

To Our Shareholders

As the cover of this annual report suggests, strength is an important attribute of Edwards Lifesciences. With more than 80 percent of our products in leading global positions, we are a strong company providing innovative solutions for people fighting advanced cardiovascular disease, the world's number-one killer. We are proud of our contributions on behalf of patients, as well as the progress we are making as a company. However, the prevailing message we hope you will take away from these pages is that we are just getting started. At the heart of our company is the conviction that we have much more to do.

For the 4,800 Edwards employees around the world, our commitment to patients is unwavering, and we take it to heart. We measure our strength not only by the performance of our products and achievement of our financial goals, but by our ability to help improve patients' lives.

Meeting the Challenge

Both the challenge and opportunity in helping cardiovascular disease patients arise from the fact that the global population is aging, which in turn is dramatically increasing the prevalence of the disease. Edwards is addressing this situation by transforming itself into an even stronger company more focused on innovation and growth. Over the seven quarters since our spin-off, we have indeed become a faster-growing, higher-margin company, and we continue to leverage our core strengths to develop new growth opportunities. And, as this report details, we are gaining significant momentum toward achieving our long-term aspirations.

I am pleased to report that in 2001, a year marked by a slowing global economy, we met our ambitious, growth-oriented goals. On the heels of a 1.3 percent sales growth rate in 2000, we achieved sales growth of 4.4 percent for 2001, excluding the impact of foreign exchange and divestitures. This was in line with our goal of low-to mid-single digit top-line growth and keeps us on track to achieve our long-term aspiration of double-digit sales growth. Also in 2001, we greatly improved our gross profit margin, which contributed to the 24 percent growth in our net income, excluding non-recurring items, higher than our target of 20 percent. Very importantly, we achieved these results while increasing our research and development investments, which I will discuss in more detail later. Additionally, we generated strong earnings before interest, taxes, depreciation and amortization (EBITDA) of \$162 million. Although slightly below our target, these earnings contributed to a lowering of our debt by \$117 million, resulting in a reduction in interest expense and a significantly strengthened balance sheet. Our shareholders were rewarded by a 56 percent increase in share value for the full year.

Taking Decisive Actions

Among the factors leading to our success in 2001 was our ability to create a stronger company by taking decisive actions. In July, we completed the divestiture of our lower-margin U.S. perfusion services subsidiary, which created a better strategic fit