

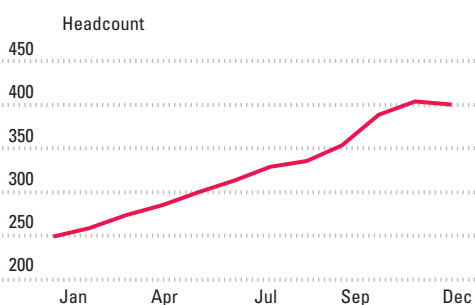
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## CFO's Letter

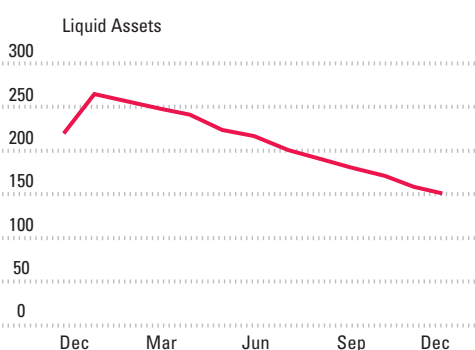


**Konrad P. Wirz**  
Chief Financial Officer

### Evolution of headcount



### Evolution of Net Liquid Assets



### Foundation laid for future growth

In its fourth year of operations, Actelion increased expenditures in core functions of the business to ensure a rapid and successful market introduction of its first product, Tracleer™ for the treatment of pulmonary arterial hypertension. These efforts resulted in the launch and first revenues from Tracleer™ in the US, only days after receiving regulatory approval in November. The market launch of Tracleer™ was initiated in Canada following regulatory approval in December 2001.

In the year under review, overall operating expenditures amounted to CHF 129.3 million. These controlled expenses that concern all areas of our fully fledged biopharmaceutical operations have to be considered strategic start-up investments. A distinct focus for new expenditures was placed on marketing and sales. Although the operating expenses exceeded the prior year by CHF 44 million, the additional net loss was kept to CHF 16 million, essentially as the result of substantially increased revenues.

The beginning of 2002 will show a further increase in operating losses on a quarterly basis, as the company intends to maintain its momentum to establish and market

Tracleer™ worldwide. Actelion will also increase expenditures in research to fuel drug discovery efforts and in development activities for both Tracleer™ line extensions and the forthcoming registration study for Veletri™. Funding of these efforts is made possible by the company's cash position amounting to CHF 152.2 million at 31 December 2001 and rising income from product sales throughout the year, first in North America and later in other markets, notably the European Union. Furthermore, the company is prepared to explore other opportunities in the market to finance additional projects if necessary.

With its focus on further expanding its business in the near-term future, and unforeseen events excluded, Actelion expects the company to be profitable – on an annualized basis – by the year 2004. This would represent a unique achievement for a biopharmaceutical company only 4 years after its Initial Public Offering in the spring of 2000 and only 8 years after its founding in late 1997.

### Operating statement – higher revenues partially offset increased operating expenses

For the year under review, Actelion reports net revenues of CHF 64.1 million, an increase of CHF 32.6

# for growth

million over 2000. Contributing to this increase in revenues were:

- recognition of a milestone payment of CHF 57 million (USD 35 million), of which approximately CHF 6 million have been deferred into 2002.
- research contribution of CHF 5.3 million (USD 3.2 million) derived from a research agreement with R. W. Johnson Pharmaceutical Research Institute (J & J).
- higher business with third parties of the company's majority-owned affiliate Hesperion Ltd, a clinical research organization.
- initial sales revenues from Tracleer™ of approximately CHF 3 million.

Operating expenses amount to CHF 129.3 million, up from CHF 85.1 million in the previous year. The increase in expenses of CHF 44.2 million is driven by the Group's controlled and focused growth strategy. The major part of the higher operating expense, however, reflects our efforts to establish the infrastructure for the successful launch of our first product, Tracleer™. New subsidiaries were established in the UK, Japan, Australia, Greece and Spain, complementing the ones already operating in Switzerland, US, Canada, France and Germany. Research and development activities continued at a high level. The Group's headcount increased accordingly, pri-

marily in marketing and sales, exceeding 400 by year end, up from 227 at the beginning of the year. As a consequence, marketing and sales and management and general expenses experienced the most significant increase in 2001, amounting to CHF 51.6 million as opposed to CHF 15.6 million in 2000.

The resulting operating loss of CHF 69.5 million (previous year: CHF 54.5 million) is in line with Actelion's policy to bear significant start-up costs in view of both optimizing the Group's capabilities in its core areas of activities as well as maximizing the potential of Tracleer™ and other products to come.

Financial income in 2001 amounts to CHF 4.7 million, which reflects a 2.4% return based on average net liquid assets of approximately CHF 200 million. As in prior years, the negative pre-tax result determined an income tax benefit (CHF 10.8 million), resulting in a net loss after tax of CHF 54.6 million, or CHF 2.65 per share.

### **Balance sheet, capital investments, liquidity / funding principles**

Investments in equipment for laboratories and offices amounted to CHF 9.4 million, CHF 1.9 million above capital expenditures of CHF

7.5 million in 2000. As a result, Actelion has some of the latest and most advanced laboratory equipment. This brings the total of the Group's non-current assets to CHF 56.3 million net of depreciation. Simultaneous to the launch of Tracleer™, Actelion invested in working capital. Inventories increased from CHF 3.1 million to CHF 6.2 million and accounts receivable from Tracleer™ sales and Hesperion services amounted to CHF 4.5 million as of 31 December 2001. Nonetheless, the remaining net liquid asset position at year end of CHF 152.2 million provides a solid base to finance the Group's future activities until the phase of more sizeable sales revenues. In 2001, as in prior years, the Group did not carry any interest-bearing liabilities on its balance sheet, neither was it involved in any off-balance sheet financing mechanism. At this stage, subsidiaries are funded through inter-company loans in their respective local currency. The holding company, Actelion Ltd, provides this funding. In the course of the year, most of our subsidiaries were recapitalized in order to restore their capital base and to comply with local regulations. Consequently, the investment value in the holding company books increased from CHF 41 million as of 31 December 2000 to CHF 72.2 million at year end 2001.

### **Stock market, shareholder information**

As a consequence of the four-to-one stock split effective 20 June 2001 and resulting from exercised options, the number of outstanding shares reached 21,134,380 at year end 2001. Actelion's capital is now held by over 5,100 shareholders worldwide. As part of our continued commitment to provide timely and transparent information to both shareholders and the investment community at large, we now have more than 15 research departments of major banks regularly reporting on our progress.

By 31 December 2001, the four major initial venture capital investors had reduced their stake in the company from close to 30% at the beginning of 2001 to 5.3%. As of mid-February 2002, Deutsche Bank, BB Biotech and Orbimed Advisors held more than 5% each of the outstanding shares of the company, marking a general trend toward institutional investors. Management, board and related party ownership exceeded 20%.