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## CORPORATE GOVERNANCE

A. The following sections of the Directive on Information Relating to Corporate Governance are included by reference, respectively not applicable or could be answered with "none." The sections that are dealt with in detail are stated in point B below. The numbering follows that of the Directive.

The articles of incorporation and the details of the Board of Directors and of the management can be found on [www.actelion.com](http://www.actelion.com), under "Investor Relations," "Corporate Governance."

Point	Item	Reference	N/A
<b>1.</b>	<b>Group Structure and Shareholders</b>		
1.1.2	All listed companies belonging to the issuer's group		none
1.1.3	The non-listed companies belonging to the issuer's consolidated entities	Financial Section, note 24, page 45	
1.2	<b>Significant shareholders</b>	Financial Section, note 7, page 51	
1.3	<b>Cross-shareholdings</b>		none
<b>2.</b>	<b>Capital Structure</b>		
2.1	<b>Capital</b>	Financial Section, note 3, 4 + 5, page 50 + 51	
2.2	<b>Authorized and conditional capital in particular</b>		
	Conditional share capital	Financial Section, note 4, page 50	
	Authorized share capital	Financial Section, note 5, page 51	
2.3	<b>Changes of capital</b>	Financial section, page 32 + 33	
2.4	<b>Shares and participation certificates</b>		
	Shares	Financial Section, note 3, page 50	
	Participation certificates		none
2.5	<b>Bonus certificates</b>		none
2.6	<b>Limitation on transferability and nominee registrations</b>		
2.6.1	Limitations on transferability for each share category, along with an indication of statutory group clauses, if any, and – rules on making exceptions.	Article 5 of the articles of incorporation	none
2.6.2	Reasons for making exceptions in the year under review.		N/A
2.6.3	Admissibility of nominee registrations, along with an indication of percent clauses, if any, and registration conditions.	Article 5 of the articles of incorporation	
2.6.4	Procedure and conditions for canceling statutory privileges and limitations on transferability.	Article 5 of the articles of incorporation	
2.7	<b>Convertible bonds and options</b>	Financial Section, Note 23, page 44	
<b>3.</b>	<b>Board of Directors</b>		
3.1	<b>Members of the Board of Directors</b>	<a href="http://www.actelion.com">www.actelion.com</a>	
3.3	<b>Cross-involvement</b>		none
3.4.1	Election procedure	Article 16 of the articles of incorporation	
<b>4.</b>	<b>Management Board</b>		
4.1 b) /c)	<b>Members of the management board</b>	<a href="http://www.actelion.com">www.actelion.com</a>	
4.2	<b>Other activities and functions</b>		none
4.3	<b>Management contracts</b>		none

<b>5.</b>	<b>Compensation</b>		
5.3	Compensations for former members of governing bodies		none
5.4	Share allotment		none
5.8	Loans granted by governing bodies		none
<b>6.</b>	<b>Shareholder's Participation Right</b>		
6.1.	Voting rights restrictions and representation	Article 5 + 11 of the articles of incorporation	
6.2.	Statutory quorums	Article 15 of the articles of incorporation	law
6.3	Convening of general meetings of shareholders	Article 9 +13 of the articles of incorporation	law

B. The following items are handled directly in this section:

## 1. GROUP STRUCTURE AND SHAREHOLDERS

### 1.1 Group Structure

#### 1.1.1 Description of Actelion's operation group structure

Actelion Ltd is the holding and finance company of the Group.

Actelion Pharmaceuticals Ltd, based in Allschwil, a 100% subsidiary of Actelion Ltd, is in charge of discovery, development, registration, production, quality assurance, safety, marketing coordination, group management and coordination. Actelion Pharmaceuticals Ltd further holds the intellectual property rights of the group.

Actelion Registration Ltd, based in London, a 100% subsidiary of Actelion Ltd, holds the marketing authorizations for products marketed by Actelion.

Hesperion AG, based in Allschwil, a 69.1% subsidiary of Actelion Ltd, performs clinical research for the Actelion group and third parties.

The remaining group companies serve as import, marketing and sales companies for the group.

Thomas Widmann is a board member of the following unlisted companies: Widmann Associates Ltd, Lotowi Ltd and Gentiane Research Ltd.

Joël Besse is a Senior Principal of Atlas Venture and a board member of the following listed company: Novus-pharma S.p.A. and of the following unlisted companies: Axovan AG, DeveloGen AG, Newron Phramaceuticals S.p.A., OnlySport.com SPRL.

Werner Henrich is a board member of the following unlisted companies: Basilea Pharmaceutica (chairman) and Addex Pharmaceuticals.

Rudolph Maag is a board member of the following listed companies: Straumann Holding AG (chairman), Geberit AG and of the following unlisted entities: Axovan AG (chairman), Basilea Pharmaceutica (vice-chairman), Rothschild Bank and Handelskammer beider Basel.

Fred J. Meyer is a board member of the following unlisted entities: Novartis Corp., Partners Group (USA) Inc., Zürich Life Insurance Company of New York and Earthjustice Legal Defense Fund.

André J. Mueller is board member of the following listed company: Synthes-Stratec Inc. and of the following unlisted companies: Addex Pharmaceuticals (chairman) and Arpida Ltd.

Jane Royston is president of Create Switzerland, and member of the board of the following unlisted entities: Aqua+Tech SA (vice-chairman), Swiss Science & Technology Council, Federal Commission Technology & Innovation and Hautes Ecoles Spécialisées de Suisse Occidentale.

## 3. THE BOARD OF DIRECTORS

### 3.2 Other activities and functions of the members of the Board of Directors

Robert E. Cawthorn is a board member of the following listed company: Charles River Laboratories and the following unlisted companies: Coley Pharmaceutical Group, Leering Swann, PharmaNet, Next Pharma Technologies, H2O Technologies and RX Bazaar.

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### 3.4 Elections and terms of office

Name of Board member	Executive member	Nationality	3.4.2 Time of first election and the remaining term of office for each member of the Board of Directors		
			Date of annual general meeting of first election	Date of annual general meeting of renewal	Annual general meeting of end of term of office
Robert E. Cawthorn	No	British	2000	2002	2005
Thomas Widmann	No (since 2001)	German	2000	2001	2004
Joël Besse	No	French	2000	2001	2004
Jean-Paul Clozel	Yes	French	2000	2002	2005
Werner Henrich	No	French	2000	2001	2004
Rudolf Maag	No	Swiss	2000	2002	2005
Fred J. Meyer	No	Swiss	2000	N/A	2003
André J. Mueller	Yes	Swiss	2001	N/A	2003
Jane Royston	No	Swiss	2000	N/A	2003

### 3.5 Internal organizational structure

Name of Board member	3.5.1 Allocation of tasks within the Board of Directors			3.5.2 Members list, tasks and area of responsibility of each committee of the Board of Directors	
	Chairman	Vice-Chairman	Delegate	Compensation Committee	Finance and Audit Committee
Robert E. Cawthorn	×			×	
Thomas Widmann		×		×	
Joël Besse				×	
Jean-Paul Clozel			×	×	
Werner Henrich				×	
Rudolf Maag					×
Fred J. Meyer					×
André J. Mueller					×
Jane Royston				×	

#### 3.5.2 Members list, tasks and area of responsibility of each committee of the Board of Directors (continued)

The *Compensation Committee* reviews matters related to the compensation of the CEO and other top managers, as well as the general employee compensation, benefit policies and HR practices of the Company. This Committee also proposes to the Board of Directors goals for global incentive plans and annual objectives and evaluates performance against these, and issues the Compensation Committee Report to the Board of Directors. The management keeps the Compensation Committee informed of other global HR projects and policies, which are being implemented or considered. In 2002, the Compensation Committee met 4 times.

The *Finance and Audit Committee* deals with the review of the internal control of the accounts and finances of the Company. The Chief Financial Officer (CFO) of the Company is responsible for the minutes and attends the meeting of the Finance and Audit Committee. The Finance and Audit Committee has the following responsibilities: (i) monitoring terms of the efficiency of the Management Information Systems (MIS) and other relevant control instruments; (ii) the proposal for the appointment of internal and external Auditors and definition of their tasks; (iii) the evaluation of the Audit Program and the Audit Results; (iv) the monitoring, evaluation and control of the period's accounts prior to their submission to the full Board of Directors; (v) the preparation of proposals for cash and other assets management; (vi) review of the budget and explaining action for decision to the full Board of Directors

and performing risk assessment functions. The Finance and Audit Committee reports to the full Board of Directors at regular intervals and submits proposals for board resolutions, if necessary. In 2002, the Finance and Audit Committee met 5 times.

### 3.5.3 Work methods of the Board of Directors and its committees

In 2002, the Board of Directors met 5 times and a majority (if not all) members were present at each board meeting. When the situation so warrants, the Board of Directors holds additional ad hoc meetings or telephone conferences to discuss specific issues. Any member can request a meeting.

The management presents a status report and then the majority of the Board of Directors takes the decisions on the relevant issues.

In the case of committees, after presentation of the issue by the management, the committee takes a preliminary decision for approval to the full Board of Directors, which will be reported along with the details of the issue, to the entire Board of Directors, who will take the final decision.

### 3.6 Definition of area of responsibility

The Board of Directors has delegated the management of the Company's business to the CEO of the Company and to the Business Executive Board and has granted the CEO the power to appoint the members of the Business Executive Board.

The Board of Directors carries out the tasks reserved to it by law. The Business Executive Board takes all other management decisions.

The Board of Directors has set up a Scientific Advisory Board, with the task of reviewing the Company's progress in research and clinical development and evaluating new scientific perspectives alongside the Company's management. On December 31, 2002, the Scientific Advisory Board was composed of the following four external experts of worldwide reputation: Prof. Donald Hilvert, Prof. Joël Ménard, Prof. Craig Pratt and Prof. Richard Tsien.

### 3.7 Information and control instruments vis-à-vis the management board

Currently, the Board of Directors receives monthly reports about the financial situation of the Company and quarterly reports made by the CEO. On a quarterly basis, the Board of Directors receives in addition the reports that are subsequently released to the public.

The management produces a monthly financial report, which is transferred to the Board of Directors.

The risk management systems consist of quality control, which ensures that the products have the required quality to be marketed, internal review of clinical development, to ensure the safe development of the product and an extensive postmarketing surveillance ensuring the continuing safety of the marketed product. In the financial area, the Board of Directors is informed regularly about means to reduce the risk related to currency exposure.

## 4 MANAGEMENT BOARD

### 4.1. a) Members of the management board

On December 31, 2002, the Business Executive Board ("BEB") was composed of:

**Simon Buckingham**, of Australian nationality, President, Head of US, Canada and Asia Pacific

**Christian Chavy**, of French nationality, President, Head of Europe, Israel, Latin America

**Jean-Paul Clozel**, of French nationality, CEO, Member of the Board

**Louis de Lassence**, of French nationality, Vice-President, Head of Corporate Services

**Isaac Kobrin**, of Israeli nationality, Senior Vice-President, Head of Clinical Development

**André J. Mueller**, of Swiss nationality, Senior Vice-President, Member of the Board

**Satoshi Tanaka**, of Japanese nationality, President and Representative Director, Japan

In addition to the above-named persons, the Senior Management comprises the following individuals on December 31, 2002:

**Bodin Frédéric**, of French nationality, Senior Vice-President, Head of International Medical Marketing

**Clozel Martine**, of French nationality, Senior Vice-President, Head of Drug Discovery Pharmacology & Preclinical Development

**Fischli Walter**, of Swiss nationality, Senior Vice-President, Head of Drug Discovery Molecular Biology & Biochemistry

## 5 COMPENSATION, SHAREHOLDINGS AND LOANS

### 5.1 Content and method of determining the compensations and of the shareholding programs

Non-executive members of the Board of Directors receive a yearly fixed compensation as well as an allotment of stock options for their term of office, whose terms & conditions are identical to the employee stock option plan (ESOP).

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The executive directors do not receive compensation nor an allotment of options resulting from their directorship, but only compensation they are entitled to under their employment agreement. Management members receive (i) fixed pay, determined according to the labor market following a survey, (ii) a yearly bonus, which is determined by the Board of Directors, upon recommendation of the Compensation Committee according to certain criteria determined by the Board of Directors from time to time, and (iii) under the ESOP, stock options, the number of which is determined according to a grid agreed by the Board of Directors and which takes into account the functions of the management member in question.

#### 5.2 Compensations for acting members of governing bodies

In 2002, in aggregate, the executive members of the Board of Directors and the members of the management received a cash compensation of CHF 3,958,076 and a

total of 97,200 options (see 5.6 for details). No shares were allotted.

In aggregate, the 7 non-executive members of the Board of Directors received in 2002 a cash compensation of CHF 105,000 and a total of 13,500 options (see 5.6 for details). No shares were allotted.

One severance payment above that provided for in the employment agreement was granted to a person who gave up his functions in governing bodies of the Company in an amount of CHF 235,650.

#### 5.5 Share ownership

The executive members of the Board of Directors and the members of the management hold an aggregate of 2,540,666 shares.

The non-executive members of the Board of Directors hold a total of 1,908,058 shares.

#### 5.6 Options

The executive members of the Board of Directors and the members of the management hold a total of 444,448 options. The allotment year and exercise price were as follows:

Number of options	Allotment year	Exercise price
31,680	1998	0.15
30,280	1999	1.88
93,760	1999	7.50
99,360	2000	7.50
40,000	2000	137.50
30,000	2001	42
16,768	2001	58.75
5,400	2001	60
20,000	2002	50
70,000	2002	62
7,200	2002	67

The non-executive members of the Board of Directors hold a total of 165,180 options. The allotment year and exercise price were as follows:

Number of options	Allotment year	Exercise price
1,440	1998	0.15
120,000	1998	2.50
11,520	1999	1.88
18,720	2000	7.50
9,500	2002	42
4,000	2002	66

The subscription ratio for all options is 1/1 and the duration is always 10 years as of the approval of the plan.

### 5.7 Additional honorariums and remunerations

Thomas Widmann billed a total of CHF 12,750 for services rendered to the Company in the year 2002. No further honorarium or other remuneration exceeding half his/her ordinary remuneration has been billed to the Company by any other member of the Board of Directors or the management.

### 5.9 Highest total compensation

The member of the Board of Directors receiving the highest total compensation in 2002 has received:

Cash compensations:	CHF 512,360
Option allotment:	0

## 6 SHAREHOLDERS' PARTICIPATION RIGHTS

### 6.4 Agenda

Shareholders holding more than CHF 1 million worth of shares are entitled to add items to the agenda of the general meeting of shareholders. Proposals for the annual general meeting of shareholders must be sent to the Company to arrive approximately 40 days prior to the date of the annual general meeting of shareholders. The exact deadline for sending in proposals is made public approximately 2 months prior to the date of the annual general meeting.

### 6.5 Registration in share register

Only shareholders who are registered in the shareholders register of the company on the date falling approximately 20 days prior to the AGM are entitled to vote at the AGM. The exact deadline for being registered in the shareholders register is made public with the press release following the presentation of the financials to the public for the year-end December 31.

## 7 CHANGES OF CONTROL AND DEFENCES MEASURES

### 7.1 Duty to make an offer

There are no opting-out or opting-up provisions in the articles of incorporation.

### 7.2 Clauses of change of control

There are addendums to the employment agreements of a certain number of employees in key managing positions providing for compensation in case of loss of position due to a change of control.

The ESOP provides that in case of change of control all options vest immediately.

## 8 AUDITORS

### 8.1 Duration of the mandate and term of office of head auditor

PricewaterhouseCoopers AG, Basel has been the Head Auditor of the Company since its incorporation. Their mandate as Head Auditor was renewed for the financial year 2002 by resolution of the shareholders of April 19, 2002.

### 8.2 Auditing honorarium

On an accruals basis, the auditing fees for the year under review are as follows:

Audit fees	
PricewaterhouseCoopers	CHF 299,040
Audit-related fees	
PricewaterhouseCoopers	CHF 60,213

### 8.3 Additional honorarium

In addition to the fees described above, aggregate fees of CHF 242,823 were billed by PricewaterhouseCoopers during the year ended December 31, 2002, primarily for income tax compliance and related tax and legal services.

### 8.4 Supervisory and control instruments vis-à-vis the auditors

The *Finance and Audit Committee* deals with the review of the internal control of the accounts and finances of the Company. (see 3.5.2)

The auditors sign an engagement letter, meet with the Finance and Audit Committee to present their plan, scope, approach and after the audit, their auditing results. The Finance and Audit Committee reviews the scope of the work of the auditors and their fees and makes a risk analysis. The auditors present, in addition to their opinion, a report and a management letter. The Company has ensured that the auditor's partner in charge has unrestricted access to the Chairman of the Finance and Audit Committee.

## 9 INFORMATION POLICY

The management comments publicly on the company's progress on a quarterly basis, at the same time that financials are made public.

The Company's website can be accessed at [www.actelion.com](http://www.actelion.com). The site contains information useful to investors, including media releases, financial statements and background information on marketed products as well as clinical and preclinical projects.