Section 1: 10-Q (FORM 10-Q)

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2004

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from_____to_____

Commission file number 0-26301

United Therapeutics Corporation

(Exact Name of Registrant as Specified in Its Charter)

Delaware	52-1984749
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1110 Spring Street, Silver Spring, MD	20910
(Address of Principal Executive Offices)	(Zip Code)

(301) 608-9292

Registrant's Telephone Number, Including Area Code

(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No [ ]

The number of shares outstanding of the issuer's common stock, par value $.01 per share, as of November 1, 2004 was 22,294,892.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

UNITED THERAPEUTICS CORPORATION
CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	September 30, 2004	December 31, 2003
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 86,378	$ 68,562
Accounts receivable, net of allowance of $22 for 2004 and $119 for 2003	10,793	10,151
Interest receivable	238	461
Prepaid expenses	1,486	1,874
Inventories	7,239	8,116
Due from affiliate	37	81
Other current assets	1,788	476
Total current assets	107,959	89,721
Marketable investments	38,709	48,775
Marketable investments and cash - restricted	10,118	—
Goodwill, net	7,465	7,465
Other intangible assets, net	6,087	6,446
Property, plant and equipment, net	17,337	15,225
Investments in affiliates	5,134	7,221
Note receivable from affiliates	433	433
Note receivable from employee and other assets	1,868	4,216
Total assets	$ 195,110	$ 179,502
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,659	$ 4,324
Accounts payable to affiliates	2	2
Accrued expenses	10,443	5,459
Due to affiliates	1,007	1
Current portion of notes and capital leases payable	18	773
Other current liabilities	58	59
Total current liabilities	14,187	10,618
Notes and capital leases payable, excluding current portion	13	25
Due to affiliates	—	946
Other liabilities	1,571	148
Total liabilities	15,771	11,737
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value $.01, 10,000,000 shares authorized, no shares issued	—	—
Series A junior participating preferred stock, par value $ .01, 100,000 authorized, no shares issued	—	—
Common stock, par value $.01, 100,000,000 shares authorized, 22,774,056 and 21,836,342 shares issued at September 30, 2004 and December 31, 2003, respectively, and 22,247,456 and 21,309,742 outstanding at September 30, 2004 and December 31, 2003, respectively	228	218
Additional paid-in capital	373,297	368,537
Accumulated other comprehensive income (loss)	(81)	1,674
Treasury stock at cost, 526,600 shares	(6,874)	(6,874)
Accumulated deficit	(187,231)	(195,790)
Total stockholders' equity	179,339	167,765
Total liabilities and stockholders' equity	$ 195,110	$ 179,502

See accompanying notes to consolidated financial statements.

UNITED THERAPEUTICS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Revenues:				
Net product sales	$ 19,027	$ 14,163	$ 49,002	$ 36,994
Service sales	968	872	2,975	2,757
Total revenues	19,995	15,035	51,977	39,751
Operating expenses:				
Research and development	7,322	9,401	23,101	25,644
Selling, general and administrative	4,815	5,624	15,983	16,607
Cost of product sales	1,690	1,233	4,632	4,127
Cost of service sales	470	520	1,366	1,376
Total operating expenses	14,297	16,778	45,082	47,754
Income (loss) from operations	5,698	(1,743)	6,895	(8,003)
Other income (expense):				
Interest income	771	637	2,094	1,844
Interest expense	(4)	(31)	(6)	(94)
Equity loss in affiliate	(244)	(221)	(482)	(628)
Other, net	45	17	58	132
Total other income, net	568	402	1,664	1,254
Income (loss) before income tax	6,266	(1,341)	8,559	(6,749)
Income tax	—	—	—	—
Net income (loss)	$ 6,266	$ (1,341)	$ 8,559	$ (6,749)
Net income (loss) per common share – basic	$ 0.29	$ (0.06)	$ 0.40	$ (0.32)
Net income (loss) per common share – diluted	$ 0.27	$ (0.06)	$ 0.37	$ (0.32)
Weighted average number of common shares outstanding – basic	21,850,306	21,231,165	21,524,703	21,079,912
Weighted average number of common shares outstanding – diluted	23,418,207	21,231,165	22,856,179	21,079,912

See accompanying notes to consolidated financial statements.

UNITED THERAPEUTICS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2004	**2003**
Cash flows from operating activities:		
Net income (loss)	$ 8,559	$ (6,749)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,739	1,710
Provision for bad debt	21	230
Provision for inventory obsolescence	43	350
Loss on disposals of equipment	—	110
Options issued in exchange for services	215	123
Amortization of discount or premium on investments	(78)	(25)
Equity loss in affiliate	482	628
Changes in operating assets and liabilities:		
Accounts receivable	(662)	621
Interest receivable	223	(379)
Inventories	787	(787)
Prepaid expenses	388	(328)
Other assets	2,469	830
Accounts payable	(1,665)	1,425
Accrued expenses	4,984	5,000
Due to (from) affiliates	54	(158)
Other liabilities	(78)	7
Net cash provided by operating activities	17,481	2,608
Cash flows from investing activities:		
Purchases of property, plant and equipment	(4,295)	(2,793)
Investment in Northern Therapeutics, Inc.	—	(1,500)
Proceeds from disposals of property, plant and equipment	816	336
Acquisition of patent rights	—	(300)
Purchases of investments and certificate of deposit	(29,973)	(44,711)
Maturities of investments	30,000	6,641
Net cash used in investing activities	(3,452)	(42,327)
Cash flows from financing activities:		
Proceeds from the exercise of stock options	4,554	3,867
Principal payments on notes payable and capital lease obligations	(767)	(360)
Net cash provided by financing activities	3,787	3,507
Net increase (decrease) in cash and cash equivalents	17,816	(36,212)
Cash and cash equivalents, beginning of period	68,562	122,655
Cash and cash equivalents, end of period	$ 86,378	$ 86,443
Supplemental schedule of cash flow information:		
Cash paid for interest	$ 1	$ 76
Noncash investing and financing activities – note payable issued for building and land	$ —	$ 974

See accompanying notes to consolidated financial statements.

UNITED THERAPEUTICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(UNAUDITED)

1. ORGANIZATION AND BUSINESS DESCRIPTION

United Therapeutics Corporation (United Therapeutics) is a biotechnology company focused on the development and commercialization of unique products for patients with chronic and life-threatening cardiovascular, infectious and oncological diseases. United Therapeutics was incorporated on June 26, 1996 under the laws of the State of Delaware and has the following wholly owned subsidiaries: Lung Rx, Inc., Unither Pharmaceuticals, Inc. (UPI), Unither Telemedicine Services Corp. (UTSC), Unither.com, Inc., United Therapeutics Europe, Ltd., Unither Pharma, Inc., Medicomp, Inc., Unither Nutriceuticals, Inc. and Lung Rx, Ltd.

United Therapeutics' lead product is Remodulin®. On May 21, 2002, the United States Food and Drug Administration (FDA) approved Remodulin (treprostinil sodium) Injection for the treatment of pulmonary arterial hypertension in patients with NYHA class II-IV symptoms to diminish symptoms associated with exercise. United Therapeutics agreed with the FDA that it would perform a post-marketing Phase IV clinical study to further assess the clinical benefits of Remodulin. The Phase IV study commenced in late 2002 and the final study report must be submitted to the FDA by December 2005. Continued FDA approval is conditioned on the diligent and timely completion of the Phase IV study, as well as its outcome. International applications for the approval of Remodulin are pending. United Therapeutics has generated revenues from sales of Remodulin and arginine products in the United States and other countries and revenues from telemedicine products and services in the United States.

2. BASIS OF PRESENTATION

The consolidated financial statements included herein have been prepared, without audit, pursuant to Regulation S-X of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto contained in United Therapeutics' Annual Report on Form 10-K for the year ended December 31, 2003 as filed with the Securities and Exchange Commission.

In the opinion of United Therapeutics' management, any adjustments contained in the accompanying unaudited consolidated financial statements are of a normal recurring nature, necessary to present fairly the financial position as of September 30, 2004 and results of operations and cash flows for the three and nine-month periods ended September 30, 2004 and 2003. Interim results are not necessarily indicative of results for an entire year.

3. STOCKHOLDERS' EQUITY

Earnings (Loss) per Common Share

Basic earnings (loss) per common share is computed by dividing net income or loss by the weighted average number of shares of common stock outstanding during the respective periods. Diluted earnings (loss) per common share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period plus the effects of outstanding stock options that could potentially dilute earnings per share in the future. The effects of potentially dilutive stock options were calculated using the treasury stock method. The effects of outstanding stock options were not included in the computation of diluted loss per share in 2003 because to do so would have been antidilutive for the periods presented. As of September 30, 2003, those options totaled approximately 908,000 shares. The components of basic and dilutive earnings (loss) per share are as follows (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net income (loss)	$ 6,266	$ (1,341)	$ 8,559	$ (6,749)
Weighted average outstanding shares of common stock	21,850	21,231	21,525	21,080
Dilutive effect of stock options and other items	1,568	—	1,331	—
Common stock and common stock equivalents	23,418	21,231	22,856	21,080
Earnings (loss) per share				
Basic	$ 0.29	$ (0.06)	$ 0.40	$ (0.32)
Diluted	$ 0.27	$ (0.06)	$ 0.37	$ (0.32)

Stock Option Plan

United Therapeutics applies the provisions of Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*, to account for its stock options. SFAS No. 123 allows companies to continue to apply the provisions of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations and provide pro forma net income and pro forma earnings per share disclosures for employee stock options granted as if the fair-value-based method defined in SFAS No. 123 had been applied. United Therapeutics has elected to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosures of SFAS No. 123. United Therapeutics accounts for non-employee stock option awards in accordance with SFAS No. 123 and EITF 96-18, *Accounting for Equity Instruments that are Issued to Other than Employees.*

As a result of applying APB Opinion No. 25 and related interpretations, no stock-based employee compensation expense is reflected in net income (loss), as all stock options granted to employees had an exercise price equal to or greater than the market value of the underlying common stock on the date of grant. In accordance with SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*, the effect on net income (loss) and net income (loss) per share if United Therapeutics had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation is as follows (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net income (loss), as reported	$ 6,266	$(1,341)	$ 8,559	$ (6,749)
Less total stock-based employee compensation expense determined under fair value based method for all awards	(1,732)	(3,165)	(5,195)	(9,496)
Pro forma net income (loss)	$ 4,534	$(4,506)	$ 3,364	$(16,245)
Basic net income (loss) per common share:				
As reported	$ 0.29	$ (0.06)	$ 0.40	$ (0.32)
Pro forma	$ 0.21	$ (0.21)	$ 0.16	$ (0.77)
Diluted net income (loss) per common share:				
As reported	$ 0.27	$ (0.06)	$ 0.37	$ (0.32)
Pro forma	$ 0.19	$ (0.21)	$ 0.15	$ (0.77)

In July 2004, the Compensation Committee of the Board of Directors approved a plan to allow certain employees to voluntarily cancel a portion of their outstanding options. In exchange for each canceled option, United Therapeutics will grant a new option in January 2005. The new options will be granted at the fair market price of United Therapeutics' common stock on the date that the replacement options are issued. The program was fully implemented in July 2004 and no further cancellations are anticipated. Approximately 560,000 options with a weighted average exercise price of $85.79 were canceled. Each of the employees who participated did not have any options granted to them in the six months prior to the cancellation. Furthermore, each of the employees who participated agreed to forgo receiving any new options for a period of six months following the cancellation. No guarantees or other promises of remuneration were made to the employees who agreed to participate. In accordance with FASB Interpretation No. 44, no compensation expense will be recognized upon the grant of the replacement options.

During the nine months ended September 30, 2004, options to purchase 345,857 shares were exercised.

4. INVENTORIES

United Therapeutics manufactures certain compounds and purchases medical supplies for use in its product sales and ongoing clinical trials. United Therapeutics purchases cardiac monitoring equipment and supplies and also contracts with a third party manufacturer to make the HeartBar® products. These inventories are accounted for under the first-in, first-out method and are carried at lower of cost or market.

Inventories consisted of the following, net of reserves of approximately $391,000 and $321,000 at September 30, 2004 and December 31, 2003, respectively (in thousands):

	September 30, 2004	December 31, 2003
Remodulin:		
Raw materials	$ 309	$ 172
Work in progress	4,822	4,971
Finished goods	856	921
Remodulin delivery pumps and medical supplies	886	1,544
Cardiac monitoring components and supplies	49	211
HeartBar product line	317	297
Total inventories	$7,239	$8,116

5. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets were comprised as follows (in thousands):

	As of September 30, 2004			As of December 31, 2003		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Goodwill	$9,072	$(1,607)	$7,465	$9,072	$(1,607)	$7,465
Intangible assets:						
Noncompete agreements	$ 273	$ (273)	$ —	$ 273	$ (273)	$ —
Trademarks	2,802	(922)	1,880	2,802	(738)	2,064
Technology and patents	6,164	(1,957)	4,207	6,164	(1,782)	4,382
Total intangible assets	$9,239	$(3,152)	$6,087	$9,239	$(2,793)	$6,446

Total amortization expense for the nine-month periods ended September 30, 2004 and 2003 was approximately $360,000 and $640,000, respectively. As of January 1, 2004, the aggregate amortization expense related to these intangible assets for each of the following five years is estimated as follows (in thousands):

Year ending December 31,	
2004	$ 479
2005	479
2006	479
2007	432
2008	432

6. SEGMENT INFORMATION

United Therapeutics has two reportable business segments. The pharmaceutical segment includes all activities associated with the research, development, manufacture and commercialization of therapeutic products. The telemedicine segment includes all activities associated with the research, manufacture and delivery of patient monitoring services. The telemedicine segment is managed separately because diagnostic services require different technology and marketing strategies.

Segment information as of and for the three months ended September 30, 2004 and 2003 was as follows (in thousands):

	Three Months Ended September 30,					
	2004			2003		
	Pharmaceutical	Telemedicine	Consolidated Totals	Pharmaceutical	Telemedicine	Consolidated Totals
Revenues from external customers	$ 18,770	$1,225	$ 19,995	$ 13,973	$ 1,062	$ 15,035
Income (loss) before income tax	6,603	(337)	6,266	(580)	(761)	(1,341)
Interest income	769	2	771	635	2	637
Interest expense	—	(4)	(4)	(30)	(1)	(31)
Depreciation and amortization	(399)	(203)	(602)	(300)	(282)	(582)
Equity loss in affiliate	(244)	—	(244)	(221)	—	(221)
Total investment in equity method investees	3,110	—	3,110	3,843	—	3,843
Expenditures for long-lived assets	512	120	632	513	58	571
Goodwill, net	1,287	6,178	7,465	1,287	6,178	7,465
Total assets	185,513	9,597	195,110	177,963	10,123	188,086

Segment information as of and for the nine months ended September 30, 2004 and 2003 was as follows (in thousands):

	Nine Months Ended September 30,					
	2004			2003		
	Pharmaceutical	Telemedicine	Consolidated Totals	Pharmaceutical	Telemedicine	Consolidated Totals
Revenues from external customers	$ 48,265	$ 3,712	$ 51,977	$ 36,559	$ 3,192	$ 39,751
Income (loss) before income tax	9,574	(1,015)	8,559	(4,411)	(2,338)	(6,749)
Interest income	2,088	6	2,094	1,838	6	1,844
Interest expense	(1)	(5)	(6)	(91)	(3)	(94)
Depreciation and amortization	(1,155)	(584)	(1,739)	(881)	(829)	(1,710)
Equity loss in affiliate	(482)	—	(482)	(628)	—	(628)
Total investment in equity method investees	3,110	—	3,110	3,843	—	3,843
Expenditures for long-lived assets	3,877	418	4,295	2,688	105	2,793
Goodwill, net	1,287	6,178	7,465	1,287	6,178	7,465
Total assets	185,513	9,597	195,110	177,963	10,123	188,086

The segment information shown above equals the consolidated totals when combined. These consolidated totals equal the amounts reported in the consolidated financial statements without further reconciliation for those categories which are reported in the consolidated financial statements. There are no inter-segment transactions.

For the nine month periods ended September 30, 2004 and 2003 approximately 86 percent and 92 percent of United Therapeutics revenues were earned from customers located in the United States, respectively.

7. COMPREHENSIVE INCOME (LOSS)

SFAS No. 130, *Reporting Comprehensive Income,* establishes standards for the reporting and display of comprehensive income (loss) and its components. SFAS No. 130 requires, among other things, that unrealized gains and losses on available-for-sale securities and foreign currency translation adjustments be included in other comprehensive income (loss). The following statement presents comprehensive income (loss) for the three and nine months ended September 30, 2004 and 2003 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net income (loss)	$6,266	$(1,341)	$ 8,559	$(6,749)
Other comprehensive income (loss):				
Foreign currency translation adjustment	(22)	(3)	(102)	(36)
Unrealized gain (loss) on available-for-sale securities	(535)	(123)	(1,653)	685
Comprehensive income (loss)	$5,709	$(1,467)	$ 6,804	$(6,100)

8. LAND

At December 31, 2003, approximately $2.8 million was held in an escrow account pending settlement on the acquisition of a lot adjacent to United Therapeutics' headquarters to be used to construct a new laboratory facility. This escrow was included in non-current other assets in the accompanying consolidated balance sheet at December 31, 2003. In June 2004, United Therapeutics completed the acquisition of the lot and paid approximately $2.9 million from escrow and cash.

9. LABORATORY OPERATING LEASE

In June 2004, United Therapeutics entered into a synthetic operating lease and related agreements with Wachovia Development Corporation and its affiliates (Wachovia) to fund the construction of a laboratory facility in Silver Spring, Maryland for use in the Remodulin and OvaRex® programs. Under these agreements, Wachovia will fund up to $32.0 million towards the construction of the laboratory facility on ground owned by United Therapeutics. The construction phase has commenced and is expected to be completed in late 2005. Following construction, Wachovia will lease the laboratory facility to United Therapeutics with a term ending in May 2011. Under the 99 year ground lease, Wachovia will pay fair value rent to United Therapeutics for use of the land both during the construction phase and after the laboratory lease is terminated. During the term of the laboratory lease, Wachovia will pay $1 per year to United Therapeutics for use of the land.

Upon completion of the construction, Wachovia will receive rents from United Therapeutics generally based on applying the 30-day LIBOR rate plus approximately 55 basis points to the amount funded by Wachovia towards the construction of the laboratory. These rents will be paid monthly from the time that the laboratory construction is completed until the termination of the lease in May 2011. Upon termination of the lease, United Therapeutics will generally have the option of renewing the lease (subject to the approval of both parties), purchasing the laboratory at a price approximately equal to the funded construction cost or selling it and repaying Wachovia the cost of its construction. United Therapeutics has guaranteed that if the laboratory is sold, Wachovia will receive at least 86 percent of the amount it funded towards the construction, as further discussed below.

In addition, United Therapeutics agreed to pledge, as collateral, a portion of its marketable investments to secure its lease obligations. At September 30, 2004, approximately $10.1 million of marketable investments and cash were pledged as collateral and are reported as restricted marketable investments and cash in the consolidated balance sheets.

United Therapeutics anticipates that rent payments will commence in late 2005, after completion of construction, and continue through termination of the lease in May 2011. In addition, pursuant to the 99 year ground lease, Wachovia has paid to United Therapeutics ground rent totaling approximately $307,000 that will be recognized in other income ratably through May 2011.

The lease and other agreements with Wachovia require that, among other things, United Therapeutics maintain a consolidated current ratio of not less than 1.2:1.0 and a consolidated net worth of at least $70.0 million. The agreements contain other covenants and conditions which must be complied with by United Therapeutics throughout the construction and lease periods and upon termination of the lease. If United Therapeutics is unable to comply with these covenants and conditions, the agreements could terminate if the noncompliance was uncured and the parties could not agree otherwise.

If, at the end of the lease term, United Therapeutics does not renew the lease or purchase the improvements, then the facility will be sold to a third party. In that event, United Therapeutics has guaranteed that Wachovia will receive a guaranteed minimum residual value for the laboratory facility. This guaranteed residual is generally equal to 86 percent of the amount funded by Wachovia towards construction. The maximum potential amount of this guarantee is approximately $27.5 million, equivalent to 86 percent of expected total construction costs of $32.0 million.

FASB Interpretation No. 45 (FIN 45), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, requires that the fair value of the residual value guarantee be reported as a liability in United Therapeutics' consolidated balance sheet, regardless of whether an event triggering the payment of the guarantee has occurred. In accordance with FIN 45, United Therapeutics has reported this guarantee as a non-current asset (prepaid rent) and non-current liability (other liability). The prepaid rent and guarantee liability will be amortized in a straight-line manner over the term of the lease. The value of the guarantee reported in the balance sheet was approximately $839,000. At September 30, 2004, approximately $3.1 million towards the laboratory's development had been incurred and funded by Wachovia.

United Therapeutics has concluded that it is not required to consolidate Wachovia pursuant to FASB Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities* as United Therapeutics does not have a controlling financial interest in Wachovia. In accordance with the guidance in Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, EITF No. 97-1, *Implementation Issues in Accounting for Lease Transactions, Including Those Involving Special-Purpose Entities*, EITF No. 97-10, *The Effect of Lessee Involvement in Asset Construction*, and FIN 46, United Therapeutics has determined that the lease is properly classified as an operating lease for accounting purposes.

10. INCOME TAXES

United Therapeutics did not incur income tax expense for the three and nine month periods ended September 30, 2004 generally due to the availability of deductions for tax purposes which will offset any net income for these periods. As of September 30, 2004, United Therapeutics had available approximately $113.7 million in net operating loss carryforwards and approximately $29.8 million in business tax credit carryforwards for federal income tax purposes that expire at various dates through 2023. The portions of these carryforward items that were generated prior to June 1999 are subject to certain limitations. United Therapeutics does not believe that the limitations will cause the net operating loss and general business credit carryforwards to expire unused.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements and related notes appearing in United Therapeutics' Annual Report on Form 10-K for the year ended December 31, 2003. The following discussion contains forward-looking statements made pursuant to the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995 concerning, among other things, the pricing of Remodulin, the rate of patient consumption of Remodulin, the impacts of price changes and changes in patient consumption of Remodulin on future revenues, the timing, impact, materiality and outcome of under-reimbursement by Medicare, the funding of operations from future revenues, the expectation of continued profits or losses, expectations concerning milestone and royalty payments in 2004, the use of net operating loss carryforwards and business tax credit carryforwards, the completion of in-process research and development products, the outcome and timing of new and

continuing regulatory approvals, the expected levels and timing of Remodulin sales, the adequacy of United Therapeutics' resources to fund operations through 2006, the timing and level of spending to construct a laboratory production facility, the potential amount of the minimum residual value guarantee to Wachovia, events that could occur upon termination of the Wachovia agreements, estimated amounts of future contractual obligations, the potential impacts of new accounting standards, as well as statements preceded by, followed by or that include the words "believes", "expects", "anticipates", "intends", "estimates", "may" or similar expressions. These statements are based on the beliefs and expectations of United Therapeutics as to future outcomes and are subject to risks and uncertainties that could cause United Therapeutics' results to differ materially from anticipated results. Factors that could cause or contribute to such differences include those discussed below and the risks described in United Therapeutics' Annual Report on Form 10-K for the year ended December 31, 2003 and the other cautionary statements, cautionary language and risk factors set forth in United Therapeutics' other reports and documents filed with the Securities and Exchange Commission. United Therapeutics undertakes no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

United Therapeutics is a biotechnology company focused on the development and commercialization of unique products for chronic and life-threatening cardiovascular, infectious and oncological diseases. United Therapeutics commenced operations in June 1996 and, since its inception, has devoted substantially all of its resources to acquisitions and research and development programs.

United Therapeutics Products and Services

United Therapeutics' lead product is Remodulin. On May 21, 2002, the United States Food and Drug Administration (FDA) approved Remodulin (treprostinil sodium) Injection for the treatment of pulmonary arterial hypertension in patients with NYHA class II-IV symptoms to diminish symptoms associated with exercise. Pulmonary arterial hypertension is a life-threatening condition characterized by elevated blood pressures between the heart and lungs. United Therapeutics agreed with the FDA that it would perform a post-marketing Phase IV clinical study to further assess the clinical benefits of Remodulin. The Phase IV study commenced in late 2002 and the final study report must be submitted to the FDA by December 2005. Continued FDA approval is conditioned on the diligent and timely completion of the Phase IV study, as well as its outcome. Remodulin is also approved for use in Canada, Israel and Australia. In December 2003, Switzerland announced that it would approve Remodulin pending final labeling and a commitment to perform a drug interaction study. Marketing authorization applications for the approval of Remodulin in France, Poland and other countries are under review.

United Therapeutics has generated revenues from sales of Remodulin and arginine products in the United States and other countries. In addition, United Therapeutics has generated revenues from telemedicine products and services, primarily designed for patients with cardiac arrhythmias and ischemic heart disease, in the United States. United Therapeutics has funded its operations from the proceeds of sales of its common stock and from revenues from the sales of its products and services.

Remodulin Marketing and Sales

Remodulin is sold and marketed to patients in the United States by Accredo Therapeutics, Inc., Priority Healthcare Corporation and Caremark, Inc. and outside of the United States by international distributors. United Therapeutics sells Remodulin in bulk shipments to these distributors. The timing and extent of United Therapeutics' sales of Remodulin are impacted by the timing and extent of these bulk orders from distributors. Bulk orders placed by distributors are determined by them, based on their estimates of the amount of drug required for current and newly starting patients, as well as an inventory equivalent to approximately thirty to sixty days demand as a contingent supply since discontinuation of therapy can be life-threatening to patients. Therefore, sales of Remodulin to distributors in any given quarter may not be indicative of patient demand in that quarter. Sales of Remodulin and Remodulin delivery pumps and supplies are recognized as revenue when delivered to the distributors.

Future Prospects

While United Therapeutics was profitable during most of 2004, it incurred net losses for all periods from inception through March 31, 2004. At September 30, 2004, United Therapeutics had an accumulated deficit of approximately $187.2 million. United Therapeutics may continue to incur net losses and cannot provide assurances that, in the future, it will be

profitable. Future profitability will depend on many factors, including successful completion of the Remodulin Phase IV study, the price, level of sales, level of reimbursement by public and private insurance payers, and the number of patients using Remodulin and other currently commercialized products and services, as well as the results and costs of research and development projects.

Major Research and Development Projects

Cardiovascular Disease Programs

Remodulin was approved by the FDA in May 2002 for the treatment of pulmonary arterial hypertension in NYHA Class II-IV patients to diminish symptoms associated with exercise. A condition of FDA approval is that a Phase IV clinical study must be completed with a final study report submitted to the FDA by December 2005. The Phase IV study is currently being enrolled. Remodulin was also approved in Canada, Israel and Australia for similar uses. Regulatory applications and reviews of Remodulin for pulmonary arterial hypertension are ongoing in other countries. Material net cash inflows from the sales of Remodulin for pulmonary arterial hypertension commenced in May 2002 after FDA approval was received.

United Therapeutics is also developing Remodulin as an intravenous therapy for pulmonary arterial hypertension. In 2003, United Therapeutics filed an investigational new drug application and performed animal toxicology and human bioequivalence studies to support intravenous use of Remodulin. Based on positive results of these studies, in January 2004, United Therapeutics filed a supplemental New Drug Application (sNDA) with the FDA for intravenous use of Remodulin in pulmonary arterial hypertension. The sNDA is currently under review by the FDA and its review is expected to be completed by November 30, 2004. Remodulin is also being evaluated for the treatment of critical limb ischemia (the advanced stage of vascular disease affecting blood vessels in the legs). United Therapeutics has completed one Phase II clinical study and an additional clinical study is underway. Additionally, United Therapeutics is in the early stages of developing oral and inhaled formulations of Remodulin. United Therapeutics incurred expenses of approximately $3.6 million and $4.1 million in the three-month periods ended September 30, 2004 and 2003, respectively, and approximately $12.6 million and $8.5 million in the nine-month periods ended September 30, 2004 and 2003, respectively, on Remodulin development. Approximately $137.2 million in expenses from inception to September 30, 2004 has been incurred for Remodulin.

Cancer Disease Programs

United Therapeutics' monoclonal antibody immunotherapies were licensed in April 2002 from AltaRex Medical Corp. OvaRex MAb is the lead product and is currently being studied in two identical Phase III clinical trials in advanced ovarian cancer patients. These studies commenced in January 2003 and are expected to require two to three years to become fully enrolled. United Therapeutics incurred expenses of approximately $1.8 million and $3.2 million in the three-month periods ended September 30, 2004 and 2003, respectively, and approximately $5.5 million and $7.1 million in the nine-month periods ended September 30, 2004 and 2003, respectively, on OvaRex development. Approximately $21.9 million from inception to September 30, 2004 has been incurred on OvaRex development.

Infectious Disease Programs

United Therapeutics' infectious disease program includes drug candidates in the preclinical and clinical stages of testing. The drugs in this program are being developed for hepatitis C, hepatitis B and other infectious diseases. The first candidate for hepatitis C, UT-231B, completed acute and chronic Phase I clinical dosing studies to assess safety in healthy volunteers in early 2003. Phase II clinical studies in patients infected by hepatitis C were initiated in July 2003 and were completed in October 2004. In that trial, UT-231B did not demonstrate efficacy against hepatitis C in a population of patients that previously failed conventional treatments. United Therapeutics is now planning a trial in patients who responded positively to conventional treatments in order to determine if UT-231B can prevent disease relapse in such patients. United Therapeutics incurred expenses of approximately $971,000 and $860,000 in the three-month periods ended September 30, 2004 and 2003, respectively, and approximately $2.4 million and $6.3 million in the nine-month periods ended September 30, 2004 and 2003, respectively, for its infectious disease programs. Approximately $30.8 million from inception to September 30, 2004 has been incurred for infectious disease programs.

Project Risks

Due to the inherent uncertainties involved in the drug development, regulatory review and approval processes, the anticipated completion dates, the cost of completing the research and development and the period in which material net cash inflows from these projects are expected to commence are not known or estimable. There are many risks and uncertainties associated with completing the development of the products discussed above, including the following:

- Products may fail in clinical studies;
- Hospitals, physicians and patients may not be willing to participate in clinical studies;
- The drugs may not be safe and effective or may not be perceived as safe and effective;
- Other approved or investigational therapies may be viewed as safer, more effective or more convenient;
- Patients may experience severe side effects during treatment;
- Patients may die during the clinical study because their disease is too advanced or because they experience medical problems that are not related to the drug being studied;
- Patients may not enroll in the studies at the rate United Therapeutics expects;
- The FDA and foreign regulatory authorities may delay or withhold approvals to commence clinical trials or to manufacture drugs;
- The FDA and foreign regulatory authorities may request that additional studies be performed;
- Higher than anticipated costs may be incurred due to the high cost of contractors for drug manufacture, research and clinical trials;
- Drug supplies may not be sufficient to treat the patients in the studies; and
- The results of preclinical testing may cause delays in clinical trials.

If these projects are not completed in a timely manner, regulatory approvals would be delayed and United Therapeutics' operations, liquidity and financial position could suffer. Without regulatory approvals, United Therapeutics could not commercialize and sell these products and, therefore, potential revenues and profits from these products would be delayed or impossible to achieve.

Financial Position

Cash, cash equivalents and marketable investments (unrestricted and restricted) at September 30, 2004 were approximately $135.2 million as compared to approximately $117.3 million at December 31, 2003. The increase was due primarily to cash provided by operations of approximately $17.5 million and proceeds from the exercise of stock options totaling approximately $4.6 million during the nine months ended September 30, 2004, offset by $4.3 million used to purchase property, plant and equipment.

Investments in affiliates at September 30, 2004 were approximately $5.1 million, as compared to approximately $7.2 million at December 31, 2003. The decrease was due primarily to a reduction in the value of United Therapeutics' shares in AltaRex during the period as based on quoted market prices.

Other non-current assets at September 30, 2004 were approximately $1.9 million, as compared to approximately $4.2 million at December 31, 2003. Included in this amount at December 31, 2003 was an escrow of approximately $2.8 million which was used in June 2004 to purchase a lot adjacent to United Therapeutics' headquarters that was leased to Wachovia as part of the arrangements related to the construction of a laboratory facility discussed below.

Total liabilities at September 30, 2004 were approximately $15.8 million, as compared to total liabilities of approximately $11.7 million at December 31, 2003 and consisted primarily of trade payables, accrued expenses and amounts due to affiliates. The increase was due primarily to a guarantee of approximately $839,000 related to the laboratory construction and lease arrangements discussed below under "*Off Balance Sheet Arrangement"* and increases of approximately $2.4 million in accrued expenses for Medicaid rebates and royalty liabilities.

Total stockholders' equity at September 30, 2004 was approximately $179.3 million, as compared to $167.8 million at December 31, 2003. The increase in stockholders' equity of approximately $11.5 million was due primarily from the net income earned during the nine-month period ended September 30, 2004 and the proceeds from exercises of stock options of approximately $4.6 million. The increase was offset by the decrease in the fair market value of the investment in AltaRex of approximately $1.7 million which was reported in accumulated other comprehensive income (loss).

Results of Operations

Three months ended September 30, 2004 and 2003

	Revenues for the Three Months Ended (in thousands)	
	September 30, 2004	**September 30, 2003**
Remodulin	$18,369	$12,852
Telemedicine services and products	1,225	1,062
Other products	401	1,121
Total revenues	$19,995	$15,035

Revenues for the three months ended September 30, 2004 were approximately $20.0 million, as compared to approximately $15.0 million for the three months ended September 30, 2003. The increase of approximately $5.0 million was due primarily to growth in patients using Remodulin and the price increase discussed below. The impact of the price change was to increase gross revenues from Remodulin by approximately $4.7 million for the three months ended September 30, 2004.

Total revenues are reported net of estimated government rebates, prompt pay discounts and fees due to a distributor for services. Government rebates are paid to state Medicaid agencies that pay for Remodulin. United Therapeutics estimates its liability for such rebates based on the volume of Remodulin dispensed to Medicaid patients as reported to United Therapeutics by its distributors and the expected rebate per unit of Remodulin as determined by United Therapeutics in accordance with federal guidelines. Prompt pay discounts are offered on sales of Remodulin if the related invoices are paid in full generally within 60 days from the date of sale. United Therapeutics estimates its liability for prompt pay discounts based on historical payment patterns. Fees paid to a distributor for services are estimated based on contractual rates for specific services applied to estimated units of service provided by the distributor for the period.

A roll forward of the liability accounts associated with estimated government rebates, prompt pay discounts and fees to a distributor for services as well as the net amount of reductions to revenues for these items are presented as follows (in thousands):

	Three Months Ended	
	September 30, 2004	**September 30, 2003**
Liability accounts, at beginning of period	$ 1,049	$ 962
Additions to liability	2,903	793
Payments	(1,816)	(1,086)
Liability accounts, at end of period	$ 2,136	$ 669
Net reductions to revenues	$ 2,903	$ 1,046

Remodulin is sold to distributors in the United States at an agreed-upon discount from the published average wholesale price (AWP) and to international distributors at an agreed-upon transfer price. In 2003, the published AWP of Remodulin was $65.00 per milligram (mg) for the 1.0 mg, 2.5 mg and 5.0 mg concentrations and $39.00 per mg for the 10.0 mg concentration. In the first quarter of 2004, the published AWP for the 10.0 mg concentration was increased to $65.00 per mg to achieve uniform pricing. Also during the first quarter of 2004, United Therapeutics informed prescribers of Remodulin that based on laboratory studies completed in late 2003, vials containing Remodulin remain stable for up to 30 days from their first use. Previously, the period of stability had been established at 14 days. Therefore, patients are expected to use Remodulin vials for longer than 14 days and, accordingly, consume fewer vials annually. The increase in the period of stability may result in decreased future net sales of Remodulin.

At September 30, 2004, approximately one-quarter of all reimbursable Remodulin patients were beneficiaries under Medicare. At September 30, 2004, Medicare was reimbursing distributors for Remodulin sold to Medicare patients at

a payment level that was significantly less than the acquisition price paid by these distributors to United Therapeutics. This under-reimbursement by Medicare was occurring with respect to approximately one-half of the Medicare patients, comprising only those patients using the 10.0 mg/mL concentration vials across all four Medicare payment regions and all patients in one of the Medicare payment regions. As a result of this under-reimbursement, distributors were generally incurring losses on their sales of Remodulin related to Medicare beneficiaries. On October 29, 2004, the Centers for Medicare and Medicaid Services (CMS) issued *CMS Manual System, Pub. 100-20 One-Time Notification, Transmittal 123* ("Transmittal") with an effective date of January 1, 2004. The Transmittal directs CMS' regional contractors known as Durable Medical Equipment Regional Coordinators (DMERCs) to reimburse all units of Remodulin at the payment limit established by CMS in January 2004. That payment limit is $61.75 per milligram which is higher than the acquisition price paid by the distributors. In addition, the Transmittal also requires the DMERCs to retroactively adjust claims brought to their attention. Accordingly, United Therapeutics now believes that the under-reimbursement situation is favorably resolved.

United Therapeutics' distributors endeavor to maintain levels of Remodulin inventories sufficient to satisfy existing and new demand for the product. Inventory levels held by United States-based distributors (as reported to United Therapeutics by such distributors) at September 30, 2004 were approximately $12.6 million based on United Therapeutics' selling price. The inventory levels at June 30, 2004 and December 31, 2003 were approximately $9.8 million and $13.6 million, respectively. As Remodulin is not yet approved in any major market outside of the United States, inventory levels outside of the United States were not significant. Product returns were due to arginine products and totaled approximately $2,000 and $40,000 during the three months ended September 30, 2004 and 2003, respectively.

Research and development expenses consist primarily of salaries and related expenses, costs to acquire products and product rights for development and amounts paid to contract research organizations, hospitals and laboratories for the provision of services and materials for drug development and clinical trials. Research and development expenses were approximately $7.3 million for the three months ended September 30, 2004, as compared to approximately $9.4 million for the three months ended September 30, 2003. The decrease of approximately $2.1 million was due primarily to reduced expenses of approximately $1.3 million for the cancer program and approximately $470,000 for the Remodulin related programs.

Selling, general and administrative expenses consist primarily of salaries, travel, office expenses, insurance, professional fees, provision for doubtful accounts receivable, depreciation and amortization. Selling, general and administrative expenses were approximately $4.8 million for the three months ended September 30, 2004, as compared to approximately $5.6 million for the three months ended September 30, 2003. The decrease of approximately $800,000 was due primarily to decreased sales and marketing expenses related mostly to arginine products.

Cost of product sales consists of the costs to manufacture or acquire products that are sold to customers. Cost of service sales consists of the salaries and related overhead necessary to provide services to customers. Cost of product sales was approximately 9 percent of product sales for the three month periods ended September 30, 2004 and 2003. Cost of service sales was approximately 49 percent of service sales for the three months ended September 30, 2004, as compared to the cost of service sales of approximately 60 percent for the three months ended September 30, 2003. The improvement in gross margin from service sales was due to expense reductions and increased sales volumes.

Interest income for the three months ended September 30, 2004 was approximately $771,000, as compared to approximately $637,000 for the three months ended September 30, 2003. The increase is due to an increase in cash available for investing during the period.

Nine months ended September 30, 2004 and 2003

	Revenues for the Nine Months Ended (in thousands)	
	September 30, 2004	**September 30, 2003**
Remodulin	$46,176	$33,127
Telemedicine services and products	3,712	3,193
Other products	2,089	3,431
Total revenues	$51,977	$39,751

Revenues for the nine months ended September 30, 2004 were approximately $52.0 million, as compared to approximately $39.8 million for the nine months ended September 30, 2003. The increase of approximately $12.2 million was due primarily to growth in patients using Remodulin and the price increase discussed above. The impact of the price change was to increase gross revenues from Remodulin by approximately $8.9 million for the nine months ended September 30, 2004.

A roll forward of the liability accounts associated with estimated government rebates, prompt pay discounts and fees to a distributor for services as well as the net amount of reductions to revenues for these items are presented as follows (in thousands):

	Nine Months Ended	
	September 30, 2004	**September 30, 2003**
Liability accounts, at beginning of period	$ 936	$ 654
Additions to liability	5,030	2,057
Payments	(3,830)	(2,042)
Liability accounts, at end of period	$ 2,136	$ 669
Net reductions to revenues	$ 5,030	$ 2,030

Product returns were due to arginine products and totaled approximately $30,000 and $151,000 during the nine months ended September 30, 2004 and 2003, respectively.

Research and development expenses were approximately $23.1 million for the nine months ended September 30, 2004, as compared to approximately $25.6 million for the nine months ended September 30, 2003. The decrease was due primarily to decreased expenses for the infectious disease and cancer programs totaling approximately $3.8 million and $1.6 million, respectively, offset by increased expenses totaling approximately $4.1 million for Remodulin related programs.

Selling, general and administrative expenses were approximately $16.0 million for the nine months ended September 30, 2004, as compared to approximately $16.6 million for the nine months ended September 30, 2003. The decrease was due primarily to a decrease in sales, marketing and related support expenses of approximately $1.6 million related mostly to arginine products, offset by increased expenses for professional fees and insurances totaling approximately $1.1 million.

Cost of product sales was approximately 9 percent of product sales for the nine months ended September 30, 2004, as compared to approximately 11 percent for the nine months ended September 30, 2003. This improvement in gross margin from product sales was due primarily to increased Remodulin sales. Cost of service sales was approximately 46 percent of service sales for the nine months ended September 30, 2004, which is consistent with the cost of service sales of approximately 50 percent for the nine months ended September 30, 2003.

Interest income for the nine months ended September 30, 2004 was approximately $2.1 million, as compared to approximately $1.8 million for the nine months ended September 30, 2003. The increase is due to an increase in cash available for investing during the period.

In-Process Research & Development

During 2000, United Therapeutics acquired the assets of Medicomp, Inc. in a purchase transaction that resulted in a write-off of in-process research and development related to in-process projects that had not yet reached technological feasibility and had no alternative future uses. At the acquisition date, Medicomp was conducting design, development, engineering and testing activities associated with the completion of a number of new technological innovations for next-generation products. Medicomp completed the development of its automatic trigger heart monitor during 2004. The new CardioPAL AI monitor utilizes this technology and its launch is currently underway. Medicomp was also pursuing development of a wireless heart monitor system. During 2004, United Therapeutics determined that alternative wireless technologies existed that could be utilized more feasibly than the technology acquired from Medicomp. Therefore, the wireless heart monitor project as acquired from Medicomp will not be completed but will, instead, utilize third-party wireless technologies. This change is not expected to have a material impact on United Therapeutics.

Liquidity and Capital Resources

Until June 1999, United Therapeutics financed its operations principally through various private placements of common stock. On June 17, 1999, United Therapeutics completed its initial public offering. Net proceeds to United Therapeutics, after deducting underwriting commissions and offering expenses, were approximately $56.4 million. In 2000, United Therapeutics closed two private placements and received aggregate net proceeds of approximately $209.0 million.

United Therapeutics' working capital at September 30, 2004 was approximately $93.8 million, as compared to approximately $79.1 million at December 31, 2003. The increase is primarily due to an increase in cash as a result of increased cash collections related to sales of Remodulin. Current liabilities at September 30, 2004 were approximately $14.2 million, as compared to approximately $10.6 million at December 31, 2003. The increase is due primarily to an increase in Remodulin related Medicaid rebates and royalty liabilities due to increased sales of Remodulin. United Therapeutics' debt at September 30, 2004 was approximately $31,000 and consisted of equipment leases as compared with $798,000 at December 31, 2003. At December 31, 2003, total debt included a mortgage note totaling approximately $750,000 which was paid off in January 2004.

Net cash provided by operating activities was approximately $17.5 million for the nine-month period ended September 30, 2004 as compared to approximately $2.6 million for the nine-month period ended September 30, 2003. The increase in cash provided by operating activities is due primarily to growth in sales and collections from Remodulin. For the nine-month periods ended September 30, 2004 and 2003, United Therapeutics invested approximately $4.3 million and $2.8 million, respectively, in cash for property, plant and equipment. In June 2004, United Therapeutics completed its purchase of a lot adjacent to its Silver Spring, Maryland headquarters for approximately $2.9 million.

United Therapeutics made milestone payments totaling $20,000 pursuant to existing license agreements during the nine-month period ending September 30, 2004. United Therapeutics is obligated to make royalty payments on sales of Remodulin which exceed annual net sales of $25.0 million and on all arginine products during 2004. Royalties on sales of all products in 2004 will range up to 10.0 percent of sales of those products.

In December 2000, a subsidiary of United Therapeutics acquired the assets of Medicomp, Inc. and Telemedical Procedures, LLC (together referred to as Medicomp). Under terms of the acquisition agreement, United Therapeutics was required to issue additional shares to the sellers because the average closing price of United Therapeutics' common stock over the 30 calendar days prior to the third anniversary of the acquisition was less than $70.00 per share. In August 2004, 591,832 shares of United Therapeutics' common stock were issued to the sellers in satisfaction of this obligation. The resale of these shares will be registered during 2004.

United Therapeutics believes that its existing revenues, together with existing capital resources (comprised primarily of cash, cash equivalents and marketable investments), will be adequate to fund its operations through 2006. Factors that could cause actual results of operations to differ from these expectations include the following:

- Continued regulatory approval of Remodulin;
- Expansion of existing regulatory approvals of Remodulin to include intravenously delivered Remodulin;
- Additional regulatory approvals of Remodulin in other countries;
- Retention and growth of reimbursable patients treated with Remodulin;
- Impact of infusion site pain and infusion site reaction and other Remodulin side effects;
- Changes in the current Remodulin pricing and dosing;
- Changes in the length of time that Remodulin vials may be used by patients;
- Reimbursement of Remodulin by public and private payers and the level of reimbursement;
- Impact of other approved and investigational competitive products and changes in their pricing;
- Changes in prescribers' opinions about Remodulin;
- Impact of medical and scientific opinion on all United Therapeutics' products;
- Size, scope, timely completion and outcome of the Remodulin post-marketing Phase IV clinical study;
- Cost, timing and outcomes of regulatory reviews;
- Rate of technological advances;
- Continued performance by Remodulin distributors under existing agreements;
- Development of manufacturing resources or the establishment, continuation or termination of third-party manufacturing

arrangements;

- Development of sales and marketing resources or the establishment, continuation or termination of third-party sales and marketing arrangements;
- Establishment, continuation or termination of third-party clinical trial arrangements;
- Defending and enforcing intellectual property rights;
- Future milestone and royalty payments;
- Risks associated with acquisitions, including the ability to integrate acquired businesses;
- Actual expenses incurred in future periods;
- Establishment of additional strategic acquisitions or licensing arrangements; and
- Ability of United Therapeutics to maintain and grow its telemedicine and arginine revenues.

United Therapeutics did not incur income tax expense for the three and nine month periods ended September 30, 2004 generally due to the availability of deductions for tax purposes which will offset any net income for these periods. As of September 30, 2004, United Therapeutics had available approximately $113.7 million in net operating loss carryforwards and approximately $29.8 million in business tax credit carryforwards for federal income tax purposes that expire at various dates through 2023. The portions of these carryforward items that were generated prior to June 1999 are subject to certain limitations. United Therapeutics does not believe that the limitations will cause the net operating loss and general business credit carryforwards to expire unused.

Off Balance Sheet Arrangement

In June 2004, United Therapeutics entered into a synthetic operating lease and related agreements with Wachovia Development Corporation and its affiliates (Wachovia) to fund the construction of a laboratory facility in Silver Spring, Maryland. Under these agreements, Wachovia will fund up to $32.0 million towards the construction of the laboratory facility on ground owned by United Therapeutics. The construction phase commenced in 2004 and is expected to be completed in late 2005. Following construction, Wachovia will lease the laboratory facility to United Therapeutics with a term ending in May 2011. Under the 99 year ground lease, Wachovia will pay fair value rent to United Therapeutics for use of the land both during the construction phase and after the laboratory lease is terminated. During the term of the laboratory lease, Wachovia will pay $1 per year to United Therapeutics for use of the land.

Upon completion of the construction, Wachovia will receive rents from United Therapeutics generally based on applying the 30-day LIBOR rate plus approximately 55 basis points to the amount funded by Wachovia towards the construction of the laboratory. These rents will be paid monthly from the time that the laboratory construction is completed until the termination of the lease in May 2011. Upon termination of the lease, United Therapeutics will generally have the option of renewing the lease (subject to approval of both parties), purchasing the laboratory at a price approximately equal to the funded construction cost or selling it and repaying Wachovia the cost of its construction. United Therapeutics has guaranteed that if the laboratory is sold, Wachovia will receive at least 86 percent of the amount it funded towards the construction.

In addition, United Therapeutics agreed to pledge, as collateral, a portion of its marketable investments to secure its lease obligations. At September 30, 2004, approximately $10.2 million of marketable investments and cash were pledged as collateral and are reported as restricted marketable investments and cash in the consolidated balance sheets.

This arrangement allows United Therapeutics to construct its laboratory facility without using its own working capital. United Therapeutics will manage the construction and incur construction costs. Wachovia will then reimburse these construction costs each month as they are incurred. United Therapeutics will make rent payments to Wachovia starting when construction of the facility is completed and through the lease termination in May 2011. There will not be any depreciation expense associated with the laboratory facility, since these improvements will be owned by Wachovia. The amount of rent to be paid to Wachovia will vary as it is tied to the then current 30-day LIBOR rate plus approximately 55 basis points. As this rate increases, so will the rents to be paid. Similarly, if this rate decreases, then the amount of rent to be paid to Wachovia will also decrease.

United Therapeutics anticipates that rent payments will commence in late 2005, after completion of construction, and continue through termination of the lease in May 2011. Based on construction costs of up to approximately $32.0 million and the current effective rate of approximately 2.4 percent (equivalent to the current 30-day LIBOR rate plus approximately 55 basis points at September 30, 2004), the rents to be paid could approximate $765,000 annually. In

addition, Wachovia has paid to United Therapeutics ground rent totaling approximately $307,000 that will be recognized in income ratably through May 2011.

United Therapeutics has guaranteed a minimum residual value of the laboratory facility. This guaranteed residual is generally equal to 86 percent of the amount funded by Wachovia towards construction. If, at the end of the lease term, United Therapeutics does not renew the lease or purchase the improvements, then the building will be sold to a third party. In that event, United Therapeutics has guaranteed that Wachovia will receive at least this residual value amount. The maximum potential amount of this guarantee is approximately $27.5 million, equivalent to 86 percent of expected total construction costs of $32.0 million. United Therapeutics has estimated the fair value of this guarantee liability at approximately $839,000 and this amount is classified as a non-current liability in its balance sheet at September 30, 2004.

The lease and other agreements with Wachovia require that, among other things, United Therapeutics maintain a consolidated current ratio of not less than 1.2:1.0 and a consolidated net worth of at least $70.0 million. The agreements contain other covenants and conditions with which United Therapeutics must comply throughout the construction and lease periods and upon termination of the lease. If United Therapeutics was unable to comply with these covenants and conditions, the agreements could terminate if the noncompliance was uncured and the parties could not agree otherwise. A termination of these agreements could result in United Therapeutics acquiring the improvements from Wachovia or the loss of its liquid collateral. If the agreements are terminated during the construction period due to United Therapeutics' default, then United Therapeutics could be required to purchase the improvements. During construction, the amount United Therapeutics would be required to pay is limited to 89.9 percent of the construction costs.

Contractual Obligations

At September 30, 2004, United Therapeutics had contractual obligations coming due approximately as follows (in thousands):

		Payment Due In			
	Total	Remainder of 2004	2005 to 2007	2008 to 2009	2010 and Later
Capital lease obligations	$ 31	$ 6	$ 25	$ —	$ —
Operating lease obligations (1)	9,201	288	4,886	2,620	1,407
Purchase obligations	—	—	—	—	—
Other long-term liabilities reflected in the statement of financial position (2)	1,839	—	1,000	—	839
Milestone payments (3)	7,825	—	315	5,490	2,020
	$18,896	$294	$6,226	$8,110	$4,266

(1) Operating lease obligations include the estimated lease payments on the laboratory facility being constructed in Silver Spring, Maryland. The lease is expected to commence in late 2005 and will expire in May 2011. The lease payments will generally be equal to applying the current 30-day LIBOR rate plus approximately 55 basis points (approximately 2.4 percent at September 30, 2004) to the cost of the construction of the laboratory. Upon termination of the lease, United Therapeutics will generally have the option of renewing the lease, purchasing the laboratory or selling it and repaying Wachovia the cost of its construction. United Therapeutics has guaranteed that if the laboratory is sold, Wachovia will receive at least 86 percent of the amount it funded towards the construction. It is estimated that the laboratory will cost approximately $32.0 million to construct and the guarantee is estimated at approximately $27.5 million. The estimated fair value of the guarantee is included in other long-term liabilities reflected in the statement of financial position as discussed below in footnote (2).

(2) Other long-term liabilities include $1.0 million that will be paid to Northern Therapeutics to fund United Therapeutics' equity investment in Northern Therapeutics and the estimated fair value of the guarantee described above in footnote (1) and further in the section above titled "*Off Balance Sheet Arrangement*".

(3) United Therapeutics has licensed certain products from other companies under certain license agreements. These agreements generally include milestone payments to be paid in cash by United Therapeutics upon the achievement of certain product development and commercialization goals set forth in each license agreement. Total milestone payments under these license agreements have been estimated based on the estimated timing of these development and commercialization goals.

Summary of Critical Accounting Policies

Remodulin Revenue Recognition

Product sales of Remodulin are recognized when delivered to distributors, which are United Therapeutics' customers for Remodulin. Product sales of Remodulin delivery pumps and related supplies are recognized when delivered to distributors on a gross basis in accordance with EITF Issue No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*. Title to these products passes upon delivery. Had the net basis been applied, the amounts of revenues and cost of product sales reported in the consolidated financial statements would have been lower, but there would have been no impact on net income or losses. Prompt payment discounts, government rebates and fees to a certain distributor (customer) are estimated and recognized as reductions of revenue in the same period that revenues are recognized. Had these discounts, rebates and fees not been reported as reductions of revenue, the amounts reported as revenues and selling expenses would have been higher, but there would have been no impact on net income or losses. Return policies provide that product that has expired or become damaged in shipment may be replaced, but not returned. Therefore, reserves for exchanges are not recorded unless product expiration or damage occurs. The shelf life of Remodulin is two years from the date of its manufacture. United Therapeutics relies on its distributors to report damage in shipment or expirations of Remodulin product.

One of United Therapeutics' Remodulin distribution agreements stipulates minimum quarterly purchases by the distributor. The distribution agreement, however, does not permit the distributor to return Remodulin product solely based on the distributor's ability or inability to resell the product. As such, revenues from sales to this distributor are recognized in the period that the Remodulin product is delivered to the distributor. During the three month periods ended September 30, 2004 and 2003, approximately $1.0 million and $2.0 million of Remodulin products were sold to this distributor and recognized as revenue, respectively. During the nine month periods ended September 30, 2004 and 2003, approximately $2.0 million and $2.0 million of Remodulin products were sold to this distributor and recognized as revenue.

Intangible Assets

United Therapeutics adopted the provisions of Statement of Financial Accounting Standards No. 142*, Goodwill and Other Intangible Assets* (SFAS No. 142), on January 1, 2002, which eliminated the amortization of goodwill. Rather, goodwill is subject to at least an annual assessment for impairment by applying a fair-value based test that is performed in October of each year. United Therapeutics continually evaluates whether events and circumstances have occurred that indicate that the remaining value of goodwill may not be recoverable. At September 30, 2004, management believed that goodwill was not impaired and therefore no impairment losses have been recorded. This conclusion is based on management's judgment, taking into consideration expectations regarding future profitability and the status of the reporting units which have reported goodwill. However, changes in strategy or adverse changes in market conditions could impact this judgment and require an impairment loss to be recognized for the amount that the carrying value of goodwill exceeds its fair value.

Marketable Investments

Currently, United Therapeutics invests portions of its cash in debt securities issued by federally sponsored agencies. Due to United Therapeutics' intent and ability to hold these marketable debt investments until their maturities, these investments are reported at their amortized cost. United Therapeutics believes that it is able to hold these investments to maturity, due to the significant level of cash and cash equivalents it holds. If United Therapeutics did not have the ability and intent to hold these investments to maturity, it would have reported them in the consolidated balance sheets at their fair market values. At September 30, 2004, the amortized cost of these debt securities was approximately $48.7 million and their fair values totaled approximately $47.9 million.

Earnings (Loss) per Share

In accordance with SFAS No. 128, *Earnings Per Share*, for the periods with net income, the dilutive effect of outstanding stock options is included in the calculation of dilutive earnings per share using the treasury stock method. For periods with a net loss, the effect of outstanding stock options is antidilutive and is excluded from the calculation of dilutive loss per share.

Stock Options

United Therapeutics applies the principles of APB No. 25, *Accounting for Stock Issued to Employees,* in accounting for its stock options issued to its employees. The following table details the pro forma results had United Therapeutics applied the fair value principles of SFAS No. 123, *Accounting for Stock-Based Compensation*, for its employee options (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net income (loss), as reported	$ 6,266	$(1,341)	$ 8,559	$ (6,749)
Less total stock-based employee compensation expense determined under fair value based method for all awards	(1,732)	(3,165)	(5,195)	(9,496)
Pro forma net income (loss)	$ 4,534	$(4,506)	$ 3,364	$(16,245)

Investments in Affiliates

The equity method of accounting is used to account for most of United Therapeutics' investments in affiliates. The equity method of accounting generally requires United Therapeutics to report its share of the affiliates' net losses or profits in its financial statements, but does not require that assets, liabilities, revenues and expenses of the affiliates be consolidated with United Therapeutics' consolidated financial statements. The equity method of accounting is being applied generally due to the lack of control over these affiliates and the levels of ownership held by United Therapeutics. Although United Therapeutics' investment in Northern Therapeutics exceeds 50 percent, minority shareholders possess substantive participating rights that preclude Northern Therapeutics' financial statements from being consolidated.

Other investments in affiliates are accounted for on the cost method generally due to the lack of significant influence over these affiliates and a less than 20 percent ownership by United Therapeutics. The cost method of accounting does not require that United Therapeutics report its share of the affiliates' net losses or profits in its financial statements, nor are affiliates' assets, liabilities, revenues and expenses consolidated with United Therapeutics' consolidated financial statements.

The investment in AltaRex Medical Corp. is accounted for as an available-for-sale security because its stock is publicly traded. Available-for-sale securities are reported at their fair values in the balance sheet. Changes in their fair values are reported as other comprehensive income or loss. Declines in values that are considered other-than-temporary are reported as losses in the statement of operations. For the nine-month period ended September 30, 2004, the investment in AltaRex decreased by approximately $1.7 million as compared to an increase in fair market value of approximately $685,000 for the nine-month period ended September 30, 2003 based on quoted market prices. This decrease was reported as other comprehensive loss. At September 30, 2004, the fair market value of the AltaRex investment approximated its book value.

Options Issued in Exchange for License

In June 2000, in connection with the license from Toray Industries for the sustained release formulation of beraprost (an oral prostacyclin analog), United Therapeutics agreed to grant options to purchase 500,000 shares of common stock to Toray upon Toray's adequate documentation of sustained release beraprost in humans and its transfer of clinical trial material for use in clinical trials in the United States. These options will not be priced until Toray has met this milestone. If and when the milestone is met, the options would be granted at the fair market value of United Therapeutics' common stock at that time. Before Toray can produce the clinical trial material, it will need to complete formulation, preclinical testing and early clinical studies. Due to the uncertainties in drug development, it is not yet known if Toray will provide the appropriate clinical trial material. Therefore, in accordance with EITF Issue No. 96-18, *Accounting for Equity Instruments that are Issued to Other than Employees*, these options are measured at their lowest aggregate fair value at each interim reporting date, which amount has been zero. As a result, no expense related to these options has been recorded in the consolidated financial statements.

Lease of Laboratory Facility

In June 2004, United Therapeutics entered into a synthetic operating lease and related agreements with Wachovia to fund the construction of a laboratory facility in Silver Spring, Maryland. The total amount of the construction is expected to be $32.0 million. The laboratory facility will be owned by Wachovia, which will act as the lessor, and United Therapeutics will be the lessee and pay rents to Wachovia once the facility is completed. This arrangement is a form of off-balance sheet financing under which Wachovia will fund 100 percent of the costs for the construction of the property and lease the laboratory facility to United Therapeutics. United Therapeutics has provided a residual value guarantee which guarantees Wachovia that the residual value of the leased assets will be at least equal to a specified amount at lease termination.

In accordance with the guidance in Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, EITF No. 97-1, *Implementation Issues in Accounting for Lease Transactions, Including Those Involving Special-Purpose Entities*, EITF No. 97-10, *The Effect of Lessee Involvement in Asset Construction*, and FASB Interpretation No. 46, *Consolidation of Variable Interest Entities*, United Therapeutics has determined that the lease is properly classified as an operating lease for accounting purposes. Furthermore, United Therapeutics has determined that Wachovia has sufficient substance such that it can be treated as an unrelated entity to United Therapeutics and, accordingly, does not require consolidation into United Therapeutics' financial statements.

Operating leases of assets do not require that the leased asset and the related rent obligation be reported in the lessee's balance sheet, but rather be disclosed. In contrast, capital leases do require that the leased asset and rent obligations be reported in the lessee's balance sheet as assets and debt. Changes in the equity participation by Wachovia and its affiliates under the agreements could affect the classification of the lease from operating to capital. In that event, United Therapeutics would include both the assets and debt associated with the laboratory facility on its balance sheet.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

At September 30, 2004, a substantial portion of United Therapeutics' assets were comprised of debt securities issued by federally sponsored agencies. The market value of these investments fluctuates with changes in current market interest rates. In general, as rates increase, the market value of a debt investment would be expected to decrease. Likewise, as rates decrease, the market value of a debt investment would be expected to increase. To minimize such market risk, United Therapeutics holds such instruments to maturity at which time these instruments will be redeemed at their stated or face value. At September 30, 2004, United Therapeutics had approximately $48.7 million in debt securities issued by federally sponsored agencies with a weighted average stated interest rate of approximately 3.6 percent maturing through March 2012 and callable annually. The fair market value of this portfolio at September 30, 2004 was approximately $47.9 million.

In June 2004, United Therapeutics entered into a synthetic operating lease and related agreements with Wachovia Development Corporation and its affiliates (Wachovia) to fund the construction of a laboratory facility in Silver Spring, Maryland. Under these agreements, United Therapeutics will pay rents to Wachovia generally based on applying the 30-day LIBOR rate plus approximately 55 basis points to the amount funded by Wachovia towards the construction of the laboratory. The total amount of construction is estimated to be approximately $32.0 million. At September 30, 2004, the total amount incurred related to the construction was approximately $3.1 million. Rents will be paid monthly from the time that the laboratory construction is completed until the termination of the lease in May 2011. These rents, therefore, are subject to the risk that LIBOR will increase or decrease during the period until termination in May 2011. At September 30, 2004, the 30-day LIBOR was approximately 1.8 percent. For every movement of 100 basis points (1 percent) in the 30-day LIBOR rate, the rents under this lease could increase or decrease by approximately $320,000 on an annualized basis.

Item 4. Controls and Procedures

Based on their evaluation, as of September 30, 2004, United Therapeutics' Chief Executive Officer and Chief Financial Officer have concluded that United Therapeutics' disclosure controls and procedures (as defined in Rule 13a- 15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) are effective. There have been no changes in United Therapeutics' internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, such internal control over financial reporting.

Part II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Description
10.1	United Therapeutics Corporation Amended and Restated Equity Incentive Plan, as amended effective as of September 24, 2004.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

On July 6, 2004, the Registrant filed a Form 8-K dated July 6, 2004 reporting an Item 5 event and attaching a press release related thereto.

On August 3, 2004, the Registrant filed a Form 8-K dated August 3, 2004 reporting an Item 12 event and attaching a press release related thereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED THERAPEUTICS CORPORATION

Date: November 5, 2004

/s/ Martine A. Rothblatt

By: Martine A. Rothblatt
Title: Chairman and Chief Executive Officer

/s/ Fred T. Hadeed

By: Fred T. Hadeed
Title: Executive Vice President for Business Development and Chief Financial Officer

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Section 2: EX-10.1 (EXHIBIT 10.1)

Exhibit 10.1

UNITED THERAPEUTICS CORPORATION

AMENDED AND RESTATED EQUITY INCENTIVE PLAN

(As amended effective as of September 24, 2004)

ARTICLE I
PURPOSE

1.1 General.

The purpose of the United Therapeutics Corporation Equity Incentive Plan (the "Plan") is to promote the success, and enhance the value, of United Therapeutics Corporation (the "Company"), by linking the personal interests of its qualified directors, officers and other key employees to those of Company stockholders and by providing its qualified directors, officers and other key employees with an incentive for outstanding performance. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of employees upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent. Accordingly, the Plan permits the grant of incentive awards from time to time to selected directors, officers and key employees.

ARTICLE 2
EFFECTIVE DATE

2.1 Effective Date.

The Plan was originally effective November 12, 1997, subject to approval by the stockholders of the Company, which approval was duly obtained. Amendments to the Plan were approved by the Board of Directors on April 9, 1999, subject to the approval of the stockholders of the Company. The Plan as so amended and restated will be deemed to be approved by the stockholders if it receives the approval of the holders of a majority of the shares of stock of the Company in accordance with the applicable provisions of the Laws of the State of Delaware and the By-laws of the Company. Any Awards granted under the Plan as so amended prior to stockholder approval are effective when made (unless the Committee specifies otherwise at the time of grant), but no Award may be exercised or settled and no restrictions relating to any Award may lapse before stockholder approval. If the stockholders fail to approve the Plan as amended within twelve (12) months of April 9, 1999, any Award previously made pursuant to the amended Plan shall be automatically canceled without any further act.

ARTICLE 3
DEFINITIONS

3.1 Definitions.

When appearing in this Plan with the initial letter capitalized, and the word or phrase does not commence a sentence, the word or phrase shall generally be given the meaning ascribed to it in this Section or in Sections 1.1 or 2.1, unless a clearly different meaning is required by the context. The following words and phrases shall have the following meanings:

(a) “Award” means any Option, Stock Appreciation Right, Restricted Stock Award, or Performance Share Award, or any other right or interest relating to Stock or cash, granted to a Participant under the Plan.

(b) “Award Agreement” means any written agreement, contract, or other instrument or document evidencing an Award.

(c) “Board” means the Board of Directors of the Company.

(d) “Code” means the Internal Revenue Code of 1986, as amended from time to time.

(e) “Committee” means the committee of the Board described in Article 4.

(f) “Company” means United Therapeutics Corporation.

(g) “Disability” shall mean any illness or other physical or mental condition of a Participant that renders the Participant incapable of performing his customary and usual duties for the Company, or any medically determinable illness or other physical or mental condition resulting from a bodily injury, disease or mental disorder which, in the judgment of the Committee, is permanent and continuous in nature. The Committee may require such medical or other evidence as it deems necessary to judge the nature and permanency of the Participant’s condition. Such disability determination shall be made in accordance with Code section 22(e)(3).

(h) “Effective Date” has the meaning assigned such term in Section 2.1.

(i) “Fair Market Value” means with respect to Stock or any other property, the fair market value of such Stock or other property determined by such methods or procedures as may be established from time to time by the Committee.

(j) “Incentive Stock Option” means an Option that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

(k) “Non-Qualified Stock Option” means an Option that is not an Incentive Stock Option.

(l) “Option” means a right granted to a Participant under the Plan to purchase Stock at a specified price during specified time periods. An Option may be either an Incentive Stock Option or a Non-Qualified Stock Option.

(m) “Participant” means a person who, as a director, officer or key employee of the Company, has been granted an Award under the Plan.

(n) “Performance Award” means a right granted to a Participant under Article 9 to receive cash, Stock, or other Awards, the payment of which is contingent upon

achieving certain performance goals established by the Committee (includes “Performance Shares” and “Performance Units”).

(o) “Performance Share” means a right granted to a Participant under Article 9 to receive shares of Company Stock, the payment of which is contingent upon achieving certain performance goals.

(p) “Performance Units” means a right granted to a Participant under Article 9 to receive units the value of which is equivalent to $1.00, the payment of which is contingent upon achieving certain performance goals.

(q) “Plan” means the United Therapeutics Corporation Amended and Restated Equity Incentive Plan, as it may be further amended from time to time.

(r) “Restricted Stock Award” means Stock granted to a Participant under Article 10 that is subject to certain restrictions and to risk of forfeiture.

(s) “Retirement” means a Participant’s termination of employment with the Company after attaining any normal or early retirement age specified in any pension, profit sharing or other retirement program sponsored by the Company.

(t) “Stock” means the United Therapeutics Corporation par value common stock of the Company and such other securities of the Company as may be substituted for Stock pursuant to Article 12.

(u) “Stock Appreciation Right” or “SAR” means a right granted to a Participant under Article 8 to receive a payment equal to the difference between the Fair Market Value of a share of Stock as of the date of exercise of the SAR and the grant price of the SAR, as determined pursuant to Article 8.

(v) “1933 Act” means the Securities Act of 1933, as amended from time to time.

(w) “1934 Act” means the Securities Exchange Act of 1934, as amended from time to time.

ARTICLE 4
ADMINISTRATION

4.1 Committee.

The Plan shall be administered by the Compensation Committee of the Board. The Committee shall consist of two or more members of the Board who are (i) “outside directors” as that term is used in Section 162 of the Code and the regulations promulgated thereunder, and (ii) “non-employee directors,” as such term is defined for purposes of Rule 16b-3 promulgated under Section 16 of the 1934 Act or any successor

provision, except as may be otherwise permitted under Section 16 of the 1934 Act and the rules and regulations promulgated thereunder.

4.2 Action by the Committee.

For purposes of administering the Plan, the following rules of procedure shall govern the Committee. A majority of the Committee shall constitute a quorum. The acts of a majority of the members present at any meeting who are, at which a quorum is present and acts approved in writing by a majority of the Committee in lieu of a meeting shall be deemed the acts of the Committee. Each member of the Committee is entitled, in good faith, to rely or act upon any report or other information furnished to that member by any officer or other employee of the Company, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

4.3 Authority of Committee.

The Committee has the exclusive power, authority and discretion to:

(a) Designate Participants;

(b) Determine the type or types of Awards to be granted to each Participant;

(c) Determine the number of Awards to be granted and the number of shares of Stock to which an Award will relate;

(d) Determine the terms and conditions of any Award granted under the Plan, including but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, based in each case on such considerations as the Committee in its sole discretion determines;

(e) Determine whether, to what extent, and under what circumstances an Award may be granted, or the exercise price of an Award may be paid in (cash, Stock, other Awards, or other property), or an Award may be canceled, forfeited, or surrendered;

(f) Prescribe the form of each Award Agreement, which need not be identical for each Participant;

(g) Decide all other matters that must be determined in connection with an Award;

(h) Establish, adopt or revise any rules and regulations as it may deem necessary or advisable to administer the Plan; and

(i) Make all other decisions and determinations that may be required under the Plan or as the Committee deems necessary or advisable to administer the Plan.

4.4 Decisions Binding.

The Committee is hereby granted discretionary authority to construe and interpret the provisions of the Plan. The Committee's interpretation of the Plan, any Awards granted under the Plan, any Award Agreement and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties.

ARTICLE 5
SHARES SUBJECT TO THE PLAN

5.1 Number of Shares.

Subject to adjustment as provided in Section 12.1, the aggregate number of shares of Stock reserved and available for Awards, except with respect to Options granted pursuant to Section 7.3, shall be 7,000,000. Subject to adjustment as provided in Section 12.1, the aggregate number of shares of Stock reserved and available for the Options granted pursuant to Section 7.3 shall be 7,939,517.

5.2 Lapsed Awards.

To the extent that an Award is canceled, terminates, expires or lapses for any reason, any shares of Stock subject to the Award will again be available for the grant of an Award under the Plan and shares subject to SARs or other Awards settled in cash will be available for the grant of an Award under the Plan.

5.3 Stock Distributed.

Any Stock distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Stock, treasury Stock or Stock purchased on the open market.

5.4 Limitation on Number of Shares Subject to Awards.

Notwithstanding any provision in the Plan to the contrary, the maximum number of shares of Stock with respect to one or more Awards that may be granted to one Participant over any one calendar year period during the term of the Plan shall not exceed 500,000 in the aggregate; provided, however, that the maximum number of shares of Stock with respect to an Option granted to the Chief Executive Officer pursuant to Section 7.3 in 2000 shall not exceed 500,000; in 2001 shall not exceed 701,353; in 2002 shall not exceed 681,434; in 2003 shall not exceed 2,757,832; and in 2004 shall not exceed 3,298,898.

ARTICLE 6

ELIGIBILITY

6.1 General.

Awards may be granted only to individuals who are directors (including non-employee directors), officers or other key employees (including employees who also are directors or officers) of or consultants to the Company or to the Company's subsidiaries, as determined by the Committee.

ARTICLE 7
STOCK OPTIONS

7.1 General.

The Committee is authorized to grant Options to Participants in such amounts as it deems appropriate in its discretion and subject to such conditions and based on such criteria as it may deem advisable (including performance based criteria or conditions) consistent with the other terms of the Plan and the following:

(a) Exercise Price. The exercise price per share of Stock under an Option shall be determined by the Committee.

(b) Time and Conditions of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part. The Committee also shall determine the performance or other conditions, if any, that must be satisfied before all or part of an Option may be exercised.

(c) Payment. The Committee shall determine the methods by which the exercise price of an Option may be paid, the form of payment, including, without limitation, cash, shares of Stock, or other property (including "cashless exercise" arrangements), and the methods by which shares of Stock shall be delivered or deemed to be delivered to Participants. Without limiting the power and discretion conferred on the Committee pursuant to the preceding sentence, the Committee may, in the exercise of its discretion, but need not, allow a Participant to pay the Option price by directing the Company to withhold from the shares of Stock that would otherwise be issued upon exercise of the Option that number of shares having a Fair Market Value on the exercise date equal to the Option price, all as determined pursuant to rules and procedures established by the Committee.

(d) Evidence of Grant. All Options shall be evidenced by a written Award Agreement between the Company and the Participant. The Award Agreement shall include such provisions as may be specified by the Committee.

(e) Dividend Equivalents. Any Option may provide for the payment of dividend equivalents to the Participant on a current, deferred or contingent basis or may provide that Dividend Equivalents be credited against the option price. The right

to Dividend Equivalents, if so provided, shall be evidenced in the Award Agreement.

7.2 Incentive Stock Options.

The terms of any Incentive Stock Options granted under the Plan must comply with the following additional rules:

(a) Exercise Price. Subject to Section 7.2 (e) below, the exercise price per share of Stock shall be set by the Committee, provided that the exercise price for any Incentive Stock Option shall not be less than the Fair Market Value as of the date of the grant.

(b) Exercise. Subject to Section 7.2(e) below, in no event may any Incentive Stock Option be exercisable for more than ten (10) years from the date of its grant.

(c) Lapse of Option. An Option shall lapse under the following circumstances:

(1) A vested Option shall lapse according to the Stock Option Agreement entered into by the Participant and according to this Plan, provided, however, that vested Incentive Stock Options not exercised within three months after the Participant's termination of employment shall be treated as Non-Qualified Stock Options as defined by the Code.

(2) If the Participant becomes disabled within the meaning of Disability under Section 3.1(g) of the Plan, then the Option will lapse twelve (12) months after employment ceased due to the Disability.

(3) If the Participant dies before the Option lapses pursuant to paragraph (1), (2) or (3) or before its original expiration as indicated above, the Incentive Stock Option shall lapse, unless it is previously exercised, on the date on which the Option would have lapsed had the Participant lived and had his employment status (i.e., whether the Participant was employed by the Company on the date of his death or had previously terminated employment) remained unchanged. Upon the Participant's death, any exercisable Incentive Stock Options may be exercised by the Participant's legal representative or representatives, by the person or persons entitled to do so under the Participant's last will and testament, or, if the Participant shall fail to make testamentary disposition of such Incentive Stock Options or shall die intestate, by the person or persons entitled to receive such Incentive Stock Options under the applicable laws of descent and distribution.

(d) Individual Dollar Limitation. The aggregate Fair Market Value (determined at the time an Award is made) of all shares of Stock with respect to which Incentive Stock Options are first exercisable by a Participant in any calendar year may not exceed $100,000.00.

(e) Ten Percent Owners. No Incentive Stock Option shall be granted to any individual who, at the date of grant, owns stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company unless the exercise price per share of such Option is at least 110% of the Fair Market Value per share of Stock at the date of grant and the Option expires no later than five (5) years after the date of grant.

(f) Expiration of Incentive Stock Options. No Award of an Incentive Stock Option may be made pursuant to the Plan after the day immediately prior to the tenth anniversary of the original Effective Date (i.e., November 12, 19977).

(g) Right to Exercise. During a Participant's lifetime, an Incentive Stock Option may be exercised only by the Participant.

(h) Grants only to Employees. Incentive Stock Options may be granted only to employees of the Company.

7.3 Incentive Stock Option Grants to Chief Executive Officer

Pursuant to the terms of the Executive Employment Agreement entered into by and between the Company and its Chief Executive Officer, dated April 5, 1999, as amended, the Company shall make annual grants of Incentive Stock Options to the Chief Executive Officer. The number of shares subject to each Incentive Stock Option shall be determined in accordance with the Employment Agreement. The terms of the Award Agreement for such Option grants shall be in form and substance as attached to the Employment Agreement.

ARTICLE 8
STOCK APPRECIATION RIGHTS

8.1 Grant of SARs.

The Committee is authorized to grant SARs to Participants on the following terms and conditions:

(a) Right to Payment. Upon the exercise of a SAR, the Participant to whom it is granted has the right to receive all or a percentage of:

(1) The Fair Market Value of one share of Stock on the date of exercise, minus,

(2) The grant price of the SAR as determined by the Committee. In the case of a SAR offered in tandem with an Incentive Stock Option, the grant price of the SAR shall not be less than the Fair Market Value of one share of Stock on the date of grant.

(b) Tandem Awards. SARs may be granted alone or in tandem with options. If a SAR is granted in tandem with an option, the SAR may only be exercised at a time when the related option is exercisable and the difference between the Fair Market Value and the grant price is a positive number. The exercise of the tandem SAR requires the surrender of the related option for cancellation.

(c) Other Terms. All awards of SARs shall be evidenced by an Award Agreement. The terms, methods of exercise, methods of settlement, form of consideration payable in settlement, and any other terms and conditions of any SAR shall be determined by the Committee at the time of the grant of the Award and shall be reflected in the Award Agreement. The grant of any SAR may include the right to Dividend Equivalents as described in Section 7.1(e).

ARTICLE 9
PERFORMANCE AWARDS

9.1 Grant of Performance Awards.

The Committee is authorized to grant Performance Awards to Participants on such terms and conditions as may be selected by the Committee. The Committee shall have the complete discretion to determine the number of Performance Awards granted to each Participant. All grants of Performance Awards shall be evidenced by an Award Agreement.

9.2 Right to Payment.

A grant of Performance Awards gives the Participant rights, valued as determined by the Committee, and payable to, or exercisable by, the Participant to whom the Performance Awards are granted, in whole or in part, as the Committee shall establish at grant or thereafter. The Committee shall set performance goals and other terms or conditions to payment of the Performance Awards in its discretion which, depending on the extent to which they are met, will determine the number and value of Performance Shares that will be paid to the Participant.

9.3 Other Terms.

Performance Awards may be payable in cash, Stock, or other property, and have such other terms and conditions as determined by the Committee and reflected in the Award Agreement.

ARTICLE 10
RESTRICTED STOCK AWARDS

10.1 Grant of Restricted Stock.

The Committee is authorized to make Awards of Restricted Stock to Participants in such amounts and subject to such terms and conditions as may be selected by the Committee. All Awards of Restricted Stock shall be evidenced by a Restricted Stock Award Agreement.

10.2 Issuance and Restrictions.

Restricted Stock shall be subject to such restrictions as the Committee may choose to impose. These restrictions may lapse separately or in combination at such times, under such circumstances, in such installments, or otherwise, as the Committee determines at the time of the grant of the Award or thereafter. An award of Restricted Stock will provide the Participant with voting, dividend and other ownership rights provided in the Award Agreement.

10.3 Forfeiture.

Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment during the applicable restriction period, Restricted Stock, that is at that time subject to restrictions, shall be forfeited and reacquired by the Company; provided, however, that the Committee may provide in any Award Agreement that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of termination resulting from any specified cause, and the Committee may in other cases waive in whole or in part restrictions or forfeiture conditions relating to Restricted Stock.

10.4 Certificates for Restricted Stock.

Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing shares of Restricted Stock are registered in the name of the Participant, certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, and the Company shall retain physical possession of the certificate until such time as all applicable restrictions lapse.

ARTICLE 10A
DEFERRED SHARES

10A.1 Deferred Shares.

The Committee is authorized to make Awards of Deferred Shares to Participants in such amounts and subject to such terms and conditions as may be selected by the Committee. A Deferred Share Award shall entitle the Participant to receive Stock from the Company in the future in consideration for services performed during the Deferral

Period. All services required of the Participant for receipt of the Deferred Share shall be evidenced by an Award Agreement.

10A.2 Deferral Period.

The "Deferral Period" means the time period mandated by the Award Agreement during which specified services are to be performed by the Participant that will merit receipt of the Deferred Shares.

10A.3 Other Conditions.

The Committee may authorize Dividend Equivalents, defined under Section 7.1(e), to be provided on or after the date of any grant under this Section. During the Deferral Period the Participant has no right to transfer any rights covered by the Award and no right to vote the Stock.

The grant of any Deferred Shares may require the payment of additional consideration. However, in no case shall the additional consideration exceed the Fair Market Value of the Shares on the date of grant.

ARTICLE 11
PROVISIONS APPLICABLE TO AWARDS

11.1 Stand-Alone, Tandem, and Substitute Awards.

Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution for, any other Award granted under the Plan. If an Award is granted in substitution for another Award, the Committee may require the surrender of such other Award in consideration of the grant of the new Award. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

11.2 Exchange Provisions.

The Committee may at any time offer to exchange or buy out any previously granted Award for a payment in cash, Stock, or another Award (subject to Section 12.1), based on the terms and conditions the Committee determines and communicates to the Participant at the time the offer is made.

11.3 Term of Award.

The term of each Award shall be for the period as determined by the Committee, provided that in no event shall the term of any Incentive Stock Option or a Stock Appreciation Right granted in tandem with the Incentive Stock Option exceed a period of ten years from the date of its grant.

11.4 Form of Payment for Awards.

Subject to the terms of the Plan, the Award Agreement or any applicable law, payments or transfers to be made by the Company on the grant or exercise of an Award may be made in such form as the Committee determines at or after the time of grant, including without limitation, cash, Stock, other Awards, or other property, or any combination, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case determined in accordance with rules adopted by, and at the discretion of, the Committee.

11.5 Limits on Transfer.

No right or interest of a Participant in any Award may be encumbered or pledged to or in favor of any party other than the Company , or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company . No Award shall be assignable or transferable by a Participant other than by will or the laws of descent and distribution or, except in the case of an Incentive Stock Option, pursuant to a qualified domestic relations order as defined in Section 414(p)(1)(B) of the Code, if the order satisfies Section 414(p)(1)(A) of the Code.

11.6 Beneficiaries.

Notwithstanding Section 13.5, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights under the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Committee. If the Participant is married, a designation of a person other than the Participant's spouse as his beneficiary with respect to more than 50 percent of the Participant's interest in the Award shall not be effective without the written consent of the Participant's spouse. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto under the Participant's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee.

11.7 Stock Certificates.

All Stock certificates delivered under the Plan are subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with federal or state securities laws, rules and regulations and the rules of any national securities exchange or automated quotation system on which the Stock is listed, quoted,

or traded. The Committee may place legends on any Stock certificate to reference restrictions applicable to the Stock.

11.8 Acceleration Upon Death or Disability.

Notwithstanding any other provision in the Plan or any Participant's Award Agreement to the contrary, upon the Participant's death or Disability, all outstanding Options, Stock Appreciation Rights, and other Awards in the nature of rights that may be exercised shall become fully exercisable and all restrictions on outstanding Awards shall lapse. Any Option or Stock Appreciation Rights Awards shall then lapse in accordance with the other provisions of the Plan and the Award Agreement. To the extent that this provision causes Incentive Stock Options to exceed the dollar limitation set forth in Section 7.2(d), the excess Options shall be deemed to be Non-Qualified Stock Options.

11.9 Acceleration Upon Certain Events.

In the event of (i) the commencement of a public tender offer for all or any portion of the Stock, (ii) a proposal to merge, consolidate or otherwise combine with another company is submitted to the stockholders of the Company for approval, or (iii) the Board approves any transaction or event that would constitute a change of control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of the 1934 Act, the Committee may in its sole discretion declare all outstanding Options, Stock Appreciation Rights, and other Awards in the nature of rights that may be exercised to become fully exercisable, and/or all restrictions on all outstanding Awards to lapse, in each case as of such date as the Committee may, in its sole discretion, declare, which may be on or before the consummation of such tender offer or other transaction or event. To the extent that this provision causes Incentive Stock Options to exceed the dollar limitation set forth in Section 7.2(d), the excess Options shall be deemed to be Non-Qualified Stock Options.

ARTICLE 12
CHANGES IN CAPITAL STRUCTURE

12.1 General.

In the event a stock dividend is declared upon the Stock, the aggregate number of shares of Stock reserved and available for Awards under the Plan shall be increased proportionately, the maximum number of shares of Stock with respect to one or more Awards that may be granted to a Participant per year shall be increased proportionately, and the shares of Stock then subject to each Award shall be increased proportionately without any change in the aggregate purchase price therefor. In the event the Stock shall be changed into or exchanged for a different number or class of shares of stock or securities of the Company or of another company, whether through reorganization, recapitalization, stock split, reverse stock split, combination of shares, merger or

consolidation, there shall be substituted for each such share of Stock then subject to each Award as well as the aggregate number of shares of Stock reserved and available for Awards under the Plan and the maximum number of shares of Stock with respect to one or more Awards that may be granted to a Participant per year the number and class of shares into which each outstanding share of Stock shall be so exchanged. The Committee shall make such adjustments to the aggregate purchase price for the shares then subject to each Award as it deems necessary or advisable to put Participants in the same relative position after such change in capital structure as before such change.

ARTICLE 13
AMENDMENT, MODIFICATION AND TERMINATION

13.1 Amendment, Modification and Termination.

With the approval of the Board, at any time and from time to time, the Committee may terminate, amend or modify the Plan; provided, however, that no amendment of the Plan may be made without approval of the stockholders of the Company as may be required by the Code, by the insider trading rules of Section 16 of the 1934 Act, by any national securities exchange or automated quotation system on which the Stock is listed or reported.

13.2 Awards Previously Granted.

No termination, amendment, or modification of the Plan shall adversely affect any Award previously granted under the Plan, without the written consent of the Participant.

ARTICLE 14
GENERAL PROVISIONS

14.1 No Rights to Awards.

No Participant or employee shall have any claim to be granted any Award under the Plan, and neither the Company nor the Committee is obligated to treat Participants and employees uniformly.

14.2 No Stockholder Rights.

No Award gives the Participant any of the rights of a stockholder of the Company unless and until shares of Stock are in fact issued to such person in connection with such Award.

14.3 Withholding.

The Company shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes (including the Participant's FICA obligation) required by law to be withheld with respect to any taxable event arising as a result of the Plan. With respect to withholding required upon any taxable event under the Plan, the Committee may, at the time the Award is granted or thereafter, require that any such withholding requirement be satisfied, in whole or in part, by withholding shares of Stock having a Fair Market Value on the date of withholding equal to the amount to be withheld for tax purposes, all in accordance with such procedures as the Committee establishes.

14.4 No Right to Employment.

Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company.

l4.5 Unfunded Status of Awards.

The Plan is intended to be an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company .

14.6 Indemnification.

To the extent allowable under applicable law, each member of the Committee shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which such member may be a party or in which he may be involved by reason of any action or failure to act under the Plan and against and from any and all amounts paid by such member in satisfaction of judgment in such action, suit, or proceeding against him provided he gives the Company an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the By-Laws of the Company or as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

14.7 Relationship to Other Benefits.

No payment under the Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or benefit plan of the Company.

14.8 Expenses.

The expenses of administering the Plan shall be borne by the Company.

14.9 Titles and Headings.

The titles and headings of the Sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

14.10 Gender and Number.

Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

14.11 Fractional Shares.

No fractional shares of Stock shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding up.

14.12 Securities Law Compliance.

With respect to any person who is, on the relevant date, obligated to file reports under Section 16 of the 1934 Act, transactions under the Plan are intended to comply with Rule 16b-3(d) as transactions between the Company and its officers or directors. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be void to the extent permitted by law and voidable as deemed advisable by the Committee.

14.13 Government and Other Regulations.

The obligation of the Company to make payment of awards in Stock or otherwise shall be subject to all applicable laws, rules, and regulations, and to such approvals by government agencies as may be required. The Company shall be under no obligation to register under the 1933 Act, any of the shares of Stock paid under the Plan. If the shares paid under the Plan may in certain circumstances be exempt from registration under the 1933 Act, the Company may restrict the transfer of such shares in such manner as it deems advisable to ensure the availability of any such exemption.

14.14 Governing Law.

To the extent not governed by federal law, the Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the District of Columbia.

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Section 3: EX-31.1 (EXHIBIT 31.1)

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Martine A. Rothblatt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Therapeutics Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2004

/s/ Martine A. Rothblatt

By: Martine A. Rothblatt
Title: Chairman and Chief Executive Officer

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Section 4: EX-31.2 (EXHIBIT 31.2)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Fred T. Hadeed, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Therapeutics Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2004

/s/ Fred T. Hadeed

By: Fred T. Hadeed
Title: Executive Vice President for Business Development and Chief Financial Officer

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Section 5: EX-32.1 (EXHIBIT 32.1)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of United Therapeutics Corporation (the "Company") on Form 10-Q for the period ended September 30, 2004 as filed with the Securities and Exchange Commission (the "Report"), I, Martine A. Rothblatt, Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Martine A. Rothblatt

Martine A. Rothblatt
Chairman and Chief Executive Officer
United Therapeutics Corporation
November 5, 2004

THE FOREGOING CERTIFICATION IS BEING FURNISHED SOLELY PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 AND IS NOT BEING FILED AS PART OF THE FORM 10-Q OR AS A SEPARATE DISCLOSURE DOCUMENT.

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906, OR OTHER DOCUMENT AUTHENTICATING, ACKNOWLEDGING, OR OTHERWISE ADOPTING THE SIGNATURE THAT APPEARS IN TYPED FORM WITHIN THE ELECTRONIC VERSION OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906, HAS BEEN PROVIDED TO UNITED THERAPEUTICS CORPORATION AND WILL BE RETAINED BY UNITED THERAPEUTICS CORPORATION AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

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Section 6: EX-32.2 (EXHIBIT 32.2)

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of United Therapeutics Corporation (the "Company") on Form 10-Q for the period ended September 30, 2004 as filed with the Securities and Exchange Commission (the "Report"), I, Fred T. Hadeed, Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Fred T. Hadeed

Fred T. Hadeed
Executive Vice President for Business Development
and Chief Financial Officer
United Therapeutics Corporation
November 5, 2004

THE FOREGOING CERTIFICATION IS BEING FURNISHED SOLELY PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 AND IS NOT BEING FILED AS PART OF THE FORM 10-Q OR AS A SEPARATE DISCLOSURE DOCUMENT.

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906, OR OTHER DOCUMENT AUTHENTICATING, ACKNOWLEDGING, OR OTHERWISE ADOPTING THE SIGNATURE THAT APPEARS IN TYPED FORM WITHIN THE ELECTRONIC VERSION OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906, HAS BEEN PROVIDED TO UNITED THERAPEUTICS CORPORATION AND WILL BE RETAINED BY UNITED THERAPEUTICS CORPORATION AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

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