

ACTELION LTD

CONSOLIDATED US GAAP FINANCIAL STATEMENTS FOR DECEMBER 31, 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 December 31,		Twelve Months Ended December 31,	
	2003	2002	2003	2002
Net revenue:				
Product sales	96,335	47,534	300,315	121,834
Contract revenue	2,061	1,624	7,229	10,614
Total net revenue	98,396	49,158	307,544	132,448
Operating expenses				
Cost of sales	9,916	5,626	31,816	13,076
Research and development	22,234	13,972	79,173	50,632
Marketing and advertising	22,750	13,258	79,828	56,584
Selling, general and administrative	25,727	13,221	69,645	42,974
Write-off of acquired in-process research and development	46,990	-	46,990	-
Amortization of acquired intangible assets	469	262	1,756	1,221
Total operating expense	128,086	46,339	309,208	164,487
Operating income (loss)	(29,690)	2,819	(1,664)	(32,039)
Interest income	258	263	946	1,700
Interest expense	(159)	(257)	(885)	(346)
Amortization of debt discount and expense	(1,500)	-	(1,500)	-
Other financial expense, net	1,563	(221)	2,567	(5,682)
Income (loss) from continuing operations before income tax expense and share in loss of affiliate	(29,528)	2,604	(536)	(36,367)
Income tax expense	(27)	138	(830)	(113)
Income (loss) from continuing operations before share in loss of affiliate	(29,555)	2,742	(1,366)	(36,480)
Share in loss of affiliate	(177)	(201)	(1,089)	(1,092)
Income (loss) from continuing operations	(29,732)	2,541	(2,455)	(37,572)
Income (loss) from discontinued operations, net of tax and minority interest	(3,251)	(3,187)	(7,461)	(14,485)
Net income (loss)	(32,983)	(646)	(9,916)	(52,057)
Basic and diluted (loss) per share				
Continuing Operations	(1.37)	0.12	(0.11)	(1.77)
Discontinued Operations	(0.15)	(0.15)	(0.35)	(0.68)
Net loss	(1.52)	(0.03)	(0.46)	(2.45)
Number of shares (in thousand) used in computation (Basic and diluted)	21,656	21,342	21,567	21,282

ACTELION LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in CHF thousands)</i>	Three months ended December 31,		Twelve months ended December 31,	
	2003	2002	2003	2002
Cash flow from operating activities				
Net income (loss)	(32,983)	(646)	(9,916)	(52,057)
Loss from discontinued operations, net of minority interest	3,251	3,187	7,461	14,485
Loss from continuing operations	(29,732)	2,541	(2,455)	(37,572)
Adjustments to reconcile net income / (loss) to net cash provided from operating activities:				
Depreciation and amortization	1,987	1,311	7,549	5,301
Share in loss of affiliate	177	201	1,089	1,092
Stock-based compensation	1,374	(638)	4,819	3,690
Realized (gain) loss on sale of marketable securities	-	(31)	(602)	1,101
(Gain) / loss on derivative instruments	(1,297)	(924)	(937)	(924)
Write-off of acquired in-process research and development	46,990	-	46,990	-
Amortization of debt discount and expense	1,500	-	1,500	-
Increase in trade and other receivables	(22,941)	(8,846)	(44,837)	(13,880)
(Increase) decrease in inventories	(2,828)	(842)	(7,633)	(7,575)
(Increase) decrease in other current assets	(762)	(901)	(951)	(905)
Increase in other assets	(194)	(527)	(461)	(1,212)
Increase in trade and other payables	6,970	6,290	8,592	9,382
Increase in accrued expenses	7,233	3,891	18,290	13,088
Increase (decrease) in deferred revenue	10,630	(1,580)	5,891	(7,632)
Increase in other liabilities	(321)	134	1,484	265
Net cash flow provided by (used in) operating activities	18,786	79	38,328	(35,781)
Cash flow from investing activities				
Purchase of marketable securities	-	(12,384)	-	(13,235)
Proceeds from the sales of marketable securities	-	2,306	12,794	58,571
Purchase of property, plant and equipment	(1,983)	(2,159)	(7,114)	(5,351)
Purchase of derivative instruments	-	-	(1,621)	-
Proceeds from sale of derivative instruments	-	-	1,477	-
Purchase of intangible assets	(453)	(213)	(7,101)	(599)
Increase in investments of affiliates	-	-	-	(505)
Acquisition of subsidiary	(40,148)	-	(40,148)	-
Net cash flow provided by (used in) investing activities	(42,584)	(12,450)	(41,713)	38,881
Cash flows from financing activities				
Payments on capital leases	(152)	(152)	(607)	(713)
Proceeds from issuance of financial debt	141,677	40,000	141,677	40,000
Proceeds from exercise of stock options	3,301	180	7,553	1,215
Acquisition of treasury shares	-	-	-	(1,018)
Proceeds from sale of treasury shares	-	-	-	55
Net cash flow provided by financing activities	144,826	40,028	148,623	39,539
Net effect of exchange rates on cash and cash equivalents	(1,639)	445	(993)	670
Net effect of discontinued operations	2,742	(4,144)	(1,676)	(18,141)
Net change in cash and cash equivalents	122,131	23,958	142,569	25,168
Cash and cash equivalents at beginning of period	136,639	92,243	116,201	91,033
Cash and cash equivalents at end of period	258,770	116,201	258,770	116,201

**ACTELION LTD AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

(in CHF thousands, except share amounts)

	<u>December 31, 2003</u>	<u>December 31, 2002</u>
Assets		
Current assets		
Cash and cash equivalents	258,770	116,201
Marketable securities	-	4,851
Derivative instruments	2,199	1,622
Trade and other receivables, net	66,711	21,743
Inventories	21,455	13,821
Other current assets	3,966	2,841
Current assets of discontinued operations	10,385	3,460
Total current assets	<u>363,486</u>	<u>164,539</u>
Marketable securities, long-term	-	6,898
Property, plant and equipment, net	18,982	15,079
Investment in affiliate	-	2,171
Other assets	6,687	3,168
Intangible assets, net	8,813	9,945
Goodwill, net	3,784	3,672
Non-current assets of discontinued operations	1,091	13,488
Total assets	<u><u>402,843</u></u>	<u><u>218,960</u></u>
Liabilities and Shareholders' Equity		
Current liabilities		
Trade and other payables	27,535	25,108
Accrued expenses	37,601	18,549
Deferred revenue	10,821	6,318
Financial debt	41,161	-
Other current liabilities	2,019	563
Contingent consideration	6,641	-
Current liabilities of discontinued operations	8,758	5,373
Total current liabilities	<u>134,536</u>	<u>55,911</u>
Long-term financial debt, less current portion	145,147	40,000
Deferred revenue, less current portion	64,468	62,712
Other non-current liabilities	1,963	2,052
Non-current liabilities of discontinued operations	1,785	7,471
Total liabilities	<u>347,899</u>	<u>168,146</u>
Minority interest	517	494
Shareholders' Equity		
Common shares (par value CHF 2.50 per share, authorized 30,506,640 and 27,456,640 shares; issued 21,751,148 and 21,376,559 shares in 2003 and 2002 respectively)	54,378	53,441
Additional paid-in capital	302,817	289,671
Accumulated deficit	(297,226)	(287,310)
Unearned compensation	(5,369)	(3,936)
Treasury shares, at cost	(1,018)	(1,018)
Accumulated other comprehensive (loss) income	845	(528)
Total shareholders' equity	<u>54,427</u>	<u>50,320</u>
Total liabilities and shareholders' equity	<u><u>402,843</u></u>	<u><u>218,960</u></u>

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						(9,916)				(9,916)
Other comprehensive loss:										
Unrealized gain on marketable securities										-
Currency translation adjustment									1,373	1,373
Comprehensive loss										(8,543)
Increase in underlying equity of affiliate					93					93
Exercise of stock options	374,589	937			6,616					7,553
Stock-based compensation					653		4,351			5,004
Unearned Stock-based compensation					6,023		(6,023)			-
Stock option forfeitures and cancellations					(239)		239			-
At December 31, 2003	21,737,648	54,378	-	-	302,817	(297,226)	(5,369)	(1,018)	845	54,427