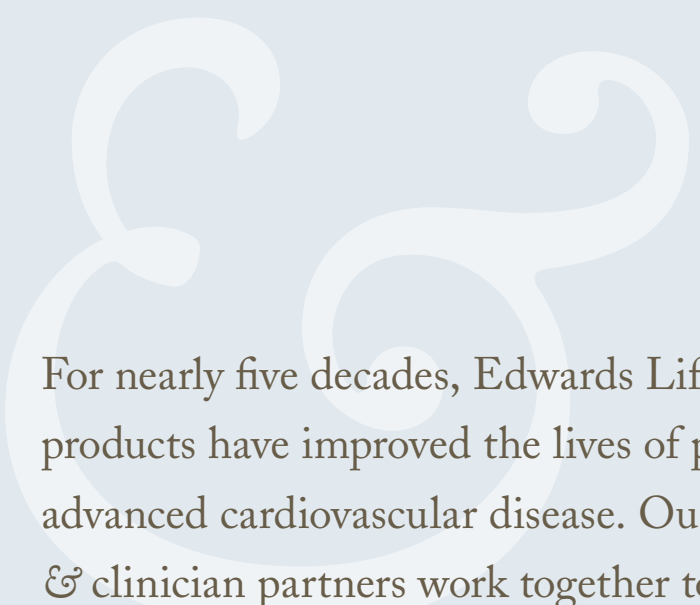


Edwards Lifesciences Corporation

2007 ANNUAL REPORT





For nearly five decades, Edwards Lifesciences' products have improved the lives of people fighting advanced cardiovascular disease. Our employees & clinician partners work together to research, discover, develop and commercialize heart valve disease therapies and hemodynamic monitoring technologies, as well as vascular and cardiac surgery innovations. Together, we make a positive difference in the lives of our patients & their families.

Selected Operating Information

Twelve months ended December 31 (*in millions*)

	2007	2006	2005
Net sales	\$ 1,091.1	\$ 1,037.0	\$ 997.9
Cost of goods sold	378.2	373.6	374.6
Gross profit	712.9	663.4	623.3
Selling, general and administrative expenses	418.0	376.0	348.7
Research and development expenses	122.3	114.2	99.0

OPERATING STATISTICS

As a percentage of net sales:

Gross profit	65.3%	64.0%	62.5%
Selling, general and administrative expenses	38.3%	36.3%	34.9%
Research and development expenses	11.2%	11.0%	9.9%
Operating margin ^(a)	15.8%	16.7%	17.6%

(a) Operating margin is calculated by subtracting selling, general and administrative expenses and research and development expenses from gross profit and then dividing by net sales.

The information contained in the table above should be read in conjunction with Edwards Lifesciences' "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Consolidated Financial Statements" found in the accompanying Annual Report on Form 10-K for fiscal year ended December 31, 2007.

SAFE HARBOR STATEMENT

This Annual Report contains forward-looking statements within the meaning of the federal securities laws. These statements involve substantial risks and uncertainties that could cause the company's future business, financial condition, results of operations or performance to differ materially from that expressed or implied by the forward-looking statements. All statements other than statements of historical fact in this Annual Report or referred to or incorporated by reference into this Annual Report are "forward-looking statements." You are encouraged to refer to the discussion of Risk Factors that may be found in the company's Annual Report on Form 10-K for fiscal year ended December 31, 2007 and other filings with the Securities and Exchange Commission.

FRONT COVER

During Denise's battle with the most fatal form of Valley Fever, she was monitored with Edwards' PreSep oximetry catheter. After returning home from eight months of hospitalization, Denise said, "I have a renewed sense of how precious life is and I'm able to be a mommy again." Her full story is available in our online annual report on the Edwards web site at www.edwards.com.



Michael A. Mussallem
Chairman & Chief Executive Officer

To Our Stockholders

When we established Edwards Lifesciences as an independent company in 2000, we set high goals. We aspired to be a company recognized for: transforming patient care through innovative technologies; excelling as a trusted partner and global leader through the quality of our work; attracting and engaging talented employees; strengthening our communities; and creating exceptional stockholder value.

Each day we work to meet and exceed these aspirations by partnering with clinicians, patients and the communities where we live and work. Together we strive to make a positive impact and find innovative solutions in the fight against advanced cardiovascular disease.

Strengthening our Foundation for Future Growth

We are proud of what we achieved in 2007.

We made significant progress in our innovative transcatheter heart valve program, including commencing enrollment in the PARTNER pivotal trial in the U.S., receiving CE Mark for the Edwards SAPIEN transcatheter heart valve with two delivery systems, and initiating commercial sales of this device in Europe in the fourth quarter. We also substantially increased our investment in our transcatheter business to further enhance the long-term value of this transformational technology.

During the year, we sharpened the company's strategic focus on opportunities that provide greater growth potential and aggressively prioritized our investments.

We acquired the CardioVations product line, which complements our increased focus on minimally invasive valve procedures, sold our LifeStent and TMR product lines, and exited a distributed products business in Japan. In addition, we made investments to strengthen the company's quality and information systems for future growth.

We finished 2007 with strong momentum, achieving 10 percent reported sales growth in the fourth quarter. As a company, we are financially stronger than we have ever been in our history, and we are well positioned to capitalize on the opportunities in front of us.

This year was not without challenges, especially as we made the difficult but necessary decision to lower 2007 earnings in order to increase our near-term investments in our most attractive growth opportunities. The largest increase in investment spending supported an accelerated launch of the Edwards SAPIEN transcatheter heart valve in Europe, which received market approval in the fourth quarter.

Even though 2007 was challenging, we achieved net sales of \$1.09 billion, increased our gross profit margin 130 basis points

to 65.3 percent, and generated free cash flow of \$153 million. In addition, we demonstrated confidence in our future by repurchasing a total of 2.7 million shares of stock for \$131 million.

Our market-leading Heart Valve Therapy franchise reported modest growth for the year on a global basis. In international markets, our sales performance increased double-digits as we continued to realize share gains driven by new product introductions. In the U.S., the impact of a competitor's recently introduced product resulted in a flat heart valve growth rate. We are focused on improving our performance in the U.S. in 2008 by introducing new products, promoting minimally invasive valve procedures, and leveraging our recently expanded sales organization.

Our Critical Care franchise had a very strong year, with reported growth of nearly 14 percent. This was the third consecutive year of accelerating sales and improvement in gross profit margin. In addition, we are pleased to have exceeded our goal of doubling FloTrac sensor sales for the year.

Working Together to Innovate

Throughout Edwards' history, we have proudly partnered with key researchers and physicians to develop our life-saving products, beginning with the collaboration between Miles "Lowell"

Edwards and Albert Starr, M.D., in 1958 to invent the first successful artificial heart valve. In 2007, we celebrated along with the scientific community as two of our trusted partners were recognized for their work in the development of prosthetic heart valves. Dr. Starr and Prof. Alain Carpentier, M.D., Ph.D., were honored by the Albert and Mary Lasker Foundation with the 2007 Albert Lasker Award for Clinical Medical Research for the development of mechanical and tissue valves, respectively. The awards, often called “America’s Nobels,” are this country’s most distinguished honor for outstanding contributions to basic and clinical medical research, as well as for outstanding public service on behalf of medical research. Edwards has built its leadership position in the heart valve market through close collaboration with leading clinicians, and we are very proud of their accomplishments.

Edwards’ history of leadership in the treatment of advanced cardiovascular disease continues today, with more than 85 percent of our sales coming from products that are in number one positions in the global market. During the last several years, we have pioneered the development

of transcatheter heart valve technology and believe we have built a substantial lead in this exciting field.

Expanding upon our tissue valve platform, in 2007 we introduced the Carpentier-Edwards PERIMOUNT Theon aortic pericardial valve in the U.S. This valve combines the Carpentier-Edwards ThermaFix tissue process with enhancements based on more than 20 years of clinical experience and design features.

We also introduced the Myxo ETlogix annuloplasty ring in the U.S. This newest addition to Edwards’ comprehensive valve repair line is designed to treat patients with myxomatous disease, a degenerative condition resulting in excess mitral valve leaflet tissue.

The introduction of our PediaSat oximetry catheter represented the first real-time, continuous venous blood oxygen saturation monitoring device designed specifically for children. This advanced technology—previously only available for adults—is even more important for children since they typically do not demonstrate the same warning signs of potentially fatal issues and can destabilize much faster than adults.

To better prepare surgeons for future technological innovations, early in the year we launched Edwards ONE, a cardiovascular education program that provides cardiac surgeons with exposure to innovative heart valve technologies, basic transcatheter heart valve training and education about the underserved heart valve patient population.

We are continuing to enroll patients in our PARTNER trial and adding sites as they complete training. More recently, we received approval to add our Ascendra transapical delivery system to PARTNER. Having the Ascendra delivery system in the trial gives cardiac surgeons an opportunity to actively participate in this transformational technology, and most importantly, it will allow us to address the needs of virtually any high risk patient.

We are pleased with our progress on the development of a next generation transcatheter heart valve and expect the first human implant to occur in 2008. This new valve will have a lower delivery profile, which will make it available to an even wider group of patients.

What to Expect in 2008

We believe Edwards is very well positioned for a strong 2008, which we expect to be highlighted by a number of new product launches, and further progress on our pioneering transcatheter heart valve platform. Additionally, we are very excited to expand our commercial introduction of the Edwards SAPIEN transcatheter heart valve in Europe, and anticipate its increasing contribution throughout the year.

We will remain focused on achieving our financial goals, which include generating total sales of between \$1.16 and \$1.21 billion,

increasing our gross profit margin by 100 to 150 basis points and generating free cash flow of \$155 to \$165 million.

Also of significant importance, in 2008 Edwards will celebrate its 50th anniversary of developing life-saving innovations for patients fighting cardiovascular disease. We look forward to celebrating this milestone with our employees, customers, patients and stockholders, and having the opportunity to honor our past, present and future. We believe Mr. Edwards would be very proud of the company that bears his name today and the more than 5,600 Edwards employees worldwide who carry on his mission to provide innovative treatments and hope for patients with advanced cardiovascular disease.

Sincerely,



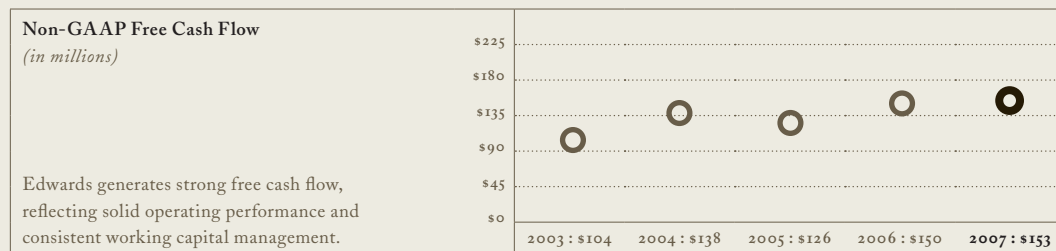
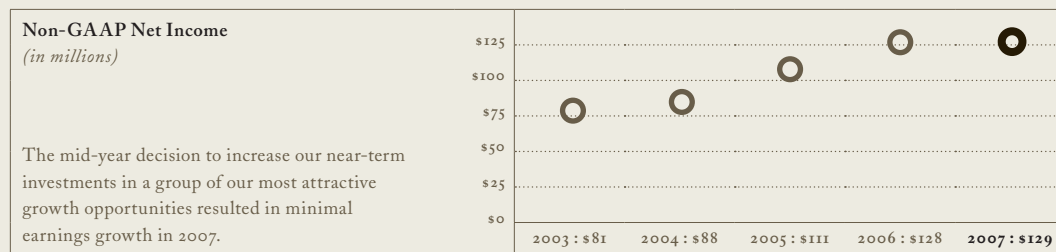
Michael A. Mussallem

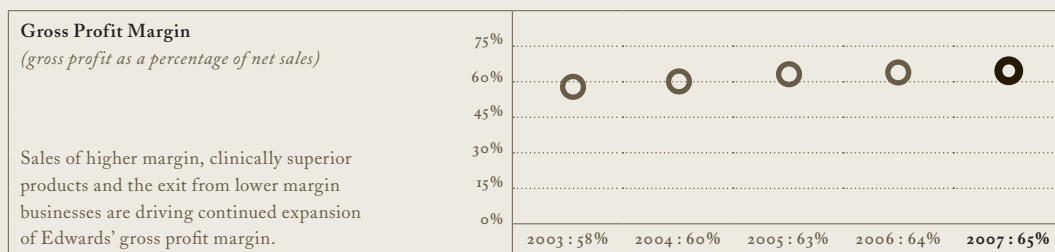
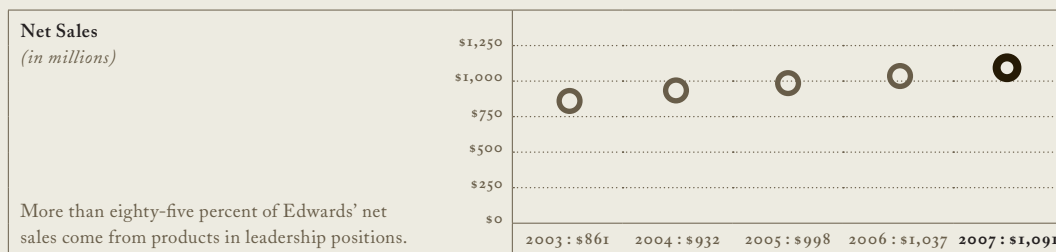
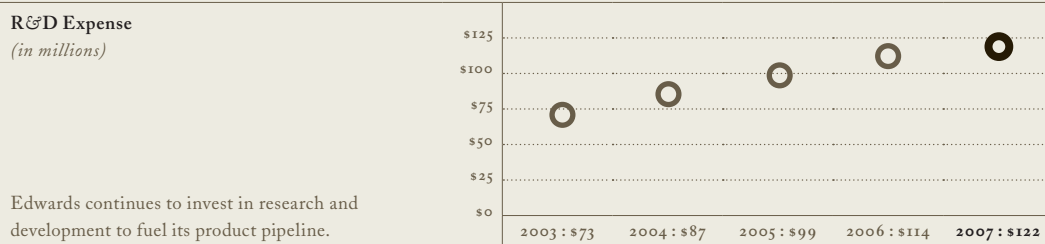
Chairman & Chief Executive Officer

This letter to stockholders contains figures that are not prepared in conformity with Generally Accepted Accounting Principles ("GAAP"). Management has determined that the inclusion of these non-GAAP figures provides a more meaningful comparison of the company's ongoing operations. For a reconciliation of GAAP to non-GAAP figures, refer to pages 28 and 29 of this report.

Selected Consolidated Data

For a reconciliation of GAAP to non-GAAP figures, refer to pages 28 and 29 of this report.







Dr. Shemin & Jack

Jack loves the fast muscle cars of the 1960s and 1970s. He and his wife, Susan, count among their leisure activities traveling to hot rod car shows and vintage car races. After a heart attack in 1994 and three angioplasty procedures over the next seven years, Jack's heart was being monitored regularly. His cardiologist knew he had a heart murmur and that one day Jack would need an aortic valve replacement.

As pressure increased within Jack's heart, valve surgery became necessary. Jack and Susan, an ICU/CCU nurse, researched his options and determined that a tissue valve was the best choice to avoid long-term medication and its associated complications. Thanks to a dedicated healthcare team and a Carpentier-Edwards PERIMOUNT Magna aortic valve, Jack hasn't had to slow down since his valve replacement in March 2004.

Richard J. Shemin, M.D., a cardiac surgeon who performs this type of procedure, said, "Durability, performance and quality-of-life benefits are all important features for patients receiving tissue valves, and the PERIMOUNT Magna's optimal hemodynamics, flow characteristics and advanced tissue treatment all meet these needs."

RICHARD J. SHEMIN, M.D.

*Chief of Cardiothoracic Surgery,
UCLA Medical Center, Los Angeles, CA*



“The technology is phenomenal. I’m alive because of it.”

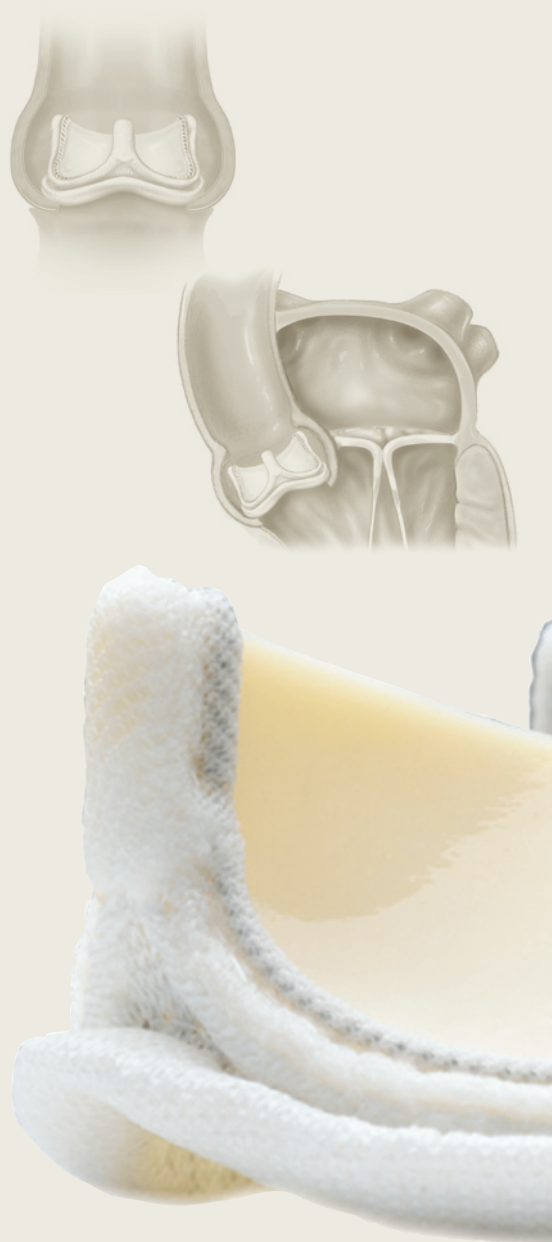
JACK

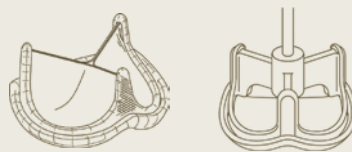
*Recipient of the Carpentier-Edwards
PERIMOUNT Magna Aortic Heart Valve*

Carpentier-Edwards PERIMOUNT Magna Aortic Heart Valve

As the first and only device of its kind, the Carpentier-Edwards PERIMOUNT Magna aortic heart valve combines more than 20 years of clinical experience and innovation with the most advanced tissue engineering technologies. It was designed on the foundation of Edwards' original PERIMOUNT pericardial valves, the most widely implanted tissue heart valves globally. Today, the PERIMOUNT Magna valve is the best selling tissue valve in the world.

The PERIMOUNT Magna pericardial valve was created specifically to optimize blood flow for the patient. The valve's unique design facilitates placement above the patient's native valve opening, and its streamlined sewing ring supports improved performance by enabling an increase in the size of the valve. To target calcification—one of the primary causes of tissue valve deterioration—the leaflets of the PERIMOUNT Magna valve are treated with the Carpentier-Edwards TheraFix* process.





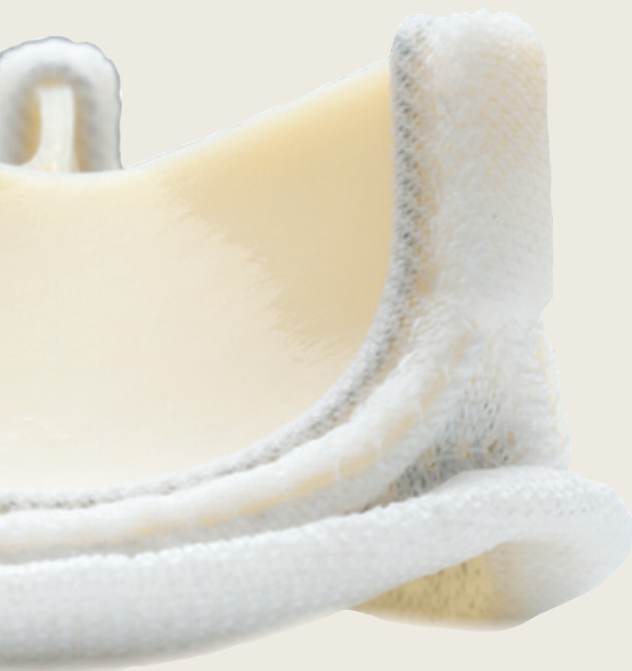
Hemodynamic Performance

- The PERIMOUNT Magna valve provides the largest effective orifice area of any stented tissue valve, which optimizes blood flow for the patient.
- True supra-annular design facilitates placement above the patient's native valve opening, enabling improved hemodynamic performance.

Tissue Treatment

- Available with ThermoFix*, an anti-calcification technology.
- Only the ThermoFix* advanced tissue process has shown in laboratory studies that it extracts both major binding sites for calcium that lead to tissue calcification. Other tissue treatments may extract or coat only one of these two calcium binding sites.

** No clinical data are available which evaluate the long-term impact of the Edwards tissue treatment in patients.*





Dr. Grier & Sanna


In March 2007, Sanna, a 21-year-old pre-medical student, was rushed to the hospital with severe abdominal pain. Her clinicians detected and removed an abscess above one of her kidneys. Despite this surgery and subsequent treatment, her condition worsened overnight. If Sanna didn't improve, her clinicians knew they would likely need to remove her kidney—a particularly worrisome prospect since Sanna is diabetic.

Her clinicians needed more information to better understand her body's response to their course of treatment, so they used Edwards' FloTrac sensor and Vigileo monitor to assess her cardiac status and control her hemodynamic condition. With the information provided by the FloTrac system, they were able to see exactly how Sanna was responding to their therapy, determine the cause of her worsening condition, and help her get better.

"The FloTrac system gives me the most information on the hemodynamic status of patients like Sanna in a minimally invasive way," said Laurie R. Grier, M.D.

LAURIE R. GRIER, M.D.

Medical Director, Medical Intensive Care Unit, Louisiana State University Health Sciences Center, Shreveport, LA

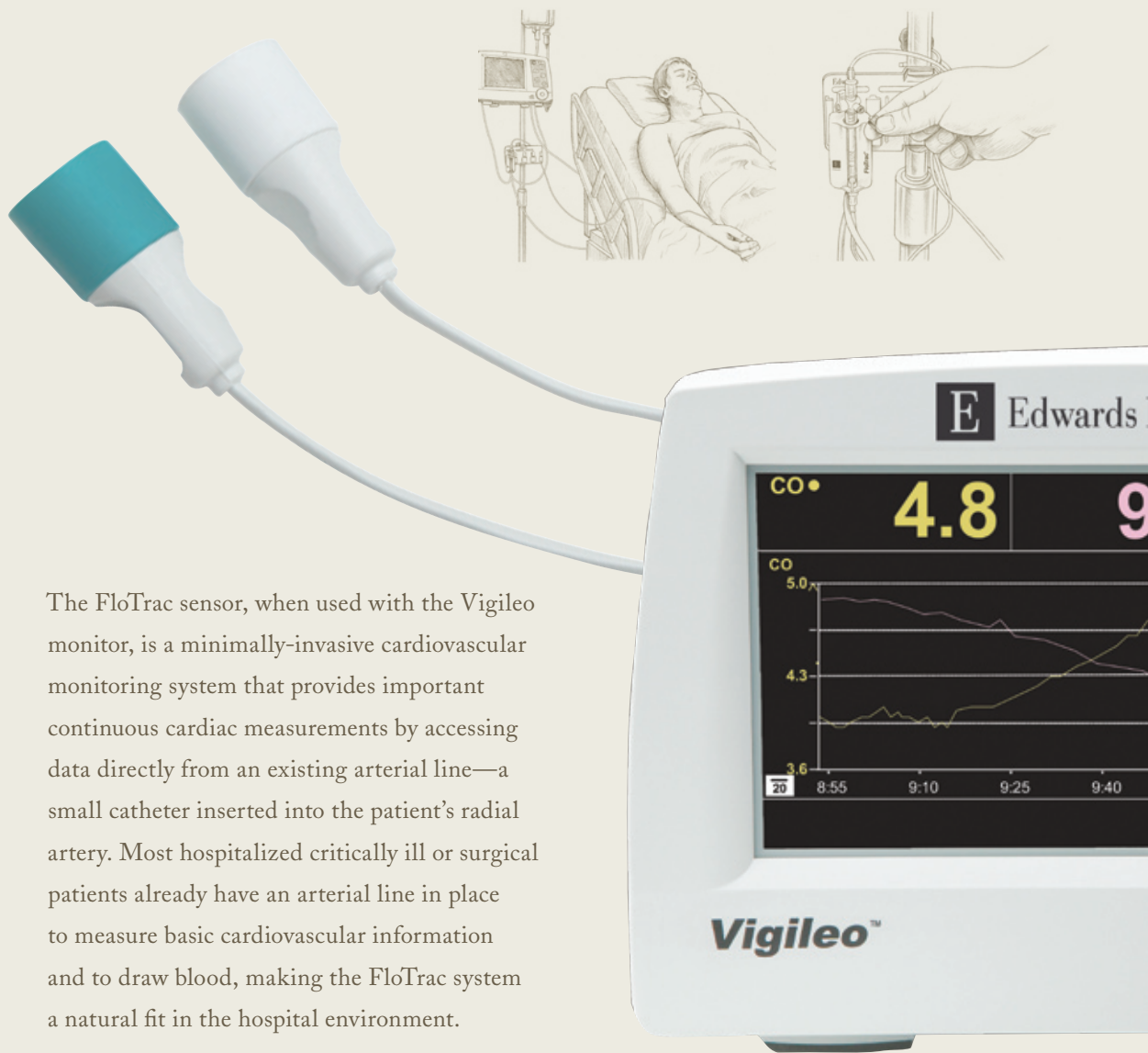


“This experience
put my life into
perspective. I’m
now even more
enthusiastic about
practicing medicine
and helping patients
in need—just like me.”

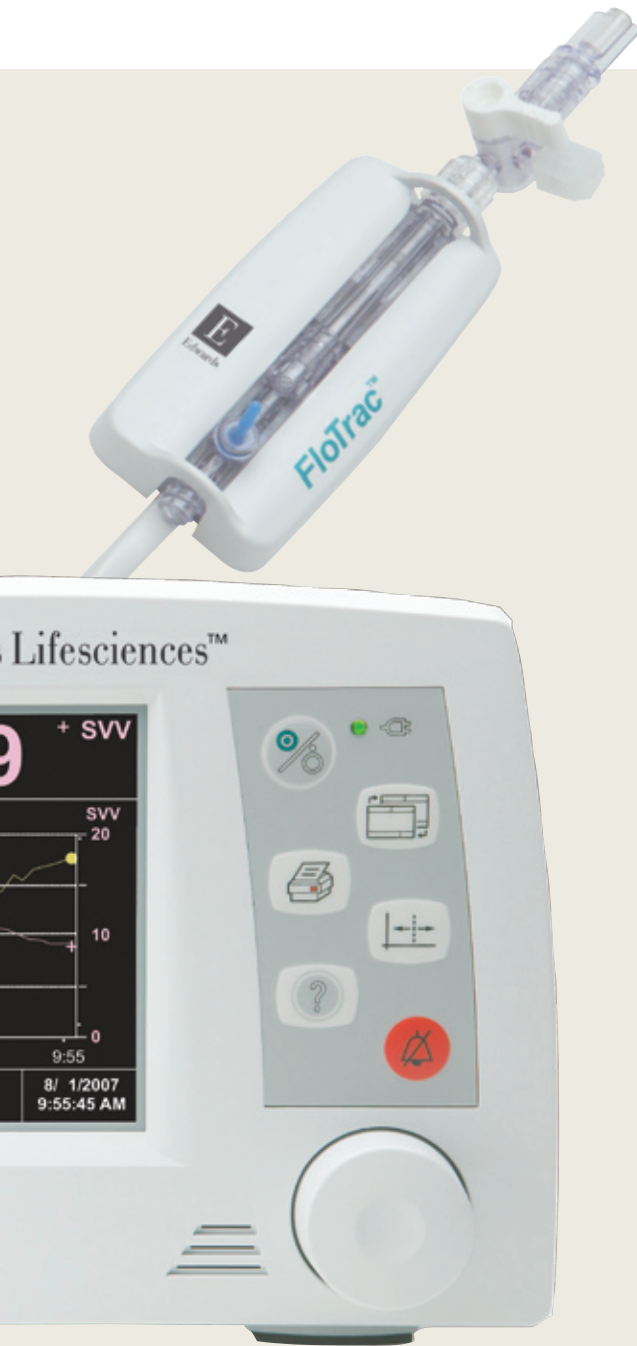
SANNA

Monitored with the FloTrac System

FloTrac Sensor & Vigileo Monitor



The FloTrac sensor, when used with the Vigileo monitor, is a minimally-invasive cardiovascular monitoring system that provides important continuous cardiac measurements by accessing data directly from an existing arterial line—a small catheter inserted into the patient’s radial artery. Most hospitalized critically ill or surgical patients already have an arterial line in place to measure basic cardiovascular information and to draw blood, making the FloTrac system a natural fit in the hospital environment.



The FloTrac system is engineered for accuracy, simplicity and ease-of-use:

- Connects to an existing arterial catheter.
- Automatically adjusts to changing patient conditions.
- Continuously monitors key patient parameters.
- Is validated against the clinical gold-standard Swan-Ganz pulmonary artery catheter.

In surgical and intensive care settings, clinicians need to monitor cardiovascular measurements, preferably on a continuous basis. Traditionally, this information is collected either through a pulmonary artery catheter placed in the patient's heart or through basic vital signs alone. While clinicians still rely on Edwards' Swan-Ganz catheters to obtain the most comprehensive level of cardiovascular monitoring, the FloTrac system is now being used to gather some of those same parameters in a less invasive manner. The result is that the FloTrac system enables a greater number of patients to benefit from early monitoring.



Dr. Picard & Henry

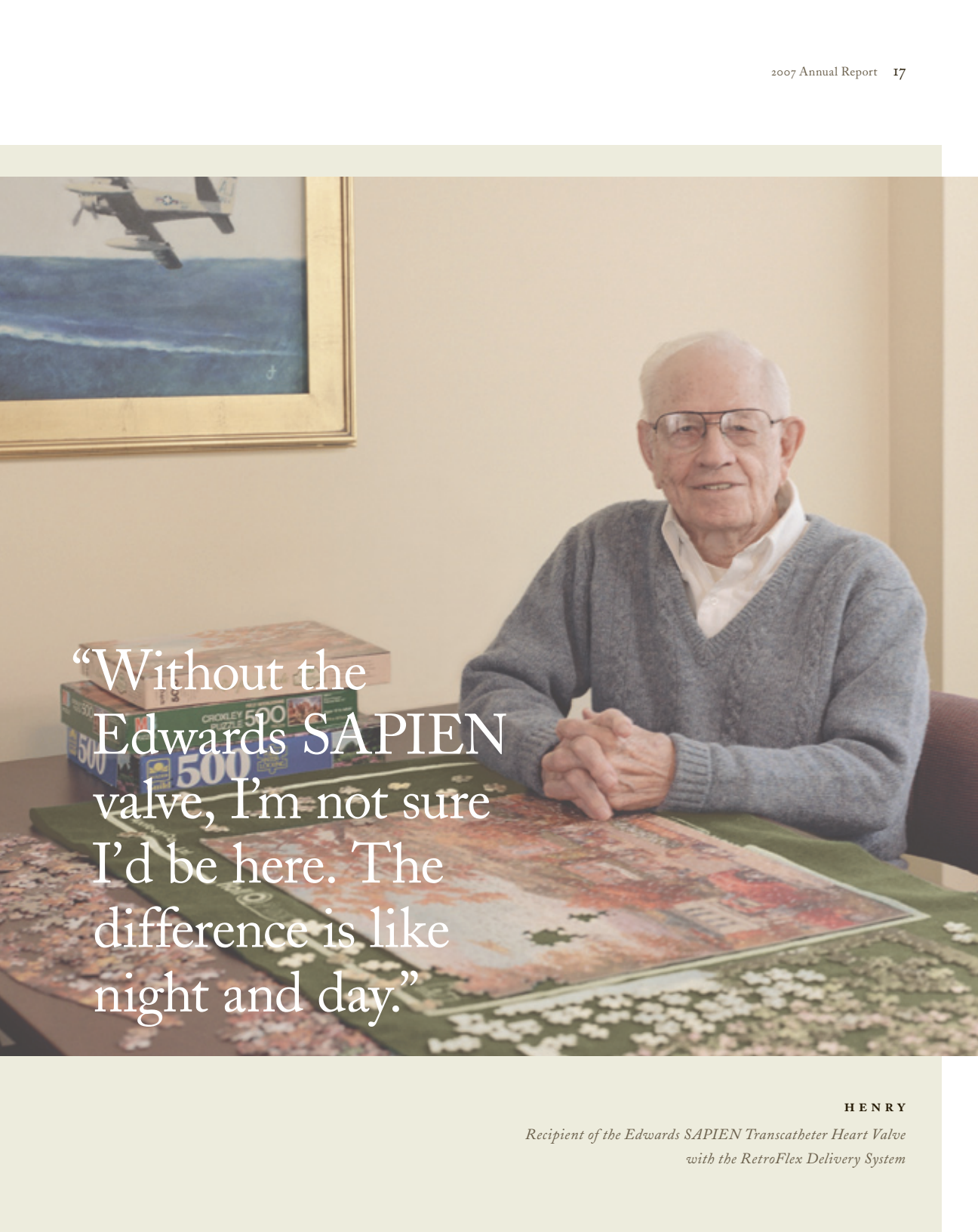
Henry has had many roles during his 95 years: Navy captain, school business manager, devoted husband, father and grandfather. While caring full-time for his wife of 69 years, Henry was diagnosed with aortic stenosis, a narrowing of the valve that restricts blood flow. He worried that the surgical treatment would interfere with the care of his wife.

In 2007, after missing his grandson's high school graduation, he decided to pursue treatment. In August, Henry received the Edwards SAPIEN transcatheter aortic heart valve implanted with the RetroFlex delivery system as part of a U.S. clinical trial. He returned home less than a week later. "I felt so bad before, and it was like getting a whole new lease on life," he said.

Henry's doctor, Augusto Picard, M.D., is proud to offer his patients in the clinical trial an option that previously did not exist. "I believe the Edwards SAPIEN transcatheter valve is unique thanks to years of dedicated research and work. The valve's fine details make it an outstanding and sophisticated product," said Dr. Picard.

AUGUSTO PICARD, M.D.

Professor of Medicine and Director of the Cardiac Catheterization Laboratory, Washington Hospital Center, Washington, DC

A photograph of an elderly man, Henry, sitting at a table. He is wearing a grey V-neck sweater over a white collared shirt and glasses. His hands are clasped on the table. In front of him is a large jigsaw puzzle of a city scene. To his left are several boxes of puzzle pieces, some labeled '500'. On the wall behind him is a framed painting of a biplane flying over a body of water.

“Without the
Edwards SAPIEN
valve, I’m not sure
I’d be here. The
difference is like
night and day.”

HENRY

*Recipient of the Edwards SAPIEN Transcatheter Heart Valve
with the RetroFlex Delivery System*

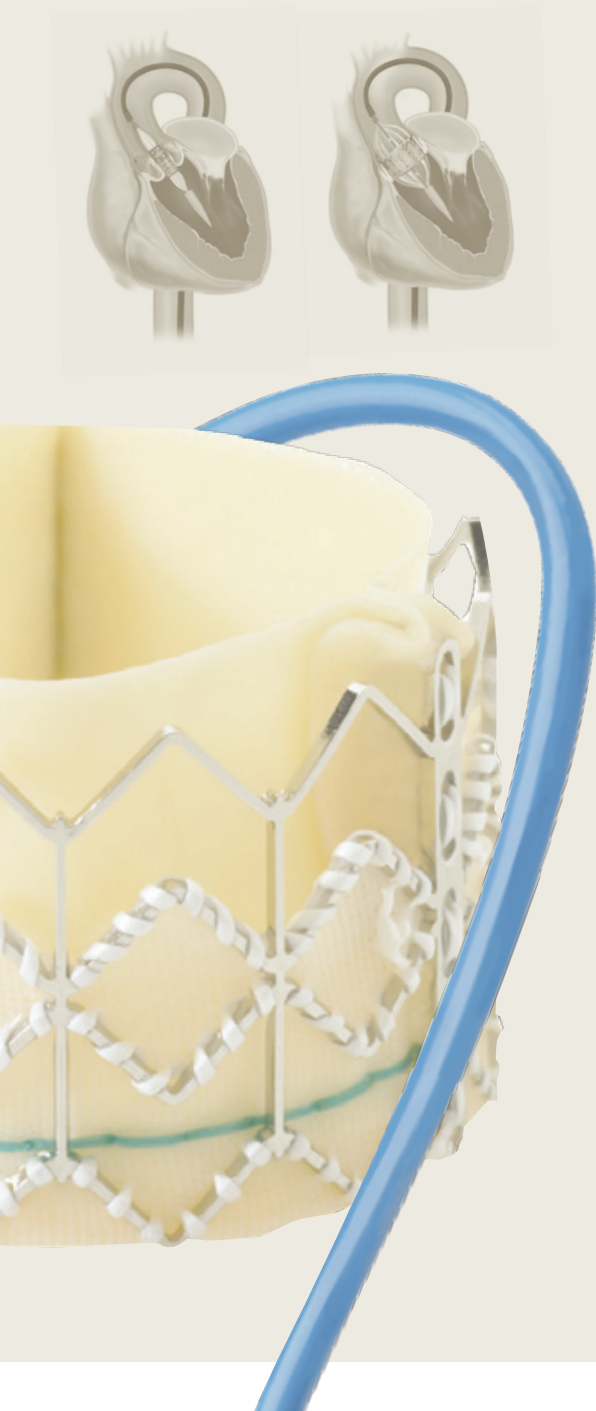
Edwards SAPIEN Transcatheter Heart Valve & RetroFlex Delivery System

Patients with severe aortic stenosis—a narrowing of the valve that restricts blood flow—who also have other illnesses may be considered to be high-risk for conventional open-heart surgical valve replacement. These patients could benefit from a minimally invasive valve replacement procedure that can be performed without cardiopulmonary bypass or a sternotomy, and has the potential to shorten recovery times.

Using the RetroFlex delivery system, the Edwards SAPIEN transcatheter heart valve is compressed onto a balloon to the approximate diameter of a pencil and threaded through the patient's circulatory system from the leg and expanded securely into place directly over the diseased aortic valve. The Edwards SAPIEN valve can also be used with the Ascendra transapical delivery system, which achieves valve delivery through a small incision between the ribs.

CAUTION: The Edwards SAPIEN transcatheter heart valve, and the RetroFlex and Ascendra delivery systems are investigational devices. Limited by Federal (USA) Law to investigational use. Not available for sale in the United States.





Hemodynamic Performance

- Leverages Edwards' proprietary bovine pericardial tissue and more than 40 years of continuous refinement in heart valve technology.
- This valve has excellent blood flow characteristics that are equivalent to or better than traditional surgical alternatives.

Tissue Treatment

- The Edwards SAPIEN transcatheter heart valve incorporates the same tissue manufacturing processes used for Edwards' world-class Carpentier-Edwards PERIMOUNT Magna pericardial valves.
- Only the ThermoFix* advanced tissue process has shown in laboratory studies that it extracts both major binding sites for calcium that lead to tissue calcification. Other tissue treatments may extract or coat only one of these two calcium binding sites.

** No clinical data are available which evaluates the long-term impact of the Edwards tissue treatment in patients.*



Dr. Shah & Gloria

Gloria suffered from chest pain for years. In November 2007, the intensity of her pain became unbearable and she was rushed to the emergency room. Gloria was diagnosed with severe aortic stenosis and needed a replacement heart valve.

Gloria didn't have insurance to cover the procedure, so the hospital connected her with the Larry King Cardiac Foundation, a non-profit organization supported by more than \$250,000 in multi-year grants from The Edwards Lifesciences Fund. The Foundation covered the costs of her surgery and her physician chose to replace her heart valve with a Carpentier-Edwards PERIMOUNT aortic heart valve. "I can breathe again," said Gloria, who no longer suffers from shortness of breath as a result of her faulty native valve.

"The best time to treat valvular heart disease is before symptoms become severe," said Pravin Shah, M.D., M.A.C.C., who is dedicated to helping patients like Gloria. The Edwards Lifesciences Fund has awarded \$100,000 to help develop the Hoag Heart Valve Center and provide free heart valve screenings for seniors. "We hope to save thousands of lives with the early detection of valve disease that results from these screenings," said Dr. Shah.

PRAVIN SHAH, M.D., M.A.C.C.

*Chair and Medical Director, Hoag Heart Valve Center,
Hoag Memorial Hospital Presbyterian, Newport Beach, CA*



“Edwards’ heart valve has allowed me to continue enjoying my life with my children and grandchildren.”

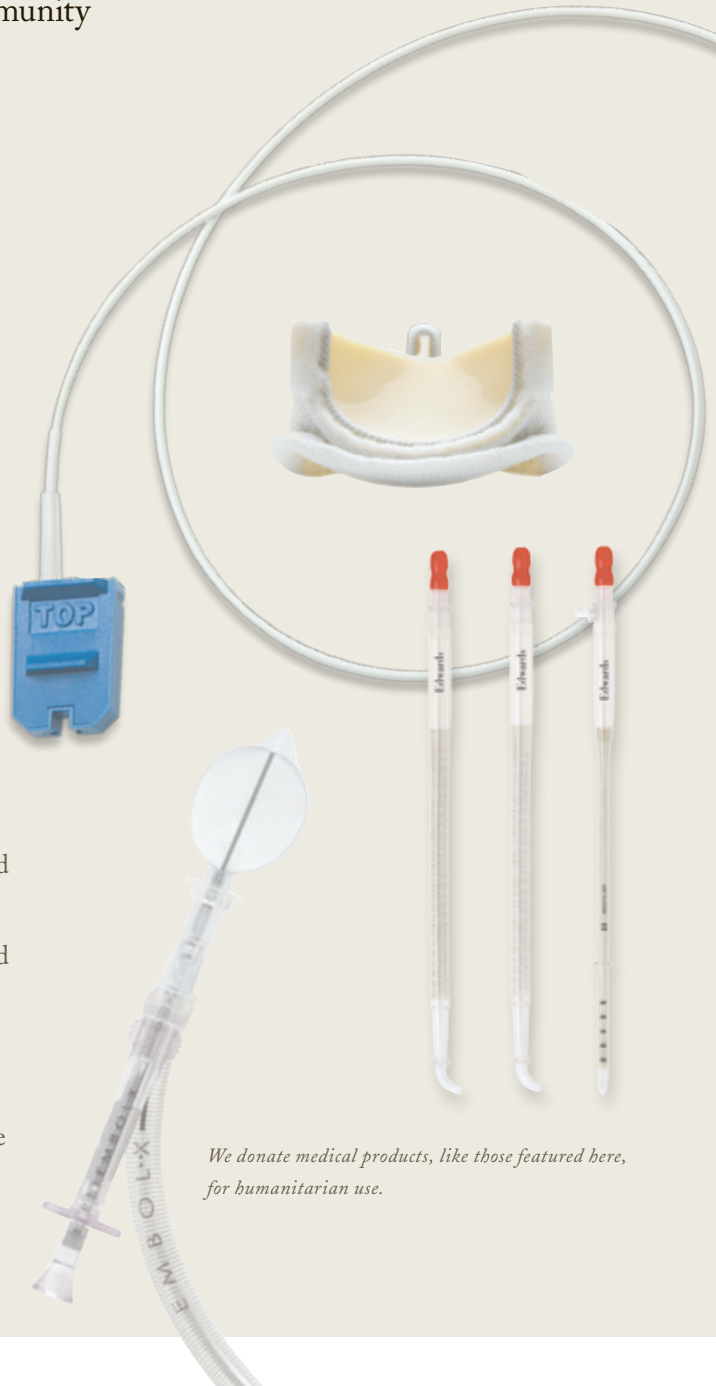
GLORIA

*Recipient of the Carpentier-Edwards
PERIMOUNT Aortic Heart Valve*

Edwards Lifesciences & the Community

Our passion for service is at the core of who we are at Edwards Lifesciences. From developing innovative solutions for people fighting cardiovascular disease, to supporting local, national and international charitable organizations that expand awareness about cardiovascular disease or provide support and services to those in need, we are committed to improving the quality of life around the world.

As part of our commitment, we established The Edwards Lifesciences Fund in 2004 to support advancements in knowledge and improvements in quality of life, focusing primarily upon cardiovascular disease and the communities where our employees live and work. In 2007, our fund awarded more than \$2.5 million to worthy organizations.



We donate medical products, like those featured here, for humanitarian use.



We are also a proud corporate partner of AmeriCares, a non-profit international relief organization. For more than 25 years, AmeriCares has been the bridge between companies donating life-saving medical treatments and health care workers on the ground.

Over the past few years, Edwards has donated more than \$700,000 worth of medical devices to AmeriCares, including much-needed heart valves, critical care monitoring devices and cardiac surgery products. These products, combined with AmeriCares' humanitarian assistance, have helped tackle the challenges of chronic disease and have increased access to treatment for some of the world's most underserved populations.

2007 Milestones

- More than \$2.5 million awarded.
- 60+ charitable organizations received grants of between \$5,000 and \$100,000.
- 54% of strategic grants supported international cardiovascular humanitarian efforts.

Condensed Consolidated Balance Sheets

Our complete financial results and consolidated financial statements including the notes referred to below, appear in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2007. A copy of the Form 10-K is available on our web site at www.edwards.com.

Twelve months ended December 31 (in millions, except per share data)	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents	\$ 141.8	\$ 182.8
Short-term investments (Note 2)	49.4	—
Accounts receivable, net	115.8	111.5
Other receivables	29.5	15.6
Inventories, net	152.6	142.1
Deferred income taxes	30.2	21.8
Prepaid expenses	25.4	25.7
Other current assets	37.0	32.1
Total current assets	581.7	531.6
Property, plant and equipment, net	228.2	213.0
Goodwill	350.3	337.7
Other intangible assets, net	122.5	116.1
Investments in unconsolidated affiliates	34.3	20.2
Deferred income taxes	13.8	14.5
Other assets	14.3	13.7
Total assets	\$ 1,345.1	\$ 1,246.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 63.9	\$ 48.9
Accrued liabilities	161.5	140.3
Taxes payable	—	37.0
Convertible debt (Note 10)	150.0	—
Total current liabilities	375.4	226.2
Long-term debt	61.7	235.9
Other long-term liabilities	73.0	35.3
Commitments and contingencies (Notes 10 and 17)		
STOCKHOLDERS' EQUITY		
Preferred stock, \$.01 par value, authorized 50.0 shares, no shares outstanding	—	—
Common stock, \$1.00 par value, 350.0 shares authorized, 68.6 and 67.0 shares issued, and 56.6 and 57.7 shares outstanding at December 31, 2007 and 2006, respectively	68.6	67.0
Additional paid-in capital	680.6	603.7
Retained earnings	548.6	433.9
Accumulated other comprehensive income (loss)	7.5	(15.8)
Treasury stock, at cost, 12.0 and 9.3 shares at December 31, 2007 and 2006, respectively	(470.3)	(339.4)
Total stockholders' equity	835.0	749.4
Total liabilities and stockholders' equity	\$ 1,345.1	\$ 1,246.8

Condensed Statements of Operations

Twelve months ended December 31 <i>(in millions, except per share data)</i>	2007	2006	2005
Net sales	\$ 1,091.1	\$ 1,037.0	\$ 997.9
Cost of goods sold	378.2	373.6	374.6
Gross profit	712.9	663.4	623.3
Selling, general and administrative expenses	418.0	376.0	348.7
Research and development expenses	122.3	114.2	99.0
Purchased in process research and development expenses	—	—	1.2
Special charges (gains), net (Note 4)	23.3	(4.5)	48.2
Interest expense	9.1	10.5	12.3
Interest income	(7.7)	(7.8)	(2.6)
Other (income) expense, net (Note 15)	(1.9)	2.7	(0.2)
Income before provision for income taxes	149.8	172.3	116.7
Provision for income taxes	36.8	41.8	37.4
Net income	\$ 113.0	\$ 130.5	\$ 79.3
<i>Share information (Note 2):</i>			
Earnings per share:			
Basic	\$ 1.97	\$ 2.23	\$ 1.33
Diluted	\$ 1.87	\$ 2.10	\$ 1.27
Weighted-average number of common shares outstanding:			
Basic	57.3	58.5	59.6
Diluted	62.7	63.9	62.3

Condensed Statements of Cash Flows

Twelve months ended December 31 (in millions, except per share data)

	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 113.0	\$ 130.5	\$ 79.3
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	54.8	56.8	56.2
Stock-based compensation (Notes 2 and 13)	27.7	26.6	3.3
Deferred income taxes	(5.6)	7.1	(13.8)
Purchased in process research and development	—	—	1.2
Special charges (gains), net	14.9	19.3	(0.8)
Other	1.3	5.4	15.0
Changes in operating assets and liabilities:			
Accounts and other receivables	(6.6)	2.5	(12.6)
Accounts receivable securitization	11.9	0.9	(2.6)
Inventories	(9.0)	(12.8)	(12.9)
Accounts payable and accrued liabilities	14.0	(3.9)	25.1
Prepaid expenses and other current assets	(7.5)	(1.2)	0.3
Other	1.3	(0.4)	(0.9)
Net cash provided by operating activities	210.2	230.8	136.8
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(57.0)	(57.4)	(48.5)
Investments in intangible assets	(5.5)	(2.0)	(2.5)
Investments in unconsolidated affiliates	(2.3)	(1.8)	(1.5)
Transfer to short-term investments (Note 2)	(55.0)	—	—
Proceeds from short-term investments (Note 2)	5.6	—	—
Proceeds from sale of assets (Note 4)	7.2	22.2	24.6
Acquisitions and milestone payment (Notes 4 and 7)	(37.0)	—	—
Other	(0.5)	3.3	0.7
Net cash used in investing activities	(144.5)	(35.7)	(27.2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	57.3	54.8	337.3
Payments on long-term debt	(85.2)	(140.7)	(278.2)
Purchases of treasury stock	(130.9)	(145.9)	(53.5)
Proceeds from stock plans	38.7	33.5	26.2
Excess tax benefit from stock plans (Notes 2 and 13)	8.6	5.2	—
Other	3.4	(0.5)	(2.8)
Net cash (used in) provided by financing activities	(108.1)	(193.6)	29.0
Effect of currency exchange rate changes on cash and cash equivalents	1.4	2.7	(8.9)
Net (decrease) increase in cash and cash equivalents	(41.0)	4.2	129.7
Cash and cash equivalents at beginning of year	182.8	178.6	48.9
Cash and cash equivalents at end of year	\$ 141.8	\$ 182.8	\$ 178.6
SUPPLEMENTAL DISCLOSURES			
Cash paid during the year for:			
Interest	\$ 9.0	\$ 10.5	\$ 12.3
Income taxes	\$ 31.0	\$ 14.3	\$ 37.2
Non cash transactions:			
Investment received in exchange for assets (Notes 4 and 9)	\$ —	\$ 6.4	\$ —

Condensed Statements of Stockholders' Equity & Comprehensive Income (Loss)

(in millions)	Common Stock		Treasury Stock		Additional	Retained	Accumulated Other Comprehensive	Total	Comprehensive Income (Loss)
	Shares	Par Value	Shares	Par Value	Paid-In Capital	Earnings	Income (Loss)		
Balance at December 31, 2004	64.2	\$64.2	4.8	\$ (140.0)	\$500.6	\$224.1	\$ (20.8)	\$628.1	
COMPREHENSIVE INCOME									
Net income						79.3		79.3	\$ 79.3
Other comprehensive income (loss), net of tax:									
Foreign currency translation adjustments							(21.0)	(21.0)	(21.0)
Unrealized gains on cash flow hedges							15.3	15.3	15.3
Unrealized loss on available-for-sale investments							(6.9)	(6.9)	(6.9)
Reclassification adjustment for other-than-temporary impairments							10.9	10.9	10.9
Minimum pension liability adjustment							0.3	0.3	0.3
Common stock issued under equity plans	1.4	1.4			24.8			26.2	
Tax benefit related to equity plans					7.9			7.9	
Stock-based compensation expense					3.4			3.4	
Purchase of treasury stock			1.2	(53.5)				(53.5)	
Balance at December 31, 2005	65.6	65.6	6.0	(193.5)	536.7	303.4	(22.2)	690.0	\$ 77.9
COMPREHENSIVE INCOME									
Net income						130.5		130.5	\$ 130.5
Other comprehensive income (loss), net of tax:									
Foreign currency translation adjustments							11.8	11.8	11.8
Unrealized loss on cash flow hedges							(5.2)	(5.2)	(5.2)
Unrealized gain on available-for-sale investments							2.0	2.0	2.0
Minimum pension liability adjustment							2.1	2.1	2.1
Impact of SFAS 158, net of tax							(4.3)	(4.3)	
Common stock issued under equity plans	1.4	1.4			32.1			33.5	
Tax benefit related to equity plans					8.3			8.3	
Stock-based compensation expense					26.6			26.6	
Purchase of treasury stock			3.3	(145.9)				(145.9)	
Balance at December 31, 2006	67.0	67.0	9.3	(339.4)	603.7	433.9	(15.8)	749.4	\$ 141.2
COMPREHENSIVE INCOME									
Net income						113.0		113.0	\$ 113.0
Other comprehensive income (loss), net of tax:									
Foreign currency translation adjustments							19.1	19.1	19.1
Unrealized loss on cash flow hedges							(6.2)	(6.2)	(6.2)
Unrealized gain on available-for-sale investments							6.1	6.1	6.1
Defined benefit pension plans:									
Net prior service cost (Note 14)							2.5	2.5	2.5
Net gain							1.8	1.8	1.8
Cumulative effect of the adoption of FIN 48						1.7		1.7	
Common stock issued under equity plans	1.6	1.6			37.1			38.7	
Tax benefit related to equity plans					12.1			12.1	
Stock-based compensation expense					27.7			27.7	
Purchase of treasury stock			2.7	(130.9)				(130.9)	
Balance at December 31, 2007	68.6	\$68.6	12.0	\$ (470.3)	\$ 680.6	\$548.6	\$7.5	\$835.0	\$136.3

Reconciliation of GAAP to 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 has also reflected the impact of Financial Accounting Standards Board Statement No. 123(R) (“FAS 123(R)”), Share Based Compensation, as if these provisions had been applied in prior years for year-over-year comparison purposes.

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.

Reconciliation of GAAP to Non-GAAP Financial Information

Twelve months ended December 31 (in millions, except per share data)	2007	2006	2005	2004	2003
GAAP NET INCOME	\$ 113.0	\$ 130.5	\$ 79.3	\$ 1.7	\$ 79.0
Reconciling items:					
Cost of goods sold—discontinued products	—	2.0	—	—	—
Purchased in-process research & development expenses	—	—	1.2	93.3	13.6
Special charges (gains):					
Realignment expenses	13.9	9.4	3.9	—	13.0
Pension settlement and adjustments	11.2	—	—	—	1.9
Settlements and litigations (gains) losses, net	—	(20.2)	2.9	—	5.3
(Gain) loss on sale of assets, net	(1.8)	(13.7)	(14.1)	(7.4)	3.3
PVT milestone payment	—	10.0	—	—	—
Discontinued products	—	6.8	1.4	10.6	—
Restructure 3F Therapeutics agreements	—	2.0	22.8	—	—
Litigation reserves	—	1.2	—	—	—
Investment impairments	—	—	16.3	9.0	—
Charitable fund contribution	—	—	15.0	5.0	—
Stock option expense under FAS 123(R), net of tax	—	—	(14.3)	(15.7)	(16.0)
Provision (benefit) for income taxes:					
Tax effect on non-GAAP adjustments	(6.9)	6.6	(11.5)	(8.1)	(6.3)
Tax benefit from audit settlements and reversal of valuation allowances	—	(6.9)	(8.0)	—	(13.2)
Repatriation taxes	—	—	15.8	—	—
NON-GAAP NET INCOME	\$ 129.4	\$ 127.7	\$ 110.7	\$ 88.4	\$ 80.6
Non-GAAP earnings per share:					
Basic non-GAAP earnings per share	\$ 2.26	\$ 2.18	\$ 1.86	\$ 1.48	\$ 1.36
Diluted non-GAAP earnings per share	\$ 2.13	\$ 2.06	\$ 1.76	\$ 1.43	\$ 1.32
Weighted-average shares outstanding:					
Basic	57.3	58.5	59.6	59.6	59.1
Diluted	62.7	63.9	65.0	64.7	62.9
NON-GAAP FREE CASH FLOW 2003-2007					
Twelve months ended December 31 (in millions)	2007	2006	2005	2004	2003
Net cash provided by operating activities	\$ 210.2	\$ 230.8	\$ 136.8	\$ 180.6	\$ 142.1
Capital expenditures	(57.0)	(57.4)	(48.5)	(42.5)	(37.9)
Reconciling items:					
Litigation settlement	—	(23.8)	—	—	—
Charitable fund contribution	—	—	15.0	—	—
Restructure 3F agreements	—	—	22.8	—	—
Non-GAAP Free Cash Flow	\$ 153.2	\$ 149.6	\$ 126.1	\$ 138.1	\$ 104.2

Executive Management *(as of March 2008)*



Michael A. Mussallem *Chairman & Chief Executive Officer*

Thomas M. Abate *Corporate Vice President, Chief Financial Officer & Treasurer*

Anita B. Bessler* *Corporate Vice President, Heart Valve Therapy & Cardiac Surgery Systems*

Donald E. Bobo, Jr. *Corporate Vice President, Heart Valve Therapy*

Stuart L. Foster* *Corporate Vice President, Critical Care & Vascular*



Bruce P. Garren *Corporate Vice President, Government Affairs & General Counsel*

John H. Kehl, Jr. *Corporate Vice President, Strategy & Corporate Development*

Corinne H. Lyle *Corporate Vice President, Global Operations*

J. Alex Martin* *Corporate Vice President, North America*

**Departing the company in mid-2008*



John P. McGrath, Ph.D. *Corporate Vice President, Quality*

Paul C. Redmond *Corporate Vice President, CardioVations Surgical Systems*

Robert C. Reindl *Corporate Vice President, Human Resources*

Stanton J. Rowe *Corporate Vice President, Advanced Technology*

Carlyn D. Solomon *Corporate Vice President, Critical Care & Vascular*



Patrick B. Verguet *Corporate Vice President, Europe*

Huimin Wang, M.D. *Corporate Vice President, Japan & Intercontinental*

Larry L. Wood *Corporate Vice President, Transcatheter Valve Replacement*

Corporate Information

CORPORATE HEADQUARTERS

Edwards Lifesciences Corporation
One Edwards Way, Irvine, CA 92614
(800) 4-A-HEART or (949) 250-2500
www.edwards.com


ANNUAL MEETING

The Annual Meeting of Shareholders will be held on May 8, 2008 at 10:00 a.m. (Pacific) at the offices of Edwards Lifesciences Corporation, One Edwards Way, Irvine, CA 92614.

SEC FORM 10-K

A copy of Edwards Lifesciences' annual report to the Securities and Exchange Commission on Form 10-K is available on the company's web site at www.edwards.com or upon request to the Investor Relations department at (949) 250-2806.

STOCK SYMBOL

 Edwards Lifesciences' stock is traded on The New York Stock Exchange (NYSE) under the symbol EW.

INFORMATION ON THE INTERNET

Edwards Lifesciences' web site at www.edwards.com provides access to a wide range of information for our customers, patients and stockholders. Persons interested in investing in Edwards Lifesciences are invited to visit the "Investor Information" section of our web site to access our press releases, SEC filings and other company information.

CORPORATE PUBLIC RELATIONS

Members of the news media should call (949) 250-5070.

INVESTOR INFORMATION

Shareholders, securities analysts and investors seeking additional information about Edwards Lifesciences should contact: David K. Erickson
Vice President, Investor Relations
(949) 250-2806 Phone
(949) 250-2248 Fax
investor_relations@edwards.com

ANALYST COVERAGE

For a list of research firms and analysts who cover Edwards Lifesciences, please visit the Investor Relations section of the company's web site at www.edwards.com.

TRANSFER AGENT

Correspondence about share ownership, account status, the transfer or exchange of shares, lost stock certificates, duplicate mailings or change of address may be directed to:
Computershare Investor Services
P.O. Box 43069
Providence, RI 02940-3069
(800) 756-8200
Hearing impaired # TDD:
(800) 952-9245
www.computershare.com

INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP
Orange County, CA

BOARD OF DIRECTORS

Michael A. Mussallem

*Chairman & Chief Executive Officer,
Edwards Lifesciences Corporation*

Mike R. Bowlin

*Former Chairman &
Chief Executive Officer,
Atlantic Richfield Company*

John T. Cardis

*Former Partner
Deloitte & Touche*

Robert A. Ingram

*Vice Chairman, Pharmaceuticals,
GlaxoSmithKline*

Vernon R. Loucks Jr.

*Chairman,
The Aethena Group, LLC*

Barbara J. McNeil, M.D., Ph.D.

*Professor and Chair,
Department of Health Care Policy,
Harvard Medical School*

Philip M. Neal

*Former Chairman &
Chief Executive Officer,
Avery Dennison Corporation*

David E.I. Pyott

*Chairman & Chief Executive Officer,
Allergan, Inc.*

*Edwards Lifesciences is an affirmative
action, equal opportunity employer.*

OUR CREDO

At Edwards Lifesciences, we are dedicated to providing innovative solutions for people fighting cardiovascular disease. Through our actions, we will become trusted partners with customers, colleagues and patients creating a community unified in its mission to improve the quality of life around the world. Our results will benefit customers, patients, employees and shareholders. We will celebrate our successes, thrive on discovery and continually expand our boundaries. We will act boldly, decisively and with determination on behalf of people fighting cardiovascular disease. Helping Patients is Our Life's Work, and Life is Now.

TRADEMARKS

Edwards, Edwards SAPIEN, Life is Now and RetroFlex are trademarks of Edwards Lifesciences Corporation. Edwards Lifesciences, the stylized E logo, 1-800-4-A-Heart, Ascendra, CardioVations, Carpentier-Edwards, FloTrac, Magna, Myxo ETlogix, PediaSat, PERIMOUNT, PERIMOUNT Magna, PERIMOUNT Theon, Swan-Ganz, ThermaFix and Vigileo are trademarks of Edwards Lifesciences Corporation and are registered in the United States Patent and Trademark Office. Edwards ONE is a service mark of Edwards Lifesciences Corporation and is registered in the United States Patent and Trademark Office.

CERTIFICATION

On June 6, 2007, Edwards Lifesciences submitted to the New York Stock Exchange a certification signed by its Chief Executive Officer that as of June 6, 2007 he was not aware of any violation by Edwards Lifesciences of the NYSE corporate governance listing standards. In addition, the certifications signed by the Chief Executive Officer and Chief Financial Officer required under Section 302 of the Sarbanes-Oxley Act were filed as an exhibit to Edwards Lifesciences' Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

FSC MIXED SOURCES LABEL

Edwards Lifesciences' printer, Blanchette Press, is Chain-of-Custody certified by the Forest Stewardship Council (FSC). Products manufactured with the FSC logo showing the certification number can be traced back to the original well-managed forest and/or post-consumer recycled content source that the paper was made from.



© 2008 Edwards Lifesciences Corporation

Edwards Lifesciences Corporation

One Edwards Way, Irvine, California 92614

(800) 4-A-HEART or (949) 250-2500

www.edwards.com



Edwards