

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, under "Investor Relations," "Corporate Governance".

Point	Item	Reference	N/A
1.	Group Structure and Shareholders		
1.1.3	The non-listed companies belonging to the issuer's consolidated entities	Financial Section, note 2, page 56	
1.2	Significant shareholders	Financial Section, note 8, page 58	
1.3	Cross-shareholdings		none
2.	Capital Structure		
2.1	Capital	Financial Section, note 3, 4 + 5, page 56–57	
2.2	Authorized and conditional capital in particular		
	Conditional share capital	Financial Section, note 4, page 57 and article 3a of the articles of incorporation	
	Authorized share capital	Financial Section, note 5, page 57 and Article 3b of the articles of incorporation	
2.3	Changes of capital	Financial section, page 36 + 37 and financial statements 2002	
2.4	Shares and participation certificates		
	Shares	Financial Section, note 3, page 56	
	Participation certificates		none
2.5	Bonus certificates		none
2.6	Limitation on transferability and nominee registrations		
	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	Convertible bonds and options		
	Convertible bonds	Financial Section, note 16, page 46	
	Options	Financial Section, note 20, page 50	
3.	Board of Directors		
3.3.	Cross-involvement		none
3.4.1	Election procedure	Article 16 of the articles of incorporation	
4.	Management Board		
4.2.	Other activities and functions		none
4.3.	Management contracts		none
5.	Compensation		
5.3	Compensations for former members of governing bodies		none
5.8	Loans granted by governing bodies		none
6.	Shareholder's Participation Right		
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

CFO's Letter	22
▶ Corporate Governance	25
Consolidated Financial Statements	32
Holding Company Statements	53
Shareholder Information	59
Highlights	62

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 in the EU.

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

Actelion Clinical Operations, Inc. based in New Jersey, a 100% subsidiary of Actelion Ltd, performs clinical operations on behalf of the Group.

Actelion Paris Organisation SAS, based in Paris, a 100% subsidiary of Actelion Ltd, performs administrative and marketing services in Europe for the Group.

Actelion Finance SCA, based in Luxembourg, a 100% subsidiary of Actelion Ltd, performs financing for the Group.

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

1.1.2 All listed companies belonging to the Issuer's Group

Actelion Ltd
Gewerbstrasse 16
CH-4123 Allschwil
Switzerland

Listed on the SWX Swiss Exchange under the code ATLN
ISIN CH0010532478
Market capitalisation as of Dec 31, 2003: CHF 2,903,778,258

3. The Board of Directors

3.1. Board members / 3.2. Other activities and functions of the members of the Board of Directors

Robert E. Cawthorn

Education and professional background:

B.A. Cambridge University, England; Managing Director of Global Health Care Partners, DLJ Merchant Banking; Chairman and CEO of Rhone-Poulenc-Rorer, Inc.; Chairman and CEO of Rorer Group, Inc.; President of Biogen S.A.

Other activities and functions:

Robert E. Cawthorn is a board member of the following listed companies: Charles River Laboratories and Rx Bazaar and the following unlisted companies: Coley Pharmaceutical Group, Leerink Swann & Company, PharmaNet, Next Pharma Technologies, H2O Technologies and The Bermuda Biological Station for Research

Joël Besse

Education and professional background:

Master in sciences from the University of Toulouse, France; Aerospace engineering degree from ENSAE (Ecole Nationale Supérieure de l'Aéronautique et de l'Espace), Toulouse, France; SED Ventures, Crédit Lyonnais and Arthur Andersen, Paris, France

Other activities and functions:

Joël Besse is a board member of the following listed company: Novuspharma S.p.A. and of the following unlisted companies:

Micromet AG, Newron Pharmaceuticals S.p.a., Prestwick Pharmaceuticals Inc., U3 Pharma AG, Renovo Ltd., Arrow Pharmaceuticals Ltd; Senior Partner of Atlas Venture, London, UK, a venture capital firm

Jean-Paul Clozel

Education and professional background:

Cardiologist educated in France, with further training in pharmacology and physiology at the University of Montreal, Canada, and the University of California, San Francisco.

Eleven years as a clinician, twelve years at F. Hoffmann-La Roche, responsible for the selection and pre-clinical development of drugs
Founder of Actelion

Other activities and functions:

None

Werner Henrich

Education and professional background:

Chemist and European patent attorney; Head of Global Intellectual Property and Pharmaceutical Licensing, F. Hoffmann-La Roche Ltd., Basel; Member of the Roche Pharmaceutical Division Executive Board.; Senior Vice President of Roche

Other activities and functions:

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

Rudolf Maag

Education and professional background:

MBA from INSEAD; Vice-Chairman and CEO of Synthes-Stratec, Inc.; Various international management positions in SANDOZ.

Other activities and functions:

Rudolph Maag is board member of the following listed companies: Straumann Holding AG (chairman) and Geberit AG. He is also a member of the board of the Basel Chamber of Commerce

Fred Meyer

Education and professional background:

M.B.A. with distinction from the Harvard Business School and an M.S., cum laude, from the Swiss Federal Institute of Technology.; President of Cove Capital Corp.; Key executive of Omnicom Group Inc. (Chief Financial Officer, Vice Chairman, Special Advisor/Executive Office); Senior Vice President, Finance and Chief Financial Officer of CBS Inc.; Various positions with Sandoz Ltd, including President and Chief Executive Officer, Sandoz United States

Other activities and functions:

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

Education and professional background:

Degrees in Chemical Engineering from Geneva University and Business Administration from INSEAD; Founding Partner and Director of Investments for Genevest; VP of Finance and Administration and then

CFO of Biogen; CIBA Ltd and Sandoz (managerial positions in the strategic planning and finance divisions both at headquarters and in the US)

Other activities and functions:

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.

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
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	2003	2006
André J. Mueller	Yes	Swiss	2001	2003	2006

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	×			×	
Joël Besse				×	
Jean-Paul Clozel			×	×	
Werner Henrich				×	
Rudolf Maag					×
Fred J. Meyer					×
André J. Mueller		×			×

CFO's Letter	22
▶ Corporate Governance	25
Consolidated Financial Statements	32
Holding Company Statements	53
Shareholder Information	59
Highlights	62

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 2003, the Compensation Committee met 5 times.

The *Finance and Audit Committee* reviews the internal controls and finances of the Group as part of its mandate to examine risks confronted by the Group. 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 the efficiency of the Management Information Systems (MIS) and other relevant control systems and processes; (ii) 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 asset 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 2003, the Finance and Audit Committee met 7 times.

3.5.3 Work methods of the Board of Directors and its committees

In 2003, 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 the Board of Directors makes the decisions on the relevant issues requiring board approval.

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, 2003, 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 sent 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 financial risk and the proposed actions to be taken to mitigate this risk.

4 Management Board

4.1. Members of the management board

On December 31, 2003, the Business Executive Board ("BEB") was composed of:

Simon Buckingham

Of Australian nationality, President Head of US, Canada and Asia Pacific
Education and professional background:
Veterinarian by training; Bachelor of Veterinary Science (Honours), University of Sidney, Australia; Doctor of Philosophy, University of Melbourne, Australia, Graduate management Qualification Australian Graduate School of Management, University of New South Wales, Australia; Sales and Marketing Director, Parke-Davis US; Global Project Director, F. Hoffmann-La Roche, Switzerland; Product Marketing Manager and Territory Manager, F. Hoffmann-La Roche, Australia

Christian Chavy

Of French nationality, President Head of Europe, Israel and Latin America
Education and professional background:
Business School: ESSEC (Ecole Supérieure des Sciences Economiques et Commerciales); Master Degree of Business Management from ICG (Institut de Contrôle de Gestion in Paris); Vice-President and Head of Global Therapeutic Area Reproductive Health at Serono International in Geneva; Managing Director of Serono France; Managing Director of Rorer France, Rhône-Poulenc Rorer, President of RPR Canada Inc.; Marketing Manager at Bristol-Myers France, Smith-Kline and Merck Sharp & Dohme.

Jean-Paul Clozel

CEO, see section 3, page 26

Louis de Lassece

Of French nationality, Vice-President, Head of Corporate Services
Education and professional background:
Business school in Paris in 1976 and degrees in accounting; External auditor. From 1982 to 2000, worked for the Roche Group, mainly in Finance and Administration: Internal auditor; Finance Manager of Roche, Brussels; Assistant of the vice-chairman of the Roche Group; Finance Manager of Pharma International

Isaac Kobrin

Of Israeli nationality, Senior Vice-President, Head of Clinical Development
Education and professional background:
Internist educated in Israel with further training (Fulbright Fellowship) at the Ochsner Medical Foundation in New Orleans, LA, mainly in the cardiovascular and nephrology fields; Group Leader of the cardiovascular development group, F. Hoffmann-La Roche

Andrew J. Oakley

Of Australian nationality, Vice President, Chief Financial Officer
Education and professional background:
MBA from London Business School; Member of the Australian Institute of Chartered Accountants since 1987; Senior finance capacity for the global holding companies of Accenture; Executive positions in the finance departments of two multinational building material companies; Several years as equity analyst with banks in Australia, the United Kingdom and the United States

Satoshi Tanaka

Of Japanese nationality, President and Representative Director, Japan
Education and professional background:
Hematologist, qualified as a Medical Doctor of Medical Science, educated at the Doctor Course of Kyoto Prefectural University of Medicine; Master Course of Kyoto Pharmaceutical University with qualification as Pharmacist; Behring Institute and University of Mainz in Germany (hemastaseology and immunology); Business management at Cranfield University in the UK.; Knoll AG in Germany (member of the Global R&D management as President of Knoll Japan); Senior Managing Director of Hokuriku Seiyaku.

In addition to the above-named persons, the Senior Management comprises the following individuals on December 31, 2003:

Frédéric Bodin

Of French nationality, Senior Vice-President, Head of International Medical Marketing
Education and professional background:
Cardiologist educated in France; clinical leader for the development of benazepril and valsartan, Ciba-Geigy; Medical marketing leader, F. Hoffmann-La Roche; Medical marketing leader, Novartis.

Martine Clozel

Of French nationality, Senior Vice-President, Head of Drug Discovery Pharmacology & Preclinical Development
Education and professional background:
Pediatrician specialized in neonatal intensive care, educated at the University of Nancy, France; Training in physiology and pharmacology at McGill University, Montreal, and at the University of California, San Francisco; F. Hoffmann-La Roche

Walter Fischli

Of Swiss nationality, Senior Vice-President, Head of Drug Discovery Molecular Biology & Biochemistry
Education and professional background:
Biochemist educated at the Swiss Institute of Technology (ETH) Zurich with further training in molecular biology and organic chemistry; Research fellowship at the Addiction Research Foundation - Stanford University; Leader drug discovery projects, F. Hoffmann-La Roche

André J. Mueller

Senior Vice-President
See section 3 on page 27

CFO's Letter	22
▶ Corporate Governance	25
Consolidated Financial Statements	32
Holding Company Statements	53
Shareholder Information	59
Highlights	62

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 share and stock options.

Generally, the executive directors receive an allotment of shares and/or options from their directorship, and a cash compensation 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 that include the Company's, unit's and the indi-

vidual's personal performance, as 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 / 5.4 Share allotment

In 2003, in aggregate, the executive members of the Board of Directors and the members of the management received a cash compensation of CHF 4,694,445 and CHF 745,777 of bonus for 2002, paid out only in 2003 and a total of 51,600 (ESOP) and 2,000 (DSOP) options (see 5.6 for details) and a total of 600 shares.

In aggregate, the 5 non-executive members of the Board of Directors received in 2003 a cash compensation of CHF 110,000 and a total of 5,000 (DSOP) options (see 5.6 for details) and a total of 1,650 shares.

5.5 Share ownership

The executive members of the Board of Directors and the members of the management hold an aggregate of 2,472,321 shares.

The non-executive members of the Board of Directors hold a total of 1,534,814 shares.

5.6 Options

The executive members of the Board of Directors and the members of the management hold a total of 417,168 (ESOP) and 2,000 (DSOP) options. The allotment year and exercise price were as follows:

Number of options	Allotment year	Exercise price
2,880	1998	0.15
11,760	1999	1.88
73,760	1999	7.50
99,360	2000	7.50
40,000	2000	137.50
24,376	2001	42
13,768	2001	58.75
3,375	2001	60
25,325	2002	50
66,125	2002	62
4,839	2002	67
27,600	2003	62
10,400	2003	93
13,600	2003	94
2,000 (DSOP)	2003	62

The non-executive members of the Board of Directors hold a total of 132,230 (ESOP) and 5,000 (DSOP) options. The allotment year and exercise price were as follows:

Number of options	Allotment year	Exercise price
40	1998	0.15
120,000	1998	2.50
1,440	2000	7.50
7,500	2002	42
3,250	2002	66
5,000 (DSOP)	2003	62

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

5.7 Additional honorariums and remunerations

Werner Henrich billed a total of CHF 35,846.50 for services rendered to the Company in the year 2003. 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 2003 has received:

Cash compensations:	CHF 914,870
Option allotment:	1,000 options (DSOP, value 15.60)
Share allotment:	300 shares

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 20 to 30 days prior to the annual general meeting of shareholders 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 Defenses 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 2003 by resolution of the shareholders of April 23, 2003. Mr Thomas Brüderlin has held the post of head auditor since 2002.

8.2 Auditing honorarium

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

Audit fees	
PricewaterhouseCoopers	CHF 506,650
Audit-related fees	
PricewaterhouseCoopers	CHF 1,794,350

8.3 Additional honorarium

In addition to the fees described above, aggregate fees of CHF 831,000 were billed by PricewaterhouseCoopers during the year ended December 31, 2003, primarily for income tax compliance and related tax 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 shareholders are regularly informed of Actelion's business via internet announcements, press releases, roadshows, major news agencies, Swiss Official Commercial Gazette.

The corporate communication department is available to respond to shareholders' or potential investors' queries.

The Company's website can be accessed at www.actelion.com. The site contains information useful to investors, including media releases, financial statements and background information on mar-

keted products as well as clinical and preclinical projects.