Recover, Support or Replace the failing heart

ABIOMED®

ANNUAL REPORT FOR FISCAL YEAR ENDED MARCH 31, 2005

Travis Blachly, a 14-year-old boy with a history of aortic valve problems underwent a complex valve grafting procedure. Following surgery, Travis suffered ventricular fibrillation. Following 24 hours of his condition worsening, he was placed on the ABIOMED BVS 5000 support system and placed on the heart transplant list. After six days of support, his heart recovered.

"I want to thank you and your wonderful machine for keeping my son with me and also for giving his heart a chance to mend…. ABIOMED will hold a special place in my heart."

~ Linda Blachly, mother of BVS 5000 patient

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Cover: The Blachly Family

Michael R. Minogue, Chairman, CEO and President

To our Patients, Employees, Customers and Shareholders:

Since the publication of last year's annual report, 7.2 million lives have ended due to coronary heart disease[1]. Some hearts fail because of acute cardiogenic shock and others simply wear out. Here at ABIOMED, we dedicate each day to addressing this global dilemma throughout the clinical spectrum for both of these patient groups.

As of April, I completed my first full year as President and Chief Executive Officer. This has been the most rewarding and exciting year in my professional career. ABIOMED's 2005 fiscal year was marked by outstanding results:

- Launched and Reached Commercial Success for AB5000. The platform grew by a factor of two in fiscal year '05, and more than 100 consoles are now in more than 80 hospitals in 10 countries. Four out of the top five *U.S. News and World Report* Heart Surgery Centers have purchased two or more AB5000 consoles. At the top 10% of our customer sites, survival when using the AB5000 is 81% for all indications. We anticipate improvement in survival rates throughout the installed base as more centers adopt a protocol of implanting the AB5000 ventricular assist device (VAD) within 24 hours following cardiogenic shock.

- Increased Distribution and Global Reach. We have increased our United States coverage and plan to continue expanding the global sales force to serve the thousands of open heart centers. We have also submitted the AB5000 for government approval in China, Canada and countries in Latin America. Two years ago, we only offered one console and one VAD in Europe and lacked sales coverage in many countries. Today, ABIOMED sells three consoles, and five disposable products with a dedicated sales team in most European countries and distributors in growth markets. Pending regulatory approvals, we will offer a continuum of circulatory care products in the U.S. market.

- Grew Revenue. In fiscal year 2005, we had 48% total revenue growth over fiscal year 2004. This is the highest percent growth in the last ten years.

- Achieved Profitability. For the first time in company history, we were profitable on operational revenue in a quarter. The second quarter was profitable; we were cash flow positive in Q3, and made a strategic acquisition of Impella CardioSystems after performing due diligence in Q4. For the combined last three quarters of the fiscal year, ABIOMED was profitable as a company. Our gross margins for the year reached 75%, up 6 points from the prior year. Our estimate for fiscal year '06 has the ABIOMED legacy business as a profitable enterprise.

- Invested in Research and Development. We invested significantly in our research and development budget to expand the portfolio of circulatory products we will offer over the next two years. In addition, the acquisition of Impella further positions ABIOMED to become the leader of circulatory care in the catheterization lab, and improves our legacy business for recovery.

1 World Health Organization (WHO), Atlas of Heart Disease and Stroke 2004

We have transitioned the company to become a commercial leader focused on quality engineering, flawless execution and customer intimacy.

- Built world-class team and company culture. We retained key talent and recruited expertise throughout the organization. This team is the foundation and driving force for ABIOMED's future success and profitability.

We have transitioned the company to become a commercial leader focused on quality engineering, flawless execution and customer intimacy. I am optimistic about our future and confident in our ability to help patients.

Adhering to Our Mission

When we walk into our corporate headquarters each day, we are greeted with the Company Mission and pictures of our patients. Our mission is as follows:

- Saving Lives. Our products are focused on recovering, supporting or replacing the failing heart, while helping improve the quality of life for patients.

- Leading in Technology and Innovation. We will continue to have new products and product enhancements coming to market in our core competency in circulatory care, fueled by our research and development investments (greater than $150MM), our extensive patent portfolio and strategic acquisitions, such as Impella. The Impella products are percutaneous VADs that can be inserted in the catheterization lab.

- Growing Shareholder Value. Our objective is and will continue to be delivering sustainable growth in sales and earnings. By investing in new technologies, and acquiring Impella, we are enhancing our legacy business and doubling our customer base to include cardiologists. These breakthrough products will also allow us to recruit top sales and leadership talent.

- Having a Winning Culture. Our philosophy is based on three imperatives: patients and customers come first; integrity and honor in everything; and having faith and fun on our journey. We have implemented new processes for improving the morale and performance of our employees. We named the employee award and recognition program after ABIOMED's founder, David Lederman. His passion and commitment to patients is a legacy from which we will all be inspired.

2006 Goals

Looking forward, our goals for the 2006 fiscal year are as follows:

- Achieve profitability for the ABIOMED legacy business.

- Obtain FDA approval for a humanitarian device exemption (HDE) for the AbioCor artificial heart and completion of the AbioCor site selection process.

- Improve recovery and survival rates for cardiogenic shock patients and reduce variability across centers.

- Position for United States commercial success with regulatory progress for all new products and product enhancements.

In 2006, we will continue to develop our product continuum by investing $24MM in research and development. We are confident that our strategy will allow us to capitalize on our current opportunities today and provide the platform for future success as we add new products, pending FDA approval, for the catheterization lab and the surgical suite. As we expand our clinical product portfolio, we also look to new sources of revenue with our support agreements. This widens our revenue sources to three areas: consoles, disposables and support agreements.

ABIOMED will be the world-wide market and technology leader in circulatory care by recovering, supporting or replacing the failing heart.

Better Solutions

In conclusion, I'd like to reiterate our commitment to the ABIOMED Mission Statement and to creating better solutions for the thousands of people who suffer from failing hearts. ABIOMED will be the world-wide market and technology leader in circulatory care by recovering, supporting or replacing the failing heart.

Thank you to the special team of people I have the pleasure to work with, to the clinical professionals who spend countless hours using our technology and helping us make it better, to the patients whose lives we have the opportunity to touch—you are our inspiration—and finally to the shareholders, who make it all possible and who share our belief that there are better solutions for failing hearts.

"Above all else, keep watch over your heart, for herein lie the wellsprings of life." - Proverb

Regards,

Michael R. Minogue
Chairman, CEO and President

ABIOMED Leadership Team - from left to right: Karim Benali, M.D.; Charles B. Haaser; Gary Stickel; Christopher D. Macdonald; William J. Bolt; Michael R. Minogue; Andrew Greenfield; Anthony W. Bailey; Javier Jimenez; Raymond J. Kelley; Robert Farra; Robert T. V. Kung, Ph.D. Missing from picture: Thorsten Siess

Addressing the Clinical Spectrum of Failing Hearts… Acute to Chronic

7,220,000

Estimated number of deaths from coronary heart disease globally in 2002.[1]

$165,000,000,000

Annual costs related to coronary heart disease in the United States and Europe.[2, 3]

2,200

Approximate number of heart transplants in the United States annually.[4]

The global need for effective circulatory assist technology has never been greater.

Meeting the Market Need

ABIOMED is ideally positioned to fulfill the global market need for life-saving circulatory support, for both acute cardiogenic shock and chronic cardiac patients.

We have assembled the industry's most comprehensive ventricular assist product portfolio. With appropriate regulatory approvals, ABIOMED will be able to deliver a continuum of solutions spanning the spectrum of patient needs.

ABIOMED U.S. Market Potential

See clinical definitions on the following page

ACUTE

Clinical Indications	U.S. Patients	Relevant Patient Population for ABIOMED	Potential ABIOMED Patients	Relevant ABIOMED Product	ABIOMED Percent Patient Usage
Heart Attack (AMI) Cardiogenic Shock	865,000	7% - 10% Suffer Cardiogenic Shock	60,000	Impella 2.5*, 5.0* BVS Console AB Console BVS VAD AB VAD	< 1%
PCCS or Failure to Come Off Heart - Lung Machine During Open Heart Surgery	400,000	2%	7,500		12%
Viral Myocarditis	Unknown	100%	Hundreds		Unknown
Angioplasty (PCI)	1,000,000	10% High Risk	100,000	Impella 2.5*, 5.0*	Not FDA-approved
TOTAL	**2,300,000**	**7%**	**168,000**		**< 1%****

Acute Summary (current U.S. potential): ~1% = 38MM for < 1,000 patients, ~10% = $380MM for 17,000 patients.

CHRONIC

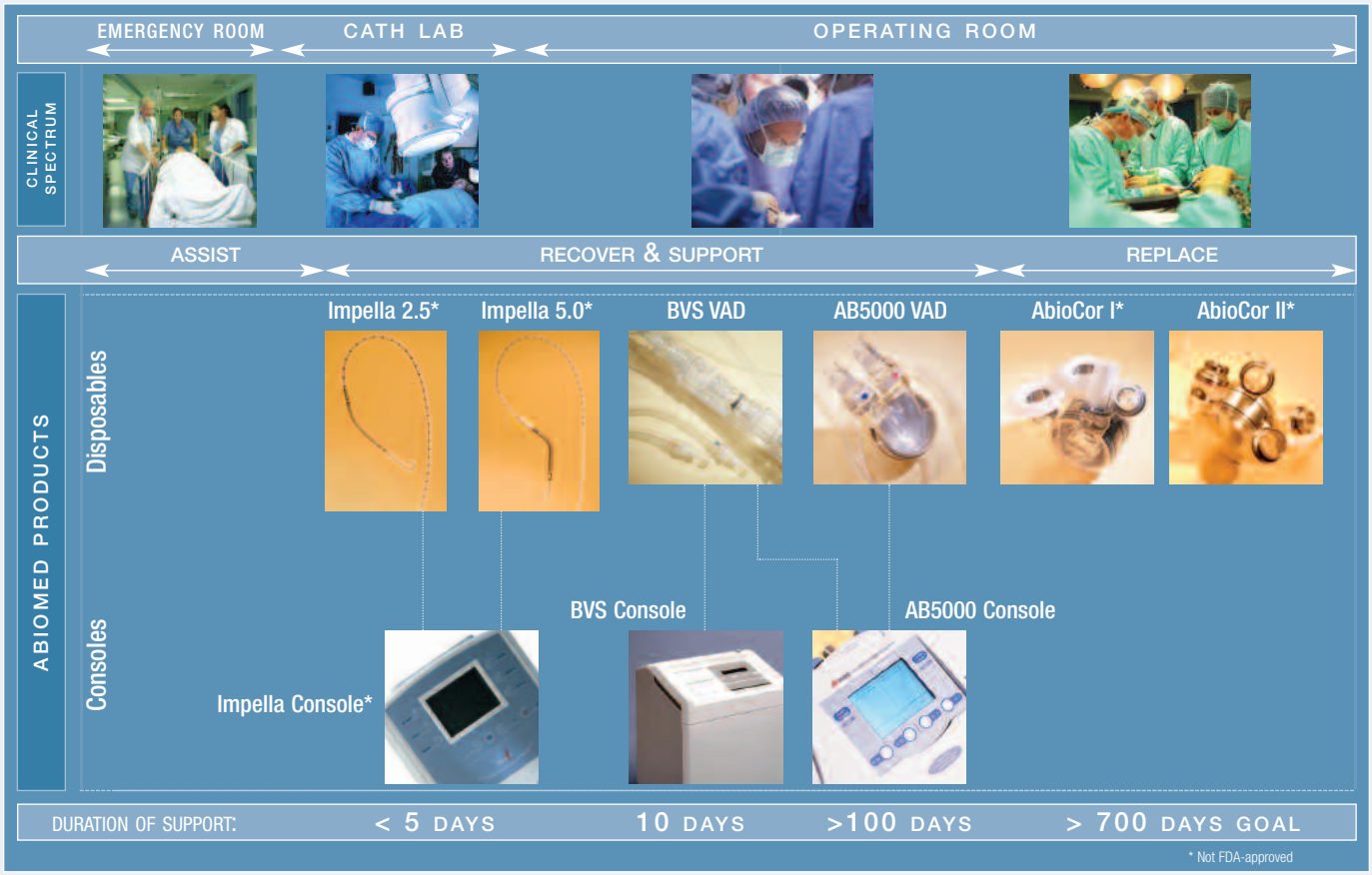
Clinical Indications	U.S. Patients	Relevant Patient Population for ABIOMED	Potential ABIOMED Patients	Relevant ABIOMED Product	ABIOMED Percent Patient Usage
Heart Failure (Class 4)	220,000	100%	4,000 (HDE)	AB5000 / AbioCor*	Not FDA-approved
Failed Transplant	2,200	9%	200		< 1%
Other	200	100%	200		Not FDA-approved
TOTAL	**222,400**	**2%**	**4,000 (HDE)**		**Not FDA-approved**

Chronic Summary: $250,000 for AbioCor; 1,000 Patients = $250MM

* Not FDA-approved and not for commercial sale in the U.S. ** Today ABIOMED provides support for less than 1,000 patients worldwide Note: U.S. Data above only: Global Market is greater than U.S. Market.

1 World Health Organization (WHO), Atlas of Heart Disease and Stroke 2004, 2 British Heart Foundation Statistics – European Cardiovascular Disease Statistics 2005 Edition, 3 American Heart Association – Heart Disease and Stroke Statistics 2005 Update, 4 Health Research Institutes – U.S. Heart Failure Report March 2004

Addressing a Clinical Spectrum



Definitions

Acute Myocardial Infarction (AMI): also called heart attack, usually caused by a blocked coronary artery, which prevents blood and oxygen from nourishing the heart muscle.

Angioplasty: performed in the catheterization lab in which a catheter-guided balloon is used to open a narrowed coronary artery. A stent (a wire-mesh tube that expands to hold the artery open) is usually placed at the narrowed section during angioplasty.

Cardiogenic Shock (CS): a condition that often takes place after a heart attack when cells in the heart start to die, due to the failure of the heart to pump an adequate amount of blood to the heart.

Heart Failure (Class 4): condition when patient is exhausted, short of breath or fatigued when just sitting still or lying down in bed.

Myocarditis: inflammation of the heart muscle brought on by a virus or bacteria, may even result from allergic reaction.

Post Cardiotomy Cardiogenic Shock (PCCS): cardiogenic shock that takes places during open heart surgery, often as a result the patient cannot come off heart-lung support machine.

Mrs. Agnes Crabill, a 37-year-old mother, was admitted to Indiana Heart Hospital with complaints of severe shortness of breath. Mrs. Crabill was diagnosed with Myocarditis and was placed on bi-ventricular AB5000 support by Dr. Gregory Dedinksy. After 14 days of support, Mrs. Crabill was explanted and today is at home with her own heart enjoying life with her family.

"Earlier collaboration between cardiologists and cardiac surgeons improves patient survival from heart failure and will continue to be increasingly important with new opportunities in the near future."

Dr. Gregory Dedinsky, Cardiac Surgeon, Indiana Heart Hospital

Saving Lives

7,000+

Number of patients who have been supported by ABIOMED ventricular assist devices.

512

Number of days AbioCor, total artificial heart, supported life for a patient.

81%

Survival rate of AB5000 patients at top 10% of ABIOMED customer sites.

Our products are focused on recovering, supporting or replacing the failing heart, while helping improve the quality of life for patients.

ABIOMED is committed to helping shift the clinical mindset—from one that measures success in terms of patient mortality to one that views recovery of natural heart function as the desired outcome. We believe recovery of the heart is the best option—for patients, for their families and for healthcare providers.

"The ABIOMED Systems, including the BVS 5000 and the AB5000, are our first line devices for the restoration of blood flow and the potential for recovery."

H. Todd Massey, MD, Surgical Director, Program in Heart Failure and Transplantation, University of Rochester, Strong Memorial Hospital

From left to right from the University of Rochester, Strong Memorial Hospital: H. Todd Massey, MD, Surgical Director, Program in Heart Failure and Transplantation; William Hallinan, RN, Clinical Director, Artificial Heart Program; Leway Chen, MD, MPH, Director, Program in Heart Failure and Transplantation.

Support at Every Step

ABIOMED is helping realize this vision of recovery through a comprehensive product strategy that addresses the clinical spectrum—from the catheterization lab to the operating room, cardiac intensive care, and beyond. By providing circulatory support solutions to both cardiology and surgery, ABIOMED enables both early intervention, to increase the chances of patient survival, and longer-term support, to increase the chances of heart recovery.

Patient Stories

At ABIOMED, saving lives is the driving force for everything we do. Our products help give many patients the gift of a longer, better life. We are continually inspired by their stories.

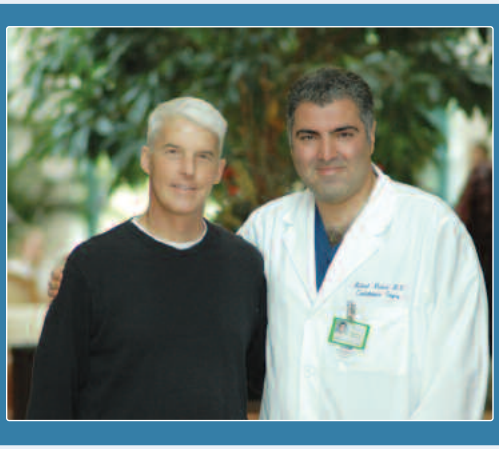
"It's the combination of initiating good quality support to have a more stable patient with better organ function to give them a better shot at heart recovery or make an orderly transition to longer-term support."

Dr. Donald Baim, Director, Center for Integrated Medicine and Innovative Technology, Brigham and Women's Hospital, Boston

Wall Street Journal, June 2005

➥ **Phil Stauffer, 54,** walked into the hospital complaining of chest pain. Diagnosed with a heart attack leading to cardiogenic shock, Dr. Allan Stewart of New York Presbyterian Hospital/Columbia University placed Mr. Stauffer on the ABIOMED AB5000 to support his heart. After 20 days of support, Mr. Stauffer's heart recovered. He is now back to a fully active lifestyle.

"I'm very grateful for ABIOMED and their device. It gave me a second chance of life with my family. I wish everyone could be as lucky," he says.



➥ **Lt. Col. Noel Scott Wood, U.S. Marine Corps, a father of two,** went for his routine run one afternoon. While running, he experienced tightness in his chest. He went to a local hospital and was diagnosed with a heart attack and was quickly transported to the University of California, San Diego. Mr. Wood was placed on the ABIOMED BVS system in hopes of heart recovery. Anticipating a longer duration of support, Dr. Michael Madani, without surgery, switched Mr. Wood from the BVS VAD to the AB5000 VAD. After a total of 18 days, without any signs of heart recovery, a donor heart was available and Dr. Madani performed a transplant. Mr. Wood is now at home with his family.

➥ **Cornelius King, a 53-year-old father of three,** went to a community hospital with complaints of chest pain and shortness of breath. He was diagnosed with a heart attack and was placed on the ABIOMED BVS. He was transferred to University of Rochester, Strong Memorial Hospital where he was switched to the AB5000 without having to undergo surgery. After 45 days of heart support, with no signs of heart recovery, Mr. King received a heart transplant and is now home with his wife and children.

➥ **Norman Grimm, a 51-year-old parts manager at an automotive shop,** was on his way to the store when he experienced chest pain. Mr. Grimm was taken to Buffalo Mercy Hospital where he was diagnosed with a heart attack and cardiogenic shock. Cardiologists and surgeons worked together to care for Mr. Grimm. Drs. Stephen Downing and Mark Jajkowski decided the only appropriate method of treatment was heart support on the ABIOMED BVS. After only five days, Mr. Grimm's heart recovered and the device was explanted. He's now home enjoying life with his own heart.

Leading in Technology and Innovation

$24,000,000

ABIOMED dollars to be invested in research and development in fiscal year 2006.

110+

Number of patents and patents pending for ABIOMED technology.

1,100+

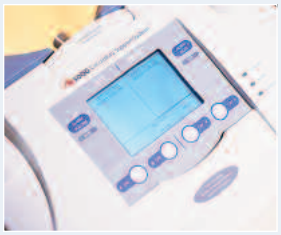
Number of ABIOMED consoles installed worldwide.

We will continue to have new products and product enhancements coming to market in our core competency in circulatory care, fueled by our research and development investments (greater than $150MM), our extensive patent portfolio and strategic acquisitions, such as Impella.

Through relentless product development and improvement, active partnership with healthcare providers, and strategic technology acquisition, we will offer the industry's most complete spectrum of circulatory assist solutions, once appropriate regulatory approvals are obtained.

AB5000: Driving Recovery

ABIOMED is the only company with FDA approval for all recovery indications. Since its introduction, the AB5000 Circulatory Support System has demonstrated its effectiveness in saving lives and helping hearts recover.



AB5000 Console

The results have been impressive: More than 53% of surviving patients go home with their own hearts, avoiding the need for a transplant. Additionally, other vital organs, like the kidneys that often fail from poor circulation during heart failure, may recover with support from the AB5000.

AB5000 VAD

The leading centers that support heart attack patients have an average rate of survival greater than 75% when using the AB5000. In addition, our clinical data shows that an average of 31 days of support increases the patient's chance of recovery.

This exceptional performance—together with the system's simplicity and ease-of-use—has already made the AB5000 the premier circulatory support system. In fact, 73% of the AB5000 consoles were sold to open-heart centers, numbering more than 800 in the United States, representing the installed base opportunity to upgrade BVS units to AB5000 or to sell new AB5000 consoles.

An exclusive ABIOMED feature allows patients to be easily switched from the BVS VAD to the AB5000 VAD for longer duration support without surgery. This helps patients avoid the infection, trauma and risk associated with additional surgeries and provides savings associated with these surgeries and complications to health care institutions.

"Our team has used the AB5000 in five patients. All five patients recovered heart function, were explanted and were discharged with their own heart. We believe that the AB5000 represents a significant improvement in heart assist technology."

Daniel H. Raess, MD, St. Francis Cardiac and Vascular Care Center, Indianapolis, Indiana

BVS 5000: The Assist Standard

The BVS 5000 Bi-ventricular Support System has been the standard for circulatory assist used at hundreds of hospitals world-wide, including greater than 85% of U.S. transplant centers. The BVS has saved thousands of lives.

BVS 5000 VAD

A key advantage of the BVS 5000 is its compatibility with the AB5000 system. The BVS 5000 VAD can be driven by the AB5000 console, with its advanced and upgradeable software. And because all ABIOMED cannulae (implanted tubes for blood transfer) are compatible, patients can be transitioned from the BVS 5000 to the AB5000 in minutes, with no additional surgery.

"The success of acute circulatory support systems like the AB5000 may be predicated on early use following a cardiac event, and early transfer to advanced cardiac centers. We consider this kind of advanced, life-saving technology to be critical to our high standard for cardiac care."

Dr. Nicholas Smedira, Surgical Director of Cardiac Transplantation and Mechanical Circulatory Support, Cleveland Clinic

AbioCor: The Artificial Heart

The result of more than 20 years of design, research and testing, AbioCor is the world's only totally implantable artificial heart. This year, we took an important step toward realizing its potential by applying to the FDA for a Humanitarian Device Exemption (HDE). HDE approval allows medical devices to be used in patients with no other medical alternatives. If HDE approval is obtained for the AbioCor, potentially up to 4,000 units a year could be implanted in end-stage heart failure patients in the United States. AbioCor is the first completely self-contained heart ever to come before the FDA. The FDA decision is expected by September 2005.

AbioCor I*

Meanwhile, we continue to advance our technology with testing of AbioCor II. This second-generation artificial heart is 35% smaller than AbioCor, with the potential to last up to five years. We made significant progress in fiscal year 2005 with animal studies and reliability testing.

AbioCor II*

Impella: Cardiology Support

With the acquisition of Impella CardioSystems, ABIOMED is positioned to bring advanced circulatory support to cardiologists in the catheterization lab.

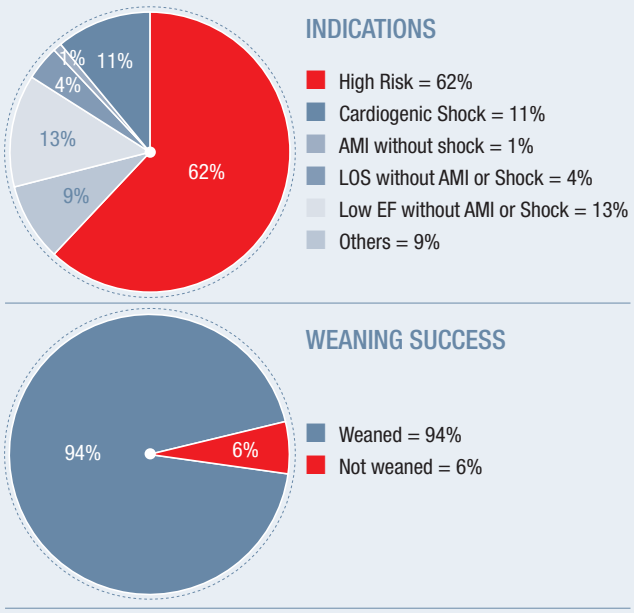
Impella Recover® LP 2.5*

The Impella Recover System is a tiny, pencil-sized VAD that can be inserted in the left ventricle by catheterization—a minimally invasive procedure—to help restore blood flow and reduce the stress on the heart. This allows early intervention, improving the chances of heart recovery and may help in the prevention of cardiogenic shock.

As of April 2005, Impella products are in 70 centers in 11 countries and 432 patients have been supported. When the Impella 2.5 product has been used, 94% have been weaned successfully. ABIOMED gains expertise in the implantable VAD arena with the acquisition of Impella and adds over 20 patents or patents pending to the ABIOMED portfolio.

Impella has had more than $45 million invested in the company prior to the ABIOMED acquisition. Today, Impella has facilities with manufacturing capability.

Impella Recover® LP 2.5*



* Not FDA-approved, not for commercial sale in the U.S.

Growing Shareholder Value

$44,000,000

ABIOMED cash position.

3

Sources of revenue: Consoles, Disposables, and Support Agreements.

$0

Amount of ABIOMED Debt.

ABIOMED's financial objective is and will continue to be delivering sustainable growth in sales and earnings.

The past year has been one of achieving—and surpassing—our ambitious goals for both product acceptance and profitability. In fiscal year 2005, ABIOMED achieved:

- 48% increase in total revenue over 2004, including a record $10.8 million in the fourth quarter.
- 75% gross margin, up 6 percentage points from 2004.
- Expansion of our global reach; in the fourth quarter 10% of product revenues came from outside the United States, up from 4% a year ago.

With the largest installed base in the circulatory assist market and an expanding product portfolio across the clinical spectrum, ABIOMED is poised for growth.

Product Penetration

The potential for the AB5000 is tremendous. If each of the 807 open heart centers and 100 transplant centers in the U.S. purchased two AB5000 consoles with four ventricular assist devices (sufficient to support two patients on both sides of the heart) along with support contracts, this would generate more than $400 million in revenue. We now have to continue to build the global distribution team to execute on this outstanding opportunity. Today, we capture approximately 1% of the patients who can benefit from our technology each year.

POTENTIAL U.S. CUSTOMER BASE

Medical Facility	ABIOMED in 2004	ABIOMED in 2005
Transplant Centers	~ 100	~ 100
Open Heart Centers (Non-transplant)	~ 807	~ 807
Hospital with Cath Labs*	~ 0	~ 1595
TOTAL	~ 907	~ 2,502

In 2004, the BVS and AB5000 legacy products had a potential customer base of 907 medical centers. With the acquisition of Impella in 2005, the potential ABIOMED customer base has grown 275% in the U.S., pending regulatory approval from the FDA.

Source: Health Research Institute - "U.S. Opportunities in Heart Failure."

Definitions

Transplant Centers: Hospitals that perform heart transplants. About 2,200 transplants are performed each year at approximately 100 centers in the United States.

Open Heart Centers: Hospitals that perform open heart surgery such as valve repair or replacement, coronary artery bypass, or any other non-transplant procedure.

Catheterization Lab: A facility in most hospitals in which minimally invasive cardiac procedures take place, most often with the use of a catheter. These procedures typically include stent placements and angioplasty. Cardiologists are the primary physicians working in Catheterization Labs. This lab is often one of the first stops in the hospital for patients experiencing cardiac problems, before they move to the surgical suite where more invasive procedures, like long-term VAD placement or cardiac surgery, take place.

Projected Product Development Goals*

CALENDAR YEAR	2003	2004	2005	2006	2007	2008
AB5000						
Console	■					
VAD	■					
Product and software upgrades		■	■	■	■	■
AbioCor						
Humanitarian Use Designation (HUD)	■					
Completion of initial clinical trial		■				
Humanitarian Device Exemption (HDE) Submission		■				
Commercial Sales*			■	■	■	■
AbioCor II						
Preclinical		■				
Investigational Device Exemption (IDE) Submission				■		
Clinical trial					■	
FDA Submission						■
Impella - Protect - Recover 2.5 & 5.0						
Pilot Trial			■			
Pivotal Trial				■		
FDA Submission					■	

ABIOMED is ideally positioned for market leadership, with a product portfolio that spans the spectrum of clinical cardiac support.

New Product Introductions

Future revenue potential will be strengthened even more by the addition of Impella and future products and product enhancements.

Leading the Way in Reimbursement

ABIOMED will be profitable by helping hospitals become profitable. ABIOMED technology has the potential to save the healthcare system millions in surgeries, drugs and long-term care. In reflection of those potential savings, our products are in one of the highest paying Diagnostic Related Groups (DRG 525) in the Medicare program, with coverage by all major private insurers.

Adding Value with Expertise

A key element of ABIOMED's strategy for market success is our new Clinical Education and Support Program. The program adds value through Performance Improvement consulting, using Six Sigma, to enhance our customers' clinical and financial performance. We help ensure their success with comprehensive guidance and best practices on everything from patient identification and time-on-support protocols to reimbursement, marketing and revenue optimization strategies.

The AbioCor II*

ABIOMED engineers, Bruce Adams and Peter Tringali, reviewing the AB5000 VAD

* Contingent upon FDA processes and approvals

Having a Winning Culture

∞

Amount of satisfaction we derive from each life we help save.

100%

Percent of ABIOMED employees who have signed company Honor Code.*

300

Number of hours ABIOMED employees have dedicated to community service in fiscal year 2005.

The ABIOMED philosophy is based on three imperatives: patients and customers come first; integrity and honor in everything; and having faith and fun in our journey.

ABIOMED patients are not a distant abstraction. They visit us in person—to tell their stories, to share their insights and, frequently, to offer their thanks for giving them another chance. That's a bonus you can't put a price on, and that is a motivation that makes us improve every day.

Mariah Weyland and Jeff Juretich, AbioCor systems engineers

The ABIOMED Team, Danvers, MA

ABIOMED's Chris Macdonald and Karim Benali, M.D.

The ABIOMED "Impella" Team, Aachen, Germany

Michael Minogue and Matt Hess, BVS recovery patient, at ABIOMED Headquarters

Following ABIOMED's acquisition of Impella, managers of both companies kicked off the new corporate relationship with a group deep-sea fishing trip out of Gloucester, MA

* ABIOMED Impella employees in process of Honor Code sign-off.

ABIOMED, Inc. and Subsidiaries
Consolidated Financial Statements

As of March 31, 2004 and 2005

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Report of Independent Registered Public Accounting Firm

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

We have completed an integrated audit of ABIOMED, Inc.'s 2005 consolidated financial statements and of its internal control over financial reporting as of March 31, 2005 and audits of its 2004 and 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated Financial Statements

In our opinion, the accompanying consolidated balance sheets and related consolidated statements of operations, of stockholders' equity, and of cash flows present fairly, in all material respects, the financial position of ABIOMED, Inc. and its subsidiaries at March 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2005 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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.

Internal Control Over Financial Reporting

Also, in our opinion, management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that the Company maintained effective internal control over financial reporting as of March 31, 2005 based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2005, based on criteria established in *Internal Control – Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
June 14, 2005

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control — Integrated Framework,* our management concluded that our internal control over financial reporting was effective as of March 31, 2005. Our management's assessment of the effectiveness of our internal control over financial reporting as of March 31, 2005 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Michael R. Minogue
Chairman, CEO and President

Charles B. Haaser
Principal Accounting Officer
and Acting Chief Financial Officer

Consolidated Balance Sheets

(in thousands, except share data)

	March 31, 2004	March 31, 2005
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 6,835	$ 7,618
Short-term marketable securities	20,432	33,887
Accounts receivable, net of allowance for doubtful accounts of approximately $131 and $64 at March 31, 2004 and 2005, respectively	5,972	8,635
Inventories	2,695	3,877
Prepaid expenses and other current assets	987	1,207
Total current assets	36,921	55,224
Long-Term Investments (Note 2)	18,216	2,112
Property and Equipment, at cost:		
Machinery and equipment	9,549	9,965
Furniture and fixtures	1,190	1,291
Leasehold improvements	2,236	2,415
	12,975	13,671
Less—Accumulated depreciation and amortization	9,774	10,867
	3,201	2,804
Intellectual Property and Other Assets, net	823	921
Total Assets	$ 59,161	$ 61,061
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 1,368	$ 1,132
Accrued expenses	3,267	3,623
Deferred revenue	190	127
Total current liabilities	4,825	4,882
Commitments and Contingencies (Note 6)		
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—21,386,919 shares and 22,079,311 shares at March 31, 2004 and 2005, respectively	214	221
Additional paid-in capital	165,696	170,095
Deferred stock-based compensation	(57)	(278)
Accumulated deficit	(111,517)	(113,859)
Total stockholders' equity	54,336	56,179
Total Liabilities and Stockholders' Equity	$ 59,161	$ 61,061

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,		
	2003	2004	2005
Revenues:			
Products	$ 23,127	$ 25,070	$ 37,945
Funded research and development	183	669	271
	23,310	25,739	38,216
Costs and Expenses:			
Cost of product revenues	7,501	7,591	9,366
Research and development (Note 8)	20,552	14,299	13,497
Selling, general and administrative	14,748	14,101	18,606
	42,801	35,991	41,469
Loss From Operations	(19,491)	(10,252)	(3,253)
Other Income, Net			
Investment income	1,147	634	801
Foreign exchange gain	155	156	91
Other	18	16	19
	1,320	806	911
Net Loss	$ (18,171)	$ (9,446)	$ (2,342)
Basic and Diluted Net Loss per Share:	$ (0.87)	$ (0.45)	$ (0.11)
Weighted Average Shares Outstanding:	20,993,598	21,153,014	21,844,759

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 Par Value	Accumulated Paid-in Capital	Deferred Stock-based Compensation	Accumulated Deficit	Total Stockholders' Equity
Balance, March 31, 2002	20,950,933	$ 210	$ 163,558	$ —	$ (83,900)	$ 79,868
Stock options exercised	25,250	—	139	—	—	139
Stock issued under employee stock purchase plan	66,331	—	194	—	—	194
Stock issued to directors	5,404	—	60	—	—	60
Net loss	—	—	—	—	(18,171)	(18,171)
Balance, March 31, 2003	21,047,918	210	163,951	—	(102,071)	62,090
Stock options exercised	295,272	3	1,452	—	—	1,455
Stock issued under employee stock purchase plan	28,837	1	133	—	—	134
Stock issued to directors	14,892	—	88	—	—	88
Deferred compensation related to employee stock option grants	—	—	72	(72)	—	—
Amortization of deferred compensation	—	—	—	15	—	15
Net loss	—	—	—	—	(9,446)	(9,446)
Balance, March 31, 2004	21,386,919	214	165,696	(57)	(111,517)	54,336
Stock options exercised	665,437	7	3,919	—	—	3,926
Stock issued under employee stock purchase plan	21,287	—	161	—	—	161
Stock issued to directors	5,668	—	60	—	—	60
Deferred compensation related to employee stock option grants	—	—	259	(259)	—	—
Amortization of deferred compensation	—	—	—	38	—	38
Net loss	—	—	—	—	(2,342)	(2,342)
Balance, March 31, 2005	22,079,311	$ 221	$ 170,095	$ (278)	$ (113,859)	$ 56,179

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

Consolidated Statements of Cash Flows

(in thousands)

	Years Ended March 31,		
	2003	2004	2005
Cash Flows from Operating Activities:			
Net loss	$ (18,171)	$ (9,446)	$ (2,342)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,704	1,388	1,240
Bad debt expense (recovery)	183	35	(67)
Loss on abandonment of patents	235	55	49
Stock-based compensation	60	103	98
Changes in assets and liabilities:			
Accounts receivable	1,649	(587)	(2,563)
Inventories	1,377	198	(1,166)
Prepaid expenses, other current assets and other assets	(393)	(347)	(465)
Accounts payable	(576)	314	(238)
Accrued expenses	(754)	(887)	355
Deferred revenue	(1,498)	(864)	(65)
Net cash used in operating activities	(16,184)	(10,038)	(5,164)
Cash Flows from Investing Activities:			
Proceeds from the maturity of short and long-term securities	30,425	10,197	42,169
Purchases of short and long-term securities	(14,648)	(38,968)	(39,520)
Proceeds from disposal of equipment	26	12	—
Additions to patents	(153)	(41)	(36)
Purchases of property and equipment	(840)	(429)	(697)
Net cash provided by (used in) investing activities	14,810	(29,229)	1,916
Cash Flows from Financing Activities:			
Proceeds from exercise of stock options and stock issued under employee stock purchase plan	333	1,589	4,087
Repayments of long-term debt and capital lease obligations	(54)	—	—
Net cash provided by financing activities	279	1,589	4,087
Net (Decrease) Increase in Cash and Cash Equivalents	(1,095)	(37,678)	839
Effect of exchange on cash	—	(59)	(56)
Cash and Cash Equivalents, excluding marketable securities, at beginning of year	45,667	44,572	6,835
Cash and Cash Equivalents, excluding marketable securities, at end of year	$ 44,572	$ 6,835	$ 7,618
Supplemental Disclosures:			
Interest paid	$ 2	$ —	$ —
Income taxes paid, net of refunds	$ 69	$ 33	$ 82

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

(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, recover or replace the pumping function of the failing heart. The Company is currently seeking approval from the U.S. Food and Drug Administration (FDA) under a Humanitarian Device Exemption (HDE) for its AbioCor battery-powered totally implantable artificial heart for patients who would otherwise die from heart failure. The FDA has scheduled an expert panel of cardiovascular surgeons and cardiologists to meet on June 23, 2005 to review and potentially approve the Company's HDE submission. The Company currently markets and sells circulatory assist devices 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, revenue recognition, collectibility of accounts receivable, inventory valuation, accrued warranty and other judgmental accrued expenses.

(C) RISKS AND UNCERTAINTIES

The Company is subject to risks common to companies in the cardiac assist, recovery and replacement industry, including, but not limited to, development by its competitors of new technological innovations, uncertainty of unproven markets, the high cost of new product development, dependence on key personnel, protection of proprietary technology and compliance with regulations of the U.S. Food and Drug Administration and similar foreign regulatory authorities and agencies.

(D) REVENUE RECOGNITION FROM PRODUCT SALES AND ACCOUNTS RECEIVABLE

SEC Staff Accounting Bulletin No. 104 ("SAB 104") provides guidance on the recognition, presentation and disclosure of revenue in financial statements. SAB 104 establishes the SEC's view that it is not appropriate to recognize revenue until all of the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the seller's price to the buyer is fixed or determinable, and (4) collectibility is reasonably assured. Further, SAB 104 requires that both title and the risks and rewards of ownership be transferred to the buyer before revenue can be recognized.

We derive our revenues primarily from the sale of our AB5000 and BVS 5000 circulatory assist products, including maintenance service agreements. To a lesser extent, we also record revenue from funded research and development contracts and grants from government and other third party sources. The majority of our BVS and AB5000 product revenues are derived from our shipment of products to fulfill customer orders for a specified number of consoles and blood pumps for a specified price. We recognize revenues and record costs related to such sales upon product shipment.

(2) Significant Accounting Policies (continued)

During the three years ending March 31, 2005 a declining percentage of our BVS product revenue was derived from extended-term contracts with certain of our customers. These contracts, the last of which ended in due course this past fiscal year, provided customers with units of our BVS product under contracts terms of one to three years. The Company received a fixed, non-refundable amount of money for providing these customers with BVS blood pumps during the term of the contract to replace those used to support patients. In addition to SAB 104, we followed the guidance of EITF 00-21, *Revenue Arrangements with Multiple Deliverables*, in our calculation and recognition of the relative sales value for each element of these extended-term contracts. In so doing, we recognized revenue and recorded 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. When a maximum number of pumps was not specified in the sales contract, we compared actual shipments to our estimate of additional pumps that might be required by the customer. In the majority of contracts that contained contractual limits on the number of pumps, customers did not use the maximum number of allowable pumps and, as a result, we recognized the remaining deferred revenue at the end of the contract term with no associated incremental cost. Revenue recognized from extended-term contracts approximated $4,100,000, $1,000,000 and $100,000 for the fiscal years ending March 31, 2003, 2004 and 2005, respectively.

Maintenance service revenues are less than 5% of total revenues and are recognized ratably over the term of the service contracts based upon the elapsed term of the service contract.

International sales represented 6%, 8% and 8% of product revenues for the fiscal years ended March 31, 2003, 2004 and 2005, respectively. No single customer accounted for greater than 10% of product revenues or accounts receivable during fiscal 2003, 2004 or 2005.

(E) 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.

(F) 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.

(G) WARRANTIES

The Company routinely accrues for estimated future warranty costs on its product sales at the time of sale. The AB5000 and BVS products are 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, its warranty obligation is affected by product failure rates. Operating results could be adversely effected if the actual cost of product failures exceeds the estimated warranty provision. Warranty costs are included in costs of sales within the consolidated statements of operations. The Company estimated its current obligation for warranties at $231,000 as of March 31, 2005.

The following table summarizes the activities in the warranty accrual for the two years ended March 31, 2005 (in thousands),

	2004	2005
Balance at the beginning of the year	$ 170	$ 245
Accrual for warranties issued during the year	114	113
Accrual related to pre-existing warranties	197	85
Warranty expense incurred for the year	(236)	(212)
Balance at the end of the year	$ 245	$ 231

(H) INVENTORIES

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

	March 31,	
	2004	2005
Raw materials	$ 690	$ 1,016
Work-in-process	450	871
Finished goods	1,555	1,990
	$ 2,695	$ 3,877

All of the Company's inventories on the balance sheet relate to the AB5000 and BVS temporary cardiac assist product line. Because the AbioCor replacement heart 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 writes down to its net realizable value any inventory believed to be impaired. If actual demand or market conditions are less favorable than projected demand, 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. The inventory balances at March 31, 2004 and March 31, 2005 are net of accumulated impairment write-downs of $1,119,000 and $887,000, respectively.

(2) Significant Accounting Policies (continued)

(I) PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost. Expenditures for maintenance and repairs are charged to expense while the cost of significant improvements is capitalized. 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	Shorter of life of lease or life of asset

Depreciation and amortization expense related to property and equipment was $1,513,000, $1,230,000 and $1,093,000 for the fiscal years ended March 31, 2003, 2004 and 2005, respectively.

(J) 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 over the estimated useful life of the patents up to seven 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.

(K) 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. Dilutive shares outstanding is calculated by adding to the weighted shares outstanding any potential (unissued) common stock from outstanding stock options and warrants based on the treasury stock method. In fiscal years when net income is reported, the calculation of diluted net income per share typically results in lower earnings per share than is calculated using the basic method. In fiscal years when a net loss is reported, such as the fiscal years ended March 31, 2003, 2004 and 2005, these potential shares from stock options and warrants are not included in the calculation because they would have an anti-dilutive effect, meaning the loss per share would be reduced. Therefore, in fiscal years when a loss is reported the calculation of basic and dilutive loss per share results in the same value.

The calculation of diluted weighted-average shares outstanding for the fiscal years ended March 31, 2003, 2004 and 2005 excludes potential stock from unexercised stock options that have a purchase price below the average market price as shown below.

YEAR ENDED MARCH 31,	POTENTIAL DILUTIVE SHARES FROM EXERCISE OF COMMON STOCK OPTIONS
2003	58,343
2004	222,593
2005	980,147

The calculation of diluted weighted average shares outstanding excludes unissued shares of Common Stock associated with outstanding stock options that have exercise prices greater than the average market price. For the fiscal years ending March 31, 2003, 2004 and 2005, the weighted average number of these potential shares totaled 2,463,715, 1,908,347 and 825,014 shares, respectively. The calculation of diluted weighted average shares outstanding for these fiscal years also excludes warrants to purchase 400,000 share of common stock issued in connection with the acquisition of intellectual property (see Note 4).

On May 10, 2005, the Company acquired all of the outstanding capital stock of Impella CardioSystems AG ("Impella"), a privately held company located in Aachen, Germany, in exchange for approximately $1,600,000 in cash and 4,029,004 shares of ABIOMED common stock. The agreement also provides for contingent payments in cash, ABIOMED stock, or a combination of both, based on the Company's future stock price performance and additional milestone payments related to FDA approvals and unit sales of Impella products. The issuance of the stock will have a material effect on future reported loss or earnings per share (see Note 11).

(L) 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.

(M) RESTRICTED CASH

At March 31, 2004 and March 31, 2005, the Company had restricted cash of approximately $58,000 and $97,000, respectively, which is included in intellectual property and other assets, net. This cash represents security deposits held in the Company's European bank for the primary office facility and certain auto leases of ABIOMED B.V.

(N) MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

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, including interest receivable, and market value of short-term marketable securities were approximately $20,432,000 and $20,433,000 at March 31, 2004, and $33,887,000 and $33,773,000 at March 31, 2005, respectively.

The amortized costs, including interest receivable, and market value of the long-term investments were approximately $18,216,000 and $18,290,000 at March 31, 2004, and $2,112,000 and $2,093,000 at March 31, 2005, respectively.

At March 31, 2005 the investment portfolio consisted primarily of government securities and corporate bonds with maturities of two years or less.

(0) DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

As of March 31, 2004 and 2005, 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 because of their short maturity.

(2) Significant Accounting Policies (continued)

(P) 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, 2003, 2004 and 2005.

(Q) 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, recover or replace the pumping function of the failing heart.

(R) IMPAIRMENT OF LONG-LIVED ASSETS

The Company assesses the realizability of long-lived assets in accordance with SFAS No. 144, *Accounting for the Impairment of Long-lived Assets and Disposal of Long-lived Assets.* The Company reviews its long-lived assets for impairment as events and circumstances indicate the carrying amount of an asset may not be recoverable. As a result of its review, the Company does not believe that any impairment currently exists related to its long-lived assets.

(S) 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, including Interpretation 44, *Accounting for Certain Transactions Involving Stock Compensation,* for its plans. The Company has elected to follow the disclosure-only alternative requirements of SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"). 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.

If compensation cost for the Company's fiscal 2003, 2004 and 2005 grants issued under stock-based compensation plans, including costs related to prior years grants had been determined based on SFAS 123, the Company's pro forma net loss and pro forma loss per share for the years ended March 31, would have been as follows (in thousands, except per share data):

	2003	2004	2005
Net loss, as reported	$ (18,171)	$ (9,446)	$ (2,342)
Add: Stock based employee compensation included in reported net loss	60	103	98
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(1,919)	(1,690)	(2,869)
Pro forma net loss	$ (20,030)	$ (11,033)	$ (5,113)
Basic and diluted loss per share			
As reported	$ (0.87)	$ (0.45)	$ (0.11)
Pro forma	$ (0.95)	$ (0.52)	$ (0.23)

The fair value per share of the options granted during fiscal 2003, 2004 and 2005 was computed as $1.69, $1.53 and $3.94, per share, respectively, and was calculated using the Black-Scholes option-pricing model with the following assumptions.

	2003	2004	2005
Risk-free interest rate	2.92%	2.56%	3.87%
Expected dividend yield	—	—	—
Expected option term in years	5.0 years	5.3 years	7.5 years
Assumed stock price volatility	85%	86%	84%

In addition to compensation expense related to stock option grants, the pro forma compensation expense shown in the table above includes compensation expense related to stock issued under the Company's Employee Stock Purchase Plan of approximately $44,000, $19,000 and $28,000 for fiscal 2003, 2004 and 2005, respectively.

This 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 tax effect of the employee compensation expense has not been considered due to the Company's reported net losses.

(T) TRANSLATION OF FOREIGN CURRENCIES

The U.S. dollar is the functional currency for the Company's single foreign subsidiary, ABIOMED B.V. The financial statements of ABIOMED B.V. are remeasured into U.S. dollars using current rates of exchange for monetary assets and liabilities and historical rates of exchange for nonmonetary assets. Foreign exchange gains and losses are included in the results of operations in other income, net.

(U) RECENT ACCOUNTING PRONOUNCEMENTS

In November 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 151, *Inventory Costs* (FAS 151), which adopts wording from the International Accounting Standards Board's (IASB) Standard No. 2, *Inventories,* in an effort to improve the comparability of international financial reporting. The new standard indicates that abnormal freight, handling costs, and wasted materials (spoilage) are required to be treated as current period charges rather than as a portion of inventory cost. Additionally, the standard clarifies that fixed production overhead should be allocated based on the normal capacity of a production facility. The statement is effective for the Company beginning in the first quarter of fiscal year 2007. Adoption is not expected to have a material impact on the Company's results of operations, financial position or cash flows.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets* (FAS 153) which eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets and replaces it with a general exception from fair value measurement for exchanges of nonmonetary assets that do not have commercial substance. The Company is required to adopt FAS 153 for nonmonetary asset exchanges occurring in the second quarter of fiscal year 2006 and its adoption is not expected to have a significant impact on the Company's consolidated financial statements.

In December 2004 the FASB issued a revised Statement of Financial Accounting Standard (SFAS) No. 123, *Share-Based Payment* (FAS 123(R)). FAS 123(R) requires public entities to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and recognize the cost over the period during which an employee is required to provide service in exchange for the award. In April 2005, the

(2) Significant Accounting Policies (continued)

SEC announced the adoption of a new rule that amends the effective date for SFAS 123(R). The requirements of SFAS 123(R) are effective for annual fiscal periods beginning after June 15, 2005. Currently, the Company follows APB No. 25 which does not require the recognition of compensation expense relating to the issuance of stock options so long as the quoted market price of the Company's stock at the date of grant is less than or equal to the amount an employee must pay to acquire the stock. The original FAS 123 requires footnote disclosure only of pro forma net income as if a fair-value-based method had been used. The adoption of FAS 123(R) is expected to have a material impact on the Company's consolidated financial statements, although management is still evaluating the impact.

(V) RECLASSIFICATION

Certain amounts in prior year financial statements have been reclassified to conform with the current year presentation.

(3) Intellectual Property and Other Assets

Intellectual property and other assets includes costs related to the Company's awarded and pending patents. The Company is amortizing the cost of these patents on a straight-line basis over seven years, the estimated useful lives of the patents. The unamortized cost of these patents approximated $569,000 and $418,000 as of March 31, 2004 and 2005, respectively. Amortization expense for patents totaled $191,000, $158,000 and $138,000 for the years ending March 31, 2003, 2004 and 2005 respectively. Expense for abandonment of certain patents totaled $235,000, $55,000 and $49,000 for the years ended March 31, 2003, 2004 and 2005.

(4) 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.

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, 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. These amounts were fully expensed as in-process research and development on the date of acquisition because the technology had no future alternate use. As of March 31, 2005, 400,000 warrants were outstanding and none were exercisable.

On May 10, 2005, the Company acquired all of the outstanding capital stock of Impella CardioSystems AG, a privately held company located in Aachen, Germany, in exchange for approximately $1,600,000 in cash and 4,029,004 shares of ABIOMED common stock, of which 210,000 shares are to be held in escrow for potential claims for indemnification by the Company pursuant to the terms of the purchase agreement. The agreement also provides for contingent payments in cash, ABIOMED stock, or a combination of both, based on the Company's future stock price performance and additional milestone payments related to FDA approvals and unit sales of Impella products (see Note 11).

(5) Income Taxes

The Company accounts for income taxes in accordance with the provisions of SFAS No. 109, *Accounting for Income Taxes* (SFAS 109). The asset and liability approach used under SFAS 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, 2005, the Company had federal and state NOL carryforwards of approximately $74,800,000 and $34,600,000, which begin to expire in 2006. Additionally, at March 31, 2005, the Company had federal and state research and experimentation credit carryforwards of approximately $5,100,000 and $3,300,000, respectively, which begin to expire in 2006. 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):

	2004	2005
Assets		
NOL carryforwards and tax credit carryforwards	$ 30,136	$ 35,873
Capitalized research and development	16,340	13,925
Nondeductible reserves	99	380
Nondeductible accruals	680	671
Deferred revenue	58	44
Depreciation	1,063	477
Other, net	1,118	872
	49,494	52,242
Valuation allowance	(49,494)	(52,242)
Net deferred taxes	$ —	$ —

(5) 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 as a result of its net operating loss position and the requirement that the Company pay income taxes in states where net operating losses may not be utilized. Of the total valuation allowance, approximately $5,100,000 relates to stock option compensation deductions. The tax benefit associated with the stock option compensation deductions will be credited to equity when realized.

In October 2004, the President signed into law the American Jobs Creation Act (the "Act"). The Act allows for a federal income tax deduction for a percentage of income earned from certain domestic production activities. The Company's domestic, or U.S., production activities, will qualify for the deduction. Based on the effective date of the Act, the Company will be eligible for this deduction in the first quarter of fiscal 2006.

Additionally, on December 21, 2004, the FASB issued FASB Staff Position 109-1, *Application of FASB Statement No. 109, Accounting for Income Taxes (SFAS No. 109), to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004* (FSP 109-1). FSP 109-1, which was effective upon issuance, states the deduction under this provision of the Act should be accounted for as a special deduction in accordance with SFAS 109. The Company has not yet quantified the benefit, if any, that will be realized from this provision of the Act.

(6) Commitments and Contingencies

The Company applies the disclosure provisions of FIN No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Guarantees of Indebtedness of Others, and Interpretation of FASB Statements No. 5, 57 and 107 and Rescission of FASB Interpretation No. 34* (FIN No. 45) to its agreements that contain guarantee or indemnification clauses. These disclosure provisions expand those required by SFAS No. 5 *Accounting for Contingencies,* by requiring that guarantors disclose certain types of guarantees, even if the likelihood of requiring the guarantor's performance is remote. The following is a description of arrangements in which the Company is a guarantor.

PRODUCT WARRANTIES — The Company routinely accrues for estimated future warranty costs on its product sales at the time of sale. The AB5000 and BVS products are 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, its warranty obligation is affected by product failure rates. Operating results could be adversely effected if the actual cost of product failures exceeds the estimated warranty provision.

PATENT INDEMNIFICATIONS — In many sales transactions, the Company indemnifies customers against possible claims of patent infringement caused by the Company's products. The indemnifications contained within sales contracts usually do not include limits on the claims. The Company has never incurred any material costs to defend lawsuits or settle patent infringement claims related to sales transactions. Under the provisions of FIN No. 45, intellectual property indemnifications require disclosure only.

As of March 31, 2005, the Company had entered into leases for its facilities, including its primary operating facility in Danvers, Massachusetts, with terms through fiscal 2010. The Danvers lease may be extended, at the Company's option, for two successive additional periods of five years each with monthly rent charges to be determined based on then current fair rental values. Total rent expense under these leases, included in the accompanying consolidated statements of operations, was approximately $823,000, $821,000 and $824,000 for the fiscal years ended March 31, 2003, 2004 and 2005, 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. These leases ended in fiscal year 2003 and at the Company's option the furniture was purchased. Rental expense recorded for these leases during the fiscal year ended March 31, 2003 was approximately $127,000.

During fiscal 2000, the Company entered into a 36 month capital lease for computer equipment and software for approximately $221,000. This lease ended in fiscal year 2003 and at the Company's option these assets were purchased.

Future minimum lease payments under all non-cancelable operating leases as of March 31, 2005 are approximately as follows (in thousands):

YEAR ENDING MARCH 31,	OPERATING LEASES
2006	$ 776
2007	769
2008	772
2009	772
2010	708
Total Future Minimum Lease Payments	$ 3,797

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.

(7) Stock Option and Purchase Plans

With the exception of 10,140 outstanding options that were granted to certain employees during our fiscal year ended March 31, 2004, with an exercise price of $0.01 per share, all outstanding stock options of the Company as of March 31, 2005 were granted with an exercise price equal to the fair market value on the date of grant. On March 1, 2005 we issued a restricted stock grant of 24,000 shares to an officer of the Company. For the stock awards granted below fair market value and the restricted stock grant, compensation expense is recognized ratably over the vesting period in accordance with SFAS 123. 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 total of 2,670,859 options were awarded from the Combination Plan during its ten-year term that ended on May 1, 2002. As of March 31, 2005, 345,346 of these options remain outstanding, fully vested and eligible for future exercise.

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.

(7) Stock Option and Purchase Plans (continued)

The 2000 Stock Incentive Plan, (the "2000 Plan"), as amended, 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 2,900,000 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 vest 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 Director's 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, 2002	2,810,637	$ 2.81 — $ 36.53	$ 10.09
Granted	756,000	$ 4.81 — $ 11.25	6.89
Exercised	(25,250)	$ 5.50 — $ 5.63	5.50
Canceled	(441,095)	$ 4.75 — $ 36.53	10.06
Outstanding, March 31, 2003	3,100,292	$ 2.81 — $ 36.53	9.35
Granted	547,054	$ 0.01 — $ 8.99	5.30
Exercised	(295,272)	$ 3.13 — $ 8.19	4.98
Canceled	(275,235)	$ 0.01 — $ 34.06	9.47
Outstanding, March 31, 2004	3,076,839	$ 0.01 — $ 36.53	9.05
Granted	1,487,400	$ 8.72 — $ 15.42	10.34
Exercised	(665,437)	$ 0.01 — $ 13.19	5.90
Canceled	(281,296)	$ 0.01 — $ 27.13	9.63
Outstanding, March 31, 2005	3,617,506	$ 0.01 — $ 36.53	$ 10.11
Exercisable, March 31, 2005	1,423,805	$ 0.01 — $ 36.53	$ 10.99
Exercisable, March 31, 2004	1,627,765	$ 2.81 — $ 36.53	$ 8.94
Exercisable, March 31, 2003	1,594,167	$ 2.81 — $ 36.53	$ 7.26
Shares available for future issuance, March 31, 2005	909,657		

The following table summarizes certain data for options outstanding and exercisable under all plans at March 31, 2005.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Outstanding As Of March 31, 2005	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable As Of March 31, 2005	Weighted Average Exercise Price
$ 0.01 — $ 3.65	10,140	8.2	$ 0.01	2,534	$ 0.01
$ 3.66 — $ 7.31	1,479,586	5.1	6.29	848,861	6.40
$ 7.32 — $ 10.96	1,140,350	9.3	9.66	6,050	7.47
$ 10.97 — $ 14.61	290,000	9.0	12.20	11,250	13.19
$ 14.62 — $ 18.27	407,100	5.3	15.56	347,100	15.63
$ 18.28 — $ 21.92	143,580	6.0	18.71	107,660	18.77
$ 21.93 — $ 25.57	116,000	5.2	24.11	69,600	24.11
$ 25.58 — $ 29.22	21,000	5.5	27.16	21,000	27.16
$ 29.23 — $ 32.88	5,000	5.5	30.00	5,000	30.00
$ 32.89 — $ 36.53	4,750	5.5	36.06	4,750	36.06
Total	3,617,506	6.8	$ 10.11	1,423,805	$ 10.99

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 three 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 payroll period 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. Up to 500,000 shares of common stock may be issued under the Purchase Plan, of which 284,063 shares are available for future issuance as of March 31, 2005. During the fiscal years ended March 31, 2003, 2004 and 2005, 66,331, 28,837 and 21,287 shares of common stock, respectively, were sold pursuant to the Purchase Plan.

(8) 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 related to cardiac assist, recovery and heart replacement, including the continued enhancement of the AB5000 and BVS products 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 significant enhancements to 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.

(8) Research and Development (continued)

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 2003, 2004 and 2005, the majority of the Company's research and development expenditures were directed towards the development of the AbioCor Implantable Replacement Heart, the first generation of which has been submitted to the FDA for approval under a Humanitarian Device Exemption. 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,		
	2003	2004	2005
Internally funded	$ 20,259	$ 13,877	$ 13,218
Incurred under government contracts and grants	293	422	279
Total research and development	$ 20,552	$ 14,299	$ 13,497

(9) 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 $273,000, $241,000 and $240,000 for the fiscal years ended March 31, 2003, 2004 and 2005, respectively.

(10) Accrued Expenses

Accrued expenses consist of the following (in thousands):

	March 31,	
	2004	2005
Salaries and benefits	$ 2,248	$ 2,041
Warranty	245	231
Professional fees	368	1,057
Other	406	294
	$ 3,267	$ 3,623

(11) Subsequent Events — Acquisition of Impella Cardiosystems AG

On May 10, 2005, the Company acquired all of the outstanding capital stock of Impella CardioSystems AG ("Impella"), a privately held company located in Aachen, Germany. Accordingly, the operating results of Impella from May 10, 2005 will be included in the Company's results beginning with the first quarter of fiscal 2006. Impella manufactures and sells small, minimally invasive, high performance micro blood pumps with integrated motors and sensors for use in interventional cardiology and heart surgery. ABIOMED acquired Impella in exchange for approximately $1.6 million in cash and 4,029,004 shares of ABIOMED common stock, of which 210,000 shares are to be held in escrow for potential claims for indemnification by the Company pursuant to the terms of the purchase agreement. The 4,029,004 shares of ABIOMED common stock have a fair value of $42.2 million. Accordingly, the purchase price (before contingent payments) will be $45.3 million, inclusive of approximately $1.5 million acquisition costs. The agreement provides that ABIOMED may make additional contingent payments to Impella's former shareholders based on the Company's future stock price performance and additional milestone payments related to FDA approvals and unit sales of Impella products. These contingent payments range from zero dollars to approximately $29 million and will be made in a combination of cash or stock, if at all. The Company has not yet determined the preliminary purchase price allocation due to the recent nature of the acquisition. However, management believes that more than half of the purchase price will be recorded to goodwill, and a write-off of in-process research and development will be recorded in the first quarter of fiscal 2006. Also, significant amortization of intangible assets will impact fiscal 2006 and future results.

Selected Consolidated Financial Data

(In thousands, except per share data)

	Fiscal Years Ended March 31,				
	2001	2002	2003	2004	2005
STATEMENT OF OPERATIONS DATA:					
Revenues:					
Products	$ 19,724	$ 24,747	$ 23,127	$ 25,070	$ 37,945
Funded research and development	3,142	2,214	183	669	271
Total revenues	22,866	26,961	23,310	25,739	38,216
Costs and Expenses:					
Cost of product revenues	7,222	7,925	7,501	7,591	9,366
Research and development [1]	28,667	27,108	20,552	14,299	13,497
Selling general and administrative	12,469	16,066	14,748	14,101	18,606
Total costs and expenses	48,358	51,099	42,801	35,991	41,469
Loss from operations	(25,492)	(24,138)	(19,491)	(10,252)	(3,253)
Interest and other income, net	6,160	2,945	1,320	806	911
Net loss	$ (19,332)	$ (21,193)	$ (18,171)	$ (9,446)	$ (2,342)
Basic and diluted net loss per share	$ (0.94)	$ (1.02)	$ (0.87)	$ (0.45)	$ (0.11)
Weighted average shares outstanding	20,583	20,869	20,994	21,153	21,845

	March 31,				
	2001	2002	2003	2004	2005
BALANCE SHEET DATA:					
Cash, cash equivalents, marketable securities and long-term investments	$ 92,498	$ 71,321	$ 54,449	$ 45,483	$ 43,617
Working capital	94,651	74,127	56,987	32,096	50,342
Total assets	110,961	89,176	68,516	59,161	61,061
Long-term liabilities	368	—	—	—	—
Stockholders' equity	99,814	79,868	62,090	54,336	56,179

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

Market Price

Our common stock is traded on the Nasdaq 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, 2004	High	Low
First Quarter	$ 7.56	$ 3.00
Second Quarter	9.83	4.77
Third Quarter	9.50	6.69
Fourth Quarter	8.60	6.69

Fiscal Year Ended March 31, 2005	High	Low
First Quarter	$ 14.63	$ 7.80
Second Quarter	12.64	8.63
Third Quarter	17.70	8.88
Fourth Quarter	15.97	9.92

Leadership Team

Michael R. Minogue
Chairman, Chief Executive Officer and President

Anthony W. Bailey
Vice President, Manufacturing

Karim Benali, M.D.
Vice President, Product Development

William J. Bolt
Sr. Vice President, Quality Assurance and Field Service

Robert Farra
Vice President, Engineering

Andrew Greenfield
Vice President, Healthcare Solutions

Charles B. Haaser
Principal Accounting Officer and Acting Chief Financial Officer

Javier Jimenez
Vice President, Operations

Raymond J. Kelley
Vice President, Corporate Marketing

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

Christopher D. Macdonald
Sr. Vice President, Global Sales and Applications

Thorsten Siess
Chief Technology Officer

Gary Stickel
Vice President, Human Resources

Board of Directors

Michael R. Minogue
Chairman, Chief Executive Officer and President

W. Gerald Austen, M.D.
Edward D. Churchill Professor of Surgery, Harvard Medical School and the Massachusetts General Hospital

Paul B. Fireman
Chairman and Chief Executive Officer
Reebok International, Inc.

David Gottlieb
Managing Partner
Noble Bridge Group, LLC

John F. O'Brien
Retired Chief Executive Officer
Allmerica Financial

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

Dorothy E. Puhy
Executive Vice President, Chief Financial Officer and Assistant Treasurer
Dana-Farber Cancer Institute, Inc.

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

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Impella CardioSystems GmbH
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Germany

ABD Holding Company, Inc.
22 Cherry Hill Drive
Danvers, Massachusetts 01923

Nasdaq National Market System

Trading Symbol: ABMD

Annual Meeting

The Annual Meeting of stockholders will be held on Wednesday, August 10, 2005 at the Headquarters of ABIOMED, Inc., 22 Cherry Hill Drive, Danvers, Massachusetts 01923

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:
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Independent Accountants

PricewaterhouseCoopers LLP
125 High Street
Boston, Massachusetts 02110

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 and Impella trials, AB5000 and 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, 2005 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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