

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.

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#### STOCK LISTINGS

NASDAQ National Market — Symbol: ANPI  
Toronto Stock Exchange — Symbol: ANP

#### INVESTOR RELATIONS & CORPORATE COMMUNICATIONS

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*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.*

#### NOTES TO FINANCIAL STATEMENTS (Unaudited)

##### 1. BASIS OF PRESENTATION

The accompanying unaudited interim financial statements reflect, in the opinion of management, all adjustments (which include reclassifications and normal recurring adjustments) necessary to present fairly the financial position at March 31, 2000 and the results of operations and cash flows for all periods presented.

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 these financial statements and notes should be read in conjunction with the audited financial statements for the year ended September 30, 1999 included in the Company's Annual Report filed with the appropriate securities commissions. The results of operations for the three-month and six-month period ended March 31, 2000 are not necessarily indicative of the results for the full year.

##### 2. LOSS PER SHARE DATA

Loss per share is computed by dividing the net income or loss 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. SHARE CAPITAL

###### a) Authorized 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.

###### 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 US\$93.6 million (CDN\$137.8 million) less agent's commissions and offering expenses of US\$6.8 million (CDN\$9.8 million).

###### d) Stock Options and Warrants

At March 31, 2000 the Company had 1,304,099 stock options outstanding at a weighted average exercise price of \$13.68 per share and expiring at various dates from January 31, 2006 to December 16, 2009. The Company had 30,000 common share purchase warrants exercisable at the price of \$11.54 per share and are not exercisable until after November 2, 2002.

##### 4. 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 financial statements of 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 March 31		Six Months Ended March 31	
	2000	1999	2000	1999
	\$	\$	\$	\$
Loss for the period,				
Canadian GAAP	(3,390)	(3,368)	(3,417)	(3,259)
Adjustment for stock based compensation to non-employees	(24)	(6)	(33)	(12)
Adjustment for medical technology and related amortization	(2,968)	102	(2,794)	(1,598)
Loss and comprehensive loss for the period, U.S. GAAP	(6,382)	(3,272)	(6,244)	(4,867)
Basic loss per share, U.S. GAAP	(0.47)	(0.28)	(0.46)	(0.41)
Weighted average no. of shares, U.S. GAAP	13,576	11,792	13,431	11,763

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

(in thousands)	March 31 2000	September 30 1999
	\$	\$
Medical technology	-	-
Total assets	159,169	32,598
Deficit	36,697	30,453
Share capital	192,704	61,078

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

(in thousands)	Six Months Ended March 31,	
	2000	1999
	\$	\$
Cash used in operating activities, Canadian GAAP	(929)	(2,574)
Adjustment for medical technology expense	-	(947)
Cash used in operating activities, U.S. GAAP	(2,900)	(3,521)
Cash provided by investing activities, Canadian GAAP	4,082	14,648
Adjustments for medical technology	-	947
Cash provided by investing activities, U.S. GAAP	4,082	15,595
Cash provided by financing activities, Canadian and U.S. GAAP	129,424	-

Under U.S. GAAP short term investments are classified as available for sale and carried at market values with unrealized gains or losses reflected as a component of other comprehensive income or loss.

The SEC has issued Staff Accounting Bulletin 101 "Revenue Recognition in Financial Statements". This pronouncement is effective with the Company's first quarter commencing October 1, 2000. The Company has not yet determined the impact of SAB 101 on its financial statements and its current revenue recognition policies.

Financial Statements for the Second Quarter  
Ended March 31, 2000

ANGIOTECH PHARMACEUTICALS, INC.

Q2

ADVANCING THE POTENTIAL OF PROVEN MEDICINES

## TO OUR SHAREHOLDERS

The second quarter of fiscal 2000 was a momentous time for Angiotech as Cook, Inc. initiated human studies of the paclitaxel-coated stent, we began trading on Nasdaq, closed a CAD\$137.8 million financing and reported extension results from our MS study.

Early in the quarter, Boston Scientific made a CAD\$1.8 million milestone payment to Angiotech (Cook, Inc. made its milestone payment in late fiscal Q1), triggered by regulatory approval to begin clinical studies of a paclitaxel-coated coronary stent. These payments are the first in a series of payments to Angiotech required under our co-exclusive worldwide licensing agreement. Preliminary results from one or both of these studies are expected before the end of the year.

Of great significance this quarter was our U.S. listing and follow-on offering. On February 17, Angiotech began trading on the Nasdaq National Market securities exchange (ticker symbol: "ANPI"). The following week we announced a public offering of 1.75 million common shares. The financing closed at a price of CAD\$78.77 per share, raising CAD\$137.8 million. Angiotech now has approximately CAD\$157.5 million in the bank, securing the Company's financial future.

During the quarter we also announced progress with our secondary progressive MS program, as we reported the treatment extension results from our Phase I/II study. The 22 patients continued to show favorable trends in both clinical disability and MRI outcome measures during the extension period. Clinical disability, measured monthly using the Expanded Disability Status Scale (EDSS), showed that more than 95% of the patients (21 out of 22) remained stable or improved after twelve treatments administered over a 16-month time span. Fifteen patients demonstrated disease stabilization, six showed confirmed disease improvement and only one patient exhibited confirmed disease progression. The average EDSS score among all patients improved by 0.205 over the 16-month period.

Before and after each six-month treatment phase patients were assessed by MRI. Preliminary results indicate that patients treated at 50 mg/m<sup>2</sup> for the entire study showed favorable trends in gadolinium enhancing lesions, burden of disease, validated lesion number, black hole number and black hole volume. The above MRI measures will be further evaluated in our Phase II clinical study, which utilizes MRI parameters as the primary outcome.

And finally, at the Annual Meeting in March, two Directors were appointed to the Board: Ken Galbraith and David Howard. Kenneth H. Galbraith, CA, is Senior Vice President and Chief Financial Officer of QLT PhotoTherapeutics, Inc. and has been with that Company since 1988. David T. Howard, is President & Chief Operating Officer of Novopharm International of Toronto, Ontario, and President of Novopharm USA Inc. Prior to joining Novopharm, Mr. Howard was Vice President – Pharmaceuticals

with Boehringer Mannheim Canada. These new additions to our Board compliment the experience of our existing Directors and add a significant level of expertise in clinical development.

On behalf of everyone at Angiotech we thank you for your continued support.

Yours very truly,

### ANGIOTECH PHARMACEUTICALS, INC.



William L. Hunter, MD, MSc  
Chairman and CEO

Donald E. Longenecker, PhD  
President and COO

May 15, 2000

### BALANCE SHEETS

(Unaudited)

As at (thousands)	March 31, 2000 \$	September 30, 1999 \$
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#### ASSETS

<b>Current</b>		
Cash and cash equivalents	136,693	6,087
Short term investments	20,824	25,230
Accounts receivable	140	95
Prepaid expenses and deposits	372	142
<b>Total current assets</b>	<b>158,029</b>	<b>31,554</b>
Capital assets	1,140	1,044
Medical technology	5,560	2,766
	<b>164,729</b>	<b>35,364</b>

#### LIABILITIES AND SHAREHOLDERS' EQUITY

<b>Current</b>		
Accounts payable and accrued liabilities	3,100	1,010
<b>Total current liabilities</b>	<b>3,100</b>	<b>1,010</b>

#### Shareholders' equity

Share capital		
Common shares issued:		
March 31, 2000 – 15,202,248		
September 30, 1999 – 13,286,720	192,573	60,981
Contributed surplus	63	963
Deficit	(31,007)	(27,590)
<b>Total shareholders' equity</b>	<b>161,629</b>	<b>34,354</b>
	<b>164,729</b>	<b>35,364</b>

On behalf of the Board:



William L. Hunter, MD, MSc  
Director

Donald E. Longenecker, PhD  
Director

See accompanying notes

## STATEMENTS OF LOSS AND DEFICIT

Six Months Ended March 31 (Unaudited)

(in thousands, except per share data)	Three Months		Six Months	
	Ended Mar.31 2000 \$	1999 \$	Ended Mar.31 2000 \$	1999 \$
<b>REVENUE</b>				
Research contract and licensing	1,859	37	4,118	3,156
Interest income	554	309	930	624
	<b>2,413</b>	<b>346</b>	<b>5,048</b>	<b>3,780</b>
<b>EXPENSES</b>				
Research and development	2,514	2,345	4,037	4,780
General and administration	1,277	1,133	2,108	1,879
Amortization and depreciation	391	209	672	327
Foreign exchange loss	1,621	27	1,648	53
	<b>5,803</b>	<b>3,714</b>	<b>8,465</b>	<b>7,039</b>
<b>Loss for the period</b>	<b>3,390</b>	<b>3,368</b>	<b>3,417</b>	<b>3,259</b>
<b>Deficit, beginning of period</b>	<b>27,617</b>	<b>17,592</b>	<b>27,590</b>	<b>17,701</b>
<b>Deficit, end of period</b>	<b>31,007</b>	<b>20,960</b>	<b>31,007</b>	<b>20,960</b>
<b>Loss per share</b>	<b>(0.25)</b>	<b>(0.29)</b>	<b>(0.25)</b>	<b>(0.28)</b>
<b>Weighted average number of shares</b>	<b>13,576</b>	<b>11,792</b>	<b>13,431</b>	<b>11,763</b>

## STATEMENTS OF CASH FLOWS

Six Months Ended March 31 (Unaudited)

(thousands)	Six Months	
	Ended Mar.31 2000 \$	1999 \$
<b>OPERATING ACTIVITIES</b>		
Loss for the period	(3,417)	(3,259)
Add items not involving cash:		
Amortization and depreciation	672	327
Unrealized foreign exchange loss	1,648	53
Net change in non-cash working capital items relating to operations:		
Accounts receivable	(45)	124
Prepaid expenses and other assets	(229)	(79)
Accounts payable & accrued liabilities	119	313
<b>Cash used in operating activities</b>	<b>(2,900)</b>	<b>(2,521)</b>

#### INVESTING ACTIVITIES

Purchase of capital assets	(324)	(270)
Proceeds from short term investments, net	4,406	15,865
Cost of medical technology	-	(947)
<b>Cash provided by investing activities</b>	<b>4,082</b>	<b>14,648</b>

#### FINANCING ACTIVITIES

Issuance of Common shares pursuant to public offering, net of issue costs	129,295	-
Common shares issued pursuant to stock options exercised	129	-
<b>Cash provided by financing activities</b>	<b>129,424</b>	<b>-</b>
<b>Effect of exchange rate changes on cash</b>	<b>(1,648)</b>	<b>(53)</b>
<b>Net increase in cash and cash equivalents</b>	<b>130,606</b>	<b>12,074</b>
<b>Cash and cash equivalents, beg. of period</b>	<b>6,087</b>	<b>3,505</b>
<b>Cash and cash equivalents, end of period</b>	<b>136,693</b>	<b>15,579</b>

## FINANCIAL REVIEW

### RESULTS OF OPERATIONS

The net loss for the six months ended March 31, 2000 was approximately \$3.4 million (\$0.25 per share) as compared to a net loss of approximately \$3.3 million (\$0.28 per share) for the same period in 1999. Revenue for the six month period was approximately \$5.0 million, which represents an increase of 34% from approximately \$3.8 million in 1999. The receipt of milestone payments of approximately \$3.7 million from corporate partners, Boston Scientific Corporation and Cook, Inc., from the co-exclusive license was the main contributor to the increase for the period. Interest income increased during the six months ended March 31, 2000 by 49% due to increased cash and short-term investment balances from proceeds of the equity offering in March 2000.

Research and development expenses for the six months ended March 31, 2000 decreased by 16% to approximately \$4.0 million as compared to approximately \$4.8 million in 1999. The decrease was related primarily to decreases in the purchases of paclitaxel purchased for the Company's development programs and a reduction in contract research costs. General and administration expenses for the six months ended March 31, 2000 increased 12% to approximately \$2.1 million as compared to approximately \$1.9 million for the same period in 1999. This increase was largely due to the costs relating to the listing and registration of the company's shares on the NASDAQ and Securities and Exchange Commission. The increase in amortization and depreciation expense relates to the amortization of capital assets and medical technology acquired during the period.

### LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2000 the Company had working capital of approximately \$154.9 million and cash and cash equivalents and short-term investments totaling approximately \$157.5 million. Of this amount, the Company retained approximately \$88 million in U.S. dollars. The Company made payments valued at approximately \$3.4 million in share equity pursuant to license agreements during the second quarter of 2000.

On March 22, 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 from this offering will be used to fund the ongoing Multiple Sclerosis clinical trials as well as other product development expenses.

All significant and material computer systems used by the Company were found to be Year 2000 compliant during the transition from 1999 to 2000. The Company's Year 2000 compliance program continues to monitor those systems that may be significant.