

A N G I  T E C H  
P h a r m a c e u t i c a l s , I n c .

**FINANCIAL STATEMENTS**

**ANGIOTECH PHARMACEUTICALS, INC.**

**First quarter ended December 31, 1999**

## FINANCIAL HIGHLIGHTS

### RESULTS OF OPERATIONS

The net loss for the three months ended December 31, 1999 was \$26,777 (\$0.00 per share) as compared to a net income of \$109,423 (\$0.01 per share) for the same period in 1998. Revenue for the quarter decreased by approximately 24% to \$2.6 million as compared to \$3.4 million in 1998. This decrease was due primarily to lower research contract and licensing revenue for the period. The increase in interest income was due to higher short-term investment balances that reflected funds received from the secondary common share offering in July 1999.

Research and development expenses decreased by approximately 37% to \$1.5 million as compared to \$2.4 million in 1998. The decrease was related primarily to a deferment of costs associated with the initiation of the Multiple Sclerosis Phase II clinical trial as well as a decrease in licensing activities compared to the same period in 1998. The increase in amortization and depreciation expense was due to the amortization of a license acquired in December 1998. General and administrative expenses increased by approximately 11.4% to \$831,000 from \$746,000 for the same period in 1998. An increase in personnel and investors relations activities contributed to the increase in the period.

### LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1999 the Company had working capital of approximately \$30.6 million. Cash and cash equivalents and short-term investments totaled approximately \$29.0 million. The milestone from a corporate partner of approximately \$1.8 million was included in accounts receivable at December 31, 1999.

The Company has assessed and continues to monitor its vulnerability to the Year 2000 ("Y2K") issue in all aspects of its business from the financial information systems used for commercial applications to equipment used in the Company's laboratories. To date, there has been no incidence of Year 2000 errors or shutdowns. All significant and material computer systems were found to be Y2K compliant. The Company believes that its third party vendors are Y2K compliant, but is unable to obtain guarantees in this respect. However, until comfortably past January 1, 2000, the Company will not be able to confidently assess whether there has been any adverse affects on any of its third party vendors or research collaborators.

*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 Pharmaceuticals, Inc.**

**BALANCE SHEETS**

(expressed in Canadian dollars - unaudited)

As at

	<b>December 31, 1999</b>	September 30, 1999
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	3,229,432	6,087,184
Short term investments	25,750,762	25,229,569
Accounts receivable	1,927,877	94,725
Prepaid expenses and deposits	379,919	142,589
<b>Total current assets</b>	<b>31,287,990</b>	<b>31,554,067</b>
Capital assets	1,104,681	1,043,831
Medical technology	2,592,174	2,766,164
	<b>34,984,845</b>	<b>35,364,062</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	655,123	1,010,063
<b>Total current liabilities</b>	<b>655,123</b>	<b>1,010,063</b>
<b>Shareholders' equity</b>		
Share capital		
Common shares:		
December 31, 1999– 13,296,720		
September 30, 1999– 13,286,720	60,983,145	60,980,645
Contributed surplus	962,962	962,962
Deficit	(27,616,385)	(27,589,608)
<b>Total shareholders' equity</b>	<b>34,329,722</b>	<b>34,353,999</b>
	<b>34,984,845</b>	<b>35,364,062</b>

On behalf of the Board:



William L. Hunter, MD, MSc  
Director



Donald E. Longenecker, PhD  
Director

**Basis of presentation**

In the opinion of management, the unaudited financial statements reflect all adjustments, which consist only of normal and recurring adjustments, necessary to present fairly the financial position at December 31, 1999 and 1998, in accordance with accounting principles generally accepted in Canada. These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's audited financial statements for the year ended September 30, 1999.

**Angiotech Pharmaceuticals, Inc.**

**STATEMENTS OF LOSS AND DEFICIT**

Three Months Ended December 31  
(expressed in Canadian dollars - unaudited)

	1999 \$	1998 \$
<b>REVENUE</b>		
License and research contract fees	2,260,154	3,118,360
Interest income	374,992	315,667
	<b>2,635,146</b>	<b>3,434,027</b>
<b>EXPENSES</b>		
Research and development	1,523,301	2,434,272
General and administration	830,658	745,669
Amortization	281,486	118,599
Foreign exchange loss (gain)	26,478	26,064
	<b>2,661,923</b>	<b>3,324,604</b>
<b>Loss (Income) for the period</b>	<b>26,777</b>	<b>(109,423)</b>
<b>Deficit, beginning of period</b>	<b>27,589,608</b>	<b>17,701,825</b>
<b>Deficit, end of period</b>	<b>27,616,385</b>	<b>17,592,402</b>
<b>Income (Loss) per share</b>	<b>-</b>	<b>0.01</b>
<b>Weighted average number of shares outstanding</b>	<b>13,288,459</b>	<b>11,733,447</b>

**STATEMENTS OF CASH FLOWS**

Three Months Ended December 31  
(expressed in Canadian dollars - unaudited)

	1999 \$	1998 \$
<b>OPERATING ACTIVITIES</b>		
Income (Loss) for the period	(26,777)	109,423
Add items not involving cash:		
Amortization	281,486	118,599
Net change in non-cash working capital items		
Related to operations:		
Accounts receivable	(1,833,152)	99,013
Prepaid expenses and deposits	(237,330)	(134,367)
Accounts payable and accrued liabilities	(354,940)	77,753
<b>Cash provided by (used in) operating activities</b>	<b>(2,170,713)</b>	<b>270,421</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds (purchase) of short term investments, net	(521,193)	8,189,695
Purchase of capital assets	(168,346)	(144,415)
Cost of medical technology	-	(947,025)
<b>Cash used in investing activities</b>	<b>(689,539)</b>	<b>7,098,255</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from stock options exercised	2,500	-
<b>Cash provided by financing activities</b>	<b>2,500</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		
<b>During the period</b>	<b>(2,857,752)</b>	<b>7,368,676</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>6,087,184</b>	<b>3,504,998</b>
<b>Cash and cash equivalents, end of period</b>	<b>3,229,432</b>	<b>10,873,674</b>