

LIFE



Edwards

At Edwards Lifesciences,
we are a global leader in the
fight against advanced
cardiovascular disease. Helping
patients is our life's work,
and it inspires our ideas and
defines our business strategy.
We embrace its challenges and
strive in all we do to improve
the lives of people suffering from
the world's leading killer.

LIFE, LIKE
OUR BUSINESS,
IS A JOURNEY
FILLED WITH...

A black and white close-up portrait of a woman's face, tilted slightly upwards and to the right. She has dark hair and is looking off-camera with a contemplative expression. The word "IMAGINATION" is superimposed in a bold, red, sans-serif font across the center of her face, positioned between her eyes and nose.

IMAGINATION

ASPIRATION

AND NEW
EXPERIENCES
EVERY DAY.



IT'S ABOUT BALANCE



THOUGHTFULNESS

AND STABILITY.

IT'S ABOUT
CHALLENGE
AND SUCCESS

A black and white close-up photograph of an elderly man. He has white hair, deep wrinkles on his forehead and around his eyes, and is wearing thick-rimmed glasses. He is resting his chin on his hands, with his fingers visible at the bottom of the frame. The word "RESPONSIBILITY" is overlaid in a bold, red, sans-serif font across the center of his face, partially covering his eyes and nose.

RESPONSIBILITY

A high-contrast, black and white profile photograph of a man's face, looking towards the right. The lighting is dramatic, with deep shadows on the left side of his face and forehead, and highlights on the right side, particularly around the eye, nose, and cheek. The texture of his skin is visible. The word "DEDICATION" is superimposed in a bold, red, sans-serif font across the center of the image, partially covering the man's nose and cheek.

DEDICATION

AND COMMITMENT.

AT EDWARDS,
HELPING PATIENTS
IS OUR
LIFE'S WORK

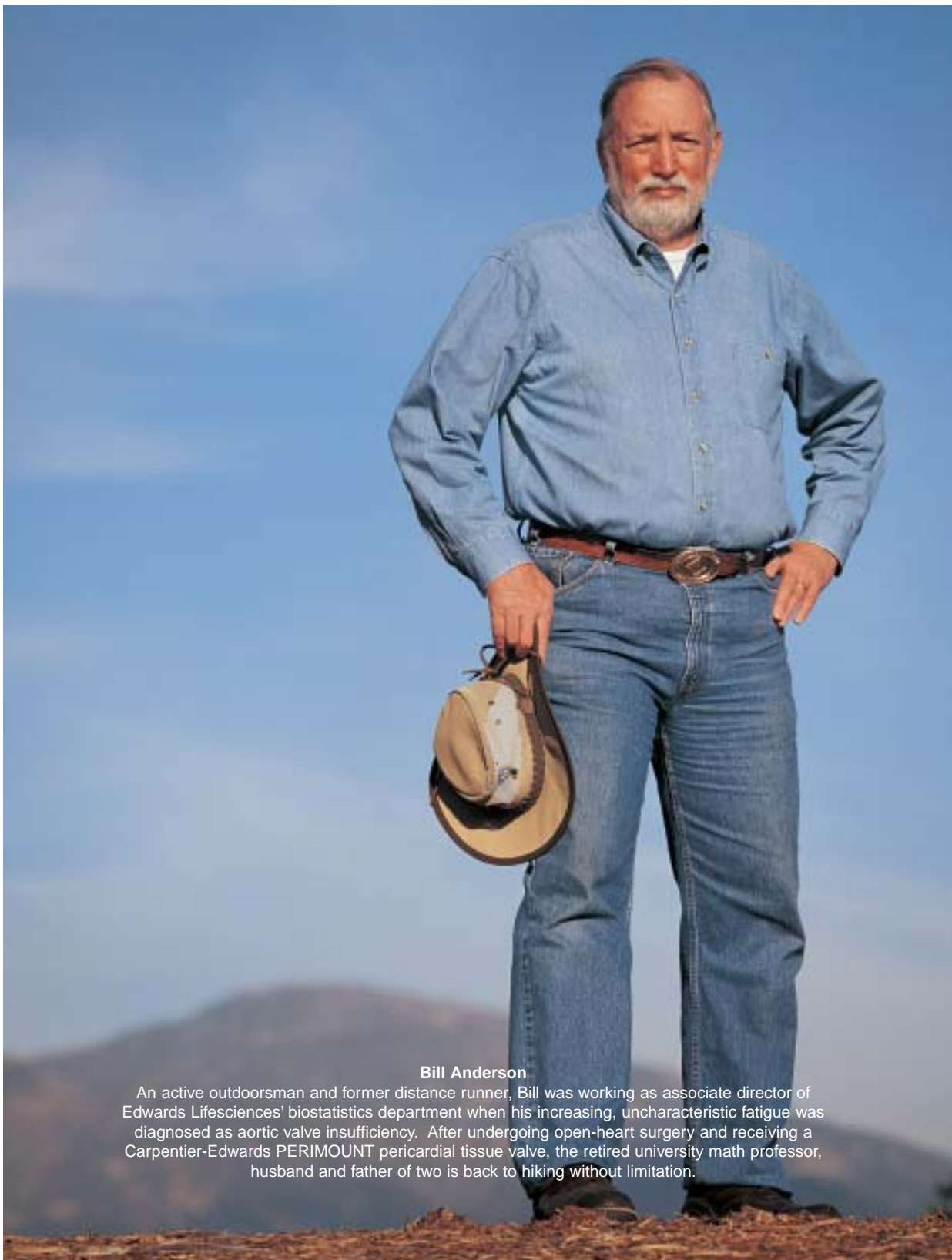
A black and white close-up portrait of a woman with dark hair and round glasses. She is resting her chin on her clasped hands, which are positioned in the lower foreground. A diamond ring is visible on her finger. The text "AND LIFE IS NOW." is overlaid in red across the center of the image.

AND LIFE IS NOW.



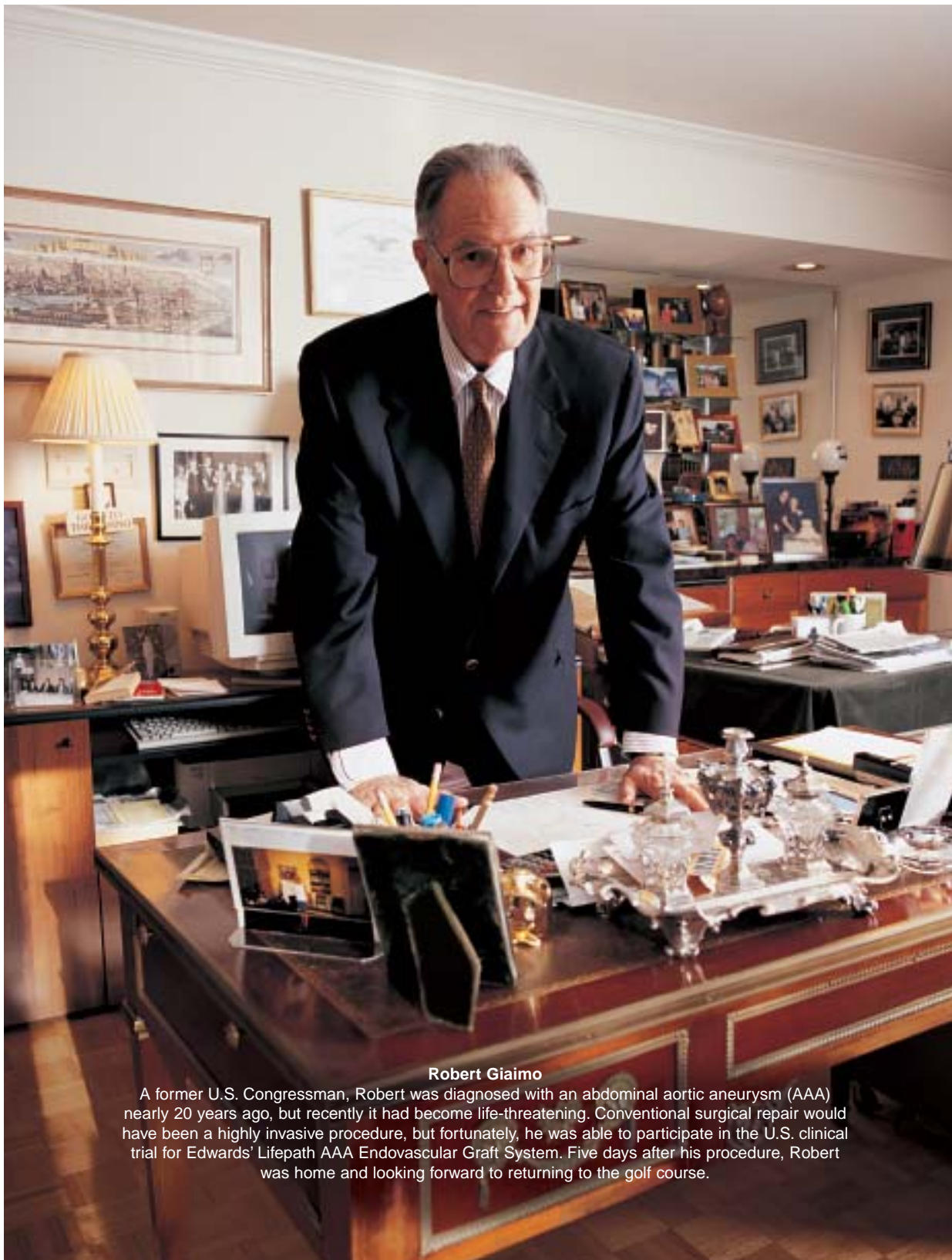
Janalyn Poole

Janalyn was one of more than 6 million Americans suffering from severe angina – debilitating chest pain resulting from insufficient oxygen to the heart – when she underwent CO₂ Laser Revascularization, a proprietary surgical technology offered by Edwards in which a carbon dioxide laser is used to create small, precise channels in the heart muscle to increase circulation. A retired ICU nurse and recent first-time grandmother, Janalyn is back to enjoying life and pursuing her love of literature.



Bill Anderson

An active outdoorsman and former distance runner, Bill was working as associate director of Edwards Lifesciences' biostatistics department when his increasing, uncharacteristic fatigue was diagnosed as aortic valve insufficiency. After undergoing open-heart surgery and receiving a Carpentier-Edwards PERIMOUNT pericardial tissue valve, the retired university math professor, husband and father of two is back to hiking without limitation.



Robert Giaimo

A former U.S. Congressman, Robert was diagnosed with an abdominal aortic aneurysm (AAA) nearly 20 years ago, but recently it had become life-threatening. Conventional surgical repair would have been a highly invasive procedure, but fortunately, he was able to participate in the U.S. clinical trial for Edwards' Lifepath AAA Endovascular Graft System. Five days after his procedure, Robert was home and looking forward to returning to the golf course.




Merle Boatwright

Merle's congestive heart failure had become so severe, walking even short distances had become challenging. After traveling 19 hours, the mother of four and grandmother of three underwent surgical repair of her mitral and tricuspid valves with the Carpentier-Edwards Physio Annuloplasty ring and the new Edwards MC³ Tricuspid Annuloplasty System, and was able to return to her family with renewed energy and hope.

Cardiovascular disease is the number-one cause of death in the world and among the top diseases in terms of health care spending in nearly every country. Globally, more than \$280 billion is spent each year to treat it.

At Edwards Lifesciences,
we are committed to
improving the lives of people
with advanced cardiovascular
disease. We seek to provide
innovative solutions to
fulfill unmet patient needs
and deliver products of the
highest quality. And as long
as people are suffering
from this devastating disease,
our work will continue.

A professional portrait of Michael A. Mussallem, a middle-aged man with a receding hairline, smiling at the camera. He is wearing a dark navy blue suit jacket over a light blue button-down shirt and dark trousers. He is standing in front of a large window with a blurred view of an office interior. His hands are resting on a dark wooden railing.

Michael A. Mussallem
Chairman and Chief Executive Officer

This letter to shareholders contains figures that are not prepared in conformity with Generally Accepted Accounting Principles ("GAAP"). Management has determined that inclusion of these non-GAAP figures provides a more meaningful comparison of the Company's ongoing operations. See page S30 for a reconciliation of the difference between the GAAP and the non-GAAP figures.

To Our Shareholders,

Life and Science, the two themes that bookend this annual report, drive what we do at Edwards Lifesciences. We are a company motivated by our desire to extend and improve the lives of people suffering from the debilitating effects of advanced cardiovascular disease, the world's leading killer. Our vehicle for enhancing patients' lives is science – we work diligently to develop, test and launch innovative technologies to fulfill unmet patient needs. As we pursue our scientific mission, we are rewarded by the realization that we are making a positive difference in patients' lives, and also with financial success that results in greater value for our shareholders.

2002: Near-Term Success, Long-Term Investment

I am pleased to report that in our third year as an independent company, we made significant progress in our continuing efforts to transform Edwards Lifesciences into a more profitable, faster-growing entity. In 2002, we met our sales growth and bottom-line goals, while dramatically increasing our investment in research and development (R&D). Our 2002 sales growth rate increased for the third consecutive year, reaching 7.0 percent underlying growth, and moved us closer to our long-term aspiration of annual double-digit gains. Net income was up 31.8 percent over 2001, excluding non-recurring items, and Edwards generated earnings before interest, taxes, depreciation and amortization (EBITDA) of \$164 million. Importantly, while we delivered on our near-term commitments, we were also aggressive in investing in the company's long-term viability by advancing key growth initiatives through R&D spending (up 19 percent over 2001) and adding outstanding new talent to the Edwards organization.

The numbers tell only part of the story of our success. As the worldwide leader in heart valve therapy, Edwards continues to drive the global market shift from mechanical to tissue valves, and in 2002 we again contributed important innovations in tissue valve

replacement and repair. Our Cardiac Surgery sales returned to historic double-digit growth levels in the second half of the year, and our strategy for further strengthening our global franchises through significant R&D investment paid dividends with the addition of several new state-of-the-art products to our portfolio. Most notably, our PERIMOUNT Magna pericardial valve, which is designed for optimal hemodynamics, was introduced in Europe and Canada, while our Carpentier-Edwards S.A.V. porcine bioprosthesis – a leading porcine valve internationally – received FDA approval and was introduced in the U.S., providing another option for clinicians seeking a porcine alternative for their patients. We also launched our Edwards MC³ Tricuspid Annuloplasty System, the first three-dimensional annuloplasty ring designed specifically for surgical repair of the heart's tricuspid valve, garnering very favorable responses from the U.S. and European clinician communities. We believe our robust and unmatched pipeline of heart valve therapy products will sustain our growth and leadership for many years to come. There remains ample growth opportunity for tissue valve replacement and repair therapies as we work to further expand the heart valve market by developing less invasive repair and replacement approaches for patients who are not currently candidates for conventional valve procedures.

Other 2002 highlights include the favorable settlement of patent infringement litigation that we initiated against a major competitor in 2000, resulting in a cash settlement and ongoing protection of our valuable intellectual property. We also acquired the Japan business that had previously operated as a joint venture with Baxter International, further strengthening our position in one of our largest international markets. This transaction will add approximately \$100 million annually to reported sales, but is not expected to impact the bottom line.

Not everything was ideally executed this year. We experienced more challenges than anticipated with the European launch of our Lifepath AAA Endovascular Graft System, a novel, less-invasive treatment for patients with potentially life-threatening abdominal aortic aneurysms, where adoption has been slower than expected. We remain optimistic that the adoption rates will increase as more long-term data demonstrate Lifepath AAA's therapeutic value, and about the product's potential in the U.S., where we completed our Phase II clinical trials and remain on track for a late 2004 commercial launch.

Investing Wisely, Progressing Toward Growth-Oriented Goals

We are strongly committed to continuing Edwards' growth through increased R&D investments, the establishment of new technology partnerships, and by making selective acquisitions. In 2002, we applied resources to accelerate our internal innovation process, and used our strong cash flows primarily to reduce debt and repurchase shares. As a result, Edwards is well positioned to move quickly when we see strategically sound opportunities to grow.

As we enter 2003, we remain focused on the aspirations we set when we became a publicly traded company – to leverage our strong base business into double-digit sales growth. We intend to shape the future treatment of advanced cardiovascular disease, and our R&D strategy involves exploring multiple treatment approaches. We are aggressively pursuing near-term strategic opportunities, such as our initiatives in stent technologies to treat peripheral vascular disease, and the application of proprietary laser systems to surgically treat atrial fibrillation. We are also exploring technologies with longer-term clinical potential, among them our recently announced partnership with Cook Biotech to pursue the creation of tissue-engineered heart valves as “living” replacement options for younger patients, and our angiogenesis development program with Sangamo BioSciences, which aims to use a gene therapy approach to trigger the growth of new blood vessels in diseased hearts.

While we continue to build our capacity to develop important new products to ensure our long-term growth, we are also delivering on our near-term financial objectives. As in previous years, we have set ambitious, growth-oriented financial goals for 2003. Our goals include underlying sales growth of 7 to 9 percent, net income growth of 14 to 16 percent, excluding the non-recurring items in 2002, free cash flow of \$85 to \$90 million, and continued investment in R&D at or above our sales growth rate. We also expect to generate more bottom-line growth from new products, among them, our Magna pericardial heart valve, which is on track to receive U.S. FDA approval in the second half of 2003. We also are on pace for the global launch of our LifeStent line of balloon- and self-expanding stents this year, representing an exciting opportunity for Edwards to gain a strong position in the large and rapidly growing peripheral stent market. Additionally, we expect to launch a new heart valve repair product for treating ischemic mitral disease.

A Promising Future

We have great optimism about Edwards' future. As a company, we are uniquely positioned, combining a 40-year track record of stability and leadership with the energy and determination of a newcomer in the process of transforming into a growth leader. We are large enough to fund our own growth and launch globally, yet small enough to be focused and agile to quickly pursue new opportunities. Our global leadership in two highly dependable core franchises - Cardiac Surgery and Critical Care - enables us to deliver solid results while pursuing additional growth opportunities. Many of our brands are recognized as best-in-class, attracting strong customer loyalty and sustaining leading market share positions. In addition, our global infrastructure enables us to maximize profitability and establish a presence in developing countries, where populations are living longer and the focus is shifting toward treating chronic conditions, including cardiovascular disease.

Above all, we are driven by the awareness that our work can make a difference in patients' lives. Cardiovascular disease is the world's leading killer, a complex and devastating condition that must be addressed by a host of players, and we are joined in this fight with other innovators, clinicians, public health and government regulatory agencies, medical institutions and patients. We are very proud of the contributions we have made thus far, but we recognize much more is yet to be accomplished. As we look to apply scientific breakthroughs to help improve the lives of people fighting cardiovascular disease, we remain guided by our Credo, which states, "Helping patients is our life's work, and life is now." We thank you for your support as we continue our journey in search of improving both life and science.

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