

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

(in millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net sales	\$348.9	\$325.7	\$1,054.6	\$974.7
Cost of goods sold	95.8	98.5	294.8	297.4
Gross profit	253.1	227.2	759.8	677.3
Selling, general and administrative expenses	133.0	126.1	407.6	376.5
Research and development expenses	52.7	44.7	148.5	127.2
Special charges (gains), net	3.9	(38.2)	12.2	(67.5)
Interest expense, net	0.4	0.6	1.1	0.9
Other income, net	(3.1)	(0.2)	(7.7)	(1.8)
Income before provision for income taxes	66.2	94.2	198.1	242.0
Provision for income taxes	18.2	20.7	44.9	60.5
Net income	\$48.0	\$73.5	\$153.2	\$181.5

**Earnings per share:** <sup>(A)</sup>

Basic earnings per share	\$0.42	\$0.65	\$1.35	\$1.62
Diluted earnings per share	\$0.40	\$0.63	\$1.29	\$1.55

**Weighted average common shares outstanding:** <sup>(A)</sup>

Basic	113.6	112.7	113.4	112.3
Diluted	118.9	117.5	118.9	117.1

**Operating Statistics**

As a percentage of net sales:				
Gross profit	72.5%	69.8%	72.0%	69.5%
Selling, general and administrative expenses	38.1%	38.7%	38.6%	38.6%
Research and development expenses	15.1%	13.7%	14.1%	13.1%
Income before provision for income taxes	19.0%	28.9%	18.8%	24.8%
Net income	13.8%	22.6%	14.5%	18.6%
Effective tax rate	27.5%	22.0%	22.7%	25.0%

Note: Numbers may not calculate due to rounding.

(A) All share and per share amounts were adjusted for the May 27, 2010 two-for-one stock split.

**EDWARDS LIFESCIENCES CORPORATION**  
**Unaudited Balance Sheets**  
(in millions)

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$361.0	\$334.1
Accounts and other receivables, net	303.4	272.1
Inventories, net	212.2	165.9
Deferred income taxes	44.2	48.3
Prepaid expenses	45.0	33.7
Other current assets	26.6	35.1
Total current assets	<u>992.4</u>	<u>889.2</u>
Property, plant and equipment, net	260.3	252.0
Goodwill	315.2	315.2
Other intangible assets, net	71.7	86.7
Investments in unconsolidated affiliates	22.3	22.3
Deferred income taxes	51.4	37.1
Other assets	12.1	13.0
Total assets	<u><u>\$1,725.4</u></u>	<u><u>\$1,615.5</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$281.6	\$290.5
Long-term debt	100.6	90.3
Other long-term liabilities	109.7	76.8
<b>Stockholders' equity <sup>(A)</sup></b>		
Common stock	116.1	76.1
Additional paid-in capital	184.4	1,056.0
Retained earnings	1,059.2	906.0
Accumulated other comprehensive loss	(24.2)	(7.9)
Treasury stock, at cost	(102.0)	(872.3)
Total stockholders' equity	<u>1,233.5</u>	<u>1,157.9</u>
Total liabilities and stockholders' equity	<u><u>\$1,725.4</u></u>	<u><u>\$1,615.5</u></u>

(A) Current year balances reflect the May 27, 2010 two-for-one stock split. December 31, 2009 balances were not retroactively adjusted to reflect the stock split.

## 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 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 (or "underlying") 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:**

**Gross profit** - In the fourth quarter of 2008, the Company increased by \$4.7 million its non-GAAP gross profit to exclude the impact of its voluntary retrieval of certain ring repair products pending clearance of its 510k application submission from the Food and Drug Administration. Upon the return of most of these ring repair products to customers in the second quarter of 2009, the Company excluded the \$4.1 million impact from its non-GAAP gross profit. Given the magnitude and unusual nature of this adjustment relative to the operating results for the period presented, the financial impact of the retrieval has been excluded from non-GAAP net income.

**Special Charges (Gains), net** - The Company incurred certain special charges and gains in 2010 and 2009 related to the following:

- 1) *Investment impairment*: \$3.9 million charge and \$1.6 million charge in the third quarters of 2010 and 2009, respectively, related to the impairment of certain investments in unconsolidated affiliates;
- 2) *MONARC program discontinuation*: \$8.3 million charge in the second quarter of 2010 related to the write-down of assets, primarily intellectual property, due to the discontinuation of the Company's EVOLUTION II clinical trial of the Edwards MONARC system;
- 3) *Milestone receipt and net gain on sale of assets*: \$43.6 million gain in the third quarter of 2009 and \$1.5 million charge in the second quarter of 2009 related to the sale of the hemofiltration product line; \$15.0 million gain in the third quarter of 2009 and \$27.0 million gain in the first quarter of 2009 for achieving milestones associated with the sale of the LifeStent product line;
- 4) *Charitable fund contribution*: \$15.0 million charge in the third quarter of 2009 for a charitable contribution to The Edwards Lifesciences Fund;
- 5) *Litigation reserves*: \$3.8 million charge in the third quarter of 2009 for a litigation reserve;
- 6) *Sale of distribution rights*: \$2.8 million gain in the first quarter of 2009 related to the sale of distribution rights in Europe of a specialty vascular graft;
- 7) *Reserve reversal*: \$1.0 million gain in the first quarter of 2009 resulting from completion of the Lifepath AAA clinical obligations.

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** - During the second quarter of 2010, the Company recorded a \$9.8 million income tax benefit resulting from a partial settlement of a prior year tax audit. Given the magnitude and unusual nature of the tax event relative to the periods presented, it has been excluded from non-GAAP net income.

**Results of Discontinued and Other 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 September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
<b>GAAP net income</b>	\$48.0	\$73.5	\$153.2	\$181.5
<b>Reconciling items:</b>				
<b>Gross profit</b>				
Sale of ring repair products	-	-	-	(4.1)
<b>Special charges (gains), net <sup>(A)</sup></b>				
1) Investment impairment	3.9	1.6	3.9	1.6
2) MONARC program discontinuation	-	-	8.3	-
3) Milestone receipt and net gain on sale of assets	-	(58.6)	-	(84.1)
4) Charitable fund contribution	-	15.0	-	15.0
5) Litigation reserves	-	3.8	-	3.8
6) Sale of distribution rights	-	-	-	(2.8)
7) Reserve reversal	-	-	-	(1.0)
Total special charges (gains), net	3.9	(38.2)	12.2	(67.5)
<b>Provision for income taxes</b>				
Tax effect on non-GAAP adjustments <sup>(B)</sup>	(1.3)	6.5	(2.3)	19.3
Tax audit settlement <sup>(A)</sup>	-	-	(9.8)	-
Total provision for income taxes	(1.3)	6.5	(12.1)	19.3
<b>Non-GAAP net income</b>	<b>\$50.6</b>	<b>\$41.8</b>	<b>\$153.3</b>	<b>\$129.2</b>
<b>Non-GAAP earnings per share: <sup>(C)</sup></b>				
Basic non-GAAP earnings per share	\$0.45	\$0.37	\$1.35	\$1.15
Diluted non-GAAP earnings per share	\$0.43	\$0.36	\$1.29	\$1.10
<b>Non-GAAP weighted average shares outstanding: <sup>(C)</sup></b>				
Basic	113.6	112.7	113.4	112.3
Diluted	118.9	117.5	118.9	117.1

Note: Numbers may not calculate due to rounding.

(A) See description of "Special charges (gains), net" on the previous page.

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

(C) All share and per share amounts were adjusted for the May 27, 2010 two-for-one stock split.

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

Sales by Product Line (QTD)	3Q 2010	3Q 2009	Change	GAAP Growth Rate	2010 Adjusted		2009 Adjusted		3Q 2009 Underlying Sales	Underlying Growth Rate *
					Discontinued Product Line Impact	3Q 2010 Underlying Sales	Discontinued Product Line Impact	FX Impact		
Heart Valve Therapy	\$ 200.6	\$ 174.1	\$ 26.5	15.2%	\$ -	\$ 200.6	\$ -	\$ (4.4)	\$ 169.7	18.1%
Critical Care	111.0	114.2	(3.2)	(2.8%)	-	111.0	(10.2)	1.2	105.2	5.6%
Cardiac Surgery Systems	23.7	22.3	1.4	6.3%	-	23.7	-	(0.1)	22.2	7.0%
Vascular	13.6	15.1	(1.5)	(9.9%)	-	13.6	(1.9)	(0.4)	12.8	4.4%
<b>Total Sales</b>	<b>\$ 348.9</b>	<b>\$ 325.7</b>	<b>\$ 23.2</b>	<b>7.1%</b>	<b>\$ -</b>	<b>\$ 348.9</b>	<b>\$ (12.1)</b>	<b>\$ (3.7)</b>	<b>\$ 309.9</b>	<b>12.6%</b>

Sales by Product Line (YTD)	YTD 3Q 2010	YTD 3Q 2009	Change	GAAP Growth Rate	2010 Adjusted		2009 Adjusted		YTD 2009 Underlying Sales	Underlying Growth Rate *
					Discontinued Product Line Impact	YTD 2010 Underlying Sales	Discontinued/Other Product Line Impact	FX Impact		
Heart Valve Therapy	\$ 612.1	\$ 526.6	\$ 85.5	16.2%	\$ -	\$ 612.1	\$ (4.2)	\$ 1.4	\$ 523.8	16.8%
Critical Care	326.6	331.7	(5.1)	(1.5%)	-	326.6	(32.3)	6.7	306.1	6.7%
Cardiac Surgery Systems	75.0	68.9	6.1	8.9%	-	75.0	(0.1)	0.8	69.6	7.8%
Vascular	40.9	47.5	(6.6)	(13.9%)	-	40.9	(7.8)	(0.1)	39.6	2.2%
<b>Total Sales</b>	<b>\$ 1,054.6</b>	<b>\$ 974.7</b>	<b>\$ 79.9</b>	<b>8.2%</b>	<b>\$ -</b>	<b>\$ 1,054.6</b>	<b>\$ (44.4)</b>	<b>\$ 8.8</b>	<b>\$ 939.1</b>	<b>12.3%</b>

Sales by Region (QTD)	3Q 2010	3Q 2009	Change	GAAP Growth Rate
United States	\$ 140.1	\$ 137.0	\$ 3.1	2.3%
Europe	103.8	97.0	6.8	7.0%
Japan	61.7	52.6	9.1	17.3%
Rest of World	43.3	39.1	4.2	10.7%
International	208.8	188.7	20.1	10.7%
<b>Total</b>	<b>\$ 348.9</b>	<b>\$ 325.7</b>	<b>\$ 23.2</b>	<b>7.1%</b>

Sales by Region (YTD)	YTD 3Q 2010	YTD 3Q 2009	Change	GAAP Growth Rate
United States	\$ 423.1	\$ 415.4	\$ 7.7	1.9%
Europe	327.6	298.4	29.2	9.8%
Japan	178.2	154.4	23.8	15.4%
Rest of World	125.7	106.5	19.2	18.0%
International	631.5	559.3	72.2	12.9%
<b>Total</b>	<b>\$ 1,054.6</b>	<b>\$ 974.7</b>	<b>\$ 79.9</b>	<b>8.2%</b>

\* Numbers may not calculate due to rounding.