

ent with the Company's annual financial statements for the year ended September 30, 2000 [except for segmented information presented in note 5]. These financial statements conform in all material respects, with generally accepted United States accounting principals, except as disclosed in note 7.

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, 2001 and for all periods presented.

These unaudited interim consolidated financial statements and notes should be read in conjunction with the audited financial statements for the year ended September 30, 2000 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 period ended March 31, 2001 are not necessarily indicative of the results for the full year. All amounts herein are expressed in Canadian dollars unless otherwise noted.

2. PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of the Company and its wholly-owned U.S. subsidiary, Angiotech Pharmaceuticals (US), Inc that was incorporated in December 2000. All intercompany transactions and balances have been eliminated in consolidation.

With respect to the Company's integrated foreign subsidiary, 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 gain and losses are included in the determination of net income (loss).

3. LOSS PER COMMON SHARE DATA

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

4. 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, 2001 were 15,385,347 for a total of \$193,824,552. 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 common shares 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, 2001 the Company had 2,050,940 stock options outstanding at a weighted average exercise price of \$35.44 per share and expiring at various dates from January 31, 2006 to March 5, 2011. 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.

During the six months ended March 31, 2001, 128,750 stock options were exercised for total proceeds of \$769,585. During the six months ended March 31, 2001, a total of 638,600 stock options were granted with a weighted average exercise price of \$62.83 per share.

5. SEGMENTED FINANCIAL INFORMATION

During the quarter ended March 31, 2001, management determined that the Company operates in two segments: medical device coatings and therapeutics. Thus, prior periods have been restated accordingly for comparative purposes.

Medical device coatings comprise the research and development of coating existing medical devices with paclitaxel through collaborations with corporate partners. Therapeutics comprise the research and development of micellar paclitaxel for chronic inflammatory diseases such as multiple sclerosis, rheumatoid arthritis and psoriasis.

Capital assets are not allocable between segments. However, amortization of capital assets has been allocated to the segments based on estimated usage.

(in thousands of CDN\$)	Three Months Ended		Six Months Ended	
	March 31, 2001	2000	March 31, 2001	2000
Revenue ⁽¹⁾	\$	\$	\$	\$
Medical device coatings	-	1,859	-	4,118
Therapeutics	-	-	-	-
Total revenues for reportable segments	-	1,859	-	4,118
Net (income) loss				
Medical device coatings	2,060	(540)	4,099	(1,949)
Therapeutics	4,775	2,669	8,012	3,884
Total net loss for reportable segments	6,835	2,129	12,111	1,935

⁽¹⁾ Revenues are attributed to countries based on the location of customers, which is the U.S. Reconciliation of loss for the period

(in thousands of CDN\$)	Three Months Ended		Six Months Ended	
	March 31, 2001	2000	March 31, 2001	2000
Total loss for reportable segments	(6,835)	(2,129)	(12,111)	(1,935)
Non-allocable corporate expenses	(469)	(194)	(209)	(764)
Total other (income) expense	8,405	(1,067)	10,768	(718)
Income (loss) for the period	1,101	(3,390)	(1,552)	(3,417)

6. 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) Several oppositions have been filed against granted European patents relating to certain products. If the oppositions are successful, an adverse decision could result in revocation of the patents or a narrowing of the scope and protection afforded by the patent. The outcome of these oppositions is uncertain at this time.

7. RECONCILIATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principals ("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 as more fully described in Note 11 to the financial statements of September 30, 2000.

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

(in thousands of CDN\$, except per share data)	Three Months Ended		Six Months Ended	
	March 31, 2001	2000	March 31, 2001	2000
Income (loss) for the period, CDN GAAP	1,101	(3,390)	(1,552)	3,417
Adjustment for stock based compensation to non-employees	(5)	(24)	(16)	(33)
Adjustment medical technology expense & amortization	383	(2,383)	766	(2,209)
Adjustment for accelerated vesting of stock options	-	(756)	-	(756)
Income (loss) for the period, U.S. GAAP	1,479	(6,553)	(802)	(6,415)
Adjustment for short-term investments, unrealized gain	134	-	268	-
Comprehensive income (loss) for the period, U.S. GAAP	1,613	(6,553)	(534)	(6,415)
Basic income (loss) per common share, U.S. GAAP	0.10	(0.48)	(0.05)	(0.48)
Weighted average number of shares, U.S. GAAP	15,378	13,576	15,356	13,431

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

(in thousands of CDN\$)	March 31, 2001	Sept. 30, 2000
	\$	\$
Short-term investments	149,527	156,186
Medical technology	-	-
Total assets	163,712	161,670
Deficit	(36,926)	(36,160)
Share capital	196,161	195,376
Other comprehensive income	268	-

Material variations impacting the Consolidated Statements of Cash Flows under U.S. GAAP would be as follows:

(in thousands of CDN\$)	Three Months Ended		Six Months Ended	
	March 31, 2001	2000	March 31, 2001	2000
Cash (used in) provided by operating activities, CDN GAAP	(3,788)	2,922	(883)	610
Adjustment for medical technology expense	-	(720)	-	(720)
Cash (used in) provided by operating activities, U.S. GAAP	(3,788)	2,202	(883)	(110)
Cash (used in) provided by investing activities, CDN GAAP	(11,193)	2,371	8,535	1,822
Adjustments for medical technology	-	720	-	720
Cash (used in) provided by investing activities, U.S. GAAP	(11,193)	3,091	8,535	2,542

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. The Company has not yet determined the impact of SAB 101 on its financial statements and its current revenue recognition policies.

8. COMPARATIVE FIGURES

Certain of the comparative figures have been restated 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.

Financial Statements for the Second Quarter Ended March 31st, 2001

ANGIOTECH PHARMACEUTICALS, INC.

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ADVANCING THE POTENTIAL OF PROVEN MEDICINES

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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.

A N G I O T E C H ®

TO OUR SHAREHOLDERS

The second quarter of fiscal 2001 saw the Company make significant progress in the clinical development for its paclitaxel-coated stent program and treatment for secondary progressive multiple sclerosis (SPMS).

In March, our stent partner, Cook Incorporated, became the first company to receive U.S. Food and Drug Administration (FDA) approval to evaluate a paclitaxel-coated coronary stent in U.S. patients. Cook's paclitaxel-coated Logic™ Coronary Stent will be examined in patients with symptomatic ischemic heart disease, or with a positive cardiac stress test due to de novo lesions in native coronary arteries. The FDA approval to begin pivotal studies in the U.S. is a significant event in the evolution of coronary stent technology. It seems almost appropriate given that Cook was also the first company to obtain approval for a (bare) coronary stent in the U.S. almost 10 years ago. Cook is currently also conducting multi-center trials of a paclitaxel-coated coronary stent in both Europe and Asia, and we look forward to final results later on in the year from both those studies.

Towards the end of March, we saw the completion of Quanam's acquisition by our other corporate stent partner, Boston Scientific. Since Quanam's product falls under the license agreement between Angiotech and Boston Scientific, it removes any intellectual property risk that may have existed prior to the acquisition. Boston Scientific's recent announcement to discontinue enrollment in Quanam's European studies was a result of protocol violations that occurred prior to Boston Scientific's acquisition of the company. This does not impact Angiotech's original product development timeline based on our original agreement in 1997. Progress on Boston Scientific's paclitaxel-coated NIR® and Express™ stents is moving forward on schedule.

Also in March, Angiotech announced the completed enrollment of its 189-patient, Phase 2 clinical study for the use of Micellar Paclitaxel in the treatment of patients with secondary progressive multiple sclerosis (SPMS). To date, there have been no drug-related serious adverse events reported in the patients enrolled in the nine-month study. The double-blind, placebo-controlled study is being conducted at nine centers across Canada. The primary objective of the study is to determine the difference in new lesion activity in the Micellar Paclitaxel treatment groups relative to the control group during the treatment phase, as demonstrated by magnetic resonance imaging (MRI). Results from this study will be available in early 2002.

Thank you again for your support and we look forward to significant progress in the coming quarter.

Yours very truly,

ANGIOTECH PHARMACEUTICALS, INC.




William L. Hunter, MD, MSc
Chairman and CEO



Donald E. Longenecker, PhD
President and COO

May 15, 2001

CONSOLIDATED BALANCE SHEETS (Unaudited)			
As at	March 31,		September 30,
(in thousands of CDN\$)	2001	2000	2000
	\$	\$	\$
ASSETS			
Current			
Cash and cash equivalents	12,530	4,109	4,109
Short term investments	149,259	156,186	156,186
Amounts receivable	100	56	56
Prepaid expenses and deposits	383	127	127
Total current assets	162,272	160,478	160,478
Capital assets	1,172	1,192	1,192
Medical technology	3,492	4,259	4,259
	166,936	165,929	165,929
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	4,171	2,381	2,381
Total current liabilities	4,171	2,381	2,381
Shareholders' equity			
Share capital			
Common shares issued:			
March 31, 2001 - 15,385,347			
September 30, 2000 - 15,256,597	193,750	192,981	192,981
Contributed surplus	74	74	74
Deficit	(31,059)	(29,507)	(29,507)
Total shareholders' equity	162,765	163,548	163,548
	166,936	165,929	165,929

See accompanying notes

On behalf of the Board:

William L. Hunter, MD, MSc
Director

Donald E. Longenecker, PhD
Director

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT (Unaudited)				
	Three Months Ended		Six Months Ended	
(in thousands of CDN\$, except per share data)	March 31	2000	March 31	2000
	\$	\$	\$	\$
REVENUE				
License, option & research contract fees	-	1,859	-	4,118
	-	1,859	-	4,118
EXPENSES				
Research and development	4,462	2,514	7,929	4,037
General and administration	2,316	1,277	3,352	2,108
Amortization	526	391	1,039	672
	7,304	4,182	12,320	6,817
Operating loss	7,304	2,323	12,320	2,699
OTHER (INCOME) EXPENSE				
Foreign exchange (gain) loss	(5,991)	1,621	(5,791)	1,648
Interest income	(2,414)	(554)	(4,977)	(930)
Total other (income) expense	(8,405)	1,067	(10,768)	718
(Income) loss for period	(1,101)	3,390	1,552	3,417
Deficit, beginning of period	32,160	27,617	29,507	27,590
Deficit, end of period	31,059	31,007	31,059	31,007
Income (loss) per common share	0.07	(0.25)	(0.10)	(0.25)
Weighted average number of shares outstanding	15,378	13,576	15,356	13,431

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)				
	Three Months Ended		Six Months Ended	
(in thousands of CDN\$)	March 31,	2000	March 31,	2000
	2001	\$	2001	\$
OPERATING ACTIVITIES				
Income (loss) for the period	1,101	(3,390)	(1,552)	(3,417)
Add items not involving cash:				
Amortization	526	391	1,039	672
Unrealized foreign exchange (gain) loss	(5,045)	1,621	(3,486)	1,648
Net change in non-cash working capital items related to operations:				
Accrued interest on investments	(1,749)	59	1,626	(108)
Amounts receivable	(45)	1,788	(44)	(45)
Prepaid expenses & deposits	31	8	(256)	(229)
Accounts payable & accrued liabilities	1,393	2,445	1,790	2,089
Cash (used in) provided by operating activities	(3,788)	2,922	(883)	610
INVESTING ACTIVITIES				
Purchase of capital assets	(120)	(155)	(252)	(324)
Proceeds (purchase) from short term investments, net	(11,073)	3,246	8,787	2,866
Cost of medical technology	-	(720)	-	(720)
Cash (used in) provided by investing activities	(11,193)	2,371	8,535	1,822
FINANCING ACTIVITIES				
Issuance of common shares pursuant to public offering, net of issue costs	-	128,045	-	128,045
Common shares issued pursuant to stock options exercised	65	126	769	129
Cash provided by financing activities	65	128,171	769	128,174
Net increase (decrease) in cash & cash equivalents during period	(14,916)	133,464	8,421	130,606
Cash & cash equivalents, beginning of period	27,446	3,229	4,109	6,087
Cash & cash equivalents, end of period	12,530	136,693	12,530	136,693

See accompanying notes

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis covers Angiotech Pharmaceuticals, Inc's interim consolidated financial statements for the three and six month periods ended March 31, 2001 prepared in accordance with Canadian generally accepted accounting principles. See note 7 of the interim consolidated financial statements for a reconciliation to United States generally accepted accounting principles. As well, it provides an update to the discussion and analysis contained in the Company's 2000 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 financial statements contained in the Company's 2000 Annual Report. All amounts following are expressed in Canadian dollars unless otherwise indicated.

RESULTS OF OPERATIONS

The Company's second quarter net income from operations was \$1.1 million, or \$0.07 per share, compared with a net loss of \$3.4 million, or (\$0.25) per share, during the same period in 2000. The net loss for the six months ended March 31, 2001 was \$1.6 million, or (\$0.10) per share, compared to a net loss of \$3.4 million, or (\$0.25) per share during the period in 2000. The net income for the quarter ended March 31, 2001 includes a foreign exchange gain of \$6.0 million, or \$0.39 per

share. No milestone or licensing revenue was received from the Company's corporate partners during the three and six month periods ended March 31, 2001 as compared to \$1.9 million for the quarter ended March 31, 2000 and \$4.1 million for the six month period ended March 31, 2000.

Interest income increased to \$2.4 million for the quarter ended March 31, 2001 compared to \$0.6 million for the same period in 2000 as a result of higher average cash and short-term investment balances, higher interest rates available for the investments and foreign exchange gains from a stronger U.S. dollar. The Company had a foreign exchange gain of \$6.0 million during the quarter ended March 31, 2001, resulting in a year to date gain of \$5.8 million. This compares to a foreign exchange loss of \$1.6 million for the comparable periods in 2000. The foreign exchange gain in 2001, is attributable to the effect of the strengthening U.S. dollar on the Company's U.S. dollar investment portfolio. The Company expects that interest and foreign exchange will continue to fluctuate in relation to cash balances, interest yields and foreign exchange rates.

The Company's expanded research and development activities, primarily relating to the ongoing phase 2 clinical study for secondary progressive multiple sclerosis, resulted in a 77% increase in research and development expenses during the quarter ended March 31, 2001 compared to the same quarter in 2000. Research and development expenses for the six months ended March 31, 2001 increased by 94% to \$7.8 million compared to \$4.0 million in 2000. These expenditures reflect the full patient enrolment, during the quarter ended March 31, 2001, in the phase 2 secondary progressive multiple sclerosis clinical study.

General and administrative expenses for the current quarter increased to \$2.3 million compared to \$1.3 million from the same period in 2000. Addition of senior executives in the business development and intellectual property groups, together with increased investor relations and personnel costs incurred to support the research and development initiatives, contributed to the increase. The increase in amortization expense relates to the amortization of capital assets and medical technology acquired during the current and previous periods.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2001 the Company had working capital of approximately \$158.1 million and cash resources, comprising of cash and cash equivalents and short-term investments totaling approximately \$161.8 million. Of this amount, the Company retained approximately \$78.0 million in U.S. dollars. The Company's cash and cash equivalents increased by approximately \$8.4 million during the six months ended March 31, 2001. The increase relates to the net effect of the proceeds from exercise of stock options (\$0.8 million), proceeds from short term investments (\$8.8 million) and working capital change (\$3.1 million), offset by the Company's operating loss for the period, net of amortization and unrealized foreign exchange gain (\$4.0 million), and capital asset expenditures (\$0.3 million).

RISKS AND UNCERTAINTIES

Risks and uncertainties related to economic and industry factors as discussed in detail in the "Management's Discussion and Analysis" section of the Company's 2000 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 11 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 does not believe a sudden or significant change in foreign exchange rates would have a material effect on future operating results or cash flow.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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 consist-