

EDWARDS LIFESCIENCES CORPORATION
Unaudited Consolidated Statements of Operations

(in millions, except per share data)	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2008	2007	2008	2007
Net sales	\$309.7	\$293.0	\$1,237.7	\$1,091.1
Cost of goods sold	98.8	99.6	419.6	378.2
Gross profit	210.9	193.4	818.1	712.9
Selling, general and administrative expenses	120.2	114.5	480.6	418.0
Research and development expenses	35.8	33.5	139.2	122.3
Special charges, net	15.8	25.8	25.1	23.3
Interest expense, net	0.7	0.4	1.1	1.4
Other expense (income), net	4.4	(0.4)	7.7	(1.9)
Income before (benefit) provision for income taxes	34.0	19.6	164.4	149.8
(Benefit) provision for income taxes	(4.1)	3.8	35.5	36.8
Net income	\$38.1	\$15.8	\$128.9	\$113.0

Earnings per share:

Basic earnings per share	\$0.68	\$0.28	\$2.31	\$1.97
Diluted earnings per share	\$0.66	\$0.27	\$2.19	\$1.87

Weighted average common shares outstanding:

Basic	55.8	56.7	55.8	57.3
Diluted	58.0	59.3	59.6	62.7

Operating Statistics

As a percentage of net sales:				
Gross profit	68.1%	66.0%	66.1%	65.3%
Selling, general and administrative expenses	38.8%	39.1%	38.8%	38.3%
Research and development expenses	11.6%	11.4%	11.2%	11.2%
Income before provision for income taxes	11.0%	6.7%	13.3%	13.7%
Net income	12.3%	5.4%	10.4%	10.4%
Effective tax rate	(12.1%)	19.4%	21.6%	24.6%

Computation of Diluted Earnings per Share

Net income	\$38.1	\$15.8	\$128.9	\$113.0
Adjustment for convertible debt interest expense	-	-	1.7	4.0
Adjusted net income	\$38.1	\$15.8	\$130.6	\$117.0
Weighted average common shares outstanding used to calculate diluted earnings per share excluding convertible debt	58.0	59.3	58.4	60.0
Weighted average common shares outstanding for the convertible debt	-	-	1.2	2.7
Weighted average common shares outstanding used to calculate diluted earnings per share including the convertible debt	58.0	59.3	59.6	62.7
Diluted earnings per share including the convertible debt	\$0.66	\$0.27	\$2.19	\$1.87

Note: Numbers may not foot due to rounding

EDWARDS LIFESCIENCES CORPORATION**Unaudited Balance Sheets**

(in millions)

	December 31,	
	2008	2007
ASSETS		
Current assets		
Cash and cash equivalents	\$218.7	\$141.8
Short-term investments	8.1	49.4
Accounts and other receivables, net	204.7	145.3
Inventories, net	151.8	152.6
Deferred income taxes	42.4	30.2
Prepaid expenses	30.7	25.4
Other current assets	35.5	37.0
Total current assets	<u>691.9</u>	<u>581.7</u>
Property, plant and equipment, net	230.1	228.2
Goodwill	315.7	350.3
Other intangible assets, net	96.9	122.5
Investments in unconsolidated affiliates	14.7	34.3
Deferred income taxes	37.7	13.8
Other assets	13.2	14.3
Total assets	<u><u>\$1,400.2</u></u>	<u><u>\$1,345.1</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$258.5	\$225.4
Convertible debt	-	150.0
Total current liabilities	<u>258.5</u>	<u>375.4</u>
Long-term debt	<u>175.5</u>	<u>61.7</u>
Other long-term liabilities	<u>87.4</u>	<u>73.0</u>
Stockholders' equity		
Common stock	73.7	68.6
Additional contributed capital	940.4	680.6
Retained earnings	676.9	548.6
Accumulated other comprehensive (loss) income	(35.4)	7.5
Common stock in treasury, at cost	(776.8)	(470.3)
Total stockholders' equity	<u>878.8</u>	<u>835.0</u>
Total liabilities and stockholders' equity	<u><u>\$1,400.2</u></u>	<u><u>\$1,345.1</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 financial measures that exclude certain items, such as special charges and gains, results of discontinued or newly acquired 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:

Gross profit - The Company reduced gross margin by \$4.7 million for the voluntary retrieval of Myxo and IMR ETlogix repair products from U.S. customers in the fourth quarter 2008 as it awaits clearance of its 510k application submission from the Food and Drug Administration. 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, net - The Company incurred certain special charges and gains in 2008 and 2007 related to the following:

- 1) *Milestone receipt and net gain on sale of assets*: \$8.1 million net loss on the sale of the LifeStent product line in the first quarter of 2008; \$23.0 million gain in the fourth quarter of 2008 for achieving a milestone related to the divested LifeStent product line; and \$1.8 million gain from the sale of real estate development rights in the fourth quarter of 2007;
- 2) *Acquisition of in-process technology and intellectual property*: \$19.5 million charge related to the acquisition of technology and intellectual property in the fourth quarter of 2008;
- 3) *DexCom collaboration agreement*: \$13.4 million charge in the fourth quarter of 2008 related to upfront licensing and collaboration fees required under the Company's collaboration agreement with DexCom, Inc.;
- 4) *Adjustment to capitalized patent enforcement costs*: \$8.2 million charge in the fourth quarter of 2008 primarily for the reversal of previously capitalized patent enforcement costs related to patents not currently marketed by the Company;
- 5) *Settlements and litigation (gains) losses, net*: \$2.1 million charge for a litigation settlement in the first quarter of 2008; \$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 related to a fire which damaged certain inventory held at a third party warehouse in Brazil; the Company recognized a \$1.5 million gain in the fourth quarter of 2008 upon receiving the insurance settlement;
- 6) *Realignment expenses, net*: \$0.8 million gain in the fourth quarter of 2008 and a \$0.8 million gain in the second quarter of 2008 to reverse previously accrued severance costs related to a global realignment of resources; \$1.3 million charge for executive severance in the first quarter of 2008 associated with the Company's business realignment, offset by a \$1.4 million gain from the reversal of previously accrued severance costs from the fourth quarter of 2007 related to the sale of the LifeStent product line; and a \$13.9 million charge in the fourth quarter of 2007 for a global 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;
- 7) *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.

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.

(Benefit) Provision For Income Taxes - The Company benefited from \$10.1 million of favorable audit settlements in the fourth quarter of 2008. 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, Newly Acquired and Other Products - The Company has discontinued or acquired 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. As the impact of acquired product sales are only reflected prospectively, management believes including such items in the prior periods on a pro forma basis provides for greater comparability of the results of operations. In addition, the impact on sales of the voluntary retrieval of Myxo and IMR ETlogix repair products in the fourth quarter 2008 has been excluded. 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 December 31,		Year Ended December 31,	
	2008	2007	2008	2007
GAAP net income	\$38.1	\$15.8	\$128.9	\$113.0
Reconciling items:				
Gross profit				
Retrieval of Myxo and IMR ETlogix repair products	4.7	-	4.7	-
Special charges, net				
1) Milestone receipt and net gain on sale of assets	(23.0)	(1.8)	(14.9)	(1.8)
2) Acquisition of in-process technology and intellectual property	19.5	-	19.5	-
3) DexCom collaboration agreement	13.4	-	13.4	-
4) Adjustment to capitalized patent enforcement costs	8.2	-	8.2	-
5) Settlements and litigation (gains) losses, net	(1.5)	2.5	0.6	-
6) Realignment expenses, net	(0.8)	13.9	(1.7)	13.9
7) Pension settlement and adjustment	-	11.2	-	11.2
Total special charges, net	15.8	25.8	25.1	23.3
Benefit (provision) for income taxes				
Tax effect on non-GAAP adjustments (A)	(3.3)	(7.9)	1.7	(6.9)
Tax audit settlements	(10.1)	-	(10.1)	-
Total benefit for income taxes, net	(13.4)	(7.9)	(8.4)	(6.9)
Non-GAAP net income	\$45.2	\$33.7	\$150.3	\$129.4
Non-GAAP earnings per share:				
Basic non-GAAP earnings per share	\$0.81	\$0.59	\$2.69	\$2.26
Diluted non-GAAP earnings per share (B)	\$0.78	\$0.56	\$2.55	\$2.13
Non-GAAP weighted average shares outstanding:				
Basic	55.8	56.7	55.8	57.3
Diluted	58.0	62.0	59.6	62.7
GAAP Gross profit margin				
Retrieval of Myxo and IMR ETlogix repair products	68.1%	66.0%	66.1%	65.3%
Non-GAAP Gross profit margin	68.6%	66.0%	66.2%	65.3%

Notes 1 - 8: See description of "Special charges, 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 \$1.7 million for the full year in interest expense related to previous convertible debt, 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 2008	4Q 2007	Change	GAAP Growth Rate	2008 Adjusted		2007 Adjusted			Underlying Growth Rate *
					Discontinued/ Other Product Line Impact	4Q 2008 Underlying Sales	Discontinued/ Acquired Product Line Impact	FX Impact	4Q 2007 Underlying Sales	
Heart Valve Therapy	\$ 149.7	\$ 131.4	\$ 18.3	13.9%	\$ 4.4	154.1	\$ (0.8)	\$ (3.8)	\$ 126.8	21.2%
Critical Care	118.2	113.0	5.2	4.6%	-	118.2	-	(1.8)	111.2	6.5%
Cardiac Surgery Systems	22.9	15.1	7.8	51.7%	-	22.9	5.9	(0.5)	20.5	11.8%
Vascular	18.9	25.1	(6.2)	(24.7%)	(5.3)	13.6	(10.6)	(0.2)	14.3	(4.5%)
Other Distributed Products	-	8.4	(8.4)	(100.0%)	-	-	(8.5)	(0.1)	(0.2)	-
Total Sales	\$ 309.7	\$ 293.0	\$ 16.7	5.7%	\$ (0.9)	\$ 308.8	\$ (14.0)	\$ (6.4)	\$ 272.6	13.2%

Sales by Product Line (YTD)	YTD 4Q 2008	YTD 4Q 2007	Change	GAAP Growth Rate	2008 Adjusted		2007 Adjusted			Underlying Growth Rate *
					Discontinued/ Other Product Line Impact	YTD 2008 Underlying Sales	Discontinued/ Acquired Product Line Impact	FX Impact	YTD 2007 Underlying Sales	
Heart Valve Therapy	\$ 607.4	\$ 515.0	\$ 92.4	17.9%	\$ 4.2	\$ 611.6	\$ (5.9)	\$ 17.4	\$ 526.5	16.2%
Critical Care	451.8	397.8	54.0	13.6%	(0.6)	451.2	-	15.5	413.3	9.2%
Cardiac Surgery Systems	89.2	60.9	28.3	46.5%	(0.2)	89.0	17.8	2.0	80.7	10.3%
Vascular	89.3	90.0	(0.7)	(0.8%)	(32.3)	57.0	(33.2)	2.6	59.4	(4.0%)
Other Distributed Products	-	27.4	(27.4)	(100.0%)	-	-	(27.4)	(0.2)	(0.2)	-
Total Sales	\$ 1,237.7	\$ 1,091.1	\$ 146.6	13.4%	\$ (28.9)	\$ 1,208.8	\$ (48.7)	\$ 37.3	\$ 1,079.7	12.0%

Sales by Region (QTD)	4Q 2008	4Q 2007	Change	GAAP Growth Rate
United States	\$ 132.8	\$ 123.9	\$ 8.9	7.2%
Europe	93.8	85.7	8.1	9.5%
Japan	50.8	50.6	0.2	0.4%
Rest of World	32.3	32.8	(0.5)	(1.5%)
International	176.9	169.1	7.8	4.6%
Total	\$ 309.7	\$ 293.0	\$ 16.7	5.7%

Sales by Region (YTD)	YTD 4Q 2008	YTD 4Q 2007	Change	GAAP Growth Rate
United States	\$ 543.6	\$ 486.6	\$ 57.0	11.7%
Europe	380.3	309.1	71.2	23.0%
Japan	176.5	171.4	5.1	3.0%
Rest of World	137.3	124.0	13.3	10.7%
International	694.1	604.5	89.6	14.8%
Total	\$ 1,237.7	\$ 1,091.1	\$ 146.6	13.4%

* Numbers may not calculate due to rounding.