



**Angiotech Pharmaceuticals, Inc.**

Consolidated Financial Statements for  
the Second Quarter  
Ended March 31, 2002

**CORPORATE OFFICE**

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**STOCK LISTINGS**

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

**INVESTOR RELATIONS  
& CORPORATE COMMUNICATIONS**

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The second quarter of fiscal 2002 was filled with significant news on our clinical programs. While our MS project did not fulfill our expectations, we were extremely pleased with our drug-coated stent program, highlighted by Cook's filing for European approval.

Our other corporate partner, Boston Scientific (BSC), continued to report zero restenosis at 9 months of patient follow-up in their 61-patient, multi-center safety trial, TAXUS I. The update bolstered previously reported 6-month results of zero restenosis released by BSC in November 2001 at the annual meeting of the American Heart Association in Anaheim, CA. On a larger scale, BSC's pivotal 532-patient, international TAXUS II trial also completed enrollment and 6-month data is scheduled to be available by mid-year. Data from TAXUS II will be used in BSC's filing for worldwide approval (outside of the U.S.).

BSC's TAXUS III trial, examined the feasibility of using up to two paclitaxel-coated stents for the treatment of in-stent restenosis – the reclosure of a vessel from a failed, previously-implanted bare metal stent. Early 6-month results in these tough-to-treat patients of TAXUS III were released this quarter. The primary endpoint, or objective, was 30-day safety data, as measured by the percentage of major adverse coronary events (MACE). The 30-day MACE rate in TAXUS III was reported at 7%; a positive result as adverse events were unrelated to the drug-coated stents (due to procedure of putting in the stent). Also, no early evidence of clotting, or thrombosis, were reported. Paclitaxel drug levels were undetectable in the patients' blood stream, consistent with data from the earlier TAXUS I safety trial. Six-month MACE data was reported at 17%. One occurrence of regrowth was a result of an unrelated closure at a second site down stream from the originally stented area but in the same vessel (Target Vessel Revascularization, or TVR). Four occurrences of regrowth occurred within the originally-targeted lesions (Target Lesion Revascularization, or TLR). The closure occurred outside the stented area, where the lesion extended beyond the drug-eluting stent boundary; therefore, these were locations not treated by paclitaxel. Final 6-month efficacy data for TAXUS III is scheduled to be presented towards the end of May at the Paris Course for Revascularization.

BSC's U.S. approval study, TAXUS IV, received approval from the U.S. Food and Drug Administration (FDA) to begin enrollment. The study is designed to assess the safety and efficacy of a paclitaxel-coated Express™ stent. A total of 1,172 patients will be enrolled at 80 U.S. sites.

The most significant event of the quarter, however, was news that Cook filed for European approval to market the paclitaxel-eluting version of its V Flex™ Plus coronary stent in the European Community. The filing was based on results of Cook's highly successful European-based ELUTES clinical study, that demonstrated a binary restenosis rate of only 3.1% due to paclitaxel's multifaceted mechanism of action.

Angiotech is eagerly anticipating this upcoming fiscal 3<sup>rd</sup> quarter, when we expect the approval and launch of the first of our partners' coated stent products in Europe. The event will be a significant milestone for everyone in the Company who have expended a tremendous amount of time and effort to see this concept through to reality. We also look forward next quarter to a further release of data from our various paclitaxel-coated stent programs. Thank you again for your support and we look forward to announcing these critical events in the coming quarter.

Yours very truly,  
ANGIOTECH PHARMACEUTICALS, INC.



William L. Hunter, MD, MSc  
Chairman and CEO

May 14, 2002



Donald E. Longenecker, PhD  
President and COO

This discussion and analysis covers Angiotech Pharmaceuticals, Inc.'s interim consolidated financial statements for the three and six month period ended March 31, 2002 prepared in accordance with Canadian generally accepted accounting principles. See note 8 of the interim consolidated financial statements for a reconciliation to United States generally accepted accounting principles. It provides an update to the discussion and analysis contained in the Company's 2001 Annual Report. This discussion and analysis should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section and the annual consolidated financial statements contained in the Company's 2001 Annual Report. All amounts following are expressed in Canadian dollars unless otherwise indicated.

## RESULTS OF OPERATIONS

The Company's second quarter net loss from operations was \$6.4 million, or (\$0.41) per share, compared to net income of \$1.3 million, or \$0.08 per share, during the same period in 2001. The net loss for the six months ended March 31, 2002 was \$9.6 million, or (\$0.62) per share, compared to a net loss of \$1.2 million, or (\$0.08) per share during the same period in 2001.

## REVENUES

Effective July 1, 2001, the Company changed its accounting policy for recognizing license, option and research contract fees to be consistent with U.S. GAAP as clarified by Staff Accounting Bulletin 101 (SAB 101) "Revenue Recognition in Financial Statements", which was issued by the U.S. Securities and Exchange Commission (SEC) in December 1999. Upfront fees and payments received from licensing transactions are deferred and amortized into revenue on a straight-line basis over the term of the relevant license or related underlying product development period, as described in Note 2 to the Company's September 30, 2001 consolidated financial statements. Previously, the Company recognized upfront fees and payments as earned in accordance with the terms of the related agreement which was generally the period the payment was received. The change has been applied retroactively and all prior periods reported herein have been adjusted accordingly. (See Note 3).

Revenue for the three and six month periods ended March 31, 2002 is primarily due to the receipt of \$3.3 million in milestone revenue from one of the Company's corporate partners in January 2002. There was no milestone or license revenue received in the same periods in the previous year. In addition, deferred revenue related to upfront license fees was amortized into revenue in the amount of \$154,000 for the current quarter and \$576,000 for the six month period ended March 31, 2002, compared to \$173,000 and \$345,000 respectively for the same periods in 2001. The Company expects to receive milestone payments in the future from existing collaborative arrangements.

## EXPENDITURES

Research and development expenditures during the quarter ended March 31, 2002 increased by 63% to \$7.3 million as compared to \$4.5 million for the same quarter in 2001. This increase is primarily due to increased preclinical work on existing and new research and development projects, bulk purchases of paclitaxel and GMP contract manufacturing of PAXCEED® for on-going clinical trials, milestone payments and royalty fees due to licensors upon receipt of the milestone revenue. The current quarter also includes those costs incurred upon the conclusion of the Company's multiple sclerosis program. In February 2002, the Company decided not to continue with its multiple sclerosis program as the study failed to meet statistical significance in its primary MRI objectives. Research and development expenditures for the six month period ended March 31, 2002 increased by 26% to \$10.0 million as compared to \$7.9 million for the six month period ended March 31, 2001. This increase is primarily due to an increase in the expenditures associated with the on-going clinical trials, milestone payments and royalty fees, net of a decrease in overall costs incurred on the secondary progressive multiple sclerosis clinical trials in comparison to the previous year, which reflected full patient enrollment in the phase 2 clinical study.

General and administrative expenses for the current quarter increased by 12% to \$2.6 million as compared to \$2.3 million for the same period in 2001. The increase in the current quarter expenditures primarily reflects costs associated with increased professional services required to support increased business development and corporate activities, including costs related to relocating to new leased premises by the end of Fiscal 2002. For the six month period ended March 31, 2002, general and administrative expenses increased by \$1.7 million due to higher personnel costs and increased professional fees.

The increase in amortization expense of \$287,000 and \$529,000 for the three and six month periods ended March 31, 2002 respectively, compared to the same periods in 2001, relates to the amortization of capital assets and medical technology acquired in recent periods.

#### INVESTMENT AND OTHER INCOME

Investment and other income of \$737,000 for the quarter ended March 31, 2002, decreased by \$1.7 million compared to the same period in 2001. This decrease is primarily due to the decline in yields available on short term investments, declining to an average investment yield of 3.0% for the quarter ended March 31, 2002 from 6.2% for the same period in 2001 together with a decrease in short-term investments.

The Company had a foreign exchange gain of \$49,000 during the quarter ended March 31, 2002, compared to a foreign exchange gain of \$6.0 million for the quarter ended March 31, 2001. The foreign exchange gains were attributable to the effect of the strengthening U.S. dollar on the Company's U.S. dollar investment portfolio. The fluctuation in the U.S. dollar exchange rate was minimal during the current quarter versus an increase from 1.50 to 1.58 during the same period in the prior year. For the quarter ended March 31, 2002, \$145,000 of the net foreign exchange gain related to the U.S. denominated short-term investments was unrealized, compared to an unrealized gain of \$5.0 million for the quarter ended March 31, 2001.

The Company expects that interest and foreign exchange will continue to fluctuate in relation to cash balances, interest yields and foreign exchange rates.

#### LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2002 the Company had working capital of approximately \$144.3 million and cash resources, comprising cash and cash equivalents and short-term investments totaling approximately \$147.6 million as compared to approximately \$152.6 million in working capital and approximately \$156.1 million in cash resources as at September 30, 2001. At March 31, 2002, the Company retained approximately \$107.6 million (U.S. \$67.5 million) denominated in U.S. currency compared to approximately \$124.4 million (U.S. \$78.8 million) at September 30, 2001.

During the current quarter ended March 31, 2002, the Company received approximately \$0.5 million upon the issuance of 34,053 common shares pursuant to the exercise of employee stock options

The Company's cash and cash equivalents increased by approximately \$23.9 million during the six months ended March 31, 2002. This increase is primarily the net effect of proceeds from the exercise of stock options by employees (\$0.9 million), a working capital change (\$4.3 million) and net proceeds from short term investments (\$28.5) offset by the Company's current operating loss net of amortization, unrealized foreign exchange gain, loss on disposal of capital assets and decrease in deferred revenue (\$9.2 million) and purchase of capital assets (\$0.6 million).

The Company does not believe that its results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates relative to its investment portfolio, due to the relative short-term nature of the investments.

#### RISKS AND UNCERTAINTIES

Risks and uncertainties related to economic and industry factors as discussed in detail in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the Company's 2001 Annual Report remain substantially unchanged.

The Company is exposed to market risk related to changes in interest and foreign currency exchange rates. At the end of the quarter, the Company had an investment portfolio consisting of highly liquid, high grade investment securities with maturity dates not exceeding 10 months, selected based on the expected timing of expenditures for continuing operations and prevailing interest rates. The Company has not entered into any forward currency contracts or other financial derivatives to hedge foreign exchange risk. The Company is subject to foreign exchange rate changes that could have a material effect on future operating results or cash flow.

(in thousands of CDN \$)

As at	March 31 2002 \$	September 30 2001 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	27,131	3,210
Short term investments	120,444	152,884
Amounts receivable	427	180
Prepaid expenses and deposits	1,018	511
<b>Total current assets</b>	<b>149,020</b>	<b>156,785</b>
Capital assets	1,611	1,429
Medical technologies	3,586	4,489
	<b>154,217</b>	<b>162,703</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	4,682	4,173
<b>Total current liabilities</b>	<b>4,682</b>	<b>4,173</b>
Deferred revenue	1,026	1,602
<b>Shareholders' equity</b>		
Share capital [Note 5]		
Common shares issued:		
March 31, 2002-15,612,182	198,183	195,331
September 30, 2001-15,530,754	74	1,723
Contributed surplus [Note 5]	(49,748)	(40,126)
Deficit	148,509	156,928
<b>Total shareholders' equity</b>	<b>154,217</b>	<b>162,703</b>

See accompanying notes

On behalf of the Board:



William L. Hunter, MD, MSc  
Chairman and CEO



Donald E. Longenecker, PhD  
President and COO

**CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**

UNAUDITED

(in thousands of CDN\$, except per share data)	3 Months Ended		6 Months Ended	
	March 31		March 31	
	2002	2001	2002	2001
	\$	\$	\$	\$
		<i>[Restated- Note 3]</i>		<i>[Restated- Note 3]</i>
<b>REVENUE</b>				
License, option & research contract fees	3,461	173	3,883	345
Government grants	8	-	8	-
	<b>3,469</b>	<b>173</b>	<b>3,891</b>	<b>345</b>
<b>EXPENSES</b>				
Research & development	7,253	4,462	9,979	7,929
General & administration	2,600	2,316	5,076	3,352
Amortization	813	526	1,568	1,039
	<b>10,666</b>	<b>7,304</b>	<b>16,623</b>	<b>12,320</b>
<b>Operating loss</b>	<b>(7,197)</b>	<b>(7,131)</b>	<b>(12,732)</b>	<b>(11,975)</b>
<b>Other income:</b>				
Foreign exchange gain	49	5,991	1,090	5,791
Investment & other income	737	2,414	2,020	4,977
Total other income	786	8,405	3,110	10,768
<b>(Loss) income for the period</b>	<b>(6,411)</b>	<b>1,274</b>	<b>(9,622)</b>	<b>(1,207)</b>
<b>Deficit, beginning of period</b>	<b>(43,337)</b>	<b>(34,280)</b>	<b>(40,126)</b>	<b>(31,799)</b>
<b>Deficit, end of period</b>	<b>(49,748)</b>	<b>(33,006)</b>	<b>(49,748)</b>	<b>(33,006)</b>
(Loss) income and diluted (loss) income per common share <i>[Restated - see Note 3]</i>	<b>(0.41)</b>	0.08	<b>(0.62)</b>	(0.08)
<b>Weighted average number of common shares outstanding (in thousands)</b>	<b>15,598</b>	<b>15,378</b>	<b>15,577</b>	<b>15,356</b>

See accompanying notes

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

UNAUDITED

(in thousands of CDN\$)	3 Months Ended		6 Months Ended	
	March 31		March 31	
	2002	2001	2002	2001
	\$	\$	\$	\$
		<i>[Restated- Note 3]</i>		<i>[Restated- Note 3]</i>
<b>OPERATING ACTIVITIES</b>				
(Loss) income for the period	(6,411)	1,274	(9,622)	(1,207)
Add items not involving cash:				
Amortization of capital assets & medical technologies	813	526	1,568	1,039
Unrealized foreign exchange gain	(145)	(5,045)	(568)	(3,486)
Deferred revenue	(154)	(173)	(576)	(345)
Loss on disposal of capital assets	43	-	43	-
Net change in non-cash working capital items relating to operations:				
Accrued interest on short-term investments	66	(1,749)	4,535	1,626
Amounts receivable	(299)	(45)	(247)	(44)
Prepaid expenses & deposits	(236)	31	(507)	(256)
Accounts payable & accrued liabilities	1,419	1,393	510	1,790
<b>Cash (used in) operating activities</b>	<b>(4,904)</b>	<b>(3,788)</b>	<b>(4,864)</b>	<b>(883)</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of short-term investments	(95,952)	(41,148)	(109,632)	(173,996)
Proceeds from short-term investments	43,054	30,075	137,446	182,783
Amortization of bond premium	332	-	659	-
Purchase of capital assets	(397)	(120)	(572)	(252)
<b>Cash (used in) provided by investing activities</b>	<b>(52,963)</b>	<b>(11,193)</b>	<b>27,901</b>	<b>8,535</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from stock options exercised	532	65	884	769
<b>Cash provided by financing activities</b>	<b>532</b>	<b>65</b>	<b>884</b>	<b>769</b>
<b>Net (decrease) increase in cash &amp; cash equivalents during the period</b>	<b>(57,335)</b>	<b>(14,916)</b>	<b>23,921</b>	<b>8,421</b>
<b>Cash &amp; cash equivalents, beginning of period</b>	<b>84,466</b>	<b>27,446</b>	<b>3,210</b>	<b>4,109</b>
<b>Cash &amp; cash equivalents, end of period</b>	<b>27,131</b>	<b>12,530</b>	<b>27,131</b>	<b>12,530</b>
<b>Supplemental disclosure:</b>				
Common shares issued for medical technologies	-	-	319	-

See accompanying notes

**1. BASIS OF PRESENTATION**

The accompanying unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and on a basis consistent with the Company's annual consolidated financial statements for the year ended September 30, 2001. These financial statements conform in all material respects, with United States generally accepted accounting principles, except as disclosed in note 8.

The accompanying unaudited interim consolidated financial statements 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 March 31, 2002 and for all periods presented.

These unaudited interim consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2001 included in the Angiotech Pharmaceuticals, Inc. Annual Report filed with the appropriate securities commissions. The results of operations for the three-month and six-month periods ended March 31, 2002 are not necessarily indicative of the results for the full year. All amounts herein are expressed in Canadian dollars unless otherwise noted.

**2. ACCOUNTING PRINCIPALS****Principals of consolidation**

These consolidated financial statements include the accounts of the Company and its four wholly-owned subsidiaries. The wholly-owned subsidiaries consist of Angiotech Pharmaceuticals (US), Inc., incorporated in the U.S. in November 2000, and three companies incorporated in Switzerland in November 2001: Angiotech International GmbH, Angiotech Rx International GmbH and Angiodevice International GmbH. All intercompany transactions and balances have been eliminated in consolidation.

With respect to the Company's integrated foreign subsidiaries, monetary assets and liabilities are translated into Canadian dollars using the exchange rate at the balance sheet date. Revenue and expense items are translated at the average exchange rate in the period. Exchange gains and losses are included in the determination of net income (loss).

**Revenue recognition****License, option and research contract fees**

Research contract fees and research related grants, which are non-refundable, are recorded as revenue as the related research expenditures are incurred pursuant to the terms of the agreement and provided collectibility is reasonably assured. Option fees are recognized when the Company has fulfilled its obligations in accordance with the provisions of the contractual arrangement. License fees comprise initial fees and milestone payments derived from collaborative licensing arrangements. Non-refundable milestone payments are recognized upon the achievement of specified milestones when the Company has no further involvement or obligation to perform under the arrangement and the related costs and effort are considered substantial. Initial fees and milestone payments received which require the ongoing involvement of the Company are deferred and amortized into income on a straight-line basis over the term of the relevant license or related underlying product development period of approximately five years.

**Royalties**

Royalty revenue is recognized on an accrual basis, as the amount is determinable, in accordance with the contractual agreements and when the Company has no future obligations pursuant to the royalty fee.

**3. CHANGE IN ACCOUNTING PRINCIPALS****a) Revenue recognition**

Effective July 1, 2001, the Company changed its accounting policy for recognizing license, option and research contract fees to be consistent with U.S. GAAP, as clarified by Staff Accounting Bulletin 101 ("SAB 101") *Revenue Recognition in Financial Statements*, which was issued by the U.S. Securities and

Exchange Commission in December 1999. Upfront fees and payments from licensing transactions are deferred and amortized into revenue on a straight-line basis over the term of the relevant license or related underlying product development period, as described in note 2 to the consolidated financial statements of September 30, 2001. Previously, the Company recognized upfront fees and payments as earned in accordance with the terms of the related agreement which was generally the period the payment was received. This change has been applied retroactively with the following effect:

(in thousands of CDN\$, except loss per share data)	As Originally Reported		As Restated	
	3 Months	6 Months	3 Months	6 Months
	Ended March 31, 2001	Ended March 31,2001	Ended March 31,2001	Ended March 31,2001
	\$	\$	\$	\$
License, option & research contract fees	-	-	173	345
Net income (loss)	1,101	(1,552)	1,274	(1,207)
Net income (loss) per common share	0.07	(0.10)	0.08	(0.08)
Diluted net income (loss) per common share [Note 3b]	0.07	(0.10)	0.08	(0.08)
Deferred revenue	-	-	1,947	1,947
Accumulated deficit	(31,059)	(31,059)	(33,006)	(33,006)

**b) Earnings per share**

Effective July 1, 2001, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants Section 3500 ("Earnings per share") with respect to the calculation of income (loss) per common share. This change has been applied retroactively with restatement to the quarter and six month period ended March 31, 2001. It was determined that the net income per common share on a diluted basis did not change after taking into account the retroactive restatement for recognizing license income.

**4. (LOSS) INCOME PER COMMON SHARE DATA**

Net (loss) income per common share is computed by dividing the net loss or income by the weighted average number of common shares outstanding during the period. Diluted (loss) income per common share has been calculated on the basis that all share options and warrants were exercised at the beginning of the period using the treasury stock method.

**5. SHARE CAPITAL****a) Authorized and Issued Share Capital**

The authorized common share capital of the Company is 200,000,000 common shares and 50,000,000 Class I Preference shares. The common shares issued and outstanding as of March 31, 2002 were 15,612,182 for a total of \$198,182,858. There are no Class I Preference shares currently issued and outstanding.

**b) Stock Option Plan**

On March 6, 2001 the shareholders approved the adoption of an amended Stock Option Plan, the "2001 Stock Option Plan" which, among other matters, increased the number of authorized common shares available by 1,060,640 for issuance under the 2001 stock option plan from 2,015,521 to 3,076,161 common shares.

**c) Stock Options and Warrants**

At March 31, 2002 the Company had 2,577,401 (September 30, 2001 - 2,106,622) stock options outstanding at a weighted average exercise price of \$49.11 (September 30, 2001 - \$39.31) per share and expiring at various dates from January 31, 2006 to March 4, 2012 (September 30, 2001 - January 31, 2006 to September 17, 2011).

During the six months ended March 31, 2002, 56,364 stock options were exercised for total proceeds of \$883,932. During the six months ended March 31, 2002, a total of 535,300 stock options were granted with a weighted average exercise price of \$84.45 per share and 8,157 options were forfeited with a weighted average exercise price of \$57.32.

In November 2001, 30,000 warrants vested and the Company recorded \$319,000 as contributed surplus and medical technologies due to an increase in the estimated fair value of the 30,000 warrants. In November 2001, the Company issued 25,064 common shares for the cashless exercise of the 30,000 common share purchase warrants. Accordingly, \$1,968,000 was transferred from contributed surplus to share capital.

## 6. SEGMENTED FINANCIAL INFORMATION

The Company operates in two segments: medical device coatings/implants and therapeutics.

Medical device coatings/implants comprise the research and development of drug loaded coatings for medical devices and drug loaded medical implants. Therapeutics comprise the research and development of pharmaceuticals for the treatment of chronic inflammatory diseases such as multiple sclerosis, rheumatoid arthritis and psoriasis.

Total assets and capital assets are not allocable between segments. However, amortization of capital assets is allocated to the segments based on estimated usage. Capital assets are substantially located in Canada.

(in thousands of CDN\$)	3 Months Ended March 31		6 Months Ended March 31	
	2002 \$	2001 \$	2002 \$	2001 \$
		<i>[Restated- see Note 3]</i>		<i>[Restated- see Note 3]</i>
Revenue (1)				
Medical device coatings	3,461	173	3,883	345
Therapeutics	8	-	8	-
Total revenue for reportable segments	3,469	173	3,891	345
Net income (loss)				
Medical device coatings	(1,084)	(1,887)	(3,056)	(3,754)
Therapeutics	(4,853)	(4,775)	(7,407)	(8,012)
Total loss for reportable segments	(5,937)	(6,662)	(10,463)	(11,766)

(1) Revenues are all attributable to the United States based on the location of the Company's collaborators.

Reconciliation of loss for the period

(in thousands of CDN\$)	3 Months Ended March 31		6 Months Ended March 31	
	2002 \$	2001 \$	2002 \$	2001 \$
		<i>[Restated- see Note 3]</i>		<i>[Restated- see Note 3]</i>
Total loss for reportable segments	(5,937)	(6,662)	(10,463)	(11,766)
Non-allocable corporate expenses	(1,260)	(469)	(2,269)	(209)
Total other income	786	8,405	3,110	10,768
(Loss) income for the period	(6,411)	1,274	(9,622)	(1,207)

## 7. CONTINGENCIES

(a) The Company may, from time to time, be subject to claims and legal proceedings brought against them in the normal course of business. Such matters are subject to many uncertainties. Management believes that adequate provisions have been made in the accounts where required and the ultimate resolution of such contingencies will not have a material adverse effect on the financial position of the Company.

(b) Oppositions have been filed with respect to a granted European patent that relates to certain products. The Opposition Division found that some of the claims in the patent, which do not recite stent devices, were invalid. The decision of the Opposition Division has been appealed to a Board of Appeal of the European Patent Office. An adverse decision by the Appeal Board could result in revocation of our patent or a narrowing of the scope of protection afforded by the patent. The outcome of this appeal is uncertain at this time.

## 8. RECONCILIATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPALS

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which, as applied in these consolidated financial statements, conform in all material respects to United States generally accepted accounting principles ("U.S. GAAP"), except for the differences below as more fully described in Note 12 to the annual consolidated financial statements of September 30, 2001.

Material variations impacting the Consolidated Statements of Loss and Deficit under U.S. GAAP would be as follows:

(in thousands of CDN\$, except loss per share data)	3 Month Ended March 31		6 Months Ended March 31	
	2001 \$	2001 \$	2001 \$	2001 \$
(Loss) income for the period, Canadian GAAP <i>[prior year restated – see Note 3]</i>	(6,411)	1,274	(9,622)	(1,207)
Adjustment for stock based compensation to non-employees	(73)	(5)	(196)	(16)
Adjustment for medical technologies expense and amortization	627	383	903	766
(Loss) income before cumulative effect of change in accounting principle for the period, U.S. GAAP	(5,857)	1,652	(8,915)	(457)
Cumulative effect of change in accounting principle (Loss) income for the period, U.S GAAP	(5,857)	1,652	(8,915)	(2,749)
Adjustment for short-term investments, unrealized gain	6	268	173	268
Reclassification of realized gain on short-term investments	(72)	-	(72)	-
(Loss) income and comprehensive (loss) income for the period, U.S. GAAP	(5,923)	1,920	(8,814)	(2,481)
(Loss) income per common share, U.S. GAAP:				
(Loss) income before change in accounting principle	(0.38)	0.11	(0.57)	(0.03)
Cumulative effect of a change in accounting principle	-	-	-	(0.15)
(Loss) income and diluted (loss) income per common share, U.S. GAAP	(0.38)	0.11	(0.57)	(0.18)
Weighted average number of common shares, U.S. GAAP (in thousands)	15,598	15,378	15,577	15,356

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

UNAUDITED

Material variations in Consolidated Balance Sheet items under U.S. GAAP would be as follows:

(in thousands of CDN \$)	March 31	September 30
	2002	2001
	\$	\$
Short-term investments	120,545	152,884
Medical technologies	-	-
Total assets	150,732	158,214
Contributed surplus	3,164	4,617
Deficit	(56,424)	(47,509)
Other accumulated comprehensive income	101	-

## Recent Pronouncements:

The Financial Accounting Standards Board has issued SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". This pronouncement is effective for the Company's first quarter commencing October 1, 2002. The Company has not yet determined the impact of SFAS 144 on its consolidated financial statements.

## 9. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current period.

*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.*

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Angiotech Pharmaceuticals Inc., 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.



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