



**Third Quarter 2008**  
**November 6, 2008**



**Financial Review**  
**Tom Bailey, CFO**



## Forward-Looking Statements

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Statements contained in this presentation that are not based on historical fact, including without limitation statements containing the words "believes," "may," "plans," "will," "estimate," "continue," "anticipates," "intends," "expects" and similar expressions, constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and constitute "forward-looking information" within the meaning of applicable Canadian securities laws. All such statements are made pursuant to the "safe harbor" provisions of applicable securities legislation. Forward looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for the fourth quarter of 2008 and beyond, and our strategies or future actions, our targets, expectations for our financial condition and the results of, or outlook for, our operations, research development and product and drug development. Such forward looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Many such risks, uncertainties and other factors are taken into account as part of our assumptions underlying these forward-looking statements and include, among others, the following: general economic and business conditions, both nationally and in the regions in which we operate; market demand; technological changes that could impact our existing products or our ability to develop and commercialize future products; competition; existing governmental regulations and changes in, or the failure to comply with, governmental regulations; adverse results or unexpected delays in pre-clinical and clinical product development processes; adverse findings related to the safety and/or efficacy of our products or products sold by our partners; decisions, and the timing of decisions, made by health regulatory agencies regarding approval of our technology and products; the requirement for substantial funding to conduct research and development, to expand manufacturing and commercialization activities or consummate acquisitions; and any other factors that may affect performance. In addition, our business is subject to certain operating risks that may cause the actual results expressed or implied by the forward-looking statements in this presentation to differ materially from our actual results. These operating risks include: our ability to attract and retain qualified personnel; our ability to successfully complete preclinical and clinical development of our products; changes in business strategy or development plans; our failure to obtain patent protection for discoveries; loss of patent protection resulting from third party challenges to our patents; commercialization limitations imposed by patents owned or controlled by third parties; our ability to obtain rights to technology from licensors; liability for patent claims and other claims asserted against us; our ability to obtain and enforce timely patent and other intellectual property protection for our technology and products; the ability to enter into, and to maintain, corporate alliances relating to the development and commercialization of our technology and products; market acceptance of our technology and products; our ability to successfully manufacture, market and sell our products; the continued availability of capital to finance our activities; our ability to continue to service our debt obligations; and any other factors referenced in our annual information form and other filings with the applicable Canadian securities regulatory authorities or the Securities and Exchange Commission. **Given these uncertainties, assumptions and risk factors, readers are cautioned not to place undue reliance on such forward-looking statements. Except as required by law, we disclaim any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained in this presentation to reflect future results, events or developments.**



## Financial Information

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This presentation contains the condensed financial statements derived from the unaudited consolidated interim financial statements for the three and nine-month periods ended September 30, 2008, and 2007. Full unaudited consolidated interim financial statements and Management's Discussion and Analysis for the three and nine-month periods ended September 30, 2008 will be filed with the relevant regulatory agencies, as well as posted on our website at [www.angiotech.com](http://www.angiotech.com).

Amounts, unless specified otherwise, are expressed in U.S. dollars. Financial results are reported under U.S. Generally Accepted Accounting Principles ("GAAP") unless otherwise noted. All per share amounts are stated on a diluted basis unless otherwise noted.

### Use of Certain Non-GAAP Financial Measures

Certain financial results presented in this press release include non-GAAP measures that exclude certain items. Adjusted net loss from continuing operations, adjusted net loss per share from continuing operations and adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") exclude certain non-cash and non-recurring items such as goodwill and financing cost write downs, acquisition-related amortization charges, acquired in-process research and development relating to license agreements and acquisitions, stock-based compensation expense, foreign exchange gains or losses relating to translation of foreign currency cash and investment balances and other non-recurring items. Adjusted net loss from continuing operations, adjusted net loss per share from continuing operations and Adjusted EBITDA also exclude litigation expenses related to defending intellectual property claims. Revenue, as adjusted, excludes non-recurring, non-operating revenue derived from license agreements and other license revenue, net of license fees due to licensors and excludes amounts accrued for costs incurred. Adjusted net loss from continuing operations, adjusted net loss per share from continuing operations, revenue, as adjusted, and Adjusted EBITDA do not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers. Management uses these non-GAAP or adjusted operating measures to establish operational goals, and believes that these measures may assist investors in analyzing the underlying trends in our business over time. Investors should consider these non-GAAP measures in addition to, not as a substitute for, or as superior to, financial reporting measures prepared in accordance with GAAP. We have provided a reconciliation of these measures to GAAP in the attached tables.

The financial outlook referred to in this presentation presents certain forward-looking, non-GAAP financial information for which at this time there is no calculable comparable GAAP measure. As a result, such non-GAAP financial information cannot be quantitatively reconciled to comparable GAAP financial information. Specifically, the estimates for certain operating expenses referred to above exclude estimates of certain expenses that are inherently unpredictable or subject to significant fluctuation for reasons unrelated to our business performance, including stock-based compensation expenses, certain litigation expenses and foreign exchange gains or losses. Management presents this forward-looking, non-GAAP financial information as it believes that this information may assist investors in evaluating the results of the business and analyzing underlying trends in our business over time. Readers are cautioned that such information may not be appropriate for other purposes.



**Q3:08 Financial Results Summary**

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- ▣ **Total revenue (adjusted):** **\$67.9M**
  - vs. \$68.0M in Q3:07
  - vs. \$76.1M in Q2:08
  
- ▣ **Product revenues:** **\$46.5M**
  - vs. \$41.4M in Q3:07
  - vs. \$50.5M in Q2:08
  
- ▣ **Royalty revenues:** **\$21.4M**
  - vs. \$26.6M in Q3:07
  - vs. \$25.5M in Q2:08







**Q3:08 Financial Results Summary**

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- ▣ **COGS (adjusted):** **\$24.7M**
  - vs. \$23.1M in Q3:07
  - vs. \$26.8M in Q2:08
  
- ▣ **R & D (adjusted):** **\$8.8M**
  - vs. \$12.6M in Q3:07
  - vs. \$17.2M in Q2:08
  
- ▣ **SG & A (adjusted):** **\$20.5M**
  - vs. \$21.5M in Q3:07
  - vs. \$23.6M in Q2:08







**Q3:08 Financial Results Summary**

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- **Adjusted EBITDA:** \$11.5M
  - vs. \$7.2M in Q3:07
  - vs. \$5.9M in Q2:08
  - \$20.3M pre-R & D expenses
  - 1.2x absolute EBITDA / net interest
    - 2.1x ex-R & D expenses
- **GAAP EPS:** (\$7.31)
- **Adjusted EPS:** (\$0.05)
- **Cash and ST Investments:** \$65.9M
  - vs. \$74.5M in Q2:08
  - vs. \$124.9M in Q3:07




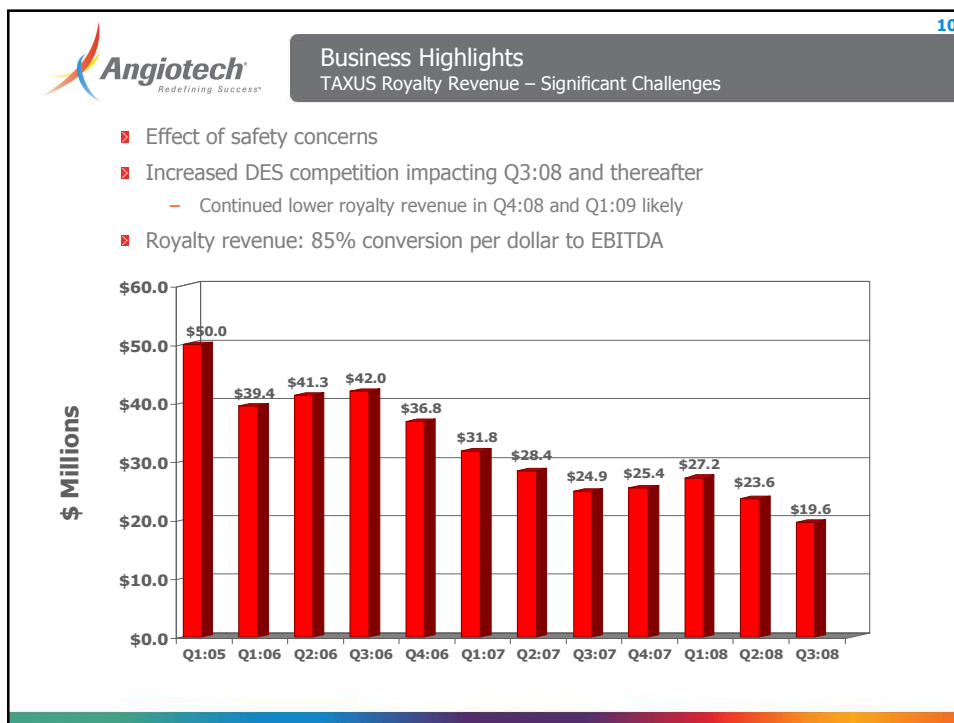


**Q3:08 Financial Results Other Items**

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- **Goodwill write down**
  - Goodwill balance as of year-end 2007: \$659.5M
  - Write down in Q3:08: \$599.4M
  - Goodwill balance as of Q3:08: \$56.0M
- **Impairment assessment rules**
  - Rule driven in large part by share price, other various factors
  - Recent growth in medical products business outweighed by share price issues
    - Impairment test is not specific to the business acquired where goodwill was actually generated / recorded
  - Factors most significantly impacting analysis:
    - ANPI share price
    - Status of Ares and New Leaf transaction, assessment of alternatives
- **Transaction costs expensed**
  - Expensed / wrote off \$13.5M total
  - Write off of capitalized transaction cost as of Q2:08 (\$3.1M)
  - Other potential transaction costs that may be incurred
- **Write downs represent non-cash items**







**Business Highlights**  
Vascular Programs: Drug-Eluting Stents and Cardiac Stem Cells

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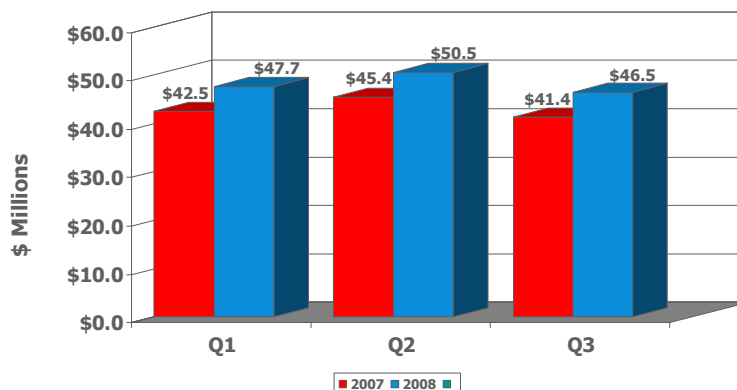
- TAXUS® (Boston Scientific)
  - Liberté® approved for sale in United States (November launch)
  - Atom™ approved for sale in United States (October)
    - First 2.25mm DES approved
  - Element™ clinical trial enrollment completed
  - Petal™ bifurcation stent clinical trial enrollment commenced
  - Express2 approved for sale in Japan
  - Liberté® approved for sale in Canada
- Zilver® PTX™ (Cook Medical)
  - Enrollment completed in first international clinical trial
  - Positive interim clinical results announced
  - CE Mark application submitted
  - US trial enrollment completed
- Athersys
  - Initiation of Phase I stem cell study for MI in the U.S.



**Business Highlights**  
Product Sales: Last Three Quarters Comparisons

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- All lines of business contributing to performance





**Business Highlights**  
 Clinical Milestones

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- **Quill™ SRS**
  - MONODERM™ U.S. FDA clearance
  - MONODERM™ CE Mark approval
  - Smaller sizes 3-0 and 4-0; U.S. FDA clearance
  - PDO CE Mark approval
- **HemoStream™ chronic dialysis catheter**
  - U.S. FDA clearance
  - CE Mark approval
- **Option™ Inferior Vena Cava (IVC) Filter**
  - 510(k) approval expected Q4:08 or Q1:09
- **Bio-Seal™ Lung Biopsy System**
  - Clinical trial enrollment completed
  - 510(k) filed
- **5-FU CVC**
  - Positive clinical data: efficacy, safety
  - U.S. FDA clearance
- **Vascular Wrap™**
  - Studies halted










**Business Highlights**  
 Operational Milestones

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- **Corporate reorganization**
  - Eliminate "AMI" divisional structure
  - Orient organization to ANPI strategy
    - Novel, proprietary products direct to customer
  - Improved sales and manufacturing efficiency and accountability
  - Five year improvement / realignment plan
- **Sales force reorganization**
  - Surgical, Interventional, Specialties Groups
- **General and administrative reorganization, integration**
  - All G & A functions in the company report to Vancouver
  - Elimination of redundant resources / positions
- **Facility consolidation and divestiture**
  - Syracuse, NY
  - Costa Rica
  - Gibbon, MN
  - Dartmouth, MA
  - Boulder, CO



## Business Highlights Financial Milestones

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- ❑ Product revenue
  - 2007: essentially flat revenue vs. 2006
    - Impact of integration, sales reorganization, discontinued operations
  - 2008 turn taking hold: Q1 and Q2 = strong revenue growth
- ❑ COGS
  - Target: 200 – 300 bps improvement in gross margins
  - Improvement already evident, even with Syracuse closure finishing Q4
- ❑ Operating Costs
  - Three consecutive years of G & A expense reductions
  - Positive variances in sales / marketing vs. budgets
- ❑ R & D
  - Higher expenses in recent quarters – clinical trials
  - Termination of Vascular Wrap study to lead to reduced costs in coming quarters
- ❑ Royalty revenue - significant declines from peak
  - Peak \$50M per quarter (early 2005)
  - Rapid declines observed starting Q4:06
  - Q3:08: \$21M
- ❑ Balance Sheet / Capital Structure
  - Exploring alternatives



Q & A