

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

**Three Months Ended**  
**March 31,**  
**2006      2005**

(in millions, except per share data)

Net sales	\$256.7	\$249.1
Cost of goods sold	93.1	96.2
Gross profit	163.6	152.9
Selling, general and administrative expenses	92.2	85.6
Research and development expenses	27.2	25.0
Special gains, net of charges	(23.8)	(2.0)
Interest expense, net	0.9	2.8
Other expenses (income), net	0.7	(1.1)
Income before provision for income taxes	66.4	42.6
Provision for income taxes	20.5	11.4
Net income	\$45.9	\$31.2

**Earnings per share:**

Basic earnings per share	\$0.77	\$0.52
Diluted earnings per share	\$0.73	\$0.50

**Weighted average common shares outstanding:**

Basic	59.3	59.5
Diluted	64.6	64.9

**Operating Statistics**

As a percentage of net sales:

Gross profit	63.7%	61.4%
Selling, general and administrative expenses	35.9%	34.4%
Research and development expenses	10.6%	10.0%
Income before provision for income taxes	25.9%	17.1%
Net income	17.9%	12.5%
Effective tax rate	30.9%	26.8%

**Reconciliation of Diluted Earnings per Share**

Net income	\$45.9	\$31.2
Adjustment for interest expense included in net income	1.0	1.0
Adjusted net income	\$46.9	\$32.2
Weighted average common shares outstanding used to calculate diluted earnings per share excluding contingent convertible debt	61.9	62.2
Weighted average common shares outstanding for the contingent convertible debt	2.7	2.7
Weighted average common shares outstanding used to calculate diluted earnings per share including the contingent convertible debt	64.6	64.9
Diluted earnings per share including the contingent convertible debt	\$0.73	\$0.50

Note: Numbers may not foot due to rounding

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

	<b>March 31, 2006</b>	<b>December 31, 2005</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$189.2	\$178.6
Accounts and other receivables, net	122.8	118.5
Inventories, net	135.0	131.5
Deferred income taxes	24.7	27.6
Prepaid expenses and other current assets	54.4	58.0
	<hr/>	<hr/>
Total current assets	526.1	514.2
Property, plant and equipment, net	199.2	201.9
Goodwill	337.7	337.7
Other intangible assets, net	133.3	137.7
Investments in unconsolidated affiliates	14.0	10.7
Deferred income taxes	13.7	11.5
Other assets	15.5	15.4
	<hr/>	<hr/>
Total assets	<u>\$1,239.5</u>	<u>\$1,229.1</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable and accrued liabilities	\$196.5	\$194.2
Long-term debt	288.8	316.1
Other long-term liabilities	30.7	28.8
<b>Stockholders' equity</b>		
Common stock	65.9	65.6
Additional contributed capital	550.8	536.7
Retained earnings	349.3	303.4
Accumulated other comprehensive loss	(19.6)	(22.2)
Common stock in treasury, at cost	(222.9)	(193.5)
Total stockholders' equity	<hr/> 723.5 <hr/>	<hr/> 690.0 <hr/>
Total liabilities and equity	<u>\$1,239.5</u>	<u>\$1,229.1</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 in-process research and development expenses, special charges and credits, results of discontinued businesses, 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 has also excluded the impact of implementing Financial Accounting Standards Board Statement No. 123(R) ("FAS 123(R)") "Share Based Compensation" for year-over-year comparison purposes.

Management uses non-GAAP financial measures internally for strategic decision making, forecasting future results and evaluating current performance. Guidance is provided only on a non-GAAP basis that excludes special items, foreign exchange fluctuations and the impact of stock option expensing 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, or superior to, the corresponding measures calculated in accordance with GAAP.

#### **The items excluded from the GAAP financial results are set forth below:**

**Special Charges, net** - The Company incurred certain special charges and credits in 2006 and 2005 related to the following:

- 1) *Gain on Patent Settlement: \$20.2 million gain from a patent settlement with Medtronic in January 2006;*
- 2) *Gain on Sale of Businesses: \$7.7 million proceeds from the sale of the Japan Perfusion Products business to Terumo in the first quarter of 2005, and \$5.7 million cash received as the final earn-out payment in the first quarter of 2006;*
- 3) *Realignment Expenses: \$2.1 million charge (primarily severance expenses) in the first quarter of 2006 resulting from the planned closing of a manufacturing facility, and \$5.7 million charge for a Japan organizational realignment in the first quarter of 2005.*

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

**Stock option expensing** - Non-GAAP financial measures exclude the impact of implementing FAS 123(R) in the first quarter of 2006. In Q1 2006, net stock option and employee stock purchase plan expense of \$3.3 million was allocated as follows: \$0.7 million to cost of goods sold, \$3.0 million to SG&A expenses, \$0.8 million to R&D expenses, with \$1.2 million of tax benefit.

**Results of Discontinued Businesses** – The Company has exited certain businesses during the periods presented. As discontinued businesses do not have a continuing contribution to operations, management believes that excluding such items from the Company's growth provides investors with a means of evaluating the Company's on-going operations. In light of the significance of the impact these businesses had on the growth of the Company, the results of these businesses have been detailed in the Reconciliation of Sales by Product Line and Region.

**Foreign Exchange** - Fluctuation in exchange rates impacts the comparative results and growth rates of the Company's underlying business. Management believes that excluding the impact of foreign exchange rate fluctuations from its growth provides investors a more meaningful comparison to historical financial results. The impact of foreign exchange rate fluctuations has been detailed in the Reconciliation of Sales by Product Line and Region.

**EDWARDS LIFESCIENCES CORPORATION**  
**Reconciliation of GAAP Net Income to Non-GAAP Net Income**

(in millions, except per share data)	Three Months Ended	
	March 31,	
	2006	2005
<b>GAAP net income</b>	\$45.9	\$31.2
<u>Reconciling items:</u>		
<b>Special gains, net of charges</b>		
Gain on patent settlement	(20.2)	-
Gain on sale of businesses	(5.7)	(7.7)
Realignment expenses	2.1	5.7
Subtotal special gains, net of charges	(23.8)	(2.0)
<b>Stock option expensing under FAS 123(R)</b>	4.5	-
<b>Income tax expense (benefit)</b>		
Tax effect on non-GAAP adjustments (1)	9.4	0.9
Tax effect of stock option expensing under FAS 123(R)	(1.2)	-
Subtotal income taxes, net	8.2	0.9
<b>Non-GAAP net income</b>	\$34.8	\$30.1

**Non-GAAP Earnings per share:**

Basic non-GAAP earnings per share	\$0.59	\$0.51
Diluted non-GAAP earnings per share (2)	\$0.55	\$0.48

**Weighted average shares outstanding:**

Basic	59.3	59.5
Diluted	64.8	64.9

(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 \$1.0 million in interest expense related to the convertible debt to net income 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 (Qtr)	Q1 2006	Q1 2005	Change	GAAP Growth Rate	2005	2006	FX Impact	Q1 2005 FX Adjusted	Underlying Impact	Underlying Growth Rate
					Discontinued Business Impact	Discontinued Business Impact				
Heart Valve Therapy	\$ 125.1	\$ 116.7	\$ 8.4	7.2%	\$ -	\$ -	\$ (4.0)	\$ 112.7	\$ 12.4	11.0%
Critical Care	81.1	79.9	1.2	1.5%	-	-	(3.2)	76.7	4.4	5.7%
Cardiac Surgery Systems	23.3	25.2	(1.9)	(7.5%)	(4.9)	(1.5)	(0.1)	20.2	1.6	8.0%
Vascular	18.2	16.3	1.9	11.7%	-	-	(0.6)	15.7	2.5	15.8%
Other Distributed Products	9.0	11.0	(2.0)	(18.2%)	(1.6)	-	(0.9)	8.5	0.5	6.4%
<b>TOTAL SALES</b>	<b>\$ 256.7</b>	<b>\$ 249.1</b>	<b>\$ 7.6</b>	<b>3.1%</b>	<b>\$ (6.5)</b>	<b>\$ (1.5)</b>	<b>\$ (8.8)</b>	<b>\$ 233.8</b>	<b>\$ 21.4</b>	<b>9.1%</b>

Sales by Region (Qtr)	Q1 2006	Q1 2005	Change	GAAP Growth Rate
United States	\$ 121.1	\$ 111.2	\$ 9.9	8.9%
Europe	64.7	62.4	2.3	3.7%
Japan	41.7	48.9	(7.2)	(14.7%)
Rest of World	29.2	26.6	2.6	9.8%
International	135.6	137.9	(2.3)	(1.7%)
<b>TOTAL</b>	<b>\$ 256.7</b>	<b>\$ 249.1</b>	<b>\$ 7.6</b>	<b>3.1%</b>