

A Banner Year for Actelion

Dear Shareholders,

Actelion achieved a number of significant milestones in 2003. Tracleer[®], our breakthrough oral treatment for pulmonary arterial hypertension (PAH) continues to show strong sales momentum, increasing 146% over the previous year to a total of CHF 299.7 million. Our first product on the market has quickly become the first-line therapy for treating PAH, generating cash flow that increased steadily in every quarter last year. At the same time, Actelion has built one of the strongest pipelines in the industry, with multiple projects that have the potential to grow the company. As we begin 2004, this dynamism has propelled Actelion into an elite group of cash-generating biopharmaceutical companies with major long-term growth potential.



Robert E. Cawthorn
Chairman of the Board



Jean-Paul Clozel
Chief Executive Officer

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Our second product on the market, Zavesca®, was launched in the European Union and received regulatory approval from the FDA in 2003. While the approved indication is for a rare condition known as type 1 Gaucher's disease, this innovative oral treatment has potential in a number of other lipid-storage disorders.

The acquisition of the Swiss-based research company Axovan in 2003 strengthened our concentration in endothelin receptor antagonists (ERA) with the molecule clazosentan, optimized for cerebral indications. Axovan's promising pre-clinical work in G-protein-coupled receptors will be integrated into our discovery efforts.

The year 2003 ended with a landmark alliance with the global pharmaceutical firm Merck to develop and market orally available renin inhibitors, which hold significant promise in the multi-billion-dollar market for cardiovascular drugs. Actelion has received an upfront payment of USD 10 million and will get milestone payments of up to USD 262 million on the first joint product as well as substantial royalties on this and further products.

This alliance points the way to Actelion's future. Our strategy is to move up the risk/reward scale, adding higher-value hospital products to our orphan drug franchise and, ultimately, high-volume drugs prescribed by general practitioners. As new molecules from our pipeline reach Phase III, we will rely on our own clinical development and marketing organization for specialized niche products. If appropriate to maximize return and manage risk, we will seek established industry partners for broader markets. This flexibility will help us to invest our resources wisely. In this context, Actelion has decided to divest its stake in the clinical research organization Hesperion, so as to fully focus on our core expertise of discovering, developing and marketing highly innovative new medicines.

Establishing Tracleer® as the "cornerstone" therapy

Actelion's highly trained and motivated marketing and sales staff – comprising almost one-third of our 680 employees – continued to successfully position Tracleer® as the first-line or "cornerstone" therapy for PAH. As PAH is often misdiagnosed or only detected at a late stage, education has been one of the mainstays of the marketing strategy. Programs are aimed at specialist physicians and treatment centers as well as at raising awareness about the condition at international



medical congresses. With Tracleer® already rolled out in major markets in Europe and North America, our global organization is shifting into high gear in Japan, where launch is expected in 2004. In Australia, the commercialization of Tracleer® started in March 2004.

Zavesca®, licensed in from Oxford GlycoSciences in 2002, posted limited sales of CHF 0.7 million in 2003 following its launch in the UK and Germany. Increased revenue is expected from the US launch in 2004 and expansion in Europe. Educational efforts have again been a key marketing tool, designed in part to create a receptive environment for this drug in treating other lipid-storage disorders.

Moving forward in multiple clinical trials

Some 2,500 patients currently undergoing 13 major clinical trials attest to Actelion's ability to blend pharmaceutical discipline with a culture of biotech innovation. Building on the success of Tracleer® in the later stages of pulmonary arterial hypertension, the EARLY study is being conducted to expand labeling to cover mildly symptomatic patients. Because of its unique properties as a dual endothelin receptor antagonist, Tracleer® (bosentan) is being explored in other conditions in which endothelin is thought to play a key role. Phase III clinical trials are underway on treating digital ulcers in scleroderma patients (RAPIDS-2) and on pulmonary fibrosis and interstitial lung

disease (BUILD-1&-2). Phase II trials are being conducted on preventing disease progression in metastatic melanoma. These additional indications have the potential to at least double or triple current peak sales estimates for Tracleer®.

Another strategic asset of Actelion's is the endothelin antagonist Veletri™ (tezosentan), which is administered intravenously. Phase III trials (VERITAS-1&-2) are being conducted for treatment of acute heart failure, which affects 2 million people annually. A Phase II study is also being conducted with Veletri™ in a condition associated with liver cirrhosis (hepatorenal syndrome). The ERA clazosentan, acquired in 2003 from Axovan, could become the first hospital drug to reduce the debilitating effects of a certain type of stroke (subarachnoid hemorrhage). Phase II/III studies are scheduled to begin after discussions with regulatory authorities.

The discovery by Actelion's researchers of the first orally available antagonist for urotensin-II, one of the most potent vasoconstrictors known to science, has been leveraged into Phase II clinical trials in treating chronic renal failure – one of the most common complications of diabetes. Other promising cardiovascular and metabolic indications are also being evaluated.

Expanding focus for drug discovery

Actelion has established its scientific reputation on a unique understanding of the endothelium,

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the single layer of cells covering the inner surface of blood vessels, which plays a critical role in a number of heretofore untreatable diseases. While continuing to grow this expertise, drug discovery efforts have expanded into new areas that share the molecular platforms of G-coupled-protein receptors and aspartyl proteases.

As the result of this focused approach, more than 50 priority patent applications have been filed and promising new pathways explored. This has led to preclinical work on orexin receptor antagonists, which could shift the paradigm in treating sleep disorders, and on beta-secretase (BACE), which has potential in treating Alzheimer's disease. Breakthroughs in developing orally available, small molecules that inhibit renin, which is indicated in cardiovascular diseases such as hypertension, is another example of both the quality and direction of Actelion's scientific work.

Gaining industry recognition

In February 2004, Actelion received the Biotech Industry Association's James D. Watson Helix Award for "setting a singular standard of corporate leadership as reflected in performance in scientific innovation, company growth and corporate citizenship." In early 2004, Actelion was also awarded the "Innovation Prize 2004" from the cantonal governments of Basel-Stadt and Basel-Land. The prize recognized the scientific breakthrough of Tracleer® as well as the commercial

success of the company only six years after its founding – reinforcing the region's reputation for excellence in life sciences. The presence of large pharmaceutical companies, a high concentration of talented scientists and other specialists, a favorable political environment and an international culture make Basel an ideal environment for a biotech company to grow and prosper. With some 300 people at its headquarters in Allschwil, Actelion has become a significant factor for the local economy. The new state-of-the-art research and development facility now under construction is a clear commitment to the region and a long-term investment in the company's future.

Building on financial strength

In 2003, our total net revenues were up 132% to CHF 307.5 million (2002: 132.4 million). Excluding the writing down of goodwill from our acquisition of Axovan, net loss was CHF 9.9 million (2002: net loss of 52.1 million). Our dynamic business performance was reflected in the equity markets. Actelion's share price increased over 133% during 2003 – more than 50% above the Swiss Market Index.

Strong revenue, tight control of operating expenses, positive cash flow and successful financing are providing us with a solid foundation for growth. Financial markets showed confidence in Actelion by oversubscribing a convertible bond issue in 2003 by more than 10 times, raising capital of more than CHF 140 million.

In just six years, our young company has made tremendous progress. Thanks to the strong support of our shareholders, the dedication of our employees, our well-defined strategy and our proven ability to discover, develop and market innovative therapies, we are convinced that we can realize our aspirations. Unforeseen events excluded, we believe that Actelion will continue to be one of the world's fastest growing biopharmaceutical companies.

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