

ACTELION LTD

CONSOLIDATED US GAAP FINANCIAL STATEMENTS FOR JUNE 30, 2003

Note (Discontinued Operation):

HESPERION entities in Switzerland, the Netherlands and Israel
- sold to Cerep as per the share purchase agreement signed on January 14, 2004 -
are reported as discontinued operation

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ACTELION LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(in CHF thousands, except per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net revenue:				
Product sales	67,289	25,205	128,020	38,601
Contract revenue	1,579	3,117	3,588	6,042
Total net revenue	68,868	28,322	131,608	44,643
Operating expenses				
Cost of sales	6,936	2,512	13,387	4,167
Research and development	19,136	16,359	37,997	27,303
Marketing and advertising	19,890	14,649	37,230	25,683
Selling, general and administrative	14,192	10,213	27,944	19,138
Amortization of acquired intangible assets	439	253	856	484
Total operating expense	60,593	43,986	117,414	76,775
Operating income (loss)	8,275	(15,664)	14,194	(32,132)
Interest income	235	756	515	1,259
Interest expense	(229)	(17)	(510)	(34)
Other financial expense, net	886	(5,396)	1,253	(4,517)
Income (loss) from continuing operations before income tax expense and share in loss of affiliate	9,167	(20,321)	15,452	(35,424)
Income tax expense	(322)	19	(728)	(136)
Income (loss) from continuing operations before share in loss of affiliate	8,845	(20,302)	14,724	(35,560)
Share in loss of affiliate	(183)	(420)	(386)	(740)
Income (loss) from continuing operations	8,662	(20,722)	14,338	(36,300)
Income (loss) from discontinued operations, net of tax and minority interest	(1,747)	1,197	(3,297)	(3,212)
Net income (loss)	6,915	(19,525)	11,041	(39,512)
Basic and diluted (loss) per share				
Continuing Operations	0.40	(0.97)	0.67	(1.71)
Discontinued Operations	(0.08)	0.05	(0.16)	(0.15)
Net loss	0.32	(0.92)	0.51	(1.86)
Number of shares (in thousand) used in computation (Basic and diluted)	21,501	21,280	21,462	21,236
Diluted / income / (loss) per share				
Continuing Operations	0.38	(0.97)	0.64	(1.71)
Discontinued Operations	(0.07)	0.05	(0.15)	(0.15)
Net loss	0.31	(0.92)	0.49	(1.86)
Number of shares (in thousand) used in computation (Diluted)	22,549	21,280	22,391	21,236

**ACTELION LTD AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

(in CHF thousands, except share amounts)

	<u>June 30, 2003</u>	<u>December 31, 2002</u>
Assets		
Current assets		
Cash and cash equivalents	110,514	116,201
Marketable securities	4,840	4,851
Derivative instruments	1,008	1,622
Trade and other receivables, net	40,130	21,743
Inventories	19,410	13,821
Other current assets	4,265	2,841
Current assets of discontinued operations	4,388	3,460
Total current assets	<u>184,555</u>	<u>164,539</u>
Marketable securities, long-term	7,428	6,898
Property, plant and equipment, net	15,797	15,079
Investment in affiliate	1,789	2,171
Other assets	3,345	3,168
Intangible assets, net	9,127	9,945
Goodwill, net	3,783	3,672
Non-current assets of discontinued operations	12,643	13,488
Total assets	<u><u>238,467</u></u>	<u><u>218,960</u></u>
Liabilities and Shareholders' Equity		
Current liabilities		
Trade and other payables	20,211	25,108
Accrued expenses	26,312	18,549
Deferred revenue	6,317	6,318
Financial debt	20,000	-
Other current liabilities	1,764	563
Current liabilities of discontinued operations	5,757	5,373
Total current liabilities	<u>80,361</u>	<u>55,911</u>
Long-term financial debt, less current portion	20,000	40,000
Deferred revenue, less current portion	59,552	62,712
Other non-current liabilities	2,783	2,052
Non-current liabilities of discontinued operations	7,291	7,471
Total liabilities	<u>169,987</u>	<u>168,146</u>
Minority interest	404	494
Shareholders' Equity		
Common shares (par value CHF 2.50 per share, authorized 30,506,640 and 27,456,640 shares; issued 21,591,141 and 21,376,559 shares in 2003 and 2002 respectively)	53,977	53,441
Additional paid-in capital	296,136	289,671
Accumulated deficit	(276,269)	(287,310)
Unearned compensation	(5,560)	(3,936)
Treasury shares, at cost	(1,018)	(1,018)
Accumulated other comprehensive (loss) income	810	(528)
Total shareholders' equity	<u>68,076</u>	<u>50,320</u>
Total liabilities and shareholders' equity	<u><u>238,467</u></u>	<u><u>218,960</u></u>

ACTELION LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in CHF thousands)</i>	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
Cash flow from operating activities				
Net income (loss)	6,915	(19,525)	11,041	(39,512)
Loss from discontinued operations, net of minority interest	1,747	(1,196)	3,297	3,213
Loss from continuing operations	8,662	(20,721)	14,338	(36,299)
Adjustments to reconcile net income / (loss) to net cash provided from operating activities:				
Depreciation and amortization	1,842	1,148	3,602	2,458
Share in loss of affiliate	184	420	387	740
Stock-based compensation	1,270	1,337	2,186	3,033
Realized (gain) loss on sale of marketable securities	(518)	1,023	(455)	113
(Gain) / loss on derivative instruments	1,097	-	1,749	-
Increase in trade and other receivables	(4,695)	(5,962)	(17,415)	(5,181)
(Increase) decrease in inventories	(499)	(1,479)	(5,589)	(1,980)
(Increase) decrease in other current assets	42	22	(1,419)	241
Increase in other assets	42	(139)	(208)	(419)
Increase in trade and other payables	(2,794)	2,265	1,335	(4,295)
Increase in accrued expenses	4,924	2,856	7,564	5,155
Increase (decrease) in deferred revenue	(1,579)	(330)	(3,159)	(3,223)
Increase in other liabilities	496	10	528	81
Net cash flow provided by (used in) operating activities	8,474	(19,550)	3,444	(39,576)
Cash flow from investing activities				
Purchase of marketable securities	-	-	-	(851)
Proceeds from the sales of marketable securities	-	22,532	-	53,172
Purchase of property, plant and equipment	(1,114)	(1,100)	(2,897)	(2,529)
Purchase of derivative instruments	(70)	-	(1,262)	-
Proceeds from sale of derivative instruments	42	-	1,118	-
Purchase of intangible assets	(7)	(192)	(6,526)	(289)
Increase in investments of affiliates	-	-	-	(505)
Acquisition of subsidiary	-	-	-	-
Net cash flow provided by (used in) investing activities	(1,149)	21,240	(9,567)	48,998
Cash flows from financing activities				
Payments on capital leases	(159)	(169)	(314)	(412)
Proceeds from issuance of financial debt	-	-	-	-
Proceeds from exercise of stock options	2,405	202	3,032	947
Acquisition of treasury shares	-	(1,018)	-	(1,018)
Proceeds from sale of treasury shares	-	18	-	55
Net cash flow provided by financing activities	2,246	(967)	2,718	(428)
Net effect of exchange rates on cash and cash equivalents	770	535	664	353
Net effect of discontinued operations	(1,541)	901	(2,946)	(4,092)
Net change in cash and cash equivalents	8,800	2,159	(5,687)	5,255
Cash and cash equivalents at beginning of period	101,714	94,129	116,201	91,033
Cash and cash equivalents at end of period	110,514	96,288	110,514	96,288

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

(in CHF thousands, except share amounts)

	Common Shares		Preferred Shares		Additional Paid-in- Capital	Accumulated Deficit	Unearned Compensation	Treasury Shares	Other Comprehensive Loss	Shareholders' Equity
	Shares	Amount	Shares	Amount						
At January 1, 2003	21,363,059	53,441	-	-	289,671	(287,310)	(3,936)	(1,018)	(528)	50,320
Comprehensive loss including tax benefit:										
Net result						11,041				11,041
Other comprehensive loss:										
Unrealized gain on marketable securities										-
Currency translation adjustment									1,338	1,338
Comprehensive loss										12,379
Increase in underlying equity of affiliate					6					6
Exercise of stock options	214,582	536			2,496					3,032
Stock-based compensation					422		1,917			2,339
Unearned Stock-based compensation					3,657		(3,657)			-
Stock option forfeitures and cancellations					(116)		116			-
At June 30, 2003	21,577,641	53,977	-	-	296,136	(276,269)	(5,560)	(1,018)	810	68,076