

**ACTELION LTD AND SUBSIDIARIES**

**CONSOLIDATED US GAAP FINANCIAL STATEMENTS FOR JUNE 30, 2007**

**Unaudited**

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**ACTELION LTD AND SUBSIDIARIES  
CONSOLIDATED INCOME STATEMENTS**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
<i>(in CHF thousands, except per share amounts)</i>				
<b>Net revenue:</b>				
Products sales	329,083	222,714	612,694	429,466
Contract revenue	6,829	3,831	13,657	7,633
<b>Total net revenue</b>	<b>335,912</b>	<b>226,545</b>	<b>626,351</b>	<b>437,099</b>
<b>Operating expenses (1)</b>				
Cost of sales	34,490	22,824	63,851	43,137
Research and development	69,453	53,309	135,195	100,991
Marketing and advertising	59,702	44,795	112,265	85,895
Selling, general and administration	66,183	45,294	130,705	84,658
Amortization of acquired intangible assets	5,407	1,052	10,311	2,072
Write-off of acquired in-process research and development	-	-	224,820	68
<b>Total operating expense</b>	<b>235,235</b>	<b>167,274</b>	<b>677,147</b>	<b>316,821</b>
<b>Operating income (loss)</b>	<b>100,677</b>	<b>59,271</b>	<b>(50,796)</b>	<b>120,278</b>
Interest income	5,535	1,562	9,373	2,523
Interest expense	(16)	(15)	(30)	(27)
Amortization of debt discount and issuance costs	(403)	(2,049)	(3,270)	(4,071)
Other financial income (expense), net	974	3,251	10,240	6,198
<b>Income (loss) before income tax expense</b>	<b>106,767</b>	<b>62,020</b>	<b>(34,483)</b>	<b>124,901</b>
Income tax expense	(9,722)	(10,698)	(18,470)	(19,913)
<b>Net income (loss)</b>	<b>97,045</b>	<b>51,322</b>	<b>(52,953)</b>	<b>104,988</b>
<b>Basic net income (loss) per share</b>	<b>0.81</b>	<b>0.45</b>	<b>(0.45)</b>	<b>0.93</b>
Number of shares (in thousands) used in computation	119,590	112,982	118,112	112,863
<b>Diluted net income (loss) per share</b>	<b>0.77</b>	<b>0.44</b>	<b>(0.45)</b>	<b>0.90</b>
Number of shares and share options (in thousands) used in computation	125,717	120,712	118,112	120,428
<b>(1) Includes employee stock option costs as follows:</b>				
Research and development	6,025	3,084	12,634	5,311
Marketing and advertising	4,239	2,731	8,878	4,576
Selling, general and administrative	8,390	4,194	15,880	6,424
<b>Total stock-based compensation</b>	<b>18,654</b>	<b>10,009</b>	<b>37,392</b>	<b>16,310</b>

**ACTELION LTD AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS**

<i>(in CHF thousands, except share amounts)</i>	<b>June 30, 2007</b>	<b>December 31, 2006</b>
	<u>          </u>	<u>          </u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	756,180	926,137
Short term deposits	9,400	189,098
Derivative instruments	228	3,667
Marketable securities	-	29,750
Trade and other receivables, net	301,229	217,376
Inventories	42,590	24,320
Other current assets	31,267	27,635
Deferred tax asset, current portion	7,678	4,518
<b>Total current assets</b>	<b><u>1,148,572</u></b>	<b><u>1,422,501</u></b>
Property, plant and equipment, net	97,523	81,970
Other assets	9,493	11,486
Intangible assets, net	208,706	19,159
Goodwill, net	124,180	27,385
Deferred tax asset	17,553	15,669
<b>Total assets</b>	<b><u>1,606,027</u></b>	<b><u>1,578,170</u></b>
 <b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Trade and other payables	81,618	67,297
Accrued expenses	156,395	130,894
Deferred revenue, current portion	27,593	27,314
Other current liabilities	2,050	1,649
Short-term financial debt	460,000	626,832
<b>Total current liabilities</b>	<b><u>727,656</u></b>	<b><u>853,986</u></b>
Deferred revenue, less current portion	107,233	120,890
Other non-current liabilities	5,027	4,395
Pension liability	19,835	19,835
Deferred tax liability	72,182	932
<b>Total liabilities</b>	<b><u>931,933</u></b>	<b><u>1,000,038</u></b>
 <b>Shareholders' Equity</b>		
Common shares (par value CHF 0.50 per share, authorized 213,853,275 and 207,033,200 shares; issued 121,049,919 and 114,779,420 shares in 2007 and 2006 respectively)	60,525	57,390
Additional paid-in capital	633,367	394,090
Accumulated profit	103,668	156,621
Treasury shares, at cost	(104,892)	(11,118)
Accumulated other comprehensive income	(18,574)	(18,851)
<b>Total Shareholders' Equity</b>	<b><u>674,094</u></b>	<b><u>578,132</u></b>
<b>Total Liabilities and Shareholders' Equity</b>	<b><u>1,606,027</u></b>	<b><u>1,578,170</u></b>

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

<i>(in CHF thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
<b>Cash flow from operating activities</b>				
Net income (loss)	97,045	51,322	(52,953)	104,988
Adjustments to reconcile net income to net cash provided from operating activities:				
Depreciation and amortization	10,366	4,698	19,569	9,056
Stock-based compensation	19,161	10,048	37,899	16,349
Excess tax benefits from share based payment arrangements	(2,562)	(371)	(5,225)	(582)
(Gains) Losses on derivative instruments	1,841	(1,522)	4,073	(3,059)
(Gains) Losses on marketable securities	(269)	-	(759)	-
Write-off of acquired in-process research and development	-	-	224,820	68
Amortization of debt discount and expense	403	2,049	3,270	4,071
Trade and other receivables	(46,734)	(28,516)	(66,542)	(45,522)
Inventories	(3,362)	1,424	(6,510)	2,504
Other current assets	1,142	2,807	(5,548)	(6,622)
Other assets	(966)	1,424	502	749
Trade and other payables	6,256	2,875	13,486	(3,427)
Accrued expenses	15,313	5,569	4,548	8,771
Deferred revenue	(6,883)	(3,960)	(13,592)	(7,366)
Other liabilities	(1,190)	(5,247)	(3,221)	(1,856)
Changes in other operating cash flow items	(2,217)	1,894	(4,539)	248
<b>Net cash flow provided by operating activities</b>	<b>87,344</b>	<b>44,494</b>	<b>149,278</b>	<b>78,370</b>
<b>Cash flow from investing activities</b>				
Purchase of short-term deposits	(24,648)	(88,400)	(132,795)	(181,400)
Withdrawal of short-term deposits	156,053	101,900	312,485	175,900
Purchase of property, plant and equipment	(12,332)	(8,950)	(26,728)	(18,016)
Purchase of marketable securities	-	(20,000)	-	(20,000)
Proceeds from sale of marketable securities	65,140	-	109,125	-
Purchase of derivative instruments	-	-	(505)	(377)
Proceeds from sale of derivative instruments	-	-	505	377
Purchase of intangible assets	(1,313)	(908)	(3,132)	(8,395)
Increase of investment	(2,785)	-	(2,785)	-
Acquisition of subsidiary	-	-	(520,271)	-
<b>Net cash flow provided by (used in) investing activities</b>	<b>180,115</b>	<b>(16,358)</b>	<b>(264,101)</b>	<b>(51,911)</b>
<b>Cash flow from financing activities</b>				
Payments on capital leases	(42)	(41)	(124)	(84)
Debt issuance cost	-	-	(260)	-
Expense from bond conversion	-	-	(2,213)	-
Proceeds from exercise of stock options, net of expense	15,330	3,750	33,881	-
Purchase of treasury shares	(59,186)	-	(93,606)	4,975
Excess tax benefits from share based payment arrangements	2,562	371	5,225	582
<b>Net cash flow provided by (used in) financing activities</b>	<b>(41,336)</b>	<b>4,080</b>	<b>(57,097)</b>	<b>5,473</b>
Net effect of exchange rates on cash and cash equivalents	2,261	(2,246)	1,963	(1,985)
<b>Net change in cash and cash equivalents</b>	<b>228,384</b>	<b>29,970</b>	<b>(169,957)</b>	<b>29,947</b>
Cash and cash equivalents at beginning of period	527,796	137,994	926,137	138,017
<b>Cash and cash equivalents at end of period</b>	<b>756,180</b>	<b>167,964</b>	<b>756,180</b>	<b>167,964</b>

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

*(in CHF thousands, except share amounts)*

	Common Shares		Additional	Accumulated	Treasury	Other	Shareholders'
	Shares	Amount	Paid-in- Capital	Profit	Shares	Comprehensive Income (Loss)	Equity
<b>At January 1, 2007</b>	<b>114,500,935</b>	<b>57,390</b>	<b>394,090</b>	<b>156,621</b>	<b>(11,118)</b>	<b>(18,851)</b>	<b>578,132</b>
Comprehensive loss net of tax effect:							
Net loss				(52,953)			(52,953)
Other comprehensive result:							-
Currency translation adjustment						207	207
Unrealized gain on marketable securities						70	70
Comprehensive loss							(52,676)
Excess tax benefit from share-based payment			5,099				5,099
Exercise of stock options	1,585,159	792	33,089				33,881
Equity increase from debt conversion	4,685,340	2,343	163,330				165,673
Transactions in treasury shares	(1,672,025)		367		(93,774)		(93,407)
Stock-based compensation expense, net			37,392				37,392
<b>At June 30, 2007</b>	<b>119,099,409</b>	<b>60,525</b>	<b>633,367</b>	<b>103,668</b>	<b>(104,892)</b>	<b>(18,574)</b>	<b>674,094</b>

**ACTELION LTD AND SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(CHF thousands, except share and per share amounts)**

**Note 1. Basis of presentation**

The unaudited condensed interim financial statements for Actelion Group (“The Group”) have been prepared on the basis of accounting principles generally accepted in the United States of America (“US GAAP”) for interim financial information. Accordingly, such financial statements do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for the interim period are not necessarily indicative of the results that may be expected for the year ended December 31, 2007, as interim results may be affected by several factors including, but not limited to, changes in the economic environment. These interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2006.

**Note 2. Stock-based compensation relating to the “Challenge Award”**

In 2004, the Group set up a special one-time incentive plan (“Challenge Award”) linked to specific achievements by the Group. The two conditions to be met were a) cumulative net revenues for four consecutive calendar quarters reach CHF 1 billion and b) the market share price equals at least CHF 286 (post split CHF 57.20) and remains at an average of that level for at least twenty consecutive trading days. The exercise price of all options granted under the Challenge Award was CHF 286 (post split CHF 57.20). In the event that the two conditions had not been met before December 31, 2009, the Challenge Award would have been cancelled.

As of March 31, 2007, both conditions have been met and the first tranche of the granted options was vested and became exercisable as of April 2, 2007. Of the remaining three quarters, the second tranche, equal to one quarter of the total award, will be vested and become exercisable on October 2, 2007, the third tranche on April 2, 2008 and the final tranche on October 2, 2008. The early achievement of the two conditions as of March 31, 2007, resulted in an accelerated vesting of the Challenge Award options as compared to the originally estimated achievement date of December 31, 2009. Total expense related to the Challenge Award for the half year amounted to CHF 18.7 million and a related increase in income tax benefit of CHF 2.2 million.

**Note 3. Treasury Shares**

At June 30, 2007, the Group held 1,950,510 treasury shares, which were acquired at an average price of CHF 53.79. In the course of the year to date, the Group acquired 1,681,375 treasury shares at an average price of CHF 55.67.

**Note 4. Acquisition CoTherix Inc.**

On January 9, 2007, the Group completed the acquisition of 100 percent of the issued and outstanding shares of the common stock of CoTherix, Inc. (NASDAQ:CTRX) via a cash tender offer in which the Group paid a cash consideration of USD 13.50 per share. The results of CoTherix’s operations have been included in the consolidated financial statements since that date. CoTherix was a biopharmaceutical company with its headquarters in Brisbane, California, focused on licensing, developing and commercializing therapeutic products for the potential treatment of cardiovascular diseases.

CoTherix licensed the exclusive U.S. rights to Ventavis® from Schering AG. Ventavis® (iloprost) is the only approved inhaled therapy for the treatment of pulmonary arterial hypertension (PAH) in the United States. The acquisition of CoTherix consolidates our leadership position in PAH and delivers operational synergies, from both a sales and expense perspective, thus enhancing value creation from Ventavis®.

The aggregate purchase price was CHF 538.6 million (USD 434.8 million) and consisted of cash paid of CHF 519.2 million (USD 419.1 million), direct transaction costs of CHF 7.6 million (USD 6.2 million) and employee-related

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severance costs of CHF 11.8 million (USD 9.5 million). Employee-related severance costs are included as part of the purchase price, as we established a workforce reduction plan as part of the acquisition transaction in accordance with EITF Issue No.95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination" (EITF 95-3).

The acquisition was recorded as a business combination and, accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition. Since the fair value of assets acquired and liabilities assumed was below the fair value of the consideration paid, the Group recorded goodwill of CHF 94.7 million (USD 76.5 million) including a deferred tax liability of CHF 74.9 (USD 60.5 million).

In making its purchase price allocation, the Group considered present value calculations of income, an analysis of project accomplishments, an assessment of overall contributions, as well as technological and regulatory risks. The marketed product and the in-process research and development projects (IPR&D) were valued using a variation of the Income Approach known as the Multi-Period Excess Earning Approach. This method utilizes a forecast of expected cash inflows, cash outflows, and pro-forma charges for economic returns of and on tangible assets employed. The cash outflows include direct and indirect expenses for costs to complete manufacturing, sales, marketing, routine technical maintenance, general and administrative, and taxes.

The net cash inflows were ascribed to their respective intangible assets and discounted to present value. Tax benefits resulting from the amortization of the intangible assets were then added to the present value of the excess cash flows to derive fair value. The estimated fair values of IPR&D, the identifiable intangible asset and property, plant and equipment were determined with the assistance of an independent valuation firm. The amount allocated to IPR&D with no alternative future use was CHF 224.8 million (USD 181 million) which represents the estimated fair value based on risk-adjusted cash flows related to incomplete research and development projects. At the date of the acquisition, development of these projects had not yet reached technological feasibility and the research and development in progress has no alternative future use. Accordingly, these costs were expensed as of the acquisition date. CHF 197.1 million (USD 159.1 million) of the purchase price was allocated to an intangible asset with a definitive life of approximately 13 years. The intangible asset represents the estimated fair value of the marketed product Ventavis® and will be amortized over its useful life.

The rates utilized to discount the net cash flows to their present value were based on estimated cost of capital calculations and the Internal Rate of Return implied by the fair value of the operating business enterprise value of CoTherix. Due to the risks associated with the projected cash flow forecast, a discount rate of 12.3 % was considered appropriate for the marketed product, and 14.3 % for the IPR&D considering an incremental level of development risk. The selected rates reflect the inherent uncertainties surrounding the sales expectation of the marketed product, successful development of the purchased in-process technology, the useful life of such technology, and the uncertainty of technological advances that are unknown at this time.

If projects are not successfully developed, the sales and profitability of the combined companies may be adversely affected in future periods. Additionally, the value of the acquired intangible assets may become impaired. The Group believes that the research and development projects and intangible assets acquired in connection with the acquisition of CoTherix are expected to continue in line with the estimates described above.

**ACTELION LTD AND SUBSIDIARIES**  
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The following table summarizes the purchase price allocation as of January 9, 2007:

	CHF	USD
Cash and cash equivalents	6,540	5,280
Short-term marketable securities	79,184	63,925
Accounts receivable, net	11,811	9,535
Inventory	11,830	9,550
Prepaid expenses	2,990	2,414
Property, plant and equipment, net	2,570	2,075
Purchased in-process research and development	224,205	181,000
Identifiable intangible asset	197,116	159,131
Goodwill	94,720	76,467
Other long-term assets	248	200
Total assets acquired	<u>631,213</u>	<u>509,577</u>
Accounts payable	(1,226)	(990)
Accruals	(15,880)	(12,820)
Other non-current liabilities	(564)	(455)
Deferred tax liability	(74,944)	(60,502)
Total liabilities assumed	<u>(92,614)</u>	<u>(74,767)</u>
<b>Net assets acquired</b>	<b>538,599</b>	<b>434,810</b>

**Note 5. Segment and geographic information**

The Group operates in one segment, which is the business of discovering, developing and commercializing drugs for human health care. The chief operating decision makers review the profit and loss of the Group on an aggregated basis and manage the operations of the Group as a single operating segment. The Group currently derives product revenue from sales of Tracleer® and Ventavis® for the treatment of pulmonary arterial hypertension and Zavesca® for the treatment of Type I Gaucher's disease. Contract revenue is derived from collaboration and service agreements with third parties. Product revenue attributable to individual countries is based on location of the customer.

The Group's geographic information is as follows:

<b>June 30, 2007:</b>	<b>Switzerland</b>	<b>United States</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
Product revenue from external customers.....	8,359	293,994	246,267	64,074	612,694
Contract revenue from external customers .....	13,657	-	-	-	13,657
Long-lived assets .....	130,484	289,762	6,933	3,230	430,409
<b>June 30, 2006:</b>	<b>Switzerland</b>	<b>United States</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
Product revenue from external customers.....	6,777	197,470	185,842	39,377	429,466
Contract revenue from external customers .....	7,366	-	-	267	7,633
Long-lived assets .....	99,636	5,119	4,227	3,460	112,442

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**(CHF thousands, except share and per share amounts)**

**Note 6. Inventories**

Inventories consisted of the following at:

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
Semi-finished products .....	21,263	13,040
Finished products .....	21,327	11,280
<b>Total</b> .....	<b>42,590</b>	<b>24,320</b>

**Note 7. Trade and other receivables**

Trade and other receivables consisted of the following at:

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
Trade receivables .....	281,152	208,141
Other receivables .....	20,077	9,235
<b>Total</b> .....	<b>301,229</b>	<b>217,376</b>

**Note 8. Property, plant and equipment**

Property, plant and equipment consisted of the following at:

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
At cost:		
Land .....	7,471	7,471
Building .....	18,158	400
Furniture and fixtures and lab equipment .....	87,661	71,908
Computers .....	20,050	16,459
Other tangible assets .....	6,208	4,653
Construction in progress .....	15,087	29,296
Less: accumulated depreciation and amortization ....	(57,112)	(48,217)
<b>Property, plant and equipment, net</b> .....	<b>97,523</b>	<b>81,970</b>

**ACTELION LTD AND SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(CHF thousands, except share and per share amounts)**

**Note 9. Accrued expenses**

Accrued expenses consisted of the following at:

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
Personnel and compensation costs.....	59,609	61,801
Marketing and royalties .....	15,269	6,968
Research and development expense .....	10,666	7,824
Accrued taxes .....	39,527	32,434
Rebates and allowances.....	12,874	10,050
Process Development .....	6,042	922
Professional services .....	3,675	3,374
Other accrued expenses .....	8,733	7,521
<b>Total .....</b>	<b>156,395</b>	<b>130,894</b>