

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

(in millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net sales	\$261.4	\$247.4	\$798.1	\$771.4
Cost of goods sold	90.7	87.4	278.6	276.2
Gross profit	170.7	160.0	519.5	495.2
Selling, general and administrative expenses	103.2	91.7	303.5	280.9
Research and development expenses	30.9	28.1	88.8	84.2
Special (gains) charges, net	(2.5)	2.0	(2.5)	(22.5)
Interest expense, net	0.4	0.8	1.0	2.3
Other (income) expenses, net	(0.1)	0.7	(1.5)	1.7
Income before provision for income taxes	38.8	36.7	130.2	148.6
Provision for income taxes	9.7	8.9	33.0	38.8
Net income	\$29.1	\$27.8	\$97.2	\$109.8
<b>Earnings per share:</b>				
Basic earnings per share	\$0.51	\$0.48	\$1.69	\$1.87
Diluted earnings per share	\$0.48	\$0.45	\$1.59	\$1.76
<b>Weighted average common shares outstanding:</b>				
Basic	57.1	58.2	57.5	58.8
Diluted	62.4	63.6	63.0	64.1

**Operating Statistics**

As a percentage of net sales:				
Gross profit	65.3%	64.7%	65.1%	64.2%
Selling, general and administrative expenses	39.5%	37.1%	38.0%	36.4%
Research and development expenses	11.8%	11.4%	11.1%	10.9%
Income before provision for income taxes	14.8%	14.8%	16.3%	19.3%
Net income	11.1%	11.2%	12.2%	14.2%
Effective tax rate	25.0%	24.3%	25.3%	26.1%

**Computation of Diluted Earnings per Share**

Net income	\$29.1	\$27.8	\$97.2	\$109.8
Adjustment for interest expense included in net income	1.0	1.0	3.0	3.0
Adjusted net income	\$30.1	\$28.8	\$100.2	\$112.8
Weighted average common shares outstanding used to calculate diluted earnings per share excluding contingent convertible debt	59.7	60.9	60.3	61.4
Weighted average common shares outstanding for the contingent convertible debt	2.7	2.7	2.7	2.7
Weighted average common shares outstanding used to calculate diluted earnings per share including the contingent convertible debt	62.4	63.6	63.0	64.1
Diluted earnings per share including the contingent convertible debt	\$0.48	\$0.45	\$1.59	\$1.76

Note: Numbers may not foot due to rounding

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

(in millions)

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$175.7	\$182.8
Accounts and other receivables, net	136.7	127.1
Inventories, net	158.3	142.1
Deferred income taxes	25.9	21.8
Prepaid expenses and other current assets	68.2	57.8
Total current assets	<u>564.8</u>	<u>531.6</u>
Property, plant and equipment, net	228.0	213.0
Goodwill	337.7	337.7
Other intangible assets, net	107.0	116.1
Investments in unconsolidated affiliates	36.8	20.2
Deferred income taxes	7.7	14.5
Other assets	17.7	13.7
Total assets	<u><u>\$1,299.7</u></u>	<u><u>\$1,246.8</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$198.8	\$226.2
Convertible debt	150.0	-
Total current liabilities	<u>348.8</u>	<u>226.2</u>
Long-term debt	61.2	235.9
Other long-term liabilities	65.9	35.3
<b>Stockholders' equity</b>		
Common stock	68.4	67.0
Additional contributed capital	666.3	603.7
Retained earnings (1)	532.8	433.9
Accumulated other comprehensive income (loss)	2.9	(15.8)
Common stock in treasury, at cost	(446.6)	(339.4)
Total stockholders' equity	<u>823.8</u>	<u>749.4</u>
Total liabilities and stockholders' equity	<u><u>\$1,299.7</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:**

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

- 1) *Gain on estimated insurance settlement: \$2.5 million gain 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;*
- 2) *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;*
- 3) *Gain on patent settlement: \$20.2 million gain from a patent settlement with Medtronic in the first quarter of 2006;*
- 4) *Gain on sale of products: \$4.5 million gain from the sale of a non-strategic business in the second quarter of 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 to Terumo;*
- 5) *Impairment of assets: \$2.6 million impairment charge in the second quarter of 2006 related to the revaluation of the Company's remaining international perfusion product assets;*
- 6) *Realignment expenses: \$2.1 million charge for primarily severance expenses in the first quarter of 2006 resulting from the planned closing of a manufacturing facility;*
- 7) *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 \$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 this tax event relative to the period presented, this item has 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		Nine Months Ended	
	September 30, 2007	2006	September 30, 2007	2006
<b>GAAP net income</b>	\$29.1	\$27.8	\$97.2	\$109.8
<b>Reconciling items:</b>				
<b>Special (gains) charges, net</b>				
Gain on estimated insurance settlement	(2.5)	-	(2.5)	-
Restructure 3F Therapeutics agreements	-	2.0	-	2.0
Gain on patent settlement	-	-	-	(20.2)
Gain on sale of products	-	-	-	(10.2)
Impairment of assets	-	-	-	2.6
Realignment expenses	-	-	-	2.1
Litigation reserve	-	-	-	1.2
Subtotal special (gains) charges, net	(2.5)	2.0	(2.5)	(22.5)
<b>Provision (benefit) for income taxes</b>				
Tax effect on non-GAAP adjustments (1)	1.0	(0.8)	1.0	10.4
Tax benefit from reversal of valuation allowance	-	-	-	(3.7)
Subtotal provision (benefit) for income taxes, net	1.0	(0.8)	1.0	6.7
<b>Non-GAAP net income</b>	<b>\$27.6</b>	<b>\$29.0</b>	<b>\$95.7</b>	<b>\$94.0</b>
<b>Non-GAAP earnings per share:</b>				
Basic non-GAAP earnings per share	\$0.48	\$0.50	\$1.66	\$1.60
Diluted non-GAAP earnings per share (2)	\$0.46	\$0.47	\$1.57	\$1.51
<b>Weighted average shares outstanding:</b>				
Basic	57.1	58.2	57.5	58.8
Diluted	62.4	63.6	63.0	64.1

(1) The tax effect on non-GAAP adjustments is calculated using the relevant tax jurisdiction of the transaction applying the local statutory tax rate.

(2) 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 \$3.0 million for the nine month period, then dividing by the weighted average diluted shares outstanding.

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

Sales by Product Line (QTD)	3Q 2007	3Q 2006	Change	GAAP Growth Rate	2007 Adjusted		2006 Adjusted			Underlying Growth % *
					Discontinued Product Line Impact	3Q 2007 Underlying Sales	Discontinued Product Line Impact	FX Impact	3Q 2006 Underlying Sales	
Heart Valve Therapy	\$ 122.8	\$ 117.3	\$ 5.5	4.7%	\$ (1.2)	\$ 121.6	\$ (2.9)	\$ 2.7	\$ 117.1	3.9%
Critical Care	96.5	84.9	11.6	13.7%	-	96.5	-	2.0	86.9	11.0%
Cardiac Surgery Systems	13.8	21.5	(7.7)	(35.8%)	(1.1)	12.7	(9.2)	-	12.3	3.2%
Vascular	22.4	17.6	4.8	27.3%	-	22.4	(0.5)	0.5	17.6	27.5%
Other Distributed Products	5.9	6.1	(0.2)	(3.3%)	-	5.9	-	0.4	6.5	(5.1%)
<b>Total Sales</b>	<b>\$ 261.4</b>	<b>\$ 247.4</b>	<b>\$ 14.0</b>	<b>5.7%</b>	<b>\$ (2.3)</b>	<b>\$ 259.1</b>	<b>\$ (12.6)</b>	<b>\$ 5.6</b>	<b>\$ 240.4</b>	<b>7.8%</b>

Sales by Product Line (YTD)	YTD 3Q 2007	YTD 3Q 2006	Change	GAAP Growth Rate	2007 Adjusted		2006 Adjusted			Underlying Growth % *
					Discontinued Product Line Impact	YTD 2007 Underlying Sales	Discontinued Product Line Impact	FX Impact	YTD 2006 Underlying Sales	
Heart Valve Therapy	\$ 383.6	\$ 370.2	\$ 13.4	3.6%	\$ (5.0)	\$ 378.6	\$ (9.2)	\$ 8.5	\$ 369.5	2.5%
Critical Care	284.8	255.6	29.2	11.4%	-	284.8	-	5.6	261.2	9.0%
Cardiac Surgery Systems	45.8	69.1	(23.3)	(33.7%)	(5.4)	40.4	(29.9)	0.6	39.8	1.4%
Vascular	64.9	54.9	10.0	18.2%	-	64.9	(1.8)	1.9	55.0	18.1%
Other Distributed Products	19.0	21.6	(2.6)	(12.0%)	-	19.0	(0.9)	0.2	20.9	(6.2%)
<b>Total Sales</b>	<b>\$ 798.1</b>	<b>\$ 771.4</b>	<b>\$ 26.7</b>	<b>3.5%</b>	<b>\$ (10.4)</b>	<b>\$ 787.7</b>	<b>\$ (41.8)</b>	<b>\$ 16.8</b>	<b>\$ 746.4</b>	<b>5.5%</b>

Sales by Region (QTD)	3Q 2007	3Q 2006	Change	GAAP Growth Rate
United States	\$ 118.1	\$ 114.9	\$ 3.2	2.8%
Europe	71.0	61.0	10.0	16.4%
Japan	39.9	40.0	(0.1)	(0.3%)
Rest of World	32.4	31.5	0.9	2.9%
International	143.3	132.5	10.8	8.2%
<b>Total</b>	<b>\$ 261.4</b>	<b>\$ 247.4</b>	<b>\$ 14.0</b>	<b>5.7%</b>

Sales by Region (YTD)	YTD 3Q 2007	YTD 3Q 2006	Change	GAAP Growth Rate
United States	\$ 362.7	\$ 358.6	\$ 4.1	1.1%
Europe	223.4	194.8	28.6	14.7%
Japan	120.8	124.6	(3.8)	(3.0%)
Rest of World	91.2	93.4	(2.2)	(2.4%)
International	435.4	412.8	22.6	5.5%
<b>Total</b>	<b>\$ 798.1</b>	<b>\$ 771.4</b>	<b>\$ 26.7</b>	<b>3.5%</b>

\* Numbers may not calculate due to rounding.