 2006 for the inventory written off as a result of the discontinuance of the Optiwave Laser Ablation System. Given the magnitude and unusual nature of this expense relative to the operating results for the period presented, this expense has been excluded in non-GAAP net income.

**Special Charges (Gains), net** - The Company incurred certain special charges and gains in 2007 and 2006 related to the following:

- 1) *Realignment expenses: \$13.9 million charge for a worldwide realignment of resources, primarily related to severance expenses for the sale of the LifeStent product line and the termination of the Company's intra-aortic balloon pump distribution agreement in Japan in the fourth quarter 2007; \$7.3 million charge for severance expenses resulting from a resource realignment in the fourth quarter of 2006, and a \$2.1 million charge primarily for severance expenses in the first quarter of 2006 resulting from the planned closing of a manufacturing facility;*
- 2) *Pension settlement and adjustment: \$7.1 million charge related to the termination of the Puerto Rico pension plan and a \$4.1 million adjustment to apply SFAS 87 accounting to a Switzerland pension plan in the fourth quarter of 2007;*
- 3) *Reversal of gain on estimated insurance settlement: \$2.5 million charge in the fourth quarter of 2007 to reverse the \$2.5 million gain recorded in the third quarter of 2007 from the estimated insurance settlement from a fire that destroyed certain inventory held at a third party warehouse in Brazil; this gain will be recognized upon receiving the settlement;*
- 4) *Gain on sale of assets, net: \$1.8 million gain from the sale of real estate development rights in the fourth quarter of 2007; \$6.1 million gain from the sale of the angiogenesis program in the fourth quarter of 2006, \$4.5 million gain from the sale of a non-strategic business in the second quarter of 2006, \$2.6 million charge in the second quarter of 2006 related to the revaluation of the Company's remaining international perfusion product assets which were sold in December 2006; and \$5.7 million gain from cash received in the first quarter of 2006 as the final earn-out payment in the prior year's sale of the Japan Perfusion product line;*
- 5) *Gain on patent settlement: \$20.2 million gain from a patent settlement with Medtronic in the first quarter of 2006;*
- 6) *PVT milestone: \$10.0 million charge for achieving a transcatheter clinical milestone with PVT, Inc. in the fourth quarter of 2006;*
- 7) *Discontinued products: \$6.8 million charge for discontinuance of the Optiwave Laser Ablation System in the fourth quarter of 2006;*
- 8) *Restructure 3F Therapeutics agreements: \$2.0 million charge for the final obligation to 3F in the third quarter of 2006 for the prior year's restructuring of the 3F Therapeutics agreement;*
- 9) *Litigation reserve: \$1.2 million charge for litigation reserves in the second quarter of 2006.*

Given the magnitude and unusual nature of these special charges and gains relative to the operating results for the periods presented, these items have been excluded from non-GAAP net income.

**Provision For Income Taxes** - The Company benefited from \$3.2 million of favorable audit settlements in the fourth quarter of 2006 and benefited \$3.7 million in the second quarter of 2006 related to the reversal of a valuation allowance, triggered by the gain from the sale of a product line. Given the magnitude and unusual nature of these tax events relative to the periods presented, these items have been excluded from non-GAAP net income.

**Results of Discontinued Products** - The Company has discontinued certain products during the periods presented. As discontinued products do not have a continuing contribution to operations, management believes that excluding such items from the Company's sales growth provides investors with a means of evaluating the Company's on-going operations. In light of the significance of the impact these products had on the sales growth of the Company, the sales results of these products have been detailed in the "Unaudited Reconciliation of Sales by Product Line and Region."

**Foreign Exchange** - Fluctuation in exchange rates impacts the comparative results and sales growth rates of the Company's underlying business. Management believes that excluding the impact of foreign exchange rate fluctuations from its sales growth provides investors a more meaningful comparison to historical financial results. The impact of foreign exchange rate fluctuations has been detailed in the "Unaudited Reconciliation of Sales by Product Line and Region."

**EDWARDS LIFESCIENCES CORPORATION**  
**Reconciliation of GAAP to Non-GAAP Financial Information**

(in millions, except per share data)	Three Months Ended		Year Ended	
	December 31, 2007	2006	December 31, 2007	2006
<b>GAAP net income</b>	\$15.8	\$20.7	\$113.0	\$130.5
<b>Reconciling items:</b>				
<b>Cost of goods sold</b>				
Discontinued product	-	2.0	-	2.0
<b>Special charges (gains), net</b>				
1) Realignment expenses	13.9	7.3	13.9	9.4
2) Pension settlement and adjustment	11.2	-	11.2	-
3) Reversal of gain on estimated insurance settlement	2.5	-	-	-
4) Gain on sale of assets, net	(1.8)	(6.1)	(1.8)	(13.7)
5) Gain on patent settlement	-	-	-	(20.2)
6) PVT milestone	-	10.0	-	10.0
7) Discontinued products	-	6.8	-	6.8
8) Restructure 3F Therapeutics agreements	-	-	-	2.0
9) Litigation reserve	-	-	-	1.2
Total special charges (gains), net	25.8	18.0	23.3	(4.5)
<b>Provision (benefit) for income taxes</b>				
Tax effect on non-GAAP adjustments (A)	(7.9)	(3.8)	(6.9)	6.6
Tax audit settlements	-	(3.2)	-	(3.2)
Tax benefit from reversal of valuation allowance	-	-	-	(3.7)
Total benefit for income taxes, net	(7.9)	(7.0)	(6.9)	(0.3)
<b>Non-GAAP net income</b>	<b>\$33.7</b>	<b>\$33.7</b>	<b>\$129.4</b>	<b>\$127.7</b>
<b>Non-GAAP earnings per share:</b>				
Basic non-GAAP earnings per share	\$0.59	\$0.58	\$2.26	\$2.18
Diluted non-GAAP earnings per share (B)	\$0.56	\$0.55	\$2.13	\$2.06
<b>Non-GAAP weighted average shares outstanding:</b>				
Basic	56.7	57.7	57.3	58.5
Diluted	62.0	63.2	62.7	63.9
<b>GAAP Gross profit margin</b>				
	66.0%	63.3%	65.3%	64.0%
Effect of Discontinued product	-	0.8%	-	0.2%
<b>Non-GAAP Gross profit margin</b>	<b>66.0%</b>	<b>64.1%</b>	<b>65.3%</b>	<b>64.2%</b>

Notes 1 - 9: See description of Special Charges (Gains), net on the previous page.

(A) The tax effect on non-GAAP adjustments is calculated using the relevant tax jurisdictions' statutory tax rates.

(B) Diluted non-GAAP earnings per share is calculated by adding back to net income \$1.0 million for the quarter in interest expense related to the convertible debt for the quarter, and \$4.0 million for the full year, then dividing by the weighted average diluted shares outstanding.

Note: Numbers may not calculate due to rounding

**EDWARDS LIFESCIENCES CORPORATION**  
**Unaudited Reconciliation of Sales by Product Line and Region**  
(in millions)

Sales by Product Line (QTD)	4Q 2007	4Q 2006	Change	GAAP Growth Rate	2007 Adjusted		2006 Adjusted			Underlying Growth Rate *
					Discontinued Product Line Impact	4Q 2007 Underlying Sales	Discontinued Product Line Impact	FX Impact	4Q 2006 Underlying Sales	
Heart Valve Therapy	\$ 131.4	\$ 120.6	\$ 10.8	9.0%	\$ (0.8)	\$ 130.6	\$ (3.3)	\$ 6.4	\$ 123.7	5.7%
Critical Care	113.0	94.2	18.8	20.0%	-	113.0	-	4.8	99.0	14.4%
Cardiac Surgery Systems	15.1	21.9	(6.8)	(31.1%)	(0.8)	14.3	(9.0)	0.9	13.8	4.3%
Vascular	25.1	21.0	4.1	19.5%	-	25.1	(0.7)	1.1	21.4	17.1%
Other Distributed Products	8.4	7.9	0.5	6.3%	-	8.4	-	0.2	8.1	3.7%
<b>Total Sales</b>	<b>\$ 293.0</b>	<b>\$ 265.6</b>	<b>\$ 27.4</b>	<b>10.3%</b>	<b>\$ (1.6)</b>	<b>\$ 291.4</b>	<b>\$ (13.0)</b>	<b>\$ 13.4</b>	<b>\$ 266.0</b>	<b>9.7%</b>

Sales by Product Line (YTD)	YTD 4Q 2007	YTD 4Q 2006	Change	GAAP Growth Rate	2007 Adjusted		2006 Adjusted			Underlying Growth Rate *
					Discontinued Product Line Impact	YTD 2007 Underlying Sales	Discontinued Product Line Impact	FX Impact	YTD 2006 Underlying Sales	
Heart Valve Therapy	\$ 515.0	\$ 490.8	\$ 24.2	4.9%	\$ (5.8)	\$ 509.2	\$ (12.5)	\$ 14.9	\$ 493.2	3.2%
Critical Care	397.8	349.8	48.0	13.7%	-	397.8	-	10.4	360.2	10.4%
Cardiac Surgery Systems	60.9	91.0	(30.1)	(33.1%)	(6.2)	54.7	(38.9)	1.5	53.6	2.1%
Vascular	90.0	75.9	14.1	18.6%	-	90.0	(2.5)	3.0	76.4	17.8%
Other Distributed Products	27.4	29.5	(2.1)	(7.1%)	-	27.4	(0.9)	0.4	29.0	(3.5%)
<b>Total Sales</b>	<b>\$ 1,091.1</b>	<b>\$ 1,037.0</b>	<b>\$ 54.1</b>	<b>5.2%</b>	<b>\$ (12.0)</b>	<b>\$ 1,079.1</b>	<b>\$ (54.8)</b>	<b>\$ 30.2</b>	<b>\$ 1,012.4</b>	<b>6.6%</b>

Sales by Region (QTD)	4Q 2007	4Q 2006	Change	GAAP Growth Rate
United States	\$ 123.9	\$ 119.3	\$ 4.6	3.9%
Europe	85.7	69.8	15.9	22.8%
Japan	50.6	44.2	6.4	14.5%
Rest of World	32.8	32.3	0.5	1.5%
International	169.1	146.3	22.8	15.6%
<b>Total</b>	<b>\$ 293.0</b>	<b>\$ 265.6</b>	<b>\$ 27.4</b>	<b>10.3%</b>

Sales by Region (YTD)	YTD 4Q 2007	YTD 4Q 2006	Change	GAAP Growth Rate
United States	\$ 486.6	\$ 477.9	\$ 8.7	1.8%
Europe	309.1	264.6	44.5	16.8%
Japan	171.4	168.8	2.6	1.5%
Rest of World	124.0	125.7	(1.7)	(1.4%)
International	604.5	559.1	45.4	8.1%
<b>Total</b>	<b>\$ 1,091.1</b>	<b>\$ 1,037.0</b>	<b>\$ 54.1</b>	<b>5.2%</b>

\* Numbers may not calculate due to rounding.