

NOTES TO FINANCIAL STATEMENTS (Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited interim financial statements have been prepared by the Company in accordance with accounting principles generally accepted in Canada for interim financial statements and reflect, in the opinion of management, all adjustments (which include reclassifications and normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at June 30, 2000 and for all periods presented.

The accounting principles and methods of computation adopted in these financial statements are the same as those of the audited financial statements for the year ended September 30, 1999, except as described below for income taxes.

Certain information and note disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in Canada have been omitted. It is suggested that the present financial statements and notes should be read in conjunction with the audited financial statements for the year ended September 30, 1999 included in the Angiotech Pharmaceuticals, Inc. Annual Report filed with the appropriate securities commissions. The results of operations for the three-month and nine-month periods ended June 30, 2000 are not necessarily indicative of the results for the full year.

2. LOSS PER SHARE

Loss per share is computed by dividing the net income or loss for the period by the weighted average number of common shares outstanding during the period. Fully-diluted earnings per share has not been presented as the outstanding options and warrants are anti-dilutive.

3. CHANGE IN ACCOUNTING PRINCIPLE

Effective April 1, 2000, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes, as described below. The change has been applied retroactively, however the comparative financial statements have not been restated. The change in accounting policy did not result in a material adjustment in the current period or to the opening deficit. Before the adoption of the new recommendations, the income tax expense was determined using the deferral method of tax allocation.

Currently, future income taxes are recognized for the future income tax consequences attributable to temporary differences between the carrying values of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is included in earnings in the period that includes the enactment date. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

4. SHARE CAPITAL

a) Authorized and Issued Share Capital

On March 20, 2000 the shareholders approved an increase to the authorized common share capital of the Company of 50,000,000 common shares from 50,000,000 common shares to 100,000,000 common shares. The common shares issued and outstanding as of July 31, 2000 were 15,252,751 for a total of \$193,517,016.

b) Stock Option Plan

On March 20, 2000 the shareholders approved an amendment to the Company's Stock Option Plan to increase the number of authorized common shares

available by 246,656 common shares for issuance under the Plan from 1,768,865 to 2,015,521 common shares.

c) Public Offering

On March 22, 2000 the Company closed a public offering of 1,750,000 common shares at a price of US\$53.50 per common share (CDN\$78.77 per share) for gross proceeds of approximately US\$93.6 million (CDN\$137.8 million) less agent's commissions and offering expenses of approximately US\$6.4 million (CDN\$9.4 million).

d) Stock Options and Warrants

During the quarter ended June 30, 2000, the Company issued 38,051 common shares pursuant to the exercise of stock options for gross proceeds of \$502,169. At June 30, 2000 the Company had 1,423,343 stock options outstanding at a weighted average exercise price of \$17.09 per share expiring at various dates from January 31, 2006 to June 5, 2010. As of June 30, 2000 and July 31, 2000, the Company had 30,000 common share purchase warrants exercisable at \$11.54 per share which are exercisable after November 2, 2002.

As of July 31, 2000, the Company had 1,409,982 stock options outstanding at a weighted average price of \$17.23 per share expiring at various dates from January 31, 2006 to June 5, 2010.

5. RECONCILIATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company prepares its financial statements in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"), which, as applied in these financial statements, conform in all material respects to those accounting principles generally accepted in the United States ("U.S. GAAP"), except as more fully described in Note 10 to the Company's financial statements for the year ended September 30, 1999.

If U.S. GAAP were followed:

The effect on the Statements of Loss and Deficit would be:

(in thousands, except per share data)	Three Months Ended June 30		Nine Months Ended June 30	
	2000	1999	2000	1999
	\$	\$	\$	\$
Income (Loss) for the period, Canadian GAAP	998	(3,278)	(2,419)	(6,536)
Adjustment for stock based compensation to non-employees	(24)	(6)	(57)	(18)
Adjustment for medical technology expense	395	(14)	(2,399)	(1,582)
Income (Loss) and comprehensive loss for the period, U.S. GAAP	1,369	(3,298)	(4,875)	(8,136)
Basic Income (Loss) per share, U.S. GAAP	0.09	(0.28)	(0.35)	(0.69)
Weighted average no. of shares, U.S. GAAP	15,235	11,792	14,030	11,772

Balance Sheet items which would vary under U.S. GAAP are as follows:

(in thousands)	June 30	September 30
	2000	1999
	\$	\$
Medical technology	-	-
Total assets	159,568	32,598
Deficit	35,328	30,453
Share capital	193,628	61,078

The effect of U.S. GAAP on the Statements of Cash Flows would be:

(in thousands)	Nine Months Ended June 30,	
	2000	1999
	\$	\$
Cash used in operating activities, Canadian GAAP	(2,180)	(6,183)
Adjustment for medical technology expense	(720)	(1,050)
Cash used in operating activities, U.S. GAAP	(2,900)	(7,233)

Cash provided by (used in) investing activities, Canadian GAAP	(126,908)	7,411
Adjustments for medical technology	720	1,050
Cash provided by (used in) investing activities, U.S. GAAP	(126,188)	8,461

Cash provided by financing activities, Canadian and U.S. GAAP	129,077	-
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6. RECENT PRONOUNCEMENTS

The SEC has issued Staff Accounting Bulletin 101 "Revenue Recognition in Financial Statements". This pronouncement is effective for the Company's fourth quarter commencing July 1, 2001. In March 2000, the FASB issued Interpretation No.44, "Accounting for Certain Transactions Involving Stock Compensation" (FIN 44). FIN 44 will be effective for the Company's quarter beginning July 1, 2000. The Company has not yet determined the impact of SAB 101 and FIN44 on its financial statements and its current revenue recognition and stock compensation policies.

Statements contained herein that are not based on historical fact, including without limitation statements containing the words "believes," "may," "will," "estimate," "continue," "anticipates," "intends," "expects" and words of similar import, constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. 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. Such factors include, among others, the following: general economic and business conditions, both nationally and in the regions in which the Company operates; technology changes; competition; changes in business strategy or development plans; the ability to attract and retain qualified personnel; existing governmental regulations and changes in, or the failure to comply with, governmental regulations; liability and other claims asserted against the Company; and other factors referenced in the Company's filings with the Securities and Exchange Commission. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

ANGIOTECH®

www.angiotech.com

Angiotech Pharmaceuticals, Inc. (NASDAQ: ANPI; TSE:ANP) is a Canadian pharmaceutical company dedicated to the development of medical device coatings and treatments for chronic inflammatory diseases through reformulation of the anticancer drug, paclitaxel. Three pharmaceutical therapies are in clinical development: systemic Micellar Paclitaxel for secondary progressive multiple sclerosis (Phase II), systemic Micellar Paclitaxel for rheumatoid arthritis (Phase I) and Topical Paclitaxel Gel for psoriasis (Phase I and Phase I/II). The paclitaxel-coated coronary stent program has also entered human studies. Other medical device programs include paclitaxel-loaded surgical implants for the treatment of restenosis associated with peripheral vascular surgery.

Financial Statements for the Third Quarter
Ended June 30, 2000

ANGIOTECH PHARMACEUTICALS, INC.

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ADVANCING THE POTENTIAL OF PROVEN MEDICINES

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TO OUR SHAREHOLDERS

The third quarter of fiscal 2000 saw the Company break new ground through the expansion of our paclitaxel surgical implant technology into the field of ophthalmic surgery. The implant technology, first developed for the management of restenosis following vascular surgery (being developed in partnership with C.R. Bard), was exclusively licensed on May 10 to ophthalmic market leader Alcon Laboratories Inc. for the delivery of paclitaxel to treat proliferative ophthalmic conditions.

The alliance with Alcon provided an upfront license fee as well as milestone payments and royalties, while Alcon will assume all preclinical development and clinical study costs. Alcon also received a first right to negotiate a license for additional ophthalmic and otic applications.

The most immediate application of the paclitaxel implant will be for patients undergoing glaucoma filtration surgery. In glaucoma, the circulation of aqueous humor (the fluid inside the eye) becomes blocked and causes an increase in pressure that can damage the retina and lead to blindness. While many patients are effectively managed with medicated eyedrops, over 100,000 patients per year will require surgery to treat their condition. To help drain the excess fluid, a surgical "window" is cut near the surface of the eye, however, this opening is prone to closure due to scarring. Together with Alcon, we are developing a paclitaxel implant to be placed during surgery to keep window open and maintain normal circulation of aqueous humor.

Given paclitaxel's ability to inhibit scar tissue growth and angiogenesis (new blood vessel growth), which are present in numerous other common eye conditions, we view this as an opportunity for Angiotech to enter into new fields. It is hoped that this alliance with Alcon could lead to a series of ophthalmic products.

Also of significance this quarter is the appointment of Jeanne M. Bertonis as Angiotech's Vice President, Corporate Development. Jeanne joins Angiotech from Genzyme Corporation where she served as Senior Director, Corporate Development. At Genzyme, Jeanne spearheaded strategic projects and acquisitions for Genzyme Corporate and several core groups, focusing on the surgical and pharmaceutical divisions. Prior to Genzyme, Ms. Bertonis held the position of Senior Manager, Business Development with Guidant Corporation. Jeanne is an extraordinary addition to the Angiotech management team. She is one of the only senior business development executives who has worked in the fields of biotechnology, surgical implants and medical devices — Angiotech's core areas of expertise. Given the Company's desire to expand its business following our recent financing, the appointment of Jeanne is timely to our continued forward progress.

On the paclitaxel-coated stent front, Cook continues to enrol patients in clinical studies in both Europe and Asia, and at last count, had implanted over 200 coronary stents. Boston

Scientific is scheduled to begin similar coronary stent studies in the fall and both companies are planning to initiate peripheral stent studies in the coming months.

Thank you again for your support and we look forward to continued progress and success for the remainder of the year.

Yours very truly,

ANGIOTECH PHARMACEUTICALS, INC.



William L. Hunter, MD, MSc
Chairman and CEO



Donald E. Longenecker, PhD
President and COO

August 14, 2000

BALANCE SHEETS

As at (in thousands)	(CDN Dollars)	
	June 30, 2000	September 30, 1999*
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	7,159	6,087
Short term investments	150,979	25,230
Accounts receivable	82	95
Prepaid expenses and deposits	222	142
Total current assets	158,442	31,554
Capital assets	1,126	1,044
Medical technology	5,165	2,766
	164,733	35,364
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	1,202	1,010
Total current liabilities	1,202	1,010
Shareholders' equity		
Share capital		
Common shares issued:		
June 30, 2000 – 15,240,012		
September 30, 1999 – 13,286,720	193,474	60,981
Contributed surplus	66	963
Deficit	(30,009)	(27,590)
Total shareholders' equity	163,531	34,354
	164,733	35,364

See accompanying notes

*Note: The financial statements at September 30, 1999 are derived from audited financial statements but do not include all of the footnote and other disclosures required by generally accepted accounting principles.

On behalf of the Board:



William L. Hunter, MD, MSc
Director



Donald E. Longenecker, PhD
Director

STATEMENTS OF LOSS AND DEFICIT

(in thousands, except per share data)	(CDN dollars)			
	Three Months		Nine Months	
	Ended June 30 2000	1999	Ended June 30 2000	1999
	\$	\$	\$	\$
REVENUE				
Research contract and licensing	381	43	4,499	3,199
Interest income	2,211	229	3,141	854
	2,592	272	7,640	4,053
EXPENSES				
Research and development	2,300	2,409	6,337	7,188
General and administration	1,118	882	3,226	2,761
Amortization and depreciation	527	231	1,199	558
Foreign exchange loss (gain)	(2,351)	28	(703)	82
	1,594	3,550	10,059	10,589
Income (Loss) for the period	998	(3,278)	(2,419)	(6,536)
Deficit, beginning of period	(31,007)	(20,960)	(27,590)	(17,702)
Deficit, end of period	(30,009)	(24,238)	(30,009)	(24,238)
Income (Loss) per share	0.07	(0.28)	(0.17)	(0.56)
Weighted average number of shares	15,235	11,792	14,030	11,772

See accompanying notes

STATEMENTS OF CASH FLOWS

(in thousands)	(CDN dollars)	
	Nine Months Ended June 30	
	2000	1999
	\$	\$
OPERATING ACTIVITIES		
Loss for the period	(2,419)	(6,536)
Add items not involving cash:		
Amortization and depreciation	1,199	558
Unrealized foreign exchange gain	(1,083)	-
Gain on disposal of capital assets	(2)	-
Changes in non-cash working capital items relating to operations:		
Accounts receivable	13	98
Prepaid expenses and deposits	(80)	(37)
Accounts payable & accrued liabilities	192	(266)
Cash used in operating activities	(2,180)	(6,183)
INVESTING ACTIVITIES		
Purchase of capital assets	(441)	(402)
Proceeds on disposal of capital assets	2	-
(Purchase) Proceeds from short term investments, net	(125,749)	8,863
Cost of medical technology	(720)	(1,050)
Cash provided by (used in) investing activities	(126,908)	7,411

FINANCING ACTIVITIES

Issuance of Common shares pursuant to public offering, net of issue costs	128,450	-
Common shares repurchased and cancelled	(4)	-
Common shares issued pursuant to stock options exercised	631	-
Cash provided by financing activities	129,077	-
Effect of exchange rate changes on cash	1,083	-
Net increase in cash & cash equivalents	1,072	1,228
Cash and cash equivalents, beg. of period	6,087	3,505
Cash and cash equivalents, end of period	7,159	4,733

See accompanying notes

FINANCIAL REVIEW

RESULTS OF OPERATIONS

The net loss for the nine months ended June 30, 2000 was approximately \$2.4 million (\$0.17 per share) as compared to a net loss of approximately \$6.5 million (\$0.56 per share) for the same period in 1999. Revenue for the nine month period was approximately \$7.6 million, which represents an increase of 89% from approximately \$4.1 million in 1999. During the nine month period, the Company received approximately \$4.4 million in milestone payments and licensing fees from corporate partners, Boston Scientific Corporation, Cook, Inc. and Alcon Universal Ltd. Interest income increased during the nine months ended June 30, 2000 by 268% to approximately \$3.1 million due to increased cash and short-term investment balances from the proceeds of the equity offering in March 2000.

Research and development expenses for the nine months ended June 30, 2000 decreased by 12% to approximately \$6.3 million as compared to approximately \$7.2 million in 1999. This decrease was primarily due to a reduction in period purchases of paclitaxel, the active drug used in the Company's development programs. The Company had made a bulk purchase of paclitaxel in the previous year. General and administration expenses for the nine months ended June 30, 2000 increased 17% to approximately \$3.2 million as compared to approximately \$2.8 million for the same period in 1999. Increases in personnel costs to support the Company's expanding corporate and business development activities, as well as listing fees and expenditures associated with the listing of the Company's common shares in the U.S. on The NASDAQ contributed to this increase. The increase in amortization and depreciation expense primarily relates to additional medical technology capitalized during the period of approximately \$3.2 million.

The foreign exchange gain of approximately \$0.7 million for the nine months ended June 30, 2000 is mainly due to realized and unrealized gains on short-term investments denominated in U.S. dollars.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2000 the Company had working capital of approximately \$157.2 million and cash and cash equivalents and short-term investments totaling approximately \$158.1 million. The Company has maintained approximately \$137 million of cash and cash equivalents and short term investments in U.S. dollars (US\$92.7 million).

In March 2000, the Company received gross proceeds of approximately \$137.8 million (US\$93.6 million) from the U.S. public offering of 1.75 million common shares of the Company. The net proceeds are being used to fund the ongoing Multiple Sclerosis clinical trials as well as other research and development programs.