

ACTELION LTD AND SUBSIDIARIES

CONSOLIDATED US GAAP FINANCIAL STATEMENTS FOR DECEMBER 31, 2016

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ACTELION LTD AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

(in CHF thousands, except per share amounts)

	Three months ended December 31,		Twelve months ended December 31,	
	2016	2015	2016	2015
Net revenue				
Product sales	626'881	519'334	2'412'198	2'041'515
Contract revenue	60	421	5'740	3'547
Total net revenue	626'941	519'755	2'417'938	2'045'062
Operating (expenses) ¹				
Cost of sales ²	(91'446)	(45'129)	(245'537)	(175'794)
Research and development	(168'586)	(132'664)	(568'534)	(463'842)
Selling, general and administration	(224'488)	(206'297)	(760'158)	(696'650)
Amortization of acquired intangible assets	(13'833)	(13'213)	(54'997)	(53'131)
Total operating (expenses)	(498'353)	(397'303)	(1'629'226)	(1'389'417)
Operating income	128'588	122'452	788'712	655'645
Interest income (expense), net	578	(1'903)	1'183	(8'186)
Other financial income (expense), net	(694)	786	2'539	(11'977)
Total financial income (expenses)	(116)	(1'117)	3'722	(20'163)
Income before income tax benefit (expense)	128'472	121'335	792'434	635'482
Income tax benefit (expense)	(13'748)	(22'394)	(97'599)	(87'547)
Net income	114'724	98'941	694'835	547'935
Less: Net loss attributable to the noncontrolling interests	303	752	1'551	3'924
Net income attributable to Actelion's shareholders	115'027	99'693	696'386	551'859
Basic net income per share attributable to Actelion's shareholders	1.11	0.94	6.66	5.09
Weighted-average number of common shares (in thousands)	103'349	105'697	104'626	108'320
Diluted net income per share attributable to Actelion's shareholders	1.08	0.91	6.46	4.91
Weighted-average number of common shares (in thousands)	106'236	109'718	107'811	112'484
¹ Includes stock-based compensation as follows:				
Research and development	(6'990)	(5'956)	(27'199)	(23'561)
Selling, general and administration	(10'383)	(9'044)	(38'025)	(33'235)
Total stock-based compensation	(17'373)	(15'000)	(65'224)	(56'796)

² Excludes amortization of intangible assets as presented separately.

ACTELION LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in CHF thousands)	Three months ended December 31,		Twelve months ended December 31,	
	2016	2015	2016	2015
Net income	114'724	98'941	694'835	547'935
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(10'880)	(3'462)	(4'089)	(28'485)
Change of unrecognized components of net periodic benefit costs	5'231	1'810	5'231	(3'672)
Amortization of components of net periodic benefit costs	240	456	1'433	1'875
Other comprehensive income (loss), net of tax	(5'409)	(1'196)	2'575	(30'282)
Comprehensive income	109'315	97'745	697'410	517'653
Less: Comprehensive loss attributable to noncontrolling interests	303	752	1'551	3'924
Comprehensive income attributable to Actelion's shareholders	109'618	98'497	698'961	521'577

ACTELION LTD AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<i>(in CHF thousands, except number of shares)</i>	December 31, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	495'380	404'892
Trade and other receivables, net	445'868	427'223
Inventories	135'820	62'107
Other current assets	115'763	68'828
Total current assets	1'192'831	963'050
Noncurrent assets		
Property, plant and equipment, net	350'215	348'277
Intangible assets, net	382'705	413'542
Goodwill	135'048	134'494
Deferred tax assets	20'528	39'159
Other noncurrent assets	25'150	16'415
Total noncurrent assets	913'646	951'887
Total assets	2'106'477	1'914'937
Liabilities		
Current liabilities		
Trade and other payables	83'009	83'878
Accrued expenses	445'730	302'729
Other current liabilities	40'211	34'375
Total current liabilities	568'950	420'982
Noncurrent liabilities		
Pension liability	66'427	67'204
Contingent considerations	115'630	83'759
Other noncurrent liabilities	34'312	27'979
Total noncurrent liabilities	216'369	178'942
Total liabilities	785'319	599'924
Equity		
Actelion's shareholders' equity		
Common shares (par value CHF 0.50 per share; authorized 147,753,077 and 154,120,627; issued 107,761,427 and 114,128,427 shares in 2016 and 2015, respectively)	53'881	57'064
Accumulated profit	2'187'889	2'636'931
Treasury shares, at cost	(680'053)	(1'137'399)
Accumulated other comprehensive income (loss)	(236'220)	(238'795)
Total Actelion's shareholders' equity	1'325'497	1'317'801
Noncontrolling interests		
Equity attributable to noncontrolling interests	(4'339)	(2'788)
Total equity	1'321'158	1'315'013
Total liabilities and equity	2'106'477	1'914'937

ACTELION LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended December 31,		Twelve months ended December 31,	
	2016	2015	2016	2015
<i>(in CHF thousands)</i>				
Cash flow from operating activities				
Net income	114'724	98'941	694'835	547'935
Adjustments to reconcile net income to net cash provided from operating activities:				
Depreciation and amortization	22'714	22'436	87'879	89'500
Stock-based compensation, incl. treasury shares to members of Board of Directors	17'606	15'247	66'166	57'753
Excess tax benefits from share-based payment arrangements	(2'571)	(2'180)	(15'097)	(13'415)
Deferred taxes	(7'315)	1'334	30'353	52'068
Deferred revenue	(386)	143	(354)	(527)
(Gains) Losses on derivative instruments	(3'685)	(190)	(10'300)	(24'759)
Interest expense on bonds	-	(8'452)	-	545
Accretion expense (benefit) on contingent considerations	27'419	3'611	37'025	387
Changes in operating assets and liabilities:				
Trade and other receivables	46'758	(13'155)	(12'433)	(31'371)
Inventories	(15'463)	(3'447)	(73'768)	(1'609)
Trade and other payables	(11'288)	(1'948)	12'575	(5'190)
Accrued expenses	69'896	39'216	140'163	328
Changes in other operating cash flow items	(33'493)	(26'772)	(37'514)	(13'967)
Net cash flow provided by (used in) operating activities	224'916	124'784	919'530	657'678
Cash flow from investing activities				
Purchase of property, plant and equipment	(14'527)	(7'023)	(32'804)	(18'703)
Purchase of intangible assets	(1'296)	(22'384)	(24'638)	(25'277)
Acquisition of a business, incl. contingent consideration payments	(993)	(5'960)	(4'239)	(8'015)
Net cash flow provided by (used in) investing activities	(16'816)	(35'367)	(61'681)	(51'995)
Cash flow from financing activities				
Debt repayment	-	(235'000)	-	(235'000)
Dividend payment	-	39	(158'513)	(142'390)
Payments on capital leases	-	-	-	(3)
Proceeds from exercise of stock options, net of expense	14'217	11'999	39'263	78'936
Purchase of treasury shares	(138'229)	(165'734)	(662'967)	(1'111'918)
Excess tax benefits from share-based payment arrangements	2'571	2'180	15'097	13'415
Contributions from noncontrolling interests' owners	-	-	-	1'136
Net cash flow provided by (used in) financing activities	(121'441)	(386'516)	(767'120)	(1'395'824)
Net effect of exchange rates on cash and cash equivalents	(1'989)	3'502	(241)	(9'925)
Net change in cash and cash equivalents	84'670	(293'597)	90'488	(800'066)
Cash and cash equivalents at beginning of period	410'710	698'489	404'892	1'204'958
Cash and cash equivalents at end of period	495'380	404'892	495'380	404'892

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

(in CHF thousands, except number of shares)	Actelion's shareholders						Noncontrolling interests	Total equity
	Common shares		Additional paid-in capital	Accumulated profit	Treasury shares	Accum. other comprehensive income (loss)	Equity attrib. to noncontrolling interests	
	Shares	Amount						
At January 1, 2015	111'128'427	57'064	-	2'359'573	(287'701)	(208'513)	-	1'920'423
Comprehensive income (loss) ¹⁾ :								
Net income				551'859			(3'924)	547'935
Other comprehensive income (loss)						(30'282)		(30'282)
Comprehensive income (loss) ¹⁾								517'653
Excess tax benefits from share-based payments			10'065					10'065
Transactions in treasury shares	(6'059'510)		75'989	(274'501)	(849'698)			(1'048'210)
Stock-based compensation expense			56'336					56'336
Dividend payment			(142'390)					(142'390)
Contributions from owners							1'136	1'136
At December 31, 2015	105'068'917	57'064	-	2'636'931	(1'137'399)	(238'795)	(2'788)	1'315'013
Comprehensive income (loss) ¹⁾ :								
Net income				696'386			(1'551)	694'835
Other comprehensive income (loss)						2'575		2'575
Comprehensive income (loss) ¹⁾								697'410
Excess tax benefits from share-based payments			10'263					10'263
Transactions in treasury shares	(1'961'715)		83'927	(308'175)	(383'090)			(607'338)
Stock-based compensation expense			64'323					64'323
Cancellation treasury shares (share repurchase program)		(3'183)	-	(837'253)	840'436			-
Dividend payment			(158'513)					(158'513)
At December 31, 2016	103'107'202	53'881	-	2'187'889	(680'053)	(236'220)	(4'339)	1'321'158

¹⁾ Comprehensive income (loss) is presented net of tax.