

EDWARDS LIFESCIENCES CORPORATION
Unaudited Consolidated Statements of Operations

(in millions, except per share data)	Three Months Ended December 31,		Year Ended December 31,	
	2010	2009	2010	2009
Net sales	\$392.4	\$346.7	\$1,447.0	\$1,321.4
Cost of goods sold	113.5	101.7	408.3	399.1
Gross profit	278.9	245.0	1,038.7	922.3
Selling, general and administrative expenses	142.4	132.3	550.0	508.8
Research and development expenses	55.9	48.3	204.4	175.5
Special charges (gains), net	10.5	3.7	22.7	(63.8)
Interest expense, net	0.4	0.2	1.5	1.1
Other income, net	(0.4)	(1.9)	(8.1)	(3.7)
Income before provision for income taxes	70.1	62.4	268.2	304.4
Provision for income taxes	5.3	14.8	50.2	75.3
Net income	\$64.8	\$47.6	\$218.0	\$229.1

Earnings per share: ^(A)

Basic earnings per share	\$0.57	\$0.42	\$1.92	\$2.04
Diluted earnings per share	\$0.54	\$0.40	\$1.83	\$1.95

Weighted-average common shares outstanding: ^(A)

Basic	114.5	113.2	113.7	112.5
Diluted	120.1	118.7	119.2	117.5

Operating Statistics

As a percentage of net sales:

Gross profit	71.1%	70.7%	71.8%	69.8%
Selling, general and administrative expenses	36.3%	38.2%	38.0%	38.5%
Research and development expenses	14.2%	13.9%	14.1%	13.3%
Income before provision for income taxes	17.9%	18.0%	18.5%	23.0%
Net income	16.5%	13.7%	15.1%	17.3%
Effective tax rate	7.6%	23.7%	18.7%	24.7%

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)

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$396.1	\$334.1
Accounts and other receivables, net	302.5	272.1
Inventories, net	203.6	165.9
Deferred income taxes	51.9	48.3
Prepaid expenses	35.4	33.7
Other current assets	43.1	35.1
Total current assets	<u>1,032.6</u>	<u>889.2</u>
Property, plant and equipment, net	269.8	252.0
Goodwill	315.2	315.2
Other intangible assets, net	67.1	86.7
Investments in unconsolidated affiliates	25.0	22.3
Deferred income taxes	44.5	37.1
Other assets	13.0	13.0
Total assets	<u><u>\$1,767.2</u></u>	<u><u>\$1,615.5</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$296.0	\$290.5
Short-term debt	41.8	-
Total current liabilities	<u>337.8</u>	<u>290.5</u>
Long-term debt	-	90.3
Other long-term liabilities	121.2	76.8
Stockholders' equity ^(A)		
Common stock	117.0	76.1
Additional paid-in capital	211.3	1,056.0
Retained earnings	1,124.0	906.0
Accumulated other comprehensive loss	(42.1)	(7.9)
Treasury stock, at cost	(102.0)	(872.3)
Total stockholders' equity	<u>1,308.2</u>	<u>1,157.9</u>
Total liabilities and stockholders' equity	<u><u>\$1,767.2</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 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 EPS "excluding special items" to also exclude gains and losses from special items such as significant investments, litigation, and business development transactions. Guidance for sales and sales growth rates is provided on an "underlying basis", and projections for diluted earnings per share, gross profit margin, net income and growth is 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 our operations that, when viewed with our GAAP results, provide a more complete understanding of factors and trends affecting our business. These non-GAAP measures should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with generally accepted accounting principles.

Non-GAAP financial measures are not prepared in accordance with GAAP; therefore, the information is not necessarily comparable to other companies. A reconciliation of non-GAAP historical financial measures to the most comparable GAAP measure is provided in the tables below. The Company is not able to provide a reconciliation of projected EPS, gross profit margin, 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 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) *Worldwide realignment*: \$7.2 million charge in the fourth quarter of 2010 related primarily to severance expenses associated with a global workforce realignment;
- 2) *Investment impairment*: \$3.3 million charge in the fourth quarter of 2010, \$3.9 million charge in the third quarter of 2010, and \$1.6 million charge in the third quarter of 2009 related to the impairment of certain investments in unconsolidated affiliates;
- 3) *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;
- 4) *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;
- 5) *Charitable fund contribution*: \$15.0 million charge in the third quarter of 2009 for a charitable contribution to The Edwards Lifesciences Fund;
- 6) *Litigation reserves*: \$3.8 million charge in the third quarter of 2009 for a litigation reserve;
- 7) *Adjustment to capitalized patent enforcement costs*: \$3.7 million charge in the fourth quarter of 2009 to reverse previously capitalized patent enforcement costs related to litigation for which success is no longer deemed probable;
- 8) *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;
- 9) *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 fourth quarter of 2010, the Company recorded a \$7.9 million income tax benefit related to the reduction of certain intercompany pricing reserves. 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

<u>GAAP TO NON-GAAP NET INCOME TABLE</u>	Three Months Ended		Year Ended	
	December 31,		December 31,	
(in millions, except per share data)	2010	2009	2010	2009
GAAP net income	\$64.8	\$47.6	\$218.0	\$229.1
Reconciling items:				
Gross profit				
Sale of ring repair products	-	-	-	(4.1)
Special charges (gains), net ^(A)				
1) Worldwide realignment	7.2	-	7.2	-
2) Investment impairment	3.3	-	7.2	1.6
3) MONARC program discontinuation	-	-	8.3	-
4) Milestone receipt and net gain on sale of assets	-	-	-	(84.1)
5) Charitable fund contribution	-	-	-	15.0
6) Litigation reserves	-	-	-	3.8
7) Adjustment to capitalized patent enforcement costs	-	3.7	-	3.7
8) Sale of distribution rights	-	-	-	(2.8)
9) Reserve reversal	-	-	-	(1.0)
Total special charges (gains), net	10.5	3.7	22.7	(63.8)
Provision for income taxes				
Tax effect on non-GAAP adjustments ^(B)	(1.8)	(1.5)	(4.1)	17.8
Resolution of outstanding transfer price issues ^(A)	(7.9)	-	(7.9)	-
Tax audit settlement ^(A)	-	-	(9.8)	-
Total provision for income taxes	(9.7)	(1.5)	(21.8)	17.8
Non-GAAP net income	\$65.6	\$49.8	\$218.9	\$179.0

GAAP TO NON-GAAP EARNINGS PER SHARE TABLE

GAAP earnings per share ^(C)	\$0.54	\$0.40	\$1.83	\$1.95
Reconciling items: ^(D)				
Gross profit				
Sale of ring repair products	-	-	-	(0.02)
Special charges (gains), net ^(A)				
1) Worldwide realignment	0.05	-	0.05	-
2) Investment impairment	0.02	-	0.05	0.01
3) MONARC program discontinuation	-	-	0.06	-
4) Milestone receipt and net gain on sale of assets	-	-	-	(0.51)
5) Charitable fund contribution	-	-	-	0.08
6) Litigation reserves	-	-	-	0.02
7) Adjustment to capitalized patent enforcement costs	-	0.02	-	0.02
8) Sale of distribution rights	-	-	-	(0.02)
9) Reserve reversal	-	-	-	(0.01)
Total special charges (gains), net	0.07	0.02	0.16	(0.41)
Provision for income taxes				
Resolution of outstanding transfer price issues ^(A)	(0.06)	-	(0.07)	-
Tax audit settlement ^(A)	-	-	(0.08)	-
Total provision for income taxes	(0.06)	-	(0.15)	-
Non-GAAP earnings per share ^(C)	\$0.55	\$0.42	\$1.84	\$1.52

Note: Numbers may not calculate due to rounding.

(A) See description of "Special Charges (Gains), net" and "Provision For Income Taxes" on the previous page.

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

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

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

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

	Q4 2010	YTD 2010
GAAP Tax Rate	7.6%	18.7%
<u>Reconciling items:</u> (A)		
Special charges (gains), net		
1) Worldwide realignment	1.1%	0.1%
2) Investment impairment	0.1%	0.1%
3) MONARC program discontinuation	-	(0.2%)
Provision for income taxes		
Resolution of outstanding transfer price issues	9.8%	2.7%
Tax audit settlement	-	3.4%
Non-GAAP Tax Rate	18.6%	24.8%

(A) See description of "Special Charges (Gains), net" 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 2010	4Q 2009	Change	GAAP Growth Rate	2010 Adjusted		2009 Adjusted			Underlying Growth Rate *
					Discontinued Product Line Impact	4Q 2010 Underlying Sales	Discontinued Product Line Impact	FX Impact	4Q 2009 Underlying Sales	
Surgical Heart Valve Therapy	\$ 160.9	\$ 153.4	\$ 7.5	4.9%	\$ -	\$ 160.9	\$ (0.1)	\$ 0.1	\$ 153.4	4.8%
Transcatheter Heart Valves	65.3	34.9	30.4	87.2%	-	65.3	-	(2.3)	32.6	99.1%
Total Heart Valve Therapy	226.2	188.3	37.9	20.1%	-	226.2	(0.1)	(2.2)	186.0	21.8%
Critical Care	127.5	120.8	6.7	5.5%	-	127.5	-	2.0	122.8	3.7%
Cardiac Surgery Systems	25.2	23.9	1.3	5.4%	-	25.2	-	(0.2)	23.7	5.9%
Vascular	13.5	13.7	(0.2)	(1.5%)	-	13.5	(0.4)	0.2	13.5	3.5%
Total Sales	\$ 392.4	\$ 346.7	\$ 45.7	13.2%	\$ -	\$ 392.4	\$ (0.5)	\$ (0.2)	\$ 346.0	13.7%

Sales by Product Line (YTD)	YTD 4Q 2010	YTD 4Q 2009	Change	GAAP Growth Rate	2010 Adjusted		2009 Adjusted			Underlying Growth Rate *
					Discontinued Product Line Impact	YTD 2010 Underlying Sales	Discontinued/Other Product Line Impact	FX Impact	YTD 2009 Underlying Sales	
Surgical Heart Valve Therapy	\$ 631.9	\$ 602.6	\$ 29.3	4.9%	\$ -	\$ 631.9	\$ (4.3)	\$ 3.7	\$ 602.0	4.7%
Transcatheter Heart Valves	206.4	112.3	94.1	83.8%	-	206.4	-	(4.5)	107.8	90.6%
Total Heart Valve Therapy	838.3	714.9	123.4	17.3%	-	838.3	(4.3)	(0.8)	709.8	18.1%
Critical Care	454.1	452.5	1.6	0.4%	-	454.1	(32.3)	8.7	428.9	5.9%
Cardiac Surgery Systems	100.2	92.8	7.4	8.0%	-	100.2	(0.1)	0.6	93.3	7.3%
Vascular	54.4	61.2	(6.8)	(11.1%)	-	54.4	(8.2)	0.1	53.1	2.5%
Total Sales	\$ 1,447.0	\$ 1,321.4	\$ 125.6	9.5%	\$ -	\$ 1,447.0	\$ (44.9)	\$ 8.6	\$ 1,285.1	12.7%

Sales by Region (QTD)	4Q 2010	4Q 2009	Change	GAAP Growth Rate
United States	\$ 144.5	\$ 140.7	\$ 3.8	2.7%
Europe	129.4	106.2	23.2	21.8%
Japan	69.6	59.7	9.9	16.6%
Rest of World	48.9	40.1	8.8	21.9%
International	247.9	206.0	41.9	20.3%
Total	\$ 392.4	\$ 346.7	\$ 45.7	13.2%

Sales by Region (YTD)	YTD 4Q 2010	YTD 4Q 2009	Change	GAAP Growth Rate
United States	\$ 567.6	\$ 556.1	\$ 11.5	2.1%
Europe	457.0	404.6	52.4	13.0%
Japan	247.8	214.1	33.7	15.7%
Rest of World	174.6	146.6	28.0	19.1%
International	879.4	765.3	114.1	14.9%
Total	\$ 1,447.0	\$ 1,321.4	\$ 125.6	9.5%

* Numbers may not calculate due to rounding.