

BALANCE SHEETS

As at	March 31, 1999 \$	September 30, 1998 \$
ASSETS		
Current		
Cash and cash equivalents	15,579,099	3,504,998
Short-term investments	6,127,131	21,992,403
Accounts receivable	68,028	191,955
Prepaid expenses and other assets	212,425	132,658
Total current assets	21,986,683	25,822,014
Capital assets	996,928	934,421
Medical technology	2,347,161	751,419
	25,330,772	27,507,854
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	1,079,659	766,710
Total current liabilities	1,079,659	766,710
Shareholders' equity		
Share capital		
Common shares:		
March 31, 1999 – 11,792,435		
September 30, 1998 – 11,728,589	45,151,525	44,382,910
Contributed surplus	60,059	60,059
Deficit	(20,960,471)	(17,701,825)
Total shareholders' equity	24,251,113	26,741,144
	25,330,772	27,507,854

On behalf of the Board:



William L. Hunter, MD, MSc
Chairman and Chief Executive Officer



Donald E. Longenecker, PhD
President and COO

STATEMENTS OF LOSS AND DEFICIT

Six Months Ended March 31 (Unaudited)

	Three Months Ended March 31		Six Months Ended March 31	
	1999	1998	1999	1998
	\$	\$	\$	\$
REVENUE				
Research contract and licensing	37,310	119,137	3,155,670	200,580
Interest and other income	281,272	447,802	570,875	706,774
	318,582	566,939	3,726,545	907,354
EXPENSES				
Research and development	2,344,949	1,236,028	4,779,221	2,304,255
Amortization and depreciation	208,744	111,574	327,343	216,086
General and administrative	1,132,958	677,869	1,878,627	1,391,586
	3,686,651	2,025,471	6,985,191	3,911,927
Loss for the period	3,368,069	1,458,532	3,258,646	3,004,573
Deficit, beginning of period	17,592,402	12,517,288	17,701,825	10,971,247
Deficit, end of period	20,960,471	13,975,820	20,960,471	13,975,820
Loss per share	(0.29)	(0.13)	(0.28)	(0.29)
Weighted average number of shares outstanding	11,972,435	11,607,046	11,762,617	10,483,421

STATEMENTS OF CASH FLOWS

Six Months Ended March 31 (Unaudited)

	Three Months Ended March 31		Six Months Ended March 31	
	1999	1998	1999	1998
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Loss for the period	(3,368,069)	(1,458,532)	(3,258,646)	(3,004,573)
Add items not involving cash:				
Amortization	208,744	111,574	327,343	216,086
Deferred income	-	(81,000)	-	(81,000)
Net change in non-cash working capital items related to operations:				
Accounts receivable	24,914	-	123,927	(37,984)
ITC receivable	-	-	-	765,000
Prepaid expenses and other assets	54,600	39,146	(79,767)	(109,459)
Accounts payable and accrued liabilities	235,196	(93,492)	312,949	(170,880)
Cash used in operating activities	(2,844,615)	(1,482,304)	(2,574,194)	(2,422,810)
INVESTING ACTIVITIES				
Purchase of short-term investments	(5,999,151)	(23,449,192)	(19,209,456)	(23,449,192)
Proceeds from short-term investments	13,674,728	-	35,074,728	-
Purchase of capital assets	(125,377)	(54,489)	(269,792)	(133,876)
Cost of medical technology	-	(50,860)	(947,025)	(277,160)
Cash provided by (used in) investing activities	7,550,200	(23,554,541)	14,648,455	(23,860,228)
FINANCING ACTIVITIES				
Deferred share issue costs	-	-	-	27,000
Issuance of Common shares, net of issue costs	(160)	2,118,134	(160)	22,419,290
Proceeds from stock options exercised	-	200,875	-	378,775
Common shares repurchased and cancelled	-	(1,938)	-	(1,938)
Cash provided by (used in) financing activities	(160)	2,317,071	(160)	22,823,127
Net increase (decrease) in cash position during the period	4,705,425	(22,719,774)	12,074,101	(3,459,911)
Cash position, beginning of period	10,573,674	28,080,345	3,504,998	8,820,482
Cash position, end of period	15,579,099	5,360,571	15,579,099	5,360,571

MANAGEMENT DISCUSSION AND ANALYSIS

ANGIOTECH
Pharmaceuticals®

SECOND QUARTER REPORT (Ended March 31, 1999)

Results of Operations

The net loss for the six months ended March 31, 1999 was approximately \$3.3 million (\$0.28 per share) as compared to a net loss of \$3.0 million (\$0.29 per share) for the same period in 1998. Revenue for the six-month period was \$3.7 million, which represents a significant increase from 1998 of \$0.9 million. Research contract and licensing revenue of \$3.2 million was the main contributor to the increase for the period. Interest income decreased during the period due to reducing cash and short-term investment balances as compared to that in 1998.

Net research and development expenses increased 207% to approximately \$4.78 million as compared to \$2.30 million in 1998. The increase was related primarily to the three ongoing phase I clinical studies and expenditures relating to a collaboration with one of the Company's licensing partners that commenced in January 1999. In addition, an increase in operating costs resulted due to the expansion of the R&D facilities in January 1999. General and administrative expenses for the six month period increased 35% to \$1.9 million as compared to \$1.4 million for the same period in 1998. This increase was largely due to increased operating costs associated with supporting the three clinical studies, licensing activities and the expansion of the Company's fa-

cilities. The increase in amortization expense relates to the amortization of capital assets and certain licenses that were acquired during the period.

Liquidity and Capital Resources

At March 31, 1999 the Company had working capital of \$20.9 million. Cash, cash equivalents and short-term investments totaled \$21.7 million. The Company made payments valued at \$1.7 million in cash and share equity on license agreements executed during the first quarter of 1999. In addition, during the six month period, the Company received upfront license fees pursuant to an exclusive worldwide license and development agreement with C.R. Bard, Inc. and its vascular subsidiary, IMPRA, Inc.

During the period, Angiotech completed its Year 2000 compliance testing of its internal automated systems. All significant and material computer systems were found to be Year 2000 compliant. No material costs were incurred. The Company's Year 2000 compliant program continues to monitor those systems that may be significant.

(Note: All numbers expressed above are approximate values)

This Quarterly Report contains forward-looking statements concerning, among other things, the Company's plans and objectives for future operations which are based on various factors and assumptions. All such forward-looking statements are, by necessity, only estimates of future results and actual results may differ materially from these statements due to a number of factors, including (i) the Company's ability to successfully complete independent clinical trials, (ii) decisions, and the timing of decisions, made by health regulatory agencies regarding approval of the Company's products, (iii) the Company's ability to complete and maintain corporate alliances relating to the development and commercialization of its technologies and products and (iv) the Company's ability to further develop in-house R&D expertise and facilities. The Company assumes no obligation to update these forward-looking statements to reflect actual results, changes and assumptions or changes in other factors affecting such statements.

For further information, contact:
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Dear Shareholders:

The past quarter has been one of continued steady progress for Angiotech, as we completed patient enrollment in three of our clinical studies and recently disclosed exciting positive treatment results from our multiple sclerosis (MS) study.

In March, we completed enrollment for our 20-patient, phase I clinical study to determine the safety and topical absorption profile of topical paclitaxel gel in patients diagnosed with mild to moderate psoriasis at Massachusetts General Hospital. Earlier this month, we completed enrollment for our longer-term, phase I/II psoriasis clinical study at the Skin Care Centre at the University of British Columbia. In addition to safety and absorption profile, this 20-patient study will also assess the pharmacological activity of our topical paclitaxel therapy. Both psoriasis studies are well underway, and we look forward to announcing results from these studies later this year.

On May 10th, we announced promising initial treatment results from our phase I/II clinical study using micellar paclitaxel for the treatment of secondary progressive MS. Twenty-nine patients received six monthly treatments and were evaluated for the drug's effect on overall disability and function, quality of life and changes in the amount of brain tissue scarring as demonstrated by MRI. A significant percentage of patients showed favorable trends in all of the above parameters, and no drug-related serious adverse events were reported. Based on these impressive results (and at the patients' and investigator's requests), Angiotech has elected to continue to treat these patients for ethical and compassionate purposes. The complete clinical results will be presented at the American Neurological Association 124th Annual Meeting in October by the study's principal investigator, Dr. Paul O'Connor of St. Michael's Hospital in Toronto.

We are particularly excited about these MS findings because many patients appeared to benefit from our therapy in a condition that has historically been very difficult to treat. As a result, we plan to accelerate the program's clinical development and initiate a phase II clinical study by the end of the year. Angiotech feels compelled to aggressively pursue further evaluation of micellar paclitaxel in patients with MS. We are hopeful that our optimism from these preliminary studies will be borne out in a larger number of people afflicted with this terribly disabling disease.

Yours very truly,

ANGIOTECH PHARMACEUTICALS, INC.

William L. Hunter, MD, MSc
Chairman and Chief Executive Officer

Donald E. Longenecker, PhD
President and COO

May 28, 1999