

**ACTELION LTD AND SUBSIDIARIES**

**CONSOLIDATED US GAAP FINANCIAL STATEMENTS FOR SEPTEMBER 30, 2005**

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INTERIM FINANCIAL INFORMATION

**ACTELION LTD AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

<i>(in CHF thousands, except per share amounts)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005*	2004	2005*	2004
<b>Net revenue:</b>				
Product sales	176,901	122,177	464,956	329,487
Contract revenue	3,931	4,350	12,100	12,030
<b>Total net revenue</b>	<b>180,832</b>	<b>126,527</b>	<b>477,056</b>	<b>341,517</b>
<b>Operating expenses</b>				
Cost of sales	18,288	12,125	47,050	33,132
Research and development	48,037	36,515	121,233	98,068
Marketing and advertising	31,914	22,532	88,591	69,900
Selling, general and administrative	34,806	25,978	92,691	70,087
Amortization of acquired intangible assets	550	573	1,417	1,441
Write-off of acquired in-process research and development	-	-	-	5,000
<b>Total operating expense</b>	<b>133,595</b>	<b>97,723</b>	<b>350,982</b>	<b>277,628</b>
<b>Operating income</b>	<b>47,237</b>	<b>28,804</b>	<b>126,074</b>	<b>63,889</b>
Interest income	651	144	1,934	535
Interest expense	(15)	(22)	(37)	(376)
Amortization of debt discount and issuance costs	(1,971)	(1,868)	(5,839)	(5,533)
Other financial expense, net	(1,075)	94	(7,603)	806
<b>Income from continuing operations before income tax expense</b>	<b>44,827</b>	<b>27,152</b>	<b>114,529</b>	<b>59,321</b>
Income tax expense	(9,499)	(2,047)	(13,276)	(4,819)
<b>Income from continuing operations</b>	<b>35,328</b>	<b>25,105</b>	<b>101,253</b>	<b>54,502</b>
<b>Income from discontinued operations, net of tax and minority interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,648</b>
<b>Net income</b>	<b>35,328</b>	<b>25,105</b>	<b>101,253</b>	<b>64,150</b>
<b>Basic income per share</b>				
Continuing Operations	1.58	1.14	4.55	2.48
Discontinued Operations	-	-	-	0.44
<b>Net income</b>	<b>1.58</b>	<b>1.14</b>	<b>4.55</b>	<b>2.92</b>
<b>Diluted income per share</b>				
Continuing Operations	1.55	1.09	4.48	2.36
Discontinued Operations	-	-	-	0.42
<b>Net income</b>	<b>1.55</b>	<b>1.09</b>	<b>4.48</b>	<b>2.78</b>
<b>(1) Includes stock-based compensation as follows:</b>				
Research and development	2,261	282	2,563	973
Marketing and advertising	1,831	218	1,888	1,080
Selling, general and administrative	2,723	1,444	2,914	1,958
<b>Total stock-based compensation</b>	<b>6,815</b>	<b>1,944</b>	<b>7,365</b>	<b>4,011</b>

\* For the three and nine months period ended September 30, 2005, deferred tax expenses of CHF 2.5 million, net have been reclassified with no impact on full year 2005 tax expenses. In the Balance Sheet as of September 30, 2005 accruals are decreased by CHF 0.9 million, additional paid-in-capital is increased by excess tax benefits of CHF 5.4 million and deferred tax asset by CHF 1.9 million.

**ACTELION LTD AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS**

*(in CHF thousands, except share amounts)*

	<u>September 30, 2005</u>	<u>December 31, 2004</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	137,305	196,336
Short term deposits	206,700	104,000
Derivative instruments	563	2,422
Marketable securities	9,855	-
Trade and other receivables, net	162,975	109,649
Inventories	23,930	17,903
Other current assets	8,462	5,992
<b>Total current assets</b>	<b><u>549,790</u></b>	<b><u>436,302</u></b>
Property, plant and equipment, net	42,732	35,221
Other assets	7,351	7,014
Intangible assets, net	8,803	8,610
Goodwill, net	27,331	27,318
Deferred tax asset	13,615	5,256
<b>Total assets</b>	<b><u><u>649,622</u></u></b>	<b><u><u>519,721</u></u></b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Trade and other payables	43,934	42,821
Accrued expenses	80,517	53,438
Deferred revenue, current portion	19,445	17,399
Other current liabilities	7,073	33,024
<b>Total current liabilities</b>	<b><u>150,969</u></b>	<b><u>146,682</u></b>
Long-term financial debt, less current portion	157,428	152,042
Deferred revenue, less current portion	52,213	60,233
Other non-current liabilities	2,816	2,678
Deferred tax liability	229	-
<b>Total liabilities</b>	<b><u>363,655</u></b>	<b><u>361,635</u></b>
<b>Shareholders' Equity</b>		
Common shares (par value CHF 2.50 per share, authorized 41,406,640 and 33,406,640 shares; issued 22,467,987 and 22,209,953 shares in 2005 and 2004 respectively)	56,170	55,525
Additional paid-in capital	337,323	316,844
Accumulated deficit	(108,754)	(210,007)
Unearned compensation	-	(2,256)
Treasury shares, at cost	(467)	(871)
Accumulated other comprehensive income	1,695	(1,149)
<b>Total Shareholders' Equity</b>	<b><u>285,967</u></b>	<b><u>158,086</u></b>
<b>Total Liabilities and Shareholders' Equity</b>	<b><u><u>649,622</u></u></b>	<b><u><u>519,721</u></u></b>

**ACTELION LTD AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in CHF thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
<b>Cash flow from operating activities</b>				
Net income	35,328	25,105	101,253	64,150
Gain from discontinued operations, net of minority interest	-	-	-	(9,648)
<b>Income from continuing operations</b>	<b>35,328</b>	<b>25,105</b>	<b>101,253</b>	<b>54,502</b>
Adjustments to reconcile net income to net cash provided from operating activities:				
Depreciation and amortization	3,238	2,704	9,161	7,201
Stock-based compensation	7,544	1,944	8,093	4,010
Excess tax benefits from share based payment arrangements	(1,922)	-	(1,922)	-
(Gain) / loss on derivative instruments	(1,879)	737	8,205	2,119
(Gain) / loss on marketable securities	-	-	154	-
Write-off of acquired in-process research and development	-	-	-	5,000
Amortization of debt discount and expense	1,971	1,868	5,839	5,533
Increase in trade and other receivables	(32,172)	(13,125)	(49,001)	(38,384)
(Increase) decrease in inventories	1,198	1,125	(6,026)	1,149
(Increase) decrease in other current assets	1,322	765	(2,167)	(4,030)
(Increase) decrease in other assets	(311)	(141)	(8,183)	(913)
Increase in trade and other payables	107	2,319	558	4,011
Increase in accrued expenses	30,627	12,557	29,863	16,615
Increase (decrease) in deferred revenue	(3,802)	(4,350)	(5,973)	6,847
Increase (decrease) in other liabilities	(73)	632	366	(1,738)
<b>Net cash flow provided by operating activities</b>	<b>41,176</b>	<b>32,140</b>	<b>90,220</b>	<b>61,922</b>
<b>Cash flow from investing activities</b>				
Purchase of short term deposits	(53,200)	(10,000)	(206,700)	(125,000)
Withdrawal of short term deposits	-	35,000	104,000	35,000
Purchase of property, plant and equipment	(5,683)	(3,862)	(14,519)	(19,770)
Purchase of marketable securities	-	-	(10,000)	-
Purchase of derivative instruments	(451)	(182)	(1,433)	(1,281)
Proceeds from sale of derivative instruments	451	326	1,433	1,311
Purchase of intangible assets	(620)	(314)	(1,495)	(5,566)
Proceeds from sale of subsidiary	-	-	-	9,242
Increase of investment	-	-	(32,494)	-
<b>Net cash flow provided by (used in) investing activities</b>	<b>(59,503)</b>	<b>20,968</b>	<b>(161,208)</b>	<b>(106,064)</b>
<b>Cash flows from financing activities</b>				
Payments on capital leases	(46)	(55)	(135)	(141)
Repayment of financial debt	-	-	-	(40,000)
Proceeds from exercise of stock options	5,028	1,153	10,259	9,050
Excess tax benefits from share based payment arrangements	1,922	-	1,922	-
<b>Net cash flow provided by (used in) financing activities</b>	<b>6,904</b>	<b>1,098</b>	<b>12,046</b>	<b>(31,091)</b>
Net effect of exchange rates on cash and cash equivalents	(133)	(310)	(89)	190
<b>Net change in cash and cash equivalents</b>	<b>(11,556)</b>	<b>53,896</b>	<b>(59,031)</b>	<b>(75,043)</b>
Cash and cash equivalents at beginning of period	148,861	129,831	196,336	258,770
<b>Cash and cash equivalents at end of period</b>	<b>137,305</b>	<b>183,727</b>	<b>137,305</b>	<b>183,727</b>

**ACTELION LTD AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

*(in CHF thousands, except share amounts)*

	Common Shares		Additional	Accumulated	Unearned	Treasury	Other	Shareholders'
	Shares	Amount	Paid-in-Capital	Deficit	Compensation	Shares	Comprehensive Loss	Equity
<b>At January 1, 2005</b>	<b>22,198,403</b>	<b>55,525</b>	<b>316,844</b>	<b>(210,007)</b>	<b>(2,256)</b>	<b>(871)</b>	<b>(1,149)</b>	<b>158,086</b>
Comprehensive loss including tax benefit:								
Net income				101,253				101,253
Other comprehensive result:								
Currency translation adjustment							2,844	2,844
Comprehensive income								104,097
Change in accounting principle			(1,374)		1,374			-
Excess tax benefit from share-based payment			5,432					5,432
Exercise of stock options	258,034	645	9,614					10,259
Transactions in treasury shares	5,353		324			404		728
Stock-based compensation expense, net			6,815		550			7,365
Stock option forfeitures and cancellations			(332)		332			-
<b>At September 30, 2005</b>	<b>22,461,790</b>	<b>56,170</b>	<b>337,323</b>	<b>(108,754)</b>	<b>-</b>	<b>(467)</b>	<b>1,695</b>	<b>285,967</b>

## ACTELION LTD AND SUBSIDIARIES

### Interim Financial Information

#### Stock-based compensation /pro forma disclosures

On July 1, 2005, the Group adopted Statement of Financial Accounting Standards (SFAS) No. 123(R), "Share Based Payment – Revised 2004", using the modified prospective transition method. Under this method, stock-based employee compensation cost is recognized in net income using the fair-value based method for all new awards granted after July 1, 2005. Additionally, compensation costs for unvested stock options and awards that are outstanding at July 1, 2005, will be recognized in net income over the requisite service period based on the grant-date fair value of those options and awards as previously calculated under the pro-forma disclosures under SFAS 123. Prior to the adoption of SFAS 123(R), the Group accounted for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations.

The Group's unearned stock compensation balance of CHF (1,374) million as of June 30, 2005, which was accounted for under APB 25, was reclassified into the Group's additional paid-in-capital upon the adoption of SFAS 123(R).

Fair values of awards granted under the stock option plans until December 2004 were estimated at grant or purchase dates using a Black-Scholes option pricing model. Fair value of awards granted after December 2004 were estimated by use of a Binomial Lattice option pricing model. The following assumptions have been applied:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2005	2004	2005	2004
Expected life in years (from vesting date) .....	4 years	5 years	4 years	5 years
Interest rate .....	1.99%	2.15%	2.13%	2.15%
Volatility .....	48%	56%	48%	56%
Expected dividend yield .....	-	-	-	-

If the fair value based method prescribed in SFAS 123 had been applied in 2004 to all stock awards, the Group's net income and basic and diluted net income per share would have been reduced as summarized below:

	Three	Nine Months
	Months	Ended
	Ended	September 30, 2004
Net income from continuing operations.....	25,105	54,502
Stock-based employee compensation cost included in the determination of net income from continuing operations .....	701	2,455
Stock-based employee compensation cost that would have been included in the determination of net income from continuing operations if the fair value based method had been applied to all awards .	(5,957)	(19,916)
<b>Pro forma net income from continuing operations as if the fair value based method had been applied to all awards .....</b>	<b>19,849</b>	<b>37,041</b>
Basic income per share of continuing operations.....	1.14	2.48
Diluted income per share of continuing operations.....	1.09	2.36
Pro forma basic income per share from continuing operations as if the fair value based method had been applied to all awards .	0.90	1.69

#### Reclassification – cash and cash equivalents

As a part of the Group's cash management strategy, the Group uses highly liquid, low risk instruments (some with original maturities greater than 90 days) that were previously classified as cash equivalents. The balances of the short-term deposits with maturities greater than 90 days at each period end have been separated from cash and cash equivalents and have been reported in a separate line in the consolidated balance sheets of September 30, 2005 and of December 31, 2004 called short-term deposits.

The amounts in the consolidated cash flow statement have been changed to reflect the current classification of cash and cash equivalents and short-term deposits. Accordingly, amounts have been reclassified from cash and cash equivalents at the beginning and the end of the period to purchase of short-term deposits and withdrawal of short-term deposits in each of the consolidated cash flow statements for the three and nine months ended September 30, 2005 and 2004. The impacts on the consolidated cash flows from investing activities were CHF (53.2) million and 25 million for the three months ended September 30 2005 and 2004, respectively and CHF (102.7) million and CHF (90) million for the nine months ended September 30 2005 and 2004, respectively.