A LIVING

Abiography

ABIOMED, Inc. ANNUAL REPORT **2002**

for fiscal year ended March 31, 2002

ABIOMED®

TABLE OF CONTENTS

1 Introduction / Mission Statement

2 Chairman's Letter
To our shareholders, employees, customers and their patients

5 Improving Quality of Life
The Story of a Dream

7 Promoting Quality of Life
The Market Story

9 Designing for Quality of Life
A Technology Story

11 Experiencing Quality of Life
A Patient Story

12 A Dynamic, Commercial Future
Where We Are Headed

It is with great pride that we present "A Living Abiography," the story of ABIOMED® as told by the visionaries, scientists, engineers, physicians and patients who are the foundation of our past, present, and future. We remain committed to making real the day when cessation of heart function will not mean the end of life, or the ability to enjoy life.

Met veel genoegen presenteren wij "A Living Abiography". Het verhaal verteld door onze visionairs, ingenieurs, wetenschappers, doctoren en patienten, de grondleggers van ons verleden, het heden en de toekomst. Wij zijn overtuigd en gecommitteerd dat op een dag het stoppen van de eigen hartfunctie niet meer het einde van het leven hoeft te betekenen, noch de mogelijkheid om van het leven te genieten.

C'est avec beaucoup de fierté que nous vous présentons "A Living Abiography," l'histoire d'ABIOMED raconté par les visionnaires, scientifiques, ingénieurs, médecins et patients qui sont à la base de notre passé, présent et future. Nous maintenons notre engagement à rendre possible le jour où l'arrêt des fonctions du coeur ne représentera plus la fin de la vie ou la capacité de pouvoir en profiter

Nos enorgullece presentar "A Living Abiography," la historia de ABIOMED en las palabras de los visionarios, científicos, ingenieros, médicos y pacientes que forman la base de nuestro pasado, presente y futuro. Permanecemos comprometidos a hacer llegar el día cuando la falla permanente del corazón no significará ni el final de la vida, ni de la oportunidad de gozar la vida.

Es ist uns eine besondere Freude, Ihnen "A Living Abiography", die Geschichte des Werdegangs von ABIOMED aus der Sicht von Visionären, Wissenschaftlern, Ingenieuren, Ärzten und Patienten präsentieren zu dürfen. Sie alle sind unser Fundament, auf dem wir aufbauen – gestern, heute und morgen. Wir arbeiten weiter mit allen unseren Kräften auf den Tag hin, an dem ein Herzstillstand nicht mehr das Ende eines Lebens oder der Möglichkeit, das Leben zu genießen, bedeutet.

Siamo orgogliosi di presentare "A Living Abiography," la storia di ABIOMED raccontata da esperti, scienziati, ingegneri, medici e pazienti, tutte persone che costituiscono la base del nostro passato, presente e futuro. Continuiamo ad impegnarci per rendere reale il giorno in cui la cessazione della funzione cardiaca non significherà la fine della vita, né delle capacità di godersi la vita.

我們十分自豪地向您呈上「A Living Abiography」，這是 ABIOMED 的故事，陳述者是一批具有遠見的規劃者、科學家、工程師、醫生和病人，他們是本公司過去、現在和未來的基礎。我們仍然懷抱著堅定的信念：在未來某一天心臟功能的停止並不意味著生命的結束，亦不至於影響病人享受生活的樂趣。

「A Living Abiography」には、ABIOMEDの過去、現在、未来の礎である、先見者、科学者、エンジニア、医師、患者らが語った弊社の姿が収められています。ABIOMEDは、心機能の停止が、人生や、人生を謳歌することの終わりを意味しない日が現実のものとなるよう、引き続き勇往邁進していく所存です。ここに大いなる誇りを持って「A Living Abiography」をお届けいたします。

To our shareholders, employees, customers and their patients,

The past year has been the most exciting 12 months in ABIOMED's history, a year filled with extraordinary accomplishments, great challenges, and unlimited promise for the future. In a very real sense, we are coming to the end of our first chapter, a chapter in which we have proven the feasibility of our founding dream. And we have already begun to write the chapters that will follow.

Initial AbioCor™ clinical trial results have far exceeded our original expectations. While optimistic that we were ready for human trials, I never dreamt that 5 of the initial 7 patients implanted at 4 different centers would survive so long, and that none of the patients enrolled so far would have suffered a device malfunction. Among the original enrollees, some of the patients were able to enjoy multiple out-of-hospital excursions, interaction with family and friends, temporary discharge to intermediate locations, and one is living comfortably at home with a reasonable quality of life. This is an incredible achievement that supports the goal that an implantable replacement heart capable of providing a good quality of life is close to practical clinical realization. Much remains to be done, but we are more certain of success than ever before. We plan to demonstrate during the ongoing year that AbioCor patients can be supported free of strokes or other significant adverse events, and can be rehabilitated and discharged home to enjoyable and productive lives.

Our achievements in the past year have transcended the technical and clinical dimensions. I am extraordinarily proud that we are conducting the most visible clinical trial in history without violating patient confidentiality and privacy, or in any way compromising on strict ethical guidelines. The AbioCor clinical trial has been widely recognized as a creative and unprecedented model for patient-focused research. This would not have been possible without the support and participation of dozens of dedicated professionals at the AbioCor clinical sites, as well as the entire ABIOMED team. They have performed admirably.

Being in the public eye has its rewards. We are greatly appreciative of recognition given ABIOMED and the AbioCor this year by the *New England Journal of Medicine*, the American Heart Association, the American Hospital Association, the American Society of Artificial Organs, *Industry Week*, the Massachusetts Medical Device Industry Council, *Newsweek*, *Popular Science*, *Time Magazine*, and many others. High visibility also has drawbacks. Despite our success, and our many attempts to set realistic expectations before we began to enroll patients, society's expectations for the initial AbioCor experience have sometimes been excessive. It is important, in judging what we have accomplished thus far, to remember the history of other breakthrough medical technologies. Initial trials of kidney dialysis, intra-aortic balloon pumps and implantable ventricular assist

ABIOMED's Board of Directors, from left to right:
Paul B. Fireman, W. Gerald Austen, Henri A. Termeer, Desmond H. O'Connell, Jr., David M. Lederman, John F. O'Brien

devices sustained numerous patient deaths before a first success; the patients in those trials were not as fragile as the initial AbioCor cohort. Those devices now save tens of thousands of lives each year. The early AbioCor experience, we believe, demonstrates potential for dramatic success.

David M. Lederman, Ph.D.
Chairman and CEO

ABIOMED has been a technology-driven company, and we are proud to have pioneered the BVS® 5000, the first advanced ventricular assist system, now the standard of care in the U.S. for support of reversibly failing hearts, as well as the AbioCor, the world's first implantable replacement heart. Today, however, we are increasingly concentrating on the markets we serve – the patients, physicians, and hospitals that use our products. We are focused on what needs to be done to insure rapid and successful adoption of our technology in conjunction with our clinical sites. One such priority is the development of a patient management infrastructure that will insure that patients can lead reasonably normal, autonomous and productive lives on the AbioCor. Another is the continuing refinement of all of our products to make them easier and safer to use, more responsive to patient and clinician requirements, and more conducive to an enjoyable and fulfilling life.

We are growing and adapting in other ways as well. ABIOMED is at a commercial inflection point in our journey from a small research and development company to what we expect will be clear leadership in heart replacement and assistance and a major player in the larger cardiovascular medical device arena. Our European and international presence is expanding, in terms of clinical collaboration as well as sales, clinical support, and marketing presence, reflecting the increasing importance of international markets and constituencies to our future growth. The BVS® has received approval in Japan and direct sales personnel have been added to our European employee base. We have begun transitioning some of the technical leadership of the Company to younger but nonetheless seasoned members of the Company who will emerge as the technology leaders of the future ABIOMED. Our manufacturing operations are being refined to prepare for higher production volumes and enhanced efficiency. In every area of the Company, we are tackling the organizational, systems, and process issues that arise from our ongoing and continuing growth. We are determined to do everything that is necessary to translate our technological leadership into commercial profitability. To that end, a great deal of positive change is taking place at every level, including the composition and responsibilities of our management team.

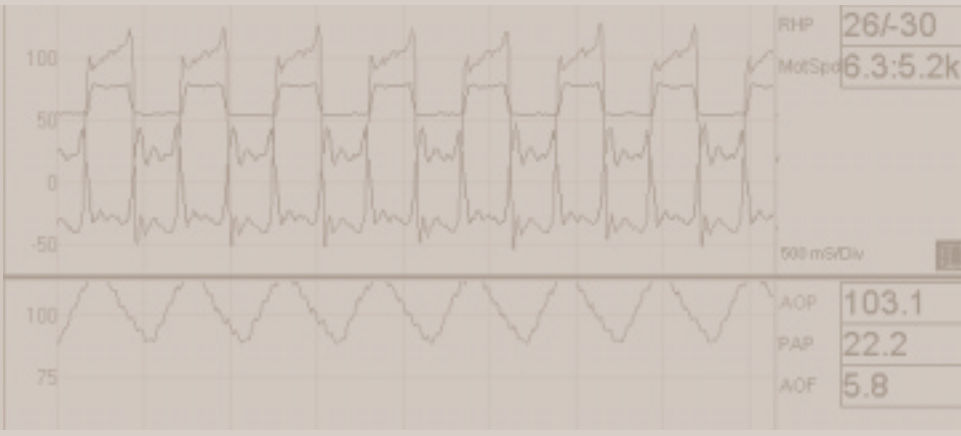
We are aided in this effort by the commitment, counsel, and support of a very strong and unwavering Board of Directors, an extraordinarily talented group of visionaries without whom our success to date would not have been possible. Our employees, including our clinical and sales field organization, an incredibly dedicated team who represent us with distinction in interactions with our customers and our patients, demonstrate their passion and commitment to our mission in untold ways every day. We have had the help and cooperation over the years of numerous clinicians, the AbioCor and BVS clinical investigators and their corresponding medical centers, public officials, attorneys, accountants, bankers, subcontractors and vendors, all of whom have contributed to our progress.

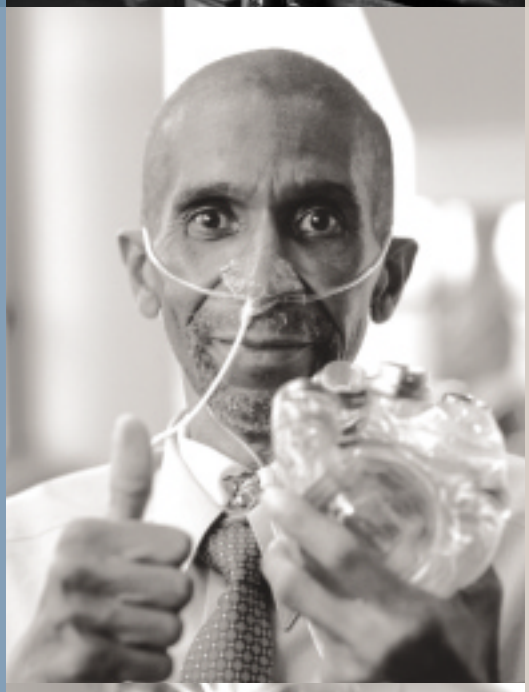
Finally, we wish to express our sincere gratitude to our patients and their families, AbioCor heroes like Bob Tools, Tom Christerson, Bobby Harrison, and James Quinn, as well as Heather Link, Dana Walsh, and thousands of other BVS heroes, who inspire us each day with their courage. Our work, ultimately, is for them, and they have earned our highest respect.

Sincerely,

David Lederman

David M. Lederman, Ph.D.
Chairman and CEO





From top to bottom:

Patti Pryor (Mr. Christerson's daughter), AbioCor Implantable Replacement Heart recipient Tom Christerson and AbioCor Clinical Director, Tali Radom celebrate Tom's return home

AbioCor reliability tests being performed in ABIOMED's Reliability Lab

Mr. Robert (Bob) Tools, the first AbioCor recipient. Mr. Tools arrived at the Jewish Hospital campus on Tuesday, June 26, 2001 for evaluation and the AbioCor was implanted on Monday, July 2 (photo courtesy of Jewish Hospital and the University of Louisville)

Drs. Gray and Dowling, leading the University of Louisville surgical team in performing the second AbioCor implant at Jewish Hospital, Louisville, KY, Sept. 13, 2001 (photo courtesy of Jewish Hospital and the University of Louisville)

Improving Quality of Life

The Story of a Dream

"I have been with the company for twenty years now and I cannot imagine being anywhere else. The opportunity to come to work each day with a goal of saving human lives is a priceless gift. It is a privilege to contribute to this goal in some way. My job is constantly challenging and always a learning experience; I wouldn't have it any other way."

Bill Bolt, SVP, Product Engineering

ABIOMED's beginning twenty years ago taps into the archetypal story of American entrepreneurship. In 1981, the Medical Research Team at Avco Corporation's Everett subsidiary faced a premature end to its work on artificial heart technology as management sought to refocus on defense technologies. From that crisis, abetted by the goodwill and encouragement of high-ranking National Institutes of Health officials and collaborating medical colleagues, ABIOMED was born, with the vision of a future when heart failure need not mean the end of life or the ability to enjoy life.

The energy, vision and commitment present at ABIOMED's beginning has strengthened and sustained us in our long journey to achieve our founding goal – an implantable replacement heart capable of sustaining a high quality of life for patients who have no other option. Along the way, there have been numerous organizational challenges and accomplishments. We have assembled what we believe to be the largest and most sophisticated technical team ever committed to a single medical device development project. We have solved every problem we had anticipated, and dozens more we had not.

While developing the AbioCor, we brought to market the first externally driven ventricular assist system approved by the FDA, the BVS 5000. The BVS has helped provide financial support for our replacement heart efforts, and has saved thousands of lives. It is the most used advanced mechanical heart assist system in the world. We have anticipated and built upon the external development of essential technologies in microprocessors, miniaturization, and battery sciences that we knew would be necessary for the success of our replacement heart. And this year we brought our first generation AbioCor Implantable Replacement Heart into the clinic in an initial human trial.

Today, we are at the very brink of success. Our dedicated employee group is unified in its commitment to full realization of our goals. We are setting up the infrastructure needed for commercialization of the AbioCor upon successful conclusion of our clinical trial. We are looking to the future by strengthening our manufacturing processes and capabilities, addressing issues associated with long-term support of a large patient base, and honing the efficiency of all of our operations. And we have already begun work defining the next generation artificial heart. It will be longer lasting, more reliable, and more patient-friendly than the first generation AbioCor. Everyday we make strides toward our goal of a reliable replacement heart, readily available to individuals who would otherwise die because their heart failed, capable of sustaining a high quality of life.

ABIOMED's Chief Scientific Officer, Robert T.V. Kung, Ph.D.

The ABIOMED BV team, standing from left to right: Jürgen Krome (Sales Manager, Central Europe), Dagmar Schmidla (Clinical Specialist, Europe), René van Os (Service Manager, Europe), Frank de Vos (Director of European Operations). Sitting, from left to right: Bernadet Gelinck (Management Assistant), Alice Santifort (Management Assistant), Piet Wassenberg (Manager, European Clinical Affairs)

Members of the ABIOMED clinical team, standing, from left to right: Steve Balk, Margaret Perry, Diann Mendenhall, Seana Richardson.
Sitting, from left to right: Bill Cone, Carol Yukna, Dr. Zvi Ladin

Roy Kratman, ABIOMED's Field Service Operations Director

Promoting Quality of Life

The Market Story

"We listen, and we respond to what we hear from our customers. They tell us that the mechanical life support systems we develop need to work with as little intervention and oversight as is possible; every moment spent taking care of our equipment is a moment stolen from the care of our patients and their enjoyment of life."

Roy Kratman, Field Service Operations Director

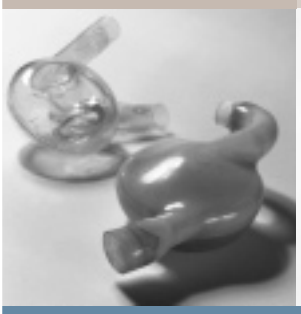
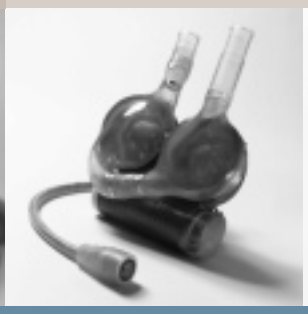
Approximately 700,000 people die each year in the United States because their hearts fail. Several thousand could benefit from effective short-term circulatory support while their hearts rest and recover. We estimate that tens of thousands could enjoy extended, productive, meaningful lives if they could receive a replacement heart, natural or mechanical. But each year there are barely 2,000 human hearts available for transplantation to meet that need. The problem is equally striking elsewhere in the world. ABIOMED is committed to providing extended life of good quality to all those who can benefit from heart replacement or temporary assistance.

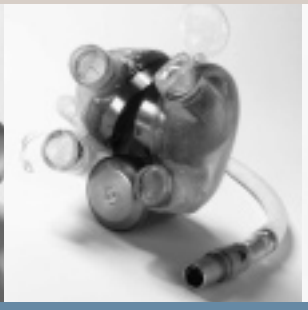
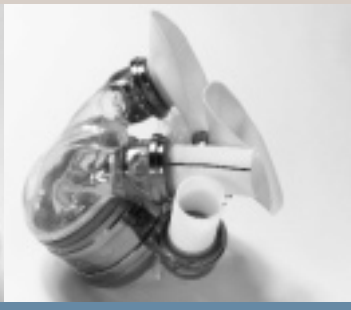
Innovative technology and engineering excellence, hallmarks of ABIOMED's corporate identity, are necessary to our effort, but much more is needed. Achieving our goal requires harnessing and directing our development efforts in service of our customers: the surgeons who use our products; the clinicians who care for our patients; and – most importantly – the patients themselves. That is why ABIOMED's BVS system was designed to provide patient support with the minimum necessary operator adjustment. It is why we have strived to create consoles and displays that are the easiest to understand and the easiest to use in the mechanical heart support industry. It is why we insisted from the beginning that the AbioCor replacement heart allow unrestricted patient mobility, and that it be as quiet, unobtrusive, and easy to operate as possible.

Listening to customers is a continuous process. ABIOMED's sales and clinical teams are in daily contact with the hospitals that purchase our products and the clinicians who use them. The addition of our European subsidiary, ABIOMED BV, has helped us to better communicate with and understand the needs of our European customers. We introduced the BVS Transport Console in response to our community hospital customers' need to stabilize patients and transfer them to larger, centrally located facilities. We also implemented a clinical and administrative program – including comprehensive reimbursement support – for a "hub and spoke" system to facilitate patient transfers.

We are already responding to what our AbioCor clinical trial patients tell us about how to make the replacement heart easier to live with. Our engineers are working on friendlier patient interface systems for wearing and carrying batteries and electronic monitors, more efficient battery systems to allow enhanced mobility and many other features that will improve the lives of discharged patients. The clinical teams caring for these patients have given us invaluable information about what will be required for long-term home support, and their recommendations are currently being incorporated.

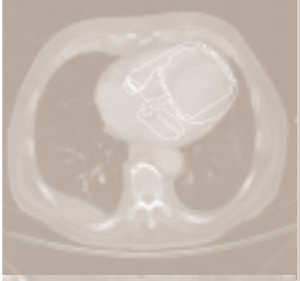
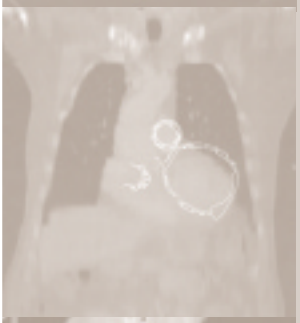
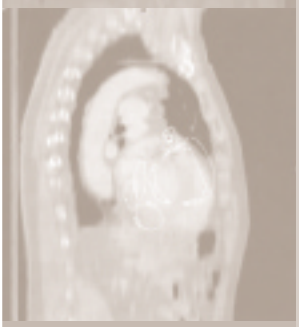
1977 1982 1986 1990 1995

Evolution of AbioCor™ Prototype:

Made primarily of titanium and Angioflex™, ABIOMED's proprietary polyurethane plastic, the size of a grapefruit, is the world's first fully implantable replacement heart. It capitalizes on cutting-edge technology advances in biomaterials, blood pumps, valves, flow path design, microelectronics, software, batteries and energy transfer. Engineered to fit completely inside of the human body, the AbioCor enables a patient to remain mobile and enjoy life

AbioFit™

Engineered to gauge fit potential and orientation of an AbioCor prior to implantation, AbioFit™ technology translates an MRI or CT scan from a prospective AbioCor patient into a three-dimensional model

BVS® 5000

Designed as a "bridge-to-recovery" device that completely assumes the heart's pumping action, ABIOMED's BVS 5000 Bi-Ventricular Support System allows failing but recoverable hearts to rest, heal and fully recover following open-heart surgery. More than 600 medical centers worldwide have chosen ABIOMED's BVS system to provide short-term support for patients suffering from post-cardiotomy cardiogenic shock, acute myocardial infarction (AMI) with cardiogenic shock, viral myocarditis, failed heart transplantation, right ventricular failure with an implantable left ventricular assist device (LVAD) and dysrhythmias refractory to conventional therapy

Designing for Quality of Life

A Technology Story

"It's a pump that has to deliver something like a hundredth of a horsepower. And so, a one hundredth of a horsepower pump should not be the chief cause of death. Surely, we can make such things."

Arthur R. Kantrowitz, Ph.D, ABIOMED mentor and member of the National Academies of Science and Engineering

Dedicated scientists and engineers require innovation and focus. To them, innovation is an incremental and evolving process that pushes beyond limits commonly accepted. Innovation at ABIOMED has meant a relentless and unwavering quest for the next technology breakthrough, the next better way to save human lives. This is the mindset that has taken ABIOMED from a start-up company of a few scientists and engineers with a dream of developing an artificial heart to a company that, twenty years later, is saving and improving thousands of human lives. Our commitment to innovation and our focus on our mission will lead us to success making a replacement heart a reality.

With the BVS and AbioCor, and in the development of other new products, our technologies build on principles of blood circulation and the heart's natural pumping function. Correcting and compensating for the failure of heart muscles to pump sufficient blood has been an area of focus, one in which ABIOMED has led the way with the BVS. Early innovations in blood compatibility and flow design dictated the development of seamless, blood-compatible ventricles and valves. Strengthened membranes have allowed for increased device longevity. AngioFlex™, ABIOMED's proprietary polyurethane polymer plastic, allows a combination of flexibility, strength, and durability.

Powering our devices presented us with the challenges of marrying efficiency, durability, and reliability in a system that could also facilitate patient comfort and mobility. Superior energy conversion, power and control systems were vital outgrowths of these needs. Capitalizing on general technological advances in microprocessing and battery sciences, ABIOMED engineered the AbioCor with self-contained motors and a transcutaneous (across the skin) energy transfer system to power the system externally without skin-piercing wires that might be the source of infections.

Advances in microprocessors allowed the brains of the system, the controller, to be shrunk down to fit in the abdomen. The ability to remotely monitor AbioCor performance means less precious time spent in a hospital and more time at home for the patient.

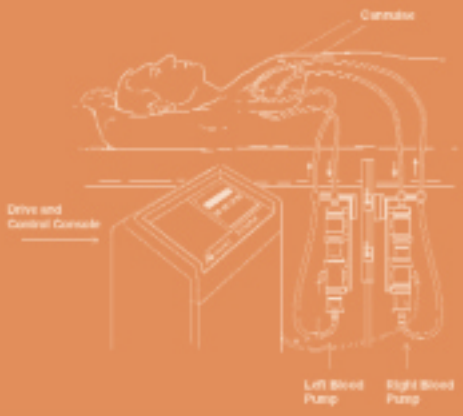
The ABIOMED team has developed sophisticated and highly specialized decision support tools to facilitate optimal patient selection for purposes of the AbioCor clinical trial. The AbioFit™ Program tests the anatomical compatibility of the AbioCor in a patient prior to surgery by using an MRI or CT scan to create a computer-based three-dimensional color model of the thoracic cavity and internal organs. Surgeons, working closely with the ABIOMED team, have used this model to perform virtual surgery and assess how the AbioCor will fit in the patient. The AbioScore™ Index, an indicator of life expectancy for heart failure patients based upon simple clinical data commonly found in the medical record, allows clinical teams to assess a patient's probability of 30-day survival – one of many trial entry criteria. Today, we continue to improve our tools and search for ever more effective ways to save human lives. As innovators, we continue to succeed.

From left to right:

Mr. Dana Walsh has served as ABIOMED's security guard for 8 years. In December of 1992 at Massachusetts General Hospital in Boston, MA, Mr. Walsh underwent a double-bypass procedure necessitating the use of a BVS 5000 to wean him off of bypass. Coincidentally, he later joined the firm that provides security to ABIOMED

Former BVS patient Heather Link was the 1999 New York State champion in the 100-yard backstroke. In spring of 2000, the 13-year old developed complications from a bacterial infection requiring multiple, open-heart procedures. Heather was placed on the BVS 5000 and after eight days of support her heart resumed normal function without assistance. Heather continues to pursue her passion for swimming

AbioCor recipient Tom Christerson and his wife, Ouida, nicknamed, "Speedy," during the Cardinals' final home basketball game at Freedom Hall in Louisville, March 2, 2002. Mr. Christerson was honored as the "Hero of the Game" (Photo courtesy of Jewish Hospital and the University of Louisville)



A schematic of the BVS system

Experiencing Quality of Life

A Patient Story

"Having Bob back to his 'old self,' even for those brief few months, was a priceless treasure. Giving the world the opportunity to know about him was a privilege beyond our wildest dreams."

Carol Tools, wife of the first AbioCor recipient

It happens thousands of times every year. A surgical team approaches the end of a complex and apparently successful procedure. With full expectation that the patient has been given a new lease on life, the process of weaning from cardiopulmonary bypass begins. But the heart is not ready to resume its essential function. It will not start beating. The condition is called post-cardiotomy shock, and often the only solution is to allow the heart to rest and recover.

This is the scenario that led to the development of the BVS, ABIOMED's acute bi-ventricular circulatory support system. Over the years, the BVS system has been used many thousands of times when there was no other option available to save the life of a patient whose heart had failed but might recover. BVS survivors are drawn from every segment of the population. They are an incredibly diverse group, unified by one inescapable commonality – but for ABIOMED's technology, they would have died too soon, before they had fulfilled their personal and professional promise, before they had given all they wanted to their families and friends. The story of the BVS patient is a story of opportunity restored, needless tragedy averted.

For many patients whose hearts are too weakened or damaged to recover or to support an acceptable quality of life, long-term heart replacement is necessary. These patients may suffer from prolonged and progressive heart failure or be victims of acute heart attacks. Their families have already dealt with long decline and imminent loss, or are suddenly confronted with an unanticipated life threatening and life-altering event. For such patients, the AbioCor replacement heart shows promise as an effective clinical option, an option that can rescue a future that would otherwise be lost.

It is a rare thing to have the courage to be first. The patients and their medical teams in the initial AbioCor clinical trial have all had that courage. The patients and their families are true heroes. At the very moment when all seemed lost, in the face of enormous uncertainty, they have chosen to pursue a chance at life. We are humbled and inspired by their example and their fighting spirits. Each one distinct in personality, background and experience, they are united by uncommon emotional and physical fortitude.

Every day, we learned with them, and from them, something of what it means to live with a replacement heart, and how we can better help them and those who will follow to live well – more comfortably, more securely, and more actively. Independent Patient Advocates provide valuable assistance helping to educate each patient and enabling him to make the best choices given his individual needs and personal values. Spouses and other family members are vital partners in this learning process. With their help, we are every day coming closer to making our founding goal – a reliable and long-lasting replacement heart capable of supporting a good quality of life – a clinical reality.

A Dynamic, Commercial Future

We are proud of what we have accomplished. But we have only begun. The foundation for a future of unlimited potential is in place, and we are committed to realizing that potential. We have begun to write the next chapter of the ABIOMED story.

If we are to become what we are capable of becoming, ABIOMED must achieve profitability. That goal demands that we be ever more responsive to the needs of our customers and the markets into which we sell.

We are examining every aspect of our operations and making organizational changes necessary to assure that we are listening well and responding effectively to what our customers are telling us.

Our first and most immediate goal is to complete the initial AbioCor clinical trial, and secure approval to sell the first generation AbioCor in the United States and abroad.

We are deeply engaged in the process of refining our replacement heart technology to make it appropriate for all adults, and increasingly reliable, durable, and patient-friendly.

We are improving our infrastructure to develop manufacturing scale-up capabilities, to assure that we can make the highest quality products in the most cost-effective manner.

Our BVS system will continue to be improved in response to customer experience and requirements in the evolving health care system.

Through internal development, and strategic relationships, we will broaden and deepen our product portfolio with the very best emerging heart assistance technologies. We strive to be the undisputed technology and market leader in heart assistance and replacement.

And we look even further ahead, to the evolving convergence of devices with biotechnology. We will be at the forefront of that convergence as it affects our segment in cardiovascular medicine.

We have only given the world a glimpse of what is yet to come…

ABIOMED, Inc. and Subsidiaries

Consolidated Financial Statements
As of March 31, 2001 and 2002

INDEX PAGE

REPORT OF INDEPENDENT ACCOUNTANTS F-2

CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2001 AND 2002 ..... F-3

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2000, 2001 AND 2002 ..... F-4

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED MARCH 31, 2000, 2001 AND 2002 ..... F-5

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2000, 2001 AND 2002 ..... F-6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ..... F-7 — F-21

SELECTED CONSOLIDATED FINANCIAL DATA F-22

Report of Independent Accountants

To Board of Directors and
Shareholders of ABIOMED, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, statements of stockholders' equity and statements of cash flows present fairly, in all material respects, the financial position of ABIOMED, Inc. and its subsidiaries at March 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2002 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 3, the Company has restated its consolidated financial statements for the years ended March 31, 2001 and 2000, previously audited by other independent accountants.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
August 27, 2002

Consolidated Balance Sheets

(in thousands, except share data)

Assets

Year Ended March 31,	2001 Restated	2002
Current assets:		
Cash and cash equivalents	$ 90,462	$ 45,667
Short-term marketable securities	2,036	25,654
Accounts receivable, net of allowance for doubtful accounts of approximately $184 and $139 at March 31, 2001 and 2002, respectively	8,622	7,056
Inventories	3,544	4,233
Prepaid expenses and other current assets	766	825
Total current assets	105,430	83,435
Property and equipment, at cost:		
Machinery and equipment	7,546	8,749
Furniture and fixtures	807	963
Leasehold improvements	3,528	2,041
	11,881	11,753
Less—Accumulated depreciation and amortization	7,129	7,046
	4,752	4,707
Intellectual property and other assets, net	779	1,034
	$ 110,961	$ 89,176

Liabilities and Stockholders' Equity

Current liabilities:		
Accounts payable	$ 2,129	$ 1,975
Accrued expenses	4,656	4,906
Deferred revenue	3,752	2,373
Current portion of long-term liabilities	242	54
Total current liabilities	10,779	9,308
Long-term liabilities	368	–
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Class B Preferred Stock, $.01 par value– Authorized—1,000,000 shares; Issued and outstanding—No shares	–	–
Common Stock, $.01 par value– Authorized—100,000,000 shares; Issued and outstanding—20,770,714 shares and 20,950,933 shares at March 31, 2001 and 2002, respectively	208	210
Additional paid-in capital	162,313	163,558
Accumulated deficit	(62,707)	(83,900)
Total stockholders' equity	99,814	79,868
	$ 110,961	$ 89,176

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Operations

(in thousands, except per share and share data)

Years Ended March 31,	2000 Restated	2001 Restated	2002
Revenues:			
Products	$ 18,521	$ 19,724	$ 24,747
Funded research and development	4,572	3,142	2,214
	23,093	22,866	26,961
Costs and expenses:			
Cost of product revenues	5,870	7,222	7,925
Research and development	15,633	28,667	27,108
Selling, general and administrative	12,562	12,469	16,066
	34,065	48,358	51,099
Loss from operations	(10,972)	(25,492)	(24,138)
Other income, net (Note 14)	1,106	6,160	2,945
Net loss	$ (9,866)	$ (19,332)	$ (21,193)
Basic and diluted net loss per share	$ (0.56)	$ (0.94)	$ (1.02)
Weighted-average shares outstanding	17,578,522	20,583,363	20,869,160

 The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Stockholders' Equity

(in thousands, except share data)

	Common Stock Number of Shares	Common Stock $.01 Par Value	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance, March 31, 1999, as reported	17,301,604	$ 173	$ 58,133	$ (31,235)	$ 27,071
Effect of restatement (Note 3)	–	–	–	(2,274)	(2,274)
Balance, March 31, 1999, as restated	17,301,604	$ 173	$ 58,133	$ (33,509)	$ 24,797
Sales of common stock, net of offering costs of $6,569	3,000,000	30	95,401	–	95,431
Stock options exercised	132,998	1	701	–	702
Stock issued under employee stock purchase plan	17,092	1	100	–	101
Stock issued to directors	4,000	–	73	–	73
Net loss	–	–	–	(9,866)	(9,866)
Balance, March 31, 2000, as restated	20,455,694	205	154,408	(43,375)	111,238
Issuance of common stock and warrants to acquire in-process research and development	110,000	1	6,290	–	6,291
Stock options exercised	192,344	2	670	–	672
Stock-based compensation	–	–	753		753
Stock issued under employee stock purchase plan	10,772	–	162	–	162
Stock issued to directors	1,904	–	30	–	30
Net loss	–	–	–	(19,332)	(19,332)
Balance, March 31, 2001, as restated	20,770,714	208	162,313	(62,707)	99,814
Stock options exercised	158,752	2	768	–	770
Stock-based compensation	–	–	240		240
Stock issued under employee stock purchase plan	20,516	–	222	–	222
Stock issued to directors	951	–	15	–	15
Net loss	–	–	–	(21,193)	(21,193)
Balance, March 31, 2002	20,950,933	$ 210	$ 163,558	$ (83,900)	$ 79,868

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands)

Years Ended March 31,	2000 Restated	2001 Restated	2002
Cash flows from operating activities:			
Net loss	$ (9,866)	$ (19,332)	$ (21,193)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,686	1,907	1,771
Bad debt expense	20	–	(45)
Net loss on disposition of fixed assets	–	–	33
Loss on abandonment of patents	–	–	63
Stock-based compensation	–	753	240
Write-off of acquired in-process research and development	–	6,291	–
Changes in assets and liabilities:			
Accounts receivable, net	(153)	(3,363)	1,611
Inventories	(552)	(96)	(689)
Prepaid expenses and other current assets	(192)	(245)	(71)
Accounts payable	678	576	(154)
Accrued expenses	1,468	(1,699)	250
Deferred revenue	(9)	3,717	(1,379)
Long-term liabilities	(36)	(105)	(64)
Net cash used in operating activities	(6,956)	(11,596)	(19,627)
Cash flows from investing activities:			
Proceeds from the maturity of short-term marketable securities	12,748	11,135	14,391
Purchases of short-term marketable securities	(7,513)	(9,504)	(38,009)
Additions to patents	(232)	(511)	(441)
Purchases of property and equipment	(1,477)	(2,407)	(1,624)
Net cash provided by (used in) investing activities	3,526	(1,287)	(25,683)
Cash flows from financing activities:			
Proceeds from sale of common stock, net	95,431	–	–
Proceeds from exercise of stock options and stock issued under employee stock purchase plan	876	864	1,007
Proceeds from issuance of long-term debt	615	–	–
Repayments of long-term debt and capital lease obligations	(54)	(236)	(492)
Net cash provided by financing activities	96,868	628	515
Net increase (decrease) in cash and cash equivalents	93,438	(12,255)	(44,795)
Cash and cash equivalents, excluding marketable securities, at beginning of year	9,279	102,717	90,462
Cash and cash equivalents, excluding marketable securities, at end of year	$ 102,717	$ 90,462	$ 45,667
Supplemental disclosure of non-cash investing and financing activities:			
Capital lease obligation incurred for property and equipment	$ 221	$ –	$ –

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

March 31, 2002

(1) Summary of Operations

ABIOMED, Inc. and subsidiaries (the Company) is engaged primarily in the development, manufacture and marketing of medical products designed to safely and effectively assist or replace the pumping function of the failing heart. The Company is currently undergoing clinical trials for its battery-powered totally implantable replacement heart systems for patients who would otherwise die from heart failure. The Company currently markets and sells a ventricular assist device called the BVS® for the temporary support of patients with reversible heart failure.

(2) Significant Accounting Policies

The accompanying consolidated financial statements reflect the application of certain significant accounting policies described below.

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimated or assumed. The more significant estimates reflected in these financial statements include unit pricing of our BVS blood pumps sold under extended-term contracts, collectibility of accounts receivable, inventory valuation and judgmental accrued expenses.

(c) Revenue Recognition from Product Sales

In fiscal 2000, 2001 and 2002, all product revenues were derived from sales of the Company's BVS and related products. No revenue is recognized unless we have a customer purchase order and collection is reasonably assured.

We derive our revenues from two principal sources (1) product sales, including maintenance service agreements, and (2) funded research and development contracts and grants from government and other third party sources. We follow established guidelines in measuring revenue, including SEC Staff Accounting Bulletin (SAB) No. 101, *Revenue Recognition*. The majority of our product revenues are derived from our shipment of products to fulfill customer orders for a specified number of BVS consoles and/or for a specified number of blood pumps for a specified price. We recognize revenues and record costs related to such sales upon product shipment.

Other of our product revenues is derived from extended-term contracts with certain of our customers, which contracts provide the customers with units of our BVS product under extended-term contracts. These contracts, which typically have terms of one to three years, provide for the Company to receive a fixed, non-refundable amount of money over a set period of time in return for our providing these customers with BVS product at the start of the contract and restocking the customer with BVS blood pumps during the term of the contract. The exact quantity of such additional pumps to be supplied, if any, is limited to the actual usage of the product by the customer to support their patients. Under these contracts, we recognize revenue, and record related cost of product revenues, ratably over the term of the contract using an estimated per unit selling price based upon actual shipments of pumps to customers compared to the maximum number of additional pumps allowable under the contract, or when a maximum number is not specified, compared to our estimate of additional pumps that might be required by the customer. In the majority of contracts that contain contractual limits on the number of pumps, customers do not use the maximum number of allowable pumps and, as a result, recognize the remaining deferred revenue at the end of the contract term with no associated incremental cost at that time. When we do not have a contractual maximum number of pumps upon which to rely, we estimate customer blood pump usage and resulting per unit selling price based upon historical experience and based on information from our customers. We update these estimates over the term of a contract based upon significant and quantifiable changes in customer information.

(2) Significant Accounting Policies (continued)

(c) Revenue Recognition from Product Sales (continued)

Cash received in advance of revenue in connection with the sale of blood pumps under extended-term contracts is recorded as deferred revenue and is classified as a current or long-term liability depending on the expected shipment dates of the blood pumps.

Maintenance service revenues, which are not material, are recognized ratably over the term of the service contracts based upon the elapsed term of the service contract.

International sales represented 4%, 4% and 8% of product revenues for the fiscal years ended March 31, 2000, 2001 and 2002, respectively. No single customer accounted for greater than 5% of product revenues or accounts receivable during fiscal 2000, 2001 or 2002.

(d) Allowance for Doubtful Accounts

The Company continuously monitors collections and payments from its customers and maintains a provision for estimated losses based upon historical experience and any specific customer collection issues that are identified. While such credit losses have historically been within expectations and the provisions established, no guarantee can be made that the Company will experience the same credit loss rates that it has in the past. If the financial condition of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances would be required.

(e) Funded Research and Development Revenues

A portion of the Company's research and development expenses has been supported by contracts and grants with various government agencies and other third party sources. The government-sponsored research and development contracts and grants generally provide for payment on a cost-plus-fixed-fee basis. The Company recognizes revenues under its government contracts and grants as work is performed, provided that the government has appropriated sufficient funds for the work. Under contracts in which the Company elects to spend significantly more on the development project during the term of the contract than the total contract amount, the Company prospectively recognizes revenue on such contracts ratably over the term of the contract as it incurs related research and development costs, provided the government has appropriated sufficient funds for the work. The Company retains rights to all technological discoveries and products resulting from these efforts.

(f) Warranties

The Company routinely accrues for estimated future warranty costs on its product sales at the time of sale. The BVS product line is subject to rigorous regulation and quality standards. While the Company engages in extensive product quality programs and processes, including monitoring and evaluating the quality of component suppliers, the cost of its warranty obligation is affected by product failure rates and product recalls. Operating results could be adversely effected if the actual cost of product failures, including product recalls, exceeds the estimated warranty provision. Warranty costs are included in cost of product revenues on the consolidated statements of operations.

(g) Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market and consist of the following (in thousands):

March 31,	**2001**	**2002**
Raw materials	$ 1,418	$ 2,170
Work-in-process	737	709
Finished goods	1,389	1,354
	$ 3,544	$ 4,233

(2) Significant Accounting Policies (continued)

(g) Inventories (continued)

All of the Company's inventories on the balance sheet relate to the BVS product line. Because the AbioCor is still in a development and testing stage and is not yet available for commercial sale, inventories do not currently include any costs associated with AbioCor manufactured systems or component parts. Finished goods and work-in-process inventories consist of direct material, labor and overhead.

The Company regularly reviews inventory quantities on hand and records a provision for excess and obsolete inventory based primarily on an estimated forecast of product demand and production requirements for the next twelve months. If actual demand or market conditions are less favorable than projections, additional inventory write-downs may be required that could adversely impact financial results for the period in which the additional excess or obsolete inventory is identified.

(h) Property and Equipment

The Company provides for depreciation and amortization on property and equipment by charges to operations in amounts that allocate the cost of depreciable assets over their estimated useful lives on a straight-line basis as follows:

Classification	Estimated Useful Life
Machinery and equipment	3- 5 Years
Furniture and fixtures	5-10 Years
Leasehold improvements	Life of lease

Machinery and equipment includes $221,000 related to assets held under capital leases at March 31, 2002 and 2001. Accumulated amortization related to these assets is $166,000 and $92,000 at March 31, 2002 and 2001, respectively. Depreciation and amortization expense related to property and equipment was $1,491,000, $1,754,000 and $1,636,000 for the fiscal years ended March 31, 2000, 2001 and 2002, respectively.

(i) Intellectual Property

The Company capitalizes as intellectual property costs incurred, excluding costs associated with Company personnel, relating to patenting its technology. Capitalized costs, the majority of which represent legal costs, reflect the cost of both awarded patents and patents pending. The Company amortizes the cost of these patents on a straight-line basis over a period from seven to twenty years. If the Company elects to stop pursuing a particular patent application or determines that a patent application is not likely to be awarded for a particular patent or elects to discontinue payment of required maintenance fees for a particular patent, the Company at that time records as expense the net capitalized amount of such patent application or patent. The Company does not capitalize maintenance fees for patents.

(j) Net Loss per Share

Basic net loss per share is computed by dividing net loss by the weighted-average number of common shares outstanding during the fiscal year. Diluted net loss per share is computed by dividing net loss by the weighted-average number of dilutive common shares outstanding during the fiscal year. Diluted weighted-average shares reflect the dilutive effect, if any, of potential common stock such as options and warrants based on the treasury stock method. No potential common stock is considered dilutive in periods in which a loss is reported, such as the fiscal years ended March 31, 2000, 2001 and 2002, because all such common equivalent shares would be antidilutive. The calculation of diluted weighted-average shares outstanding for the years ended March 31, 2000, 2001 and 2002 excludes the options to purchase common stock as shown below.

Year Ended March 31,	Potential Dilutive Shares from Exercise of Common Stock Options
2000	1,502,658
2001	1,808,322
2002	1,420,831

(2) Significant Accounting Policies (continued)

(j) Net Loss per Share (continued)

The calculation of diluted weighted-average shares outstanding for the years ended March 31, 2001 and 2002 also excludes warrants to purchase 400,000 share of common stock issued in connection with the acquisition of intellectual property (see Note 5).

(k) Cash and Cash Equivalents

The Company classifies any marketable security with a maturity date of 90 days or less at the time of purchase as a cash equivalent.

(l) Marketable Securities

The Company classifies any security with a maturity date of greater than 90 days at the time of purchase as marketable securities and classifies marketable securities with a maturity date of greater than one year from the balance sheet date as long-term investments. Under Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, securities that the Company has the positive intent and ability to hold to maturity are reported at amortized cost and classified as held-to-maturity securities.

The amortized cost and market value of marketable securities were approximately $2,036,000 and $2,073,000 at March 31, 2001, and $25,654,000 and $25,661,000 at March 31, 2002, respectively. At March 31, 2002 and 2001, these short-term investments consisted primarily of government securities.

(m) Disclosures about Fair Value of Financial Instruments

As of March 31, 2001 and 2002, the Company's financial instruments were comprised of cash and cash equivalents, marketable securities, accounts receivable and accounts payable, the carrying amounts of which approximated fair market value.

(n) Comprehensive Income

SFAS No. 130, *Reporting Comprehensive Income*, requires disclosure of all components of comprehensive income and loss on an annual and interim basis. Comprehensive income and loss is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Other than the reported net loss, there were no components of comprehensive income or loss which require disclosure for the years ended March 31, 2000, 2001 and 2002.

(o) Segment Information

SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, requires certain financial and supplementary information to be disclosed on an annual and interim basis for each reportable segment of an enterprise. The Company believes that it operates in one business segment—the research, development and sale of medical devices to assist or replace the pumping function of the failing heart.

(p) Impairment of Long-Lived Assets

The Company assesses the realizability of long-lived assets in accordance with SFAS No. 121, *Accounting for the Impairment of Long-lived Assets and Long-lived Assets to be Disposed Of*. The Company reviews its long-lived assets for impairment as events and circumstances indicate the carrying amount of an asset may not be recoverable. The Company evaluates the realizability of its long-lived assets based on profitability and cash flow expectations for the related asset. As a result of its review, the Company does not believe that any impairment currently exists related to its long-lived assets.

(q) Accounting for Stock-Based Compensation

The Company accounts for stock-based awards to employees using the intrinsic value method as prescribed by APB No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Accordingly, no compensation expense is recorded for options issued to employees in fixed amounts and with fixed exercise prices at least equal to the fair market value of Common Stock at the date of grant. The Company applies the provisions of Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*, through disclosure only (Note 9). The Company records

(2) Significant Accounting Policies (continued)

(q) Accounting for Stock-Based Compensation (continued)

compensation expense for certain stock option related events requiring remeasurement in accordance with Financial Accounting Standards Board (FASB) Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation and Interpretation of APB NO. 25*. Stock-based awards to non-employees are accounted for at their fair value in accordance with SFAS No. 123.

(r) Recent Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, *Business Combinations*. SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. The adoption of SFAS No. 141 did not have an impact on the Company's consolidated financial statements.

In July 2001, the FASB also issued SFAS No. 142, *Goodwill and Other Intangible Assets*. Under SFAS No. 142, goodwill is no longer subject to amortization over its estimated useful life. Rather, goodwill is subject to at least an annual assessment for impairment by applying a fair-value-based test. Also under SFAS No. 142, intangible assets acquired in conjunction with a business combination should be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented or exchanged, regardless of the acquirer's intent to do so. Intangible assets will continue to be amortized over their respective lives under SFAS No. 142. The adoption of SFAS No. 142 did not have an impact on the Company's consolidated financial statements.

In August 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations*. This statement amends FASB Statement No. 19, *Financial Accounting and Reporting by Oil and Gas Producing Companies*. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The provisions of this statement are effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company does not believe the adoption of this statement will have a material impact on the Company's consolidated financial statements.

In August 2001, the FASB issued SFAS No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets*. This statement supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of*, and the accounting and reporting provisions of Accounting Principles Board (APB) Opinion No. 30, *Reporting the Results of Operations – Report the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*. Under this statement it is required that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired, and it broadens the presentation of discontinued operation to include more disposal transactions. The provisions of this statement are effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim period within those fiscal years, with early adoption permitted. The Company does not believe the adoption of this statement will have a material impact on the Company's consolidated financial statements.

(3) Restatement

We have modified our methods of revenue recognition for certain BVS sales contracts and funded research and development contracts. Such modifications result in the shifting of portions of revenues and related expenses between fiscal quarters and fiscal years. In addition, we have modified the timing of expenses recorded in connection with our acquisition in September 2000 of rights to the Penn State Heart, and we have recorded expense for certain non-cash transactions involving stock option exercises made by employees with the assistance of the Company. Accordingly, we have restated our previously audited consolidated financial statements for each of the two years ended March 31, 2001 and have restated our previously reported accumulated deficit at March 31, 1999. These modifications, which are reflected in these consolidated financial statements, were made to comply with our revised policies. Our policies with respect to revenue recognition and stock option related expenses are described in

(3) Restatement (continued)

Note 2. In-process research and development costs that we incurred and expensed in connection with our acquisition of the Penn State Heart are described in Note 5.

The following table presents increases and decreases to our previously reported operating results for each of the three years ended March 31, 2002 that result of the aforementioned restatements:

Changes in Previously Reported Amounts
(In thousands, except per share data)

Year Ended March 31,	2000	2001	2002
Revenues:			
Products	$ 144	$ (2,293)	$ 2,257
Funded research and development	432	263	1,119
Total revenues	576	(2,030)	3,376
Costs and expenses:			
Cost of product revenues	(12)	(153)	630
Research and development:			
Internally incurred R&D costs	–	695	(260)
Acquired technology costs, net	–	5,301	(2,120)
Selling, general and administrative	–	58	(130)
Total costs and expenses	(12)	5,901	(1,880)
Income (loss) from operations	588	(7,931)	5,256
Interest and other income, net	–	–	–
Net income (loss)	$ 588	$ (7,931)	$ 5,256
Net income (loss) per share	$ 0.03	$ (0.39)	$ 0.25

Our previously reported deferred revenues decreased $0.2 as of March 31, 2000 and March 31, 2002 and increased $2.8 million as of March 31, 2001 as a result of the aforementioned restatements. All of this increment in deferred revenue at March 31, 2002 is scheduled for recognition as revenue in our fiscal year that ends March 31, 2003 upon the earlier of shipment of BVS blood pump product or the end of the terms of the respective contracts. These modifications also resulted in adjustments to other balance sheet categories, including accounts receivable, intellectual property, accrued expenses and accumulated deficit. In addition, the Company's accumulated deficit at March 31, 1999 was increased by $2.5 million to reflect the cumulative effect of our modified revenue recognition policies on prior years partially offset by $0.2 million to reflect a reduction in accrued expenses. The Company's capital resources, in particular cash and marketable securities, were not changed as a result of these restatements.

Our principal restatements are summarized below. Throughout these consolidated financial statements the term “previously reported” is used to refer to our previously filed financial statements for the two years ended March 31, 2001 as well as our previously announced fiscal 2002 results. Fiscal 2002 results were announced in our press release dated May 16, 2002.

Timing of product revenues and related cost of product sales: A portion of our product revenues are derived from contracts that provide for the Company to receive a fixed, non-refundable amount of money over a set period of time in return for our providing these customers with BVS product at the start of the contract and restocking the customer with BVS blood pumps during the term of the contract. The quantity of such additional BVS blood pumps, including related cannulae, to be supplied, if any, during the term of the contract depends upon the actual usage of the product by the customer. The terms of such contracts are typically one to three years. In our previous accounting, for certain contracts we recognized revenue for the full value of the contract, less a discount for

(3) Restatement (continued)

cost of money on long-term contracts, and we accrued costs for potential pump shipments at or near the beginning of the contract provided that the customer had adequate supplies of the products for their needs. In our restated accounting we defer revenue for the maximum number of pumps that may be shipped under the contract, based on a relative per pump value calculated on the maximum number of pumps that are allowed and that could be required to ship under the contract, and recognize this revenue as blood pumps are shipped to the customer or at the end of the contract term if the customer uses fewer pumps than the maximum allowed. On other such contracts we estimate per pump revenue based upon our estimates of potential customer pump usage over the term of the contract and recognize this revenue as blood pumps are shipped to the customer; we review such estimates throughout the term of the contract and make appropriate adjustments to revenue. In our restated accounting, when a contractual maximum number of pumps is specified in a contract we use the contractual maximum to calculate per pump revenue. The result of this change in policy was to shift the timing of product revenues and related costs between periods.

Timing of funded research and development revenue: A portion of our funding for development of the AbioCor has come from government funding. In particular, between fiscal 1997 and fiscal 2002 we received $10.3 million in funding from the National Heart, Lung and Blood Institute to develop the AbioCor. The contract amount was funded through periodic governmental appropriations. We have received payment for the full amount of this contract. From the early stages of this contract, our research and development costs for AbioCor development exceeded the contract amount. We previously recorded revenue on this contract at the time of government appropriation provided that the Company had incurred qualified costs under the contract to support such revenue recognition on a cost-plus-fixed-fee basis, based on the formula defined in the contract. In periods in which the appropriated amount exceeded the calculated revenues on a cost-plus-fixed-fee basis, we recognized revenues based on the cost-plus-fixed fee formula. Because government appropriations were made periodically, generally only once per year, this resulted in relatively large amounts of revenues recognized in certain fiscal periods and no revenue recognized from this contract in other fiscal periods over the term of the contract. In our restated accounting, we have recognized the appropriated amount of the contract ratably based upon elapsed time over the term of the contract resulting in a relatively consistent level of revenue recognized between periods. The result of this change in policy was to shift the timing of funded research and development revenues between periods.

Write-off of in-process development costs in connection with acquisition of Penn State Heart: In September 2000, we acquired the exclusive rights to The Pennsylvania State University implantable replacement heart (referred to herein as the Penn State Heart) together with ownership of a company incorporated to commercialize the Penn State Heart, BeneCor Heart Systems, Inc. In connection with this acquisition, the Company previously capitalized the purchase cost totaling $6,361,000. See Note 5 to our Consolidated Financial Statements for discussion of the nature of our costs incurred and rights obtained in our acquisition of the Penn State Heart. This previously capitalized purchase cost was being amortized over the three-year period that began October 2000. In our restated results, we fully expensed the $6,361,000 acquisition costs on the date of acquisition in as much as it represented the purchase of an asset to be used in a single project addressing the development of a future product with no known use outside of heart replacement. The result of this adjustment was to increase our previously reported research and development expenses for our fiscal year ended March 31, 2001 and eliminate amortization costs which had been scheduled to be incurred through September 2003.

Remeasurement in connection with stock option exercises: During our fiscal year ended March 31, 2001, the Company's assistance in connection with the cashless exercises of incentive stock options for 29,500 shares of the Company's common stock by two of its employees triggered a remeasurement of the value of these incentive stock options in accordance with Financial Accounting Standards Board (FASB) Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation an Interpretation of APB Opinion NO. 25*. In our restated results, we recorded $753,000 as additional expense for our fiscal year ended March 31, 2001 to reflect the value of the shares of common stock underlying these stock options upon the remeasurement date. The net result for the employees in terms of value received was identical to the result that could have been obtained had they sold the same portion of the shares in the market at fair value on those dates. The stock options had originally been granted to the employees with exercise prices equal to the fair market value of the stock on the date of grant.

(3) Restatement (continued)

The Company also reduced certain accrued expenses based upon expectations that the amounts will not be paid out. The result of these modifications was to reduce operating expenses by $443,000 for the year ended March 31, 2002 with a corresponding reduction in accrued expenses due to a revision of the Company's incentive compensation accrual which amount, based upon subsequent information, will not be paid in conjunction with the year ended March 31, 2002. Costs associated with the abandonment of patents were increased by $63,000 in the Company's restated results for its fiscal year ended March 31, 2002 and certain balance sheet modifications were made at March 31, 2000 and 2001 to reflect the timing of software purchases and leaseholder improvements in the amounts of $29,000 and $148,000, respectively. These balance sheet modifications, which represented timing differences, did not have any effect on the Company's net operating results.

These restatements also effected the Company's quarterly results. The Company's restated quarterly results are reported as supplemental schedules in Item 14 of the Company's Annual Report on Form 10-K.

(4) Intellectual Property and Other Assets

Intellectual property and other assets includes costs related to the Company's awarded and pending patents. The unamortized cost of these patents approximated $772,000 and $1,015,000 as of March 31, 2001 and 2002, respectively. Amortization expense for patents totaled $52,000, $95,000 and $135,000 for the years ending March 31, 2000, 2001 and 2002, respectively.

(5) Capital Stock

Each share of common stock has a voting right of one vote per share and generally has the right to elect, as a class, at least 25% of the Company's directors.

In March 2000, the Company completed a public offering of 3,000,000 shares of its common stock. Proceeds to the Company from the stock offering, net of direct expenses of approximately $6,569,000, totaled approximately $95,431,000.

In August 2000, the Company's Board of Directors approved a two-for-one split of the Company's outstanding shares to be effected in the form of a stock dividend. Each shareholder of record at the close of business on August 25, 2000 received one additional share of common stock for each share of common stock held on that date. Shares held for issuance in connection with all stock option plans and rights plans of the Company were also split on a two-for-one basis in accordance with the provisions of each such plan. All share and per share information in these financial statements have been restated for all years to reflect the effect of this two-for-one stock split.

The Company has authorized 1,000,000 shares of Class B Preferred Stock, $0.01 par value, of which the Board of Directors can set the designation, rights and privileges. No shares of Class B Preferred Stock have been issued or are outstanding.

In August 1997, the Company declared a dividend of one Preferred Share Purchase Right (the Right) for each outstanding share of common stock to its stockholders of record at August 28, 1997. Each Right entitles the registered holder to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Stock with a par value of $0.01 per share, at a price of $45.00 per one one-thousandth of a share, subject to amendment. In accordance with the terms set forth in the Rights Agreement, the Rights are not exercisable until the occurrence of certain events, as defined. In addition, the registered holders of the Rights will have no rights as a common stockholder of the Company until the Rights are exercised. The Company's Board of Directors may amend the terms of the Rights. The Rights expire on August 13, 2007.

In September 2000, the Company issued common stock and warrants to acquire the exclusive rights to the Penn State Heart together with complete ownership of a company incorporated to commercialize the Penn State Heart called BeneCor Heart Systems, Inc. The terms of this transaction consisted of payment of 110,000 shares of the Company's common stock, plus the issuance of warrants to purchase up to 400,000 additional shares of the Company's common stock at an exercise price of $0.01 per share. Exercise of the warrants is contingent on the achievement of certain clinical and regulatory milestones with the Penn State Heart by specified dates, the last of which is September 30, 2007. Warrants not vested and exercised by September 30,

(5) Capital Stock (continued)

2007 expire. The value of the common stock and warrants issued in connection with the transaction are included in stockholders' equity at values of $3,145,000 and $3,145,000, respectively, representing the fair value of the stock and warrants based on the closing market price for the Company's stock on the closing date for this transaction. Also included in the value of the warrants is approximately $70,000 of costs incurred in connection with this acquisition. These amounts have been fully expensed as in-process research and development on the date of acquisition. As of March 31, 2002, 400,000 warrants were issued and none were exercisable.

(6) Financing Arrangements

In October 1999, the Company entered into equipment term loans with a bank whereby the Company borrowed $615,000 for the acquisition of manufacturing equipment and leasehold improvements. As of March 31, 2001, approximately $417,000 was outstanding under these loans, which was included within current and long-term liabilities in the accompanying consolidated balance sheets. No amounts remained outstanding on these loans as of March 31, 2002 as a result of the Company's decision to repay the loans prior to their scheduled maturity.

(7) Income Taxes

The Company accounts for income taxes in accordance with the provisions of SFAS No. 109, *Accounting for Income Taxes*. The asset and liability approach used under SFAS No. 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of other assets and liabilities.

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to tax benefit carryforwards and to differences between the financial statement amounts of assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates. A valuation reserve is established if it is more likely than not that all or a portion of the deferred tax asset will not be realized. Accordingly, a valuation reserve has been established for the full amount of the deferred tax asset.

At March 31, 2002, the Company had federal Net Operating Loss carryforwards of approximately $75.5 million which begin to expire in 2005. Additionally, at March 31, 2002, the Company had research and development credit carryforwards of approximately $2.9 million which begin to expire in 2004. Based upon the Internal Revenue Code, certain changes in Company ownership may subject these carryforwards to an annual limitation.

The components of the Company's net deferred taxes were as follows at March 31 (in thousands):

(in thousands)	**2001**	**2002**
Assets		
NOL carryforwards and tax credit carryforwards	$ 22,629	$ 34,469
Purchased Technology	2,430	1,329
Nondeductible Reserves	369	410
Nondeductible Accruals	1,632	1,846
Deferred Revenue	1,784	758
Depreciation	381	740
Other, net	261	899
	29,486	40,451
Valuation Allowance	(29,486)	(40,451)
Net deferred taxes	–	–

(7) Income Taxes (continued)

The effective tax rate of zero differs from the statutory rate of 34% primarily due to the inability of the Company to recognize deferred tax assets for its operating losses and tax credits. Of the total valuation allowance, approximately $1.6 million relates to stock option compensation deductions. The tax benefit associated with the stock option compensation deductions will be credited to equity when realized.

(8) Commitments and Contingencies

As of March 31, 2002, the Company had entered into leases for its facilities under various operating lease agreements with terms through fiscal 2010. At the Company's election, the lease for its primary operating facility in Danvers, Massachusetts may be terminated in 2005 at a lump sum buyout cost of $1.1 million. Total rent expense under these leases, included in the accompanying consolidated statements of operations, was approximately $613,000, $893,000 and $856,000 for the fiscal years ended March 31, 2000, 2001 and 2002, respectively.

During the fiscal year ended March 31, 2000, the Company entered into 36-month operating leases totaling approximately $644,000 for the lease of office furniture. The initial terms of these leases end in fiscal year 2003. At the end of the initial terms, the Company can either 1) renew the leases for additional 12-month option periods at the then fair market rental value, 2) purchase the furniture at its then fair market value, but no greater than 25% of its original purchase cost, or 3) return the furniture to the lessor. Rental expense recorded for these leases during the fiscal years ended March 31, 2000, 2001 and 2002 was approximately $89,000, $215,000 and $215,000, respectively.

During fiscal 2000, the Company entered into a 36-month capital lease for computer equipment and software for approximately $221,000. The initial term of this lease ends in fiscal year 2003. These assets are being used in research and development activities and general operations. At the end of the initial term, the Company can either 1) renew the lease for an additional 6-month option period at a reduced rental rate, 2) purchase the equipment at its then fair market value, but no greater than 12.5% of its original purchase cost, or 3) return the equipment to the lessor. The remaining future minimum lease payments are included in current liabilities in the accompanying consolidated balance sheets.

Future minimum lease payments under all non-cancelable operating and capital leases as of March 31, 2002 are approximately as follows (in thousands):

Year ending March 31,	Operating Leases	Capital Lease
2003	$ 947	$ 55
2004	781	–
2005	776	–
2006	776	–
2007	769	–
Thereafter	2,252	–
Total future minimum lease payments	$ 6,301	$ 55
Less – amount representing interest		(1)
Present value of future minimum lease payments		$ 54

From time to time, the Company is involved in legal and administrative proceedings and claims of various types. While any litigation contains an element of uncertainty, management, in consultation with the Company's general counsel, presently believes that the outcome of each such other proceedings or claims which are pending or known to be threatened, or all of them combined, will not have a material adverse effect on the Company.

(9) Stock Option and Purchase Plans

All stock options granted by the Company under the below-described plans were granted at the fair value of the underlying common stock at the date of grant. Outstanding stock options, if not exercised, expire 10 years from the date of grant.

The 1992 Combination Stock Option Plan, (the Combination Plan), as amended, was adopted in September 1992 as a combination and restatement of the Company's then outstanding Incentive Stock Option Plan and Nonqualified Plan. A maximum of 3,100,000 shares of common stock may be awarded under this plan. Options outstanding under the Combination Plan are held by Company employees and generally become exercisable ratably over five years.

The 1998 Equity Incentive Plan, (the Equity Incentive Plan), was adopted by the Company in August 1998. The Equity Incentive Plan provides for grants of options to key employees, directors, advisors and consultants as either incentive stock options or nonqualified stock options as determined by the Company's Board of Directors. A maximum of 1,000,000 shares of common stock may be awarded under this plan. Options granted under the Equity Incentive Plan are exercisable at such times and subject to such terms as the Board of Directors may specify at the time of each stock option grant. Options outstanding under the Equity Incentive Plan have vesting periods of 3 to 5 years from the date of grant.

The 2000 Stock Incentive Plan, (the 2000 Plan), was adopted by the Company in August 2000. The 2000 Plan provides for grants of options to key employees, directors, advisors and consultants to the Company or its subsidiaries as either incentive or nonqualified stock options as determined by the Company's Board of Directors. Up to 1,400,000 shares of common stock may be awarded under the 2000 Plan and are exercisable at such times and subject to such terms as the Board of Directors may specify at the time of each stock option grant. Options outstanding under the 2000 Plan generally vested 4 years from the date of grant.

The Company has a nonqualified stock option plan for non-employee directors (the Directors' Plan). The Directors' Plan, as amended, was adopted in July 1989 and provides for grants of options to purchase shares of the Company's common stock to non-employee Directors of the Company. Up to 400,000 shares of common stock may be awarded under the Directors' Plan. Options outstanding under the Directors' Plan have vesting periods of 1 to 5 years from the date of grant.

The following table summarizes stock option activity under all of the Company's stock option plans:

	Number of Options	Exercise Price	Weighted-Avg. Exercise Price Per Share
Outstanding, March 31, 1999	2,194,770	$ 2.82 – $ 9.00	$ 5.60
Granted	642,100	$ 4.44 – $33.63	8.03
Exercised	(132,998)	$ 2.82 – $ 9.00	5.28
Canceled	(90,176)	$ 4.00 – $ 8.50	6.04
Outstanding, March 31, 2000	2,613,696	$ 2.82 – $33.63	6.20
Granted	713,000	$15.56 – $36.53	18.47
Exercised	(203,046)	$ 2.88 – $ 9.00	4.82
Canceled	(235,352)	$ 3.75 – $33.63	10.03
Outstanding, March 31, 2001	2,888,298	$ 2.81 – $36.53	9.05
Granted	376,700	$11.56 – $24.12	20.10
Exercised	(179,961)	$ 3.13 – $15.34	5.86
Canceled	(274,400)	$ 5.63 – $33.63	15.62
Outstanding, March 31, 2002	2,810,637	$ 2.81 – $36.53	$ 10.09
Exercisable, March 31, 2002	1,360,076	$ 2.81 – $19.69	$ 6.07
Exercisable, March 31, 2001	1,092,381	$ 2.81 – $ 7.47	$ 5.49
Exercisable, March 31, 2000	898,416	$ 2.81 – $ 7.47	$ 5.16
Shares available for future issuance, March 31, 2002	1,649,396		

(9) Stock Option and Purchase Plans (continued)

During the fiscal years ended March 31, 2001 and 2002, certain optionholders exercised options in cashless exercises. The total number of options exercised during these years in this manner was 29,500 and 35,000, respectively, of which 10,702 and 20,940 vested options, respectively, were exchanged by the optionholders in lieu of a direct cash purchase. These cashless transactions triggered remeasurement on the date of exercise for the difference between the fair market value of the common stock underlying the stock options and exercise price of the stock options. The Company has recorded expense of $753,000 and $240,000 in the years ended March 31, 2001 and 2002, respectively, to reflect these remeasurements. The options had originally been granted to the optionholders with exercise prices equal to the fair market value of the stock on the date of grant.

The following table summarizes certain data for options outstanding and exercisable under all plans at March 31, 2002.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Outstanding As of March 31, 2002	Weighted-Avg. Remaining Contractual Life	Weighted-Avg. Exercise Price	Exercisable As of March 31, 2002	Weighted-Avg. Exercise Price
$ 2.81 – $10.96	1,889,437	4.9	$ 5.98	1,325,576	$ 5.73
10.97 – 18.27	482,500	8.2	15.49	9,500	16.05
18.28 – 29.22	422,200	9.1	21.45	25,000	19.69
29.23 – 36.53	16,500	8.5	32.62	–	–
$ 2.81 – $36.53	2,810,637	6.1	$ 10.09	1,360,076	$ 6.07

The Company has an Employee Stock Purchase Plan (the Purchase Plan), as amended. Under the Purchase Plan, eligible employees (including officers and directors) who have completed six months of employment with the Company or its subsidiaries who elect to participate in the Purchase Plan instruct the Company to withhold a specified amount from each paycheck received during a six-month payment period (the periods April 1 - September 30 and October 1 - March 31). On the last business day of each payment period, the amount withheld is used to purchase common stock at an exercise price equal to 85% of the lower of its market price on the first business day or the last business day of the payment period. The Company has reserved 200,000 shares of common stock for issuance under the Purchase Plan, of which 100,518 shares are available for future issuance as of March 31, 2002. During the fiscal years ended March 31, 2000, 2001 and 2002, 17,092, 10,772 and 20,516 shares of common stock, respectively, were sold pursuant to the Purchase Plan.

SFAS No. 123, *Accounting for Stock-Based Compensation*, requires the measurement of the fair value of stock options, stock purchase plans and warrants granted to employees to be included in the statement of operations or disclosed in the notes to financial statements. The Company has determined that it will continue to account for stock-based compensation for employees under APB Opinion No. 25 and elect the disclosure-only alternative under SFAS No 123. The Company has computed the pro forma disclosures required under SFAS No. 123 for options granted in fiscal 2000, 2001 and 2002 using the Black-Scholes option pricing model prescribed by SFAS No. 123. The weighted-average information and assumptions are as follows:

Year Ended March 31,	2000	2001	2002
Risk-free interest rate	6.50 %	5.20 %	5.00 %
Expected dividend yield	–	–	–
Assumed life	5 years	5 years	5 years
Assumed volatility	48 %	64 %	69 %

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option-pricing models require the input of highly subjective assumptions including expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value

(9) Stock Option and Purchase Plans (continued)

estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The total fair value of the options granted during fiscal 2000, 2001 and 2002 was computed as approximately $1,036,000, $2,561,000 and $1,407,000, respectively. Of these amounts, approximately $655,000, $1,145,000 and $1,480,000 would be charged to operations for the years ended March 31, 2000, 2001 and 2002, respectively. The remaining amounts would be amortized over the remaining vesting periods of the underlying options. Additionally, the amounts that would be charged to operations related to stock issued under the Purchase Plan was computed as approximately $129,000, $29,000 and $39,000 for fiscal 2000, 2001 and 2002, respectively. The resulting pro forma compensation expense may not be representative of the amount to be expected in future years as pro forma compensation expense may vary based upon the number of options granted and shares purchased.

The pro forma net loss and pro forma net loss per common share presented below have been computed assuming no tax benefit. The effect of a tax benefit has not been considered since a substantial portion of the stock options granted are incentive stock options and the Company does not anticipate a future deduction associated with the exercise of these stock options.

The pro forma effect of applying SFAS No. 123 for the years ended March 31, 2000, 2001 and 2002 is as follows:

	Net loss (in thousands)		**Net loss per share**	
Year Ended March 31,	**As Reported**	**Pro Forma**	**As Reported**	**Pro Forma**
2000, as restated	$ (9,866)	$ (10,650)	$ (0.56)	$ (0.61)
2001, as restated	$ (19,332)	$ (20,506)	$ (0.94)	$ (1.00)
2002	$ (21,193)	$ (22,712)	$ (1.02)	$ (1.09)

(10) Research and Development

Research and development is a significant portion of the Company's operations. The Company's research and development efforts are focused on the development of new products, primarily related to cardiac assist and heart replacement, including the continued enhancement of the BVS and related technologies. Research and development costs are expensed when incurred and include direct materials and labor, depreciation, contracted services and other costs associated with developing new products and improving existing products, including amortized costs of purchased technology. Costs associated with government-funded contracts and grants are recorded in the accompanying consolidated statements of operations as part of research and development expenses as shown in the table below.

The Company, at its sole discretion, may elect to further develop government-funded technologies or products by spending resources outside or above the contract limits. In fiscal 2000, 2001 and 2002, the majority of the Company's research and development expenditures were directed towards the development and preparation of the AbioCor™ Implantable Replacement Heart, which is in initial human clinical trials. Future costs for such development cannot be definitively estimated at this time and are likely to be highly variable based upon a number of factors, including clinical results and regulatory requirements.

Research and development costs consist of the following amounts (in thousands):

Year Ended March 31,	**2000**	**2001**	**2002**
Internally funded	$ 12,652	$ 20,044	$ 26,703
Incurred under government contracts and grants	2,981	2,262	405
Acquisition of in-process development costs represented by the Penn State Heart	–	6,361	–
Total research and development	$ 15,633	$ 28,667	$ 27,108

(10) Research and Development (continued)

In connection with the Company's acquisition of exclusive rights to the Penn State Heart, the Company committed to The Pennsylvania State University that it would use reasonable efforts to further develop the underlying patent rights and technology. If the Company does not make such an effort for at least three years from the date of acquisition, the technology rights can revert back to the University, excluding all improvements made thereto by the Company.

(11) Royalty Obligation

Through August 3, 2000, the Company incurred a royalty to certain third parties equal on a net basis to approximately 2.1% of certain revenues derived from the BVS. For the years ended March 31, 2000 and 2001, the amount of this royalty, net of certain reimbursed expenses, was approximately $353,000 and $138,000, respectively. These amounts were reflected as part of the cost of product revenues in the accompanying consolidated statements of operation and were paid to the third parties through Abiomed Limited Partnership. The partnership ceased activity after August 3, 2000 and was subsequently dissolved. Prior to being dissolved, Abiomed Limited Partnership was majority owned by the Company and was consolidated in the Company's financial statements.

(12) Employee Deferred Compensation Profit-Sharing Plan and Trust

The Company has an employee deferred compensation profit-sharing plan (the 401(k) Plan) that covers all employees who are at least 20 years of age. Amounts paid by the Company to match a portion of employees' contributions and discretionary amounts determined by the Company's Board of Directors totaled approximately $353,000, $508,000 and $635,000 for the fiscal years ended March 31, 2000, 2001 and 2002, respectively.

(13) Accrued Expenses

Accrued expenses consist of the following (in thousands):

March 31,	2001 Restated	2002
Salaries and benefits	$ 3,057	$ 3,204
Contract services	356	575
Warranty	406	380
Professional fees	338	233
Other	499	514
	$ 4,656	$ 4,906

Other accrued expenses as of March 31, 2001 has been reduced by $945,000 as a result of restatement, primarily as a result of reducing accrued blood pump costs under extended-term contracts to reflect the Company's change in policy for revenue recognition for product sales and related cost of product sales. See Note 3 for discussion of these policy changes.

(14) Other Income, Net

Other income, net consists of the following (in thousands):

Year Ended March 31,	2000	2001	2002
Investment Income	$ 1,088	$ 6,078	$ 2,938
Foreign currency transaction gain or (loss)	4	2	(70)
Other, net	14	80	77
Total other income, net	$ 1,106	$ 6,160	$ 2,945

Selected Consolidated Financial Data, as Restated

(In thousands, except per share data)

Fiscal Years Ended March 31,	1998 (unaudited)	1999 (unaudited)	2000	2001	2002
STATEMENT OF OPERATIONS DATA:					
Revenues:					
Products	$ 17,028	$ 17,260	$ 18,521	$ 19,724	$ 24,747
Funded research and development	4,088	4,472	4,572	3,142	2,214
Total revenues	21,116	21,732	23,093	22,866	26,961
Costs and expenses:					
Cost of product revenues	6,362	6,464	5,870	7,222	7,925
Research and development[1]	9,091	13,450	15,633	28,667	27,108
Selling general and administrative	9,054	9,570	12,562	12,469	16,066
Total costs and expenses	24,507	29,484	34,065	48,358	51,099
Loss from operations	(3,391)	(7,752)	(10,972)	(25,492)	(24,138)
Interest and other income, net	1,206	1,192	1,106	6,160	2,945
Loss from continuing operations	(2,185)	(6,560)	(9,866)	(19,332)	(21,193)
Loss from discontinued operations[2]	(1,513)	–	–	–	–
Net loss	$ (3,698)	$ (6,560)	$ (9,866)	$ (19,332)	$ (21,193)
Loss from continuing operations per share	$ (0.14)	$ (0.38)	$ (0.56)	$ (0.94)	$ (1.02)
Loss from discontinued operations per share	(0.09)	–	–	–	–
Net loss per share	$ (0.23)	$ (0.38)	$ (0.56)	$ (0.94)	$ (1.02)
Weighted-average shares outstanding	16,148	17,238	17,579	20,583	20,869

BALANCE SHEET DATA:

MARCH 31,	1998 (unaudited)	1999 (unaudited)	2000	2001	2002
Cash, cash equivalents and marketable securities	$ 26,398	$ 18,181	$ 106,384	$ 92,498	$ 71,321
Working capital	26,858	20,733	107,438	94,651	74,127
Total assets	38,401	30,808	120,132	110,961	89,176
Accrued expenses	4,572	4,887	6,355	4,656	4,906
Deferred revenue	449	44	35	3,752	2,373
Long-term liabilities	64	205	715	368	–
Stockholders' equity	30,592	24,797	111,238	99,814	79,868

(1) Research and development expenses include certain contract costs.

(2) Discontinued operations reflect the results of our dental subsidiary which was discontinued in fiscal 1998 as we shifted all of our focus to our core cardiovascular business.

Market Price

The Company's common stock is traded on the Nasdaq Stock Market National Market under the symbol "ABMD." The following table sets forth the range of high and low sales prices per share of common stock, as reported by the Nasdaq National Market for our two most recent fiscal years:

Fiscal Year Ended March 31, 2001	HIGH	LOW
First Quarter	$ 22.500	$ 12.625
Second Quarter	34.750	15.594
Third Quarter	37.750	20.063
Fourth Quarter	30.000	13.250

Fiscal Year Ended March 31, 2002	HIGH	LOW
First Quarter	$ 27.500	$ 10.500
Second Quarter	28.230	12.800
Third Quarter	24.100	14.140
Fourth Quarter	16.780	8.960

Executive and Senior Officers

David M. Lederman, Ph.D.
Chairman and Chief Executive Officer

Anthony W. Bailey
Vice President, Business Development

Edward E. Berger, Ph.D.
Vice President for Strategic Planning and Policy

William J. Bolt
Sr. Vice President, Product Engineering

Robert T.V. Kung, Ph.D.
Sr. Vice President, Chief Scientific Officer

Zvi Ladin, Ph.D.
Vice President for Regulatory, Clinical Affairs and QA

Eugene D. Rabe
Sr. Vice President, Global Sales and Services

John F. Thero
Sr. Vice President, Finance and Chief Financial Officer

Fred Zarinetchi, Ph.D.
Vice President for Research and Development

Board of Directors

David M. Lederman, Ph.D.
Chairman and Chief Executive Officer

W. Gerald Austen, M.D.
Edward D. Churchill Professor of Surgery, Harvard Medical School; President and Chief Executive Officer, Massachusetts General Physicians Organization, Massachusetts General Hospital

Paul B. Fireman
Chairman and Chief Executive Officer, REEBOK International Ltd.

John F. O'Brien
Chief Executive Officer and President ALLMERICA Financial

Desmond H. O'Connell, Jr.
Chairman, SEROLOGICALS Corporation; Management Consultant

Henri A. Termeer
Chairman, Chief Executive Officer and President, GENZYME Corporation

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Nasdaq National Market System

Trading Symbol: ABMD

Annual Meeting

The Annual Meeting of stockholders will be held on Tuesday, November 5, 2002 at 8:00 a.m. at the offices of Foley Hoag LLP, 155 Seaport Boulevard, Boston, Massachusetts.

Dividends

The Company has never paid any cash dividends on its capital stock and does not plan to pay any cash dividends in the foreseeable future. The current policy of the Company's Board of Directors is to retain any future earnings for use in the business of the Company.

Available Publications

The Company's annual report is distributed regularly to stockholders. Additional publications are available to stockholders, including the Company's annual report on Form 10-K, and quarterly reports on Form 10-Q, as filed with the Securities and Exchange Commission, news releases issued by the Company and brochures on specific products. Such publications are available on our website at www.abiomed.com or by writing us at:
ABIOMED, Inc., 22 Cherry Hill Drive, Danvers, Massachusetts 01923, USA.

Transfer Agent and Registrar

American Stock Transfer &
Trust Company
55 Maiden Lane
New York, New York 10038

Independent Accountants

PricewaterhouseCoopers LLP
One Post Office Square
Boston, Massachusetts 02109

Trademarks

Factors That May Affect Future Results

Certain statements in this annual report, including statements made in the letter to the shareholders, employees, customers and their patients, narrative text, captions and graphics, constitute "forward-looking statements," such as statements regarding the Company's plans, objectives, expectations and intentions. These statements can often be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "believe," "plan," "intend," "could," "estimates," "is being," "goal," "schedule" or other variations of these terms or comparable terminology. All forward-looking statements, including statements regarding timing and results of AbioCor clinical trials, BVS revenue growth and introduction of new products, involve risks and uncertainties. Actual results, events or performance could differ materially from those set forth in the forward-looking statements. Factors that could cause or contribute to such differences are discussed under the heading "Risk Factors" in the Company's annual report on Form 10-K for the fiscal year ended March 31, 2002 and the Company's other filings with the U.S. Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this annual report. The Company undertakes no obligation to publicly release the results of any revision to these forward-looking statements that might be made to reflect any change in the Company's expectations or in events, conditions or circumstances on which any statement is based.

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