

EDWARDS LIFESCIENCES CORPORATION
Unaudited Consolidated Statements of Operations

(in millions, except per share data)	Three Months Ended December 31,		Year Ended December 31,	
	2012	2011	2012	2011
Net sales	\$510.5	\$430.2	\$1,899.6	\$1,678.6
Cost of goods sold	125.8	119.6	494.6	489.8
Gross profit	384.7	310.6	1,405.0	1,188.8
Selling, general and administrative expenses	177.9	163.4	705.3	642.4
Research and development expenses	74.9	60.7	291.3	246.3
Special charges	9.0	17.6	16.0	21.6
Interest income, net	-	-	(0.4)	(0.3)
Other expense (income), net	0.7	0.3	1.7	(4.8)
Income before provision for income taxes	122.2	68.6	391.1	283.6
Provision for income taxes	31.1	5.5	97.9	46.9
Net income	\$91.1	\$63.1	\$293.2	\$236.7

Earnings per share:

Basic	\$0.79	\$0.55	\$2.55	\$2.07
Diluted	\$0.77	\$0.53	\$2.48	\$1.98

Weighted-average common shares outstanding:

Basic	115.0	114.1	114.9	114.6
Diluted	117.8	118.1	118.3	119.4

Operating Statistics

As a percentage of net sales:				
Gross profit	75.4%	72.2%	74.0%	70.8%
Selling, general and administrative expenses	34.8%	38.0%	37.1%	38.3%
Research and development expenses	14.7%	14.1%	15.3%	14.7%
Income before provision for income taxes	23.9%	15.9%	20.6%	16.9%
Net income	17.8%	14.7%	15.4%	14.1%
Effective tax rate	25.5%	8.0%	25.0%	16.5%

Note: Numbers may not calculate due to rounding.

EDWARDS LIFESCIENCES CORPORATION**Unaudited Balance Sheets**

(in millions)

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$310.9	\$171.2
Short-term investments	210.5	279.3
Accounts and other receivables, net	347.5	320.7
Inventories, net	281.0	261.3
Deferred income taxes	43.4	43.9
Prepaid expenses	41.6	35.0
Other current assets	57.0	57.1
Total current assets	<u>1,291.9</u>	<u>1,168.5</u>
Long-term accounts receivable, net	9.9	24.6
Property, plant and equipment, net	373.3	304.3
Goodwill	384.7	349.8
Other intangible assets, net	67.0	66.9
Investments in unconsolidated affiliates	21.1	21.8
Deferred income taxes	47.3	20.0
Other assets	26.3	24.6
Total assets	<u><u>\$2,221.5</u></u>	<u><u>\$1,980.5</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	<u>\$347.4</u>	<u>\$335.2</u>
Long-term debt	<u>189.3</u>	<u>150.4</u>
Other long-term liabilities	<u>205.5</u>	<u>157.0</u>
Stockholders' equity		
Common stock	124.2	120.0
Additional paid-in capital	489.0	300.5
Retained earnings	1,653.9	1,360.7
Accumulated other comprehensive loss	(37.9)	(37.5)
Treasury stock, at cost	(749.9)	(405.8)
Total stockholders' equity	<u>1,479.3</u>	<u>1,337.9</u>
Total liabilities and stockholders' equity	<u><u>\$2,221.5</u></u>	<u><u>\$1,980.5</u></u>

EDWARDS LIFESCIENCES CORPORATION

Non-GAAP Financial Information

To supplement the consolidated financial results prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), the Company uses non-GAAP historical financial measures. The Company uses the term "underlying" when referring to non-GAAP sales information, which excludes discontinued and newly acquired products and foreign exchange fluctuations, and "excluding special items" or "adjusted for special items" to also exclude gains and losses from special items such as significant investments, litigation, and business development transactions, and for 2012 to include the tax benefit for the research and development ("R&D") tax credit, which is required to be recorded in 2013. Guidance for sales and sales growth rates is provided on an "underlying basis," and projections for diluted earnings per share, gross profit margin, selling, general and administrative expenses ("SG&A"), R&D, effective tax rate, net income and growth are also provided on the same non-GAAP (or "excluding special items") basis due to the inherent difficulty in forecasting such items. Management does not consider the excluded items part of day-to-day business or reflective of the core operational activities of the Company as they result from transactions outside the ordinary course of business.

Management uses non-GAAP financial measures internally for strategic decision making, forecasting future results and evaluating current performance. By disclosing non-GAAP financial measures, management intends to provide investors with a more meaningful, consistent comparison of the Company's core operating results and trends for the periods presented. These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with GAAP and reflect an additional way of viewing aspects of the Company's operations that, when viewed with the Company's GAAP results, provide a more complete understanding of factors and trends affecting the Company's business. These non-GAAP measures should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP.

Non-GAAP financial measures are not prepared in accordance with GAAP; therefore, the information is not necessarily comparable to other companies. The Company is not able to provide a reconciliation of projected earnings per share, gross profit margin, SG&A, R&D, effective tax rate, net income and growth guidance, excluding special charges, to expected reported results due to the unknown effect, timing and potential significance of special charges or gains, and management's inability to forecast charges associated with future transactions and initiatives.

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

Gross Profit - In the second quarter of 2012, the Company increased its non-GAAP gross profit by \$8.1 million to exclude the impact of its voluntary recall of certain heart valves and Critical Care catheters. Given the magnitude and unusual nature of this adjustment relative to the operating results for the period presented, the financial impact of the recall has been excluded from non-GAAP net income.

Special Charges - The Company incurred certain special charges in 2012 and 2011 related to the following:

- 1) *Worldwide realignment*: \$9.0 million charge in the fourth quarter of 2012 and \$5.5 million charge in the fourth quarter of 2011 related primarily to severance expenses associated with a global workforce realignment;
- 2) *Licensing of Intellectual Property*: \$7.0 million charge in the second quarter of 2012 for the upfront licensing and royalty fees related to the licensing of intellectual property;
- 3) *European receivables reserve*: \$8.8 million charge in the fourth quarter of 2011 and \$4.0 million charge in the second quarter of 2011 to reflect the increased risk associated with the Company's European sovereign debt receivables;
- 4) *Litigation settlement*: \$3.3 million charge in the fourth quarter of 2011 for a litigation settlement.

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

Provision For Income Taxes - During the fourth quarter 2012, an \$8.4 million income tax benefit relating to the federal research and development tax credit that was extended in 2013 retroactive to the beginning of 2012, was included in non-GAAP earnings and non-GAAP diluted earnings per share. During the first quarter of 2012, the Company recorded a \$2.3 million tax benefit due to the remeasurement of its uncertain tax positions. During the fourth quarter of 2011, the Company recorded a \$4.0 million tax benefit due to the expiration of various statutes of limitations. During the second and third quarters of 2011, the Company recorded a \$2.5 million and \$6.9 million tax benefit, respectively, related to a ruling made by tax authorities in Switzerland. Given the magnitude and unusual nature of the tax events relative to the periods presented, non-GAAP net income and earnings per share has been adjusted for these tax events.

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
Unaudited Reconciliation of GAAP to Non-GAAP Financial Information

GAAP TO NON-GAAP NET INCOME TABLE

(in millions, except per share data)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2012	2011	2012	2011
GAAP Net Income	\$91.1	\$63.1	\$293.2	\$236.7
Reconciling items: ^(A)				
Gross profit				
Recall of heart valves and catheters	-	-	8.1	-
Special charges				
1) Worldwide realignment	9.0	5.5	9.0	5.5
2) Licensing of intellectual property	-	-	7.0	-
3) European receivables reserve	-	8.8	-	12.8
4) Litigation settlement	-	3.3	-	3.3
Total	9.0	17.6	16.0	21.6
Provision for income taxes				
Tax effect on non-GAAP adjustments ^(B)	(2.0)	(3.5)	(5.4)	(3.9)
Federal research and development tax credit ^(A)	8.4	-	8.4	-
Expiration of various statutes of limitations ^(A)	-	(4.0)	-	(4.0)
Remeasurement of uncertain tax position reserve	-	-	(2.3)	-
Tax rulings and settlements	-	-	-	(9.4)
Total	6.4	(7.5)	0.7	(17.3)
Non-GAAP Net Income	\$106.5	\$73.2	\$318.0	\$241.0

GAAP TO NON-GAAP DILUTED EARNINGS PER SHARE TABLE

GAAP Diluted Earnings Per Share	\$0.77	\$0.53	\$2.48	\$1.98
Reconciling items: ^{(A)(C)}				
Gross profit				
Recall of heart valves and catheters	-	-	0.06	-
Special charges				
1) Worldwide realignment	0.06	0.04	0.06	0.04
2) Licensing of intellectual property	-	-	0.04	-
3) European receivables reserve	-	0.07	-	0.10
4) Litigation settlement	-	0.02	-	0.02
Total	0.06	0.13	0.10	0.16
Provision for income taxes				
Federal research and development tax credit ^(A)	0.07	-	0.07	-
Expiration of various statutes of limitations ^(A)	-	(0.04)	-	(0.04)
Remeasurement of uncertain tax position reserve	-	-	(0.02)	-
Tax rulings and settlements	-	-	-	(0.08)
Total	0.07	(0.04)	0.05	(0.12)
Non-GAAP Diluted Earnings Per Share	\$0.90	\$0.62	\$2.69	\$2.02

Note: Numbers may not calculate due to rounding.

(A) See description of "Gross Profit," "Special Charges" and "Provision For Income Taxes" on the Non-GAAP Financial Information page.

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

(C) All amounts are tax effected, calculated using the relevant tax jurisdictions' statutory tax rates.

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

GAAP TO NON-GAAP GROSS PROFIT TABLE

	Three Months Ended December 31, 2012	Twelve Months Ended December 31, 2012
GAAP Gross Profit	75.4%	74.0%
<u>Reconciling item:</u> ^(A)		
Recall of heart valves and catheters	-	0.4%
Non-GAAP Gross Profit	75.4%	74.4%

Note: Numbers may not calculate due to rounding.

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

EDWARDS LIFESCIENCES CORPORATION
Unaudited Reconciliation of GAAP to Non-GAAP Tax Rate

GAAP TO NON-GAAP TAX RATE TABLE

	Three Months Ended December 31, 2012	Twelve Months Ended December 31, 2012
GAAP Tax Rate	25.5%	25.0%
<u>Reconciling items:</u> ^(A)		
Gross profit		
Recall of heart valves and catheters	-	(0.3) pts
Special charges		
Worldwide realignment	(0.3) pts	(0.1) pts
Licensing of intellectual property	-	0.3 pts
Provision for income taxes		
Federal research and development tax credit	(6.4) pts	(2.0) pts
Remeasurement of uncertain tax position reserve	-	0.5 pts
Non-GAAP Tax Rate	18.8%	23.4%

(A) See description of "Gross Profit," "Special Charges" and "Provision For Income Taxes" on the Non-GAAP Financial Information page.

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

Sales by Product Line (QTD)	4Q 2012	4Q 2011	Change	GAAP Growth Rate*
Surgical Heart Valves	\$ 168.6	\$ 163.4	\$ 5.2	3.2%
Cardiac Surgery Systems	29.1	27.2	1.9	6.9%
Total Surgical Heart Valve Therapy	197.7	190.6	7.1	3.8%
Transcatheter Heart Valves	161.0	93.2	67.8	72.8%
Critical Care	138.0	133.3	4.7	3.5%
Vascular	13.8	13.1	0.7	4.8%
Total Critical Care	151.8	146.4	5.4	3.6%
Total Sales	\$ 510.5	\$ 430.2	\$ 80.3	18.7%

2011 Adjusted		
FX Impact	4Q 2011 Underlying Sales	Underlying Growth Rate *
\$ (2.8)	\$ 160.6	5.0%
(0.4)	26.8	8.4%
(3.2)	187.4	5.5%
(2.3)	90.9	77.2%
(3.2)	130.1	6.0%
(0.2)	12.9	6.6%
(3.4)	143.0	6.1%
\$ (8.9)	\$ 421.3	21.2%

Sales by Product Line (YTD)	YTD 4Q 2012	YTD 4Q 2011	Change	GAAP Growth Rate*
Surgical Heart Valves	\$ 676.1	\$ 676.9	\$ (0.8)	(0.1%)
Cardiac Surgery Systems	111.4	107.5	3.9	3.6%
Total Surgical Heart Valve Therapy	787.5	784.4	3.1	0.4%
Transcatheter Heart Valves	552.1	333.8	218.3	65.4%
Critical Care	508.4	508.3	0.1	0.0%
Vascular	51.6	52.1	(0.5)	(1.1%)
Total Critical Care	560.0	560.4	(0.4)	(0.1%)
Total Sales	\$ 1,899.6	\$ 1,678.6	\$ 221.0	13.2%

2011 Adjusted		
FX Impact	YTD 4Q 2011 Underlying Sales	Underlying Growth Rate *
\$ (13.2)	\$ 663.7	1.9%
(2.1)	105.4	5.7%
(15.3)	769.1	2.4%
(16.7)	317.1	74.1%
(9.4)	498.9	1.9%
(1.0)	51.1	1.0%
(10.4)	550.0	1.8%
\$ (42.4)	\$ 1,636.2	16.2%

Sales by Region (QTD)	4Q 2012	4Q 2011	Change	GAAP Growth Rate*
United States	\$ 224.9	\$ 154.7	\$ 70.2	45.5%
Europe	142.6	143.7	(1.1)	(0.8%)
Japan	79.2	76.8	2.4	3.0%
Rest of World	63.8	55.0	8.8	16.0%
International	285.6	275.5	10.1	3.6%
Total	\$ 510.5	\$ 430.2	\$ 80.3	18.7%

Sales by Region (YTD)	YTD 4Q 2012	YTD 4Q 2011	Change	GAAP Growth Rate*
United States	\$ 812.1	\$ 605.6	\$ 206.5	34.1%
Europe	559.7	574.0	(14.3)	(2.5%)
Japan	294.1	283.7	10.4	3.7%
Rest of World	233.7	215.3	18.4	8.5%
International	1,087.5	1,073.0	14.5	1.3%
Total	\$ 1,899.6	\$ 1,678.6	\$ 221.0	13.2%

* Numbers may not calculate due to rounding.