

Actelion's Articles of Incorporation, its By-Laws including the Charters of the Board Committees and its Policy on Ethical Conduct provide the basis for its principles of Corporate Governance. These documents can be found on <http://www.actelion.com> under "Investors", "Corporate Governance".

1. Group Structure and Shareholders

1.1 Group Structure

1.1.1 Description of Actelion's operational 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.

Actelion Percurex AG, based in Allschwil, a 100% subsidiary of Actelion Ltd, performs research and development services on behalf of the Group.

Actelion Clinical Operations, Inc. (re-named to Actelion Clinical Research, Inc. as of January 1, 2007), based in New Jersey, a 100% subsidiary of Actelion Ltd on December 31, 2006; since January 1, 2007 a 100% subsidiary of Actelion US Holding Company, performs clinical operations on behalf of the Group.

Actelion Pharmaceuticals Israel Ltd, based in Ramat-Gan, 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 and Actelion Partners SNC, both based in Luxembourg, and Actelion Participation GmbH, based in Allschwil, all three 100% subsidiaries of Actelion Ltd, as well as Actelion Luxembourg SARL, based in Luxembourg, a 100% subsidiary of Actelion Participation GmbH, perform financing for the Group.

Actelion US Holding Company, based in Wilmington, Delaware, a 100% subsidiary of Actelion Ltd, is the holding company of all Actelion companies in the United States since January 1, 2007.

Curl Acquisition Subsidiary, Inc., based in Wilmington, Delaware, a 100% subsidiary of Actelion US Holding Company, serves for the sole purpose of being merged with CoTherix, Inc. This company was merged with CoTherix, Inc. on January 9, 2007.

CoTherix, Inc., based in Wilmington, Delaware, a 100% subsidiary of Actelion US Holding Company, resulting from the merger with Curl Acquisition Subsidiary, Inc. as of January 9, 2007.

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 capitalization as of December 31, 2006: CHF 6,152,176,912.

1.1.3 The non-listed companies belonging to the issuer's consolidated entities

See Financial Section, note 2, page 72

1.2 Significant shareholders

See Financial Section, note 9, page 74

Shareholder structure

There were 4,734 shareholders registered in the share register on December 31, 2006. The distribution of shareholdings is divided as follows:

Number of shares	Number of registered shareholders on December 31, 2006
1 to 100	2,332
101 to 1,000	2,057
1,001 to 10,000	249
10,001 to 100,000	77
100,001 to 1,000,000	16
More than 1,000,000	3

The shareholder body on December 31, 2006 was constituted as follows:

Shareholder structure according to category of investors (number of shares)

Private persons	20.0%
Institutional shareholders	47.8%
Not registered	32.2%

Shareholder structure by country (number of shares)

Not registered	32.2%
Switzerland	25.0%
United Kingdom	20.9%
USA	6.1%
Other	15.8%

1.3 Cross-shareholdings

None

2. Capital Structure

2.1 Capital

See Financial Section, note 3, 4 and 5, page 73

2.2 Authorized and conditional capital in particular

– Conditional share capital

See Financial Section, note 4, page 73, and Article 3a of the Articles of Incorporation

– Authorized share capital

See Financial Section, note 5, page 73, and Article 3b of the Articles of Incorporation

2.3 Changes of capital

See Financial Section, page 50 and 51, and Financial Section, page 48 and 49, of the Annual Report 2005

2.4 Shares and participation certificates

– Shares

See Financial Section, note 3, page 73

– Participation certificates

None

2.5 Profit sharing 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

Article 5 of the Articles of Incorporation

– rules on making exceptions.

None

2.6.2 Reasons for making exceptions in the year under review.

Not applicable

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 cancelling statutory privileges and limitations on transferability.

Statutory privileges and limitations on transferability can be cancelled with a two-thirds majority of the votes represented at the General Meeting of Shareholders.

2.7 Convertible bonds and options

– Convertible bonds

See Financial Section, note 15, page 60

– Options

The Standard Share Option Plan is intended to promote the interests of the Company by providing employees with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Company as an incentive for them to remain in the service of the Company and to help align the employees' interests with those of the shareholders.

Options are normally granted annually to employees who are already employed at the Company based on the function within the Company and on the achievement of defined performance criteria. Upon hiring, the Company may grant options depending on the future function at the Company. Grant levels are reviewed by the Compensation Committee and approved by the Board. Once options are granted, the Board is not entitled to materially increase the benefit accruing to the Optionee without the approval of the Actelion stockholders.

For further information, see Financial Section, note 20, page 62–65

3. The Board of Directors

3.1 Members of the Board of Directors and

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

Robert E. Cawthorn

Education: B.A. degree in agriculture, Cambridge University, England.

Professional background: Managing Director of Global Health Partners, DLJ Merchant Banking Partners, 1997 to 2001; Chairman and CEO of Rhone-Poulenc-Rorer, Inc. (formerly Rorer Group), 1985 to 1996; President of Biogen Inc., 1979 to 1982; various executive positions at Pfizer International.

Other activities and functions: Member of the Board of Directors of the following unlisted companies: The March Group, NextPharma Technologies, Leerink Swann & Co.

André J. Mueller

Education: Chartered Chemical Engineer, Superior Technical College, Geneva (1964); Licencié in Business Economics, University of Geneva (1970), MBA, INSEAD Fontainebleau (1971).

Professional background: Process Engineer with CIBA Ltd.; management positions in planning and finance at Sandoz (now Novartis) in Switzerland and the US; five years as the first Chief Financial Officer of Biogen; Co-Founder of Genevest venture capital group; member of the management consulting practice of Deloitte and Touche from 1993 to 1997; member of Founding Team of Actelion and Chief Financial Officer until 2003.

Other activities and functions: Member of the Board of Directors of the listed company Synthes Inc. and of the following unlisted companies: Addex Pharmaceuticals (Chairman), an R&D company focusing on the treatment of central nervous system disorders, Cerenis Therapeutics, an R&D company focusing on the prevention and treatment of atherosclerosis.

Jean-Paul Clozel

Education: Medical degree in France; further training in pharmacology and physiology at the University of Montreal, Canada, and the University of California, San Francisco.

Professional background: Practicing cardiologist for 11 years, 1974 to 1985; Head of Drug Discovery Group in the Cardiovascular Department of F. Hoffmann-La Roche for 12 years, 1985 to 1997; Founder and Chief Executive Officer of Actelion.

Other activities and functions: None.

Juhani Anttila

Education: Master's degree in law at the University of Helsinki, Finland, 1978.
Professional background: Managing Partner at CA Corporate Advisers, Zurich, 1981 to 1985; Managing Director of Nokia GmbH, Zurich, 1985 to 1988; Member of the Executive Board of Nokia Consumer Electronics Division, 1989 to 1995; Chairman of the Executive Board of Nokia (Deutschland) GmbH, Germany, 1990 to 1995; President and CEO of the Swisslog Holding Ltd, 1996 to 2002; CEO of Ascom Holding Ltd, 2003 to 2004.
Other activities and functions: Member of the Board of Directors of the following listed company: Ascom Holding Ltd (Chairman), since 2002.

Carl Feldbaum

Education: Bachelor's degree in biology from Princeton University; law degree from the University of Pennsylvania Law School.
Professional background: Assistant special prosecutor for the Watergate special prosecution force, 1973 to 1975; Inspector General for defense intelligence in the U.S. Department of Defense, 1976 to 1979; Assistant to the Secretary of Energy, 1979 to 1980; President and founder of the Palomar Corporation, 1980 to 1988; Chief of staff to Senator Arlen Specter (R-PA) of Pennsylvania, 1988 to 1993; President of the Biotechnology Industry Organization (BIO) in Washington, D.C., 1993 to 2005.
Other activities and functions: Member of the Board of Directors of the following listed company: Exelixis, Inc., South San Francisco, CA (as of February 2007). Consultant, Biotechnology Industry Organization.

Werner Henrich

Education: Chemist and European Patent Attorney.
Professional background: Former Head of Global Intellectual Property and Licensing, F. Hoffmann-La Roche Ltd, Basel.
Other activities and functions: Member of the Board of Directors of the following listed company: Basilea Pharmaceutica (chairman), a biotechnology company involved in antibiotics, and of the following unlisted companies: Addex Pharmaceuticals, an R&D company focusing on the treatment of central nervous system disorders, TLT Medical (chairman), TET Systems and CEO of Pivalor AG, a consultant company.

Armin Kessler

Education: Degree in physics and chemistry from Pretoria University in South Africa, degree in chemical engineering from the University of Cape Town, South Africa and a juris doctorate from Seton Hall University; registered Patent Attorney at the U.S. Patent Office.

Professional background: Chief Operating Officer of F. Hoffmann-La Roche Ltd, Basel, Switzerland, from 1990 to 1995. Prior to appointment as COO, senior management positions at Roche, including Head of the Diagnostics and Pharmaceutical divisions. Earlier positions included Director of Pharmaceutical Marketing Worldwide at Sandoz (now Novartis) and President of Sandoz KK in Tokyo.

Other activities and functions: Member of the Board of Directors of the following listed companies: The Medines Co., Gen-Probe and PRA International and the following unlisted company: Medgenisis. Formerly on the Board of Syntex Chemicals, Genentech and F. Hoffmann-La Roche.

Jean Malo

Education: M.B.A. from ESSEC, Cergy Pontoise, France, in 1977.
Professional background: Chartered Financial Analyst and a member of the Association for Investment Management and Research and the Houston Society of Financial Analysts. Chief Investment Officer for Vaughan Nelson Scarborough and McCullough, including managing several equity portfolios between 1997 and 2000. From 1989 to 1997, managed both equity and fixed income portfolios for Daniel Breen and Company in Houston. From 1978 to 1989, Corporate Banker for Banque Indosuez in Saudi Arabia, Houston and New York. Between 1977 and 1978, Financial Analyst at the French Embassy in Singapore.
Other activities and functions: As of 2000, Senior Partner and Chief Investment Officer at Breen Investors L.P., a registered investment advisor.

3.3 Cross-involvement

None

3.4 Elections and terms of office

3.4.1 Principles of the election procedure and limits of the terms of office

According to Article 16 of the Articles of Incorporation, the 5 to 11 members of the Board of Directors are elected by the Annual General Meeting of the Shareholders for a term of office of three years. One year of office is understood to be the period from one ordinary meeting of shareholders to the next ordinary meeting of shareholders. In principle, the Board of Directors is renewed each year by one third. The respective elections are held individually. The term of office of newly elected members shall be fixed at the time of election under due consideration of the renewal cycle. In addition, the By-Laws currently foresee that members who have completed their seventy-fourth year of age shall retire as of the next ordinary meeting of shareholders.

3.4.2 Time of first election and remaining term of office for each member of the Board of Directors

Name of Board member	Executive member	Nationality	Birthdate	Date of AGM of first election	Date of AGM of renewal	AGM of end of term of office
Robert E. Cawthorn	No	British	28.09.1935	2000	2006	2009
André J. Mueller	No	Swiss	05.02.1944	2001	2006	2009
Jean-Paul Clozel	Yes	French	03.04.1955	2000	2005	2008
Juhani Anttila	No	Finnish	20.04.1954	2005	N/a	2008
Carl Feldbaum	No	USA	01.02.1944	2005	N/a	2008
Werner Henrich	No	French	03.11.1943	2000	2004	2007
Armin Kessler	No	Swiss	31.03.1938	2004	N/a	2007
Jean Malo	No	French	16.07.1954	2004	N/a	2007

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	Nominating and Governance Committee
Robert E. Cawthorn	×			×		×
André J. Mueller		×			×	
Jean-Paul Clozel			×			
Juhani Anttila					×	
Carl Feldbaum						×
Werner Henrich				×		
Armin Kessler				×		
Jean Malo					×	

The Compensation Committee reviews and approves the Company compensation philosophy and components and reviews general employee compensation, benefit policies and HR practices of the Company. This Committee also reviews global incentive plans and annual objectives and evaluates performance against these. It determines the compensation of the CEO and approves that of Senior Managers who report directly to the CEO. The management keeps the Compensation Committee informed of other global HR projects and policies, which are being implemented or considered. The Committee presents the Compensation Committee report to the Board. In 2006, the Compensation Committee met 4 times in person, approximately every quarter. Each meeting took on average 1½ to 2 hours. In general, the CEO, the Head of Corporate Services, and the Head of Global Human Resources are invited to attend the meetings. The compensation of the CEO is not discussed in his presence.

The Finance and Audit Committee reviews the internal controls and finances of the Group in accordance with the “Charter of the Finance and Audit Committee” adopted on November 30, 2005. The Committee has the following tasks and duties: (i) Evaluate management’s proposals and formulation of recommendations to the full Board in regards to financial planning; (ii) Review the proposed concepts of financial objectives; (iii) Review finance policy, operations and risk management framework in the areas of treasury, controlling, taxes, insurances, investments and acquisitions; (iv) Review the US GAAP and statutory financial statements prior to release and submission of annual financial statements to the Board of Directors; (v) Supervise the composition and activity of the Internal Audit (IA) function, assure implementation of IA recommendations, approve annual mission plans and review IA’s cooperation with External Auditors; (vi) Evaluate, and propose to the Board, the External Auditors (EA) to be nominated for shareholder approval, evaluate the terms of engagement, compensation, performance and independence of the EA and review the audit process, discussing audit results with the EA; (vii) Oversee, in all material respects, the Company’s compliance with applicable financial and securities laws. The Finance and Audit Committee reports to the full Board of Directors at regular intervals and submits proposals for Board resolutions, if necessary. In 2006, the Finance and Audit Committee met 8 times (either in person or by telephone conference). Each meeting took on average 3 to 4 hours. In general, the CFO and the Head of Internal Audit attend the meetings. At least once a year, a meeting is held with the External Auditors without the presence of the CFO, the Head of Internal Audit or the CEO.

The Nominating and Governance Committee reviews considerations relating to Board composition, including size of the Board and criteria for membership on the Board of Directors, identifies, reviews, considers, recommends to the Board qualified candidates to serve as Board members and members of the various Committees of the Board. It further reviews directorships and consulting agreements of Board members for conflicts of interest, reviews and recommends Corporate Governance policies and principles for the Company, reviews quarterly reports of Actelion’s Compliance Officer, annually oversees an evaluation of the Board of Directors, maintains an orientation program for new Board members and makes related recommendations to the Board. In 2006, the Nominating and Governance Committee met 3 times in person. Each meeting took on average 1½ to 2 hours. In general, the CEO and the General Counsel are invited to attend the meetings. The Committee can invite other management members as it deems fit.

3.5.3 Work methods of the Board of Directors and its Committees

In 2006, the Board of Directors met 7 times (either in person or by telephone conference), and a majority (if not all) members were present at each Board meeting. Physical Board meetings took on average 7 to 8 hours. 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 CEO shall be entitled to attend every meeting of the Board of Directors and to participate in its debates and deliberations with the exception of executive sessions. However, he shall not be entitled to vote, unless he is a member of the Board of Directors.

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

In the case of Committees, after the presentation of the issue by the management, the Committee takes a preliminary decision for approval to the full Board, which will be reported along with the details of the issue, to the entire Board, who will take the final decision. The Board delegates certain decisions to the Committees which are then formally approved by the full Board.

An orientation program is provided for new members of the Board of Directors. Furthermore, the members of the Board of Directors are required to fill in a self-assessment form annually after a term of office of one year.

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 Actelion Executive Committee and has granted the CEO the power to appoint the members of the Actelion Executive Committee.

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

Management 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, 2006, the Scientific Advisory Board was composed of the following external experts of worldwide reputation: Professors Joël Ménard, Craig Pratt, Richard Tsien, David Shlaes, Hugo Kubinyi, Graeme Stewart.

3.7 Information and control instruments vis-à-vis the Management Board

The Board of Directors receives monthly reports regarding the financial and business situation of the Company and quarterly reports presented by the CEO. Additionally, the Finance and Audit Committee receives and approves quarterly financial results before they are released to the public.

Starting in 2005, the Company formally adopted a "Company Compliance Framework", culminating in a positive attestation on effective internal controls over financial reporting, as at December 31, 2006, in line with requirements of the Sarbanes-Oxley Act of 2002, Section 404. In the financial area the Board is informed regularly of financial risks and the proposed actions to be taken.

As the principal agent for corporate management, the Board of Directors has directed Internal Audit to oversee, during 2007, the re-assessment of the risk management systems of the Group, as required under Article 663b pt 12 (new) of the Swiss Code of Obligations. Currently, the risk management systems address the areas of, inter alia, production and development, sales and marketing and finance. In the production and development area, quality control ensures that the products achieve the required quality to be marketed, the internal review of clinical development ensures the safe development of the product and an extensive post marketing surveillance monitors the continuing safety of the marketed products. The global quality management system performs quality audits ensuring Good Clinical Practices within clinical development and therefore safe development of investigational medicinal products. A program of Internal Audit reviews provides a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the Group for review of the Board of Directors. The Board of Directors has access to Internal Audit reports on request from the Finance and Audit Committee. These reports detail risks arising in the areas of operations, compliance and internal control over financial reporting.

4. Management Board

4.1. Members of the Senior Management

On December 31, 2006, the Actelion Executive Committee ("AEC") was composed of:

Jean-Paul Clozel

Title and Function: Chief Executive Officer

See Section 3, p. 39

Simon Buckingham

Title and Function: President Corporate and Business Development

Nationality: Australian

Education: Bachelor of Veterinary Science (Honours), University of Sydney, Australia; Doctor of Philosophy, University of Melbourne, Australia; Graduate Management Qualification, Australian Graduate School of Management, University of New South Wales, Australia.

Professional Background: President, North America and Asia Pacific, Actelion; President, Actelion US; Sales and Marketing Director, Parke-Davis US (a division of Warner Lambert), 1998 to 2000; Global Project Director, F. Hoffmann-La Roche, Switzerland, 1995 to 1997; Product Marketing Manager and Territory Manager, F. Hoffmann-La Roche, Australia

Christian Chavy

Title and Function: President Business Operations

Nationality: French

Education: ESSEC Business School (Ecole Supérieure des Sciences Economiques et Commerciales) in Paris; Master's Degree in Business Management from ICG (Institut de contrôle de Gestion) in Paris.

Professional Background: Vice-President and Head of Global Therapeutic Area Reproductive Health at Serono International in Geneva; Managing Director of Serono France, 1992 to 2000; President of Rhone-Poulenc Rorer Canada Inc. and Managing Director of Rorer France, 1987 to 1992; Marketing Manager at Bristol-Myers France, Smith-Kline and Merck Sharp & Dohme.

Louis de Lassence

Title and Function: Vice President, Head of Corporate Services

Nationality: French

Education: Business School in Paris in 1976 and degrees in accounting.

Professional Background: External auditor. From 1982 to 2000 worked for F. Hoffmann-La Roche, mainly in Finance and Administration; Internal auditor; Finance Manager of Roche, Brussels; Assistant to the Vice-Chairman of the Roche Group; Finance Manager of Pharma International.

Roland Haefeli

Title and Function: Vice President, Head of Investor Relations and Public Affairs

Nationality: Swiss

Education: Advanced degrees in contemporary history from the University of Bern (Switzerland) and University of North Carolina, Chapel Hill (USA) in political science.

Professional Background: Stock market training program in a Swiss Private Bank; several years as a news writer, presenter and editor for several print and electronic media operations; two years as a Delegate for the International Committee of the Red Cross (ICRC) in Bosnia and Rwanda; Corporate spokesperson for F. Hoffmann-La Roche; Head of media relations for other companies, including Serono.

Isaac Kobrin

Title and Function: Senior Vice President, Head of Clinical Development
Nationality: Israeli

Education: Internist educated in Israel with further training (Fullbright Fellowship) at Ochsner Medical Foundation in New Orleans; LA in the cardiovascular field.

Professional Background: Senior physician and senior lecturer in Internal Medicine at Hadassah Hospital in Jerusalem, Israel. Group Leader of the Cardiovascular Clinical Development Group, F. Hoffmann-La Roche, 1997 to 1999.

Andrew J. Oakley

Title and Function: Vice President, Chief Financial Officer
Nationality: Australian

Education: Bachelor of Economics, Macquarie University; Australia, MBA from London Business School

Professional Background: Member of the Australian Institute of Chartered Accountants, since 1987, following several years working for a major accounting firm. In his last position before joining Actelion, served in a senior finance capacity for the global holding companies of Accenture. Previously held executive positions in major multinational building material companies and spent several years as an equity analyst with banks in Australia, the United Kingdom and the United States.

In addition to the above-mentioned persons of the AEC, on December 31, 2006 the Senior Management comprised the following individuals:

Marian Borovsky

Title and Function: Vice President, General Counsel & Corporate Secretary
Nationality: Swiss

Education: Doctor of Law (Dr.iur.) educated at the University of Basel and attorney at law admitted to the Bar in Switzerland.

Professional Background: Started his professional career as an attorney at law with an insurance company and subsequently worked as a legal and tax advisor for PricewaterhouseCoopers. In addition, he completed a secondment to an international business law firm in London and is a qualified business mediator.

Martine Clozel

Title and Function: Senior Vice President, Head of Drug Discovery Pharmacology & Pre-Clinical Development, member of Founding Team of Actelion

Nationality: French

Education: 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

Professional Background: Scientific expert, Leader Drug Discovery Projects, F. Hoffmann-La Roche

Walter Fischli

Title and Function: Senior Vice President, Head of Drug Discovery, Molecular Biology & Biochemistry, Founder of Actelion

Nationality: Swiss

Education: 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

Professional Background: Leader of Drug Discovery Projects at F. Hoffmann-La Roche, including development of new screening systems; Co-Founder of Actelion, including establishment of new Discovery units.

Thomas Weller

Title and Function: Vice President, Head of Drug Discovery, Chemistry
Nationality: Swiss

Education: Chemist educated at the Swiss Institute of Technology (ETH) Zurich with postdoctoral training in organic chemistry at Columbia University, New York, USA.

Professional Background: Scientific expert, Leader Drug Discovery Projects, F. Hoffmann-La Roche.

4.2 Other activities and functions

None

4.3 Management contracts

None

5. Compensation, Shareholdings and Loans

5.1 Content and method of determining compensation and the shareholding programs

The compensation of the Board of Directors and the Senior Management is determined by the Board of Directors upon recommendation of the Compensation Committee based on regular surveys regarding compensation of comparable companies and functions.

Non-executive members of the Board of Directors receive a yearly fixed compensation (retainer) and meeting fees according to their individual attendance at Board and Committee meetings (either in person or by telephone conference) as well as an allotment of shares and/or stock options under the DSOP (Directors Stock Option Plan).

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) a fixed remuneration, determined according to the labour market following a survey, (ii) a cash bonus, according to certain criteria that include the Company's, unit's and individual's personal performance, as determined by the Board of Directors from time to time, and (iii) under the ESOP (Employee Stock Option Plan), stock options, the number of which is determined according to a grid agreed by the Board of Directors and which takes into account the function of the management member in question.

5.2 Compensation for acting members of governing bodies

In 2006, in aggregate, the executive member of the Board of Directors and the members of the management have received a cash compensation of CHF 8,515,527.45 and a total of 55,550 (ESOP), 25,000 (DSOP) options (see Section 5.6 for details).

In aggregate, the 7 non-executive members of the Board of Directors received in 2006 a cash compensation of CHF 373,500 and options and shares for a value of CHF 600,000. Each director can decide in which manner this last compensation should be paid (options or shares).

5.3 Compensation for former members of governing bodies

No members of governing bodies gave up their function in 2006.

5.4 Share allotment

Under Section 5.2 here above, a total of 1,875 shares have been consequently allotted to non-executive members of the Board of Directors. Moreover, 625 shares were transferred to one non-executive Board member in 2006. These shares were allotted to him in 2005 but could not be transferred during 2005 for technical reasons.

5.5 Share ownership

As of December 31, 2006, the executive member of the Board of Directors and the members of the management held a total of 2,362,807 shares.

As of December 31, 2006, the non-executive members of the Board of Directors held a total of 343,402 shares.

5.6 Options

As of December 31, 2006, the executive member of the Board of Directors and the members of the management held a total of 310,160 (ESOP), 70,000 (DSOP) and 124,200 Challenge Award options. The allotment year and exercise price were as follows:

Number of options	Allotment year	Exercise price
34,560	1999	7.50
5,760	2000	121.25
40,000	2000	137.50
13,568	2000	187.50
9,064	2001	42.00
13,403	2001	58.75
671	2002	42.00
14,396	2002	50.00
18,000	2002	62.00
3,828	2002	67.00
28,632	2003	62.00
5,975	2003	93.00
3,600	2003	122.00
2,256	2004	137.00
6,800	2004	139.00
10,800	2004	148.00
30,000 (DSOP)	2004	142.00
13,269	2005	117.00
3,600	2005	129.00
26,428	2005	133.00
15,000 (DSOP)	2005	128.00
124,200 (Challenge Award)	2005	286.00
55,550	2006	140.00
25,000 (DSOP)	2006	128.00

As of December 31, 2006, the non-executive members of the Board of Directors held a total of 26,915 (ESOP), 19,974 (DSOP) and 20,000 (Challenge Award) options. The allotment year, duration, and exercise price were as follows:

Number of options	Allotment year	Exercise price
40	1998	0.15
10,625	2001	42.00
15,000	2002	62.00
1,250	2002	66.00
3,000 (DSOP)	2003	62.00
8,537 (DSOP)	2005	128.00
20,000 (Challenge Award)	2005	286.00
8,437 (DSOP)	2006	128.00

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 fees and remunerations

No honorarium or other remuneration exceeding half his ordinary remuneration has been billed to the Company by any other member of the Board of Directors or the management.

5.8 Loans granted by governing bodies

None

5.9 Highest total compensation

The member of the Board of Directors receiving the highest total compensation in 2006 has received:

Cash compensation: CHF 1,639,235.60

Option allotment: 25,000 options (DSOP, exercise price: CHF 128.00).

Share allotment: none

6. Shareholders' Participation Rights

6.1 Voting rights restrictions and representation

See Articles 5 + 11 of the Articles of Incorporation

6.2 Statutory quorums

See Article 15 of the Articles of Incorporation and the relevant legal provisions.

6.3 Convening of General Meetings of Shareholders

See Articles 9 + 13 of the Articles of Incorporation and the relevant legal provisions.

6.4 Agenda

Shareholders holding more than CHF 1 million worth of shares are entitled to add items to the agenda of the Annual 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 of Shareholders.

6.5 Registration in share register

Only shareholders who are registered in the share 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 Annual General Meeting of Shareholders. The exact deadline for being registered in the share register is made public with the press release following the presentation of the financial statements to the public for the year-end December 31.

7. Changes of Control and Defense 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 on change of control

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

Overall, 67 members of the Senior Management (including executive members of the Board of Directors) and of the other management as well as other key employees of the Actelion group worldwide have employment agreements with change of control clauses. Managerial positions are not necessarily congruent with key functions; therefore, it is unclear where to draw the line between other management and non-management functions.

They may receive a severance payment equivalent to twice the yearly compensation. However, this severance payment would only be due if, within six (6) months prior to or two (2) years after the effective date of a change in control, the employing Actelion company terminates the employee's employment without Cause or the employee terminates his employment with Good Reason (Good Reason being either (a) a reduction in the Key Employee's salary, or (b) a material reduction or adverse or substantive change in the Key Employee's duties or responsibilities, or (c) the requirement that the Key Employee relocate to a work-site more than fifty (50) kilometres from the employing company's current principal office).

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

8. Auditors

8.1 Duration of the mandate and term of office of Head Auditor

Ernst & Young AG, Basel, was elected as the Head Auditor of the Company for the financial year 2006 by resolution of the shareholders of April 10, 2006.

Mr. Jürg Zürcher was appointed as head auditor in 2006.

8.2 Auditing honorarium

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

Audit fees

Ernst & Young: CHF 1,384,179

Audit related fees

Ernst & Young: CHF 130,819

8.3 Additional honorarium

In addition to the fees described above, aggregate fees of CHF 107,500 were billed by Ernst & Young during the year ending December 31, 2006, 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 via its supervisory activities over both external and internal audit functions (see Section 3.5.2). During 2006, this process has been further strengthened by increased transparency resulting from internal controls over financial reporting and the presence of the Head of Internal Audit at all Finance and Audit Committee meetings. The External Auditors meet with the Finance and Audit Committee to present their plan, scope, audit approach, compensation and audit results. The Finance and Audit Committee reviews these and evaluates the independence of the External Auditors from a risk analysis perspective. In addition, the auditors present their opinions based on an integrated audit, along with a management letter annually. The Company has ensured that the Auditor's partner in charge has unrestricted access to the Chairman of the Finance and Audit Committee and fulfils all independence criteria. In 2006, the External Auditors met several times with the Finance and Audit Committee.

Regarding the selection of External Auditors, the Finance and Audit Committee will from time to time assess offers and presentations from several appropriate, independent external audit firms and the Finance and Audit Committee then will make a proposal to the full Board, based on present service level and quality criteria, as to the External Auditors to be recommended for election. The final approval of the External Auditors is made by the shareholders at the Annual General Meeting of Shareholders.

9. Information Policy

The management issues statements regarding the Company's progress on a quarterly basis, at the same time as the financials are made public.

The shareholders are regularly informed of Actelion's business via ad-hoc releases, internet announcements, road shows, major news agencies and the Swiss Official Commercial Gazette.

The Investor Relations & Public Affairs department is available to respond to shareholders' or potential investors' queries.

The Company's website can be accessed at <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 pre-clinical projects.

10. High Ethical Standards

Actelion's Code of Ethical Conduct establishes corporate standards of behavior for all employees and sets out the Company's expectations for contractors, agents and representatives. The Code assigns employee responsibilities that enable Actelion to fulfill its commitment to the highest legal and ethical principles in business.

The in-house training system ensures the rapid distribution of these standards to all associates and gives them the opportunity to raise questions. Over 90% of Actelion's associates have confirmed reading and understanding the Code of Ethical Conduct. Under Actelion's Whistleblower Policy, an associate who makes a report has a strict guarantee of non-retaliation. Violations of this right are not tolerated.

The Corporate Compliance Office coordinates the business ethics and compliance programs and is a resource to assist employees with questions or interpretations of the Actelion Code of Ethical Conduct and related issues. It is also a resource for supervisors in managing compliance issues. Employees and other parties who become aware of violations of Actelion corporate principles can bring them to the attention of their managers or report them to the Compliance Officer Peter Herrmann (direct phone number +41 (0) 61 565 65 39).

Actelion strives for a culture in which its associates recognize that acting honestly, respectfully and with integrity is expected and appreciated.

Clinical trial protocol registry and Marketing and Sales guidelines

Actelion is dedicated to enhancing the transparency of its clinical trials by means of public databases. The project Study MetA Data Registry (SMADAR) is designed to serve this goal (<http://www.trials.actelion.com>) by helping patients, caregivers and physicians find clinical trials that may be appropriate for them.

Actelion has implemented a number of international guidelines relating to promotional material, websites and organizing events. These globally applicable rules ensure that advertising material complies with legally valid regulations. Actelion has implemented the marketing code of the European Federation of Pharmaceutical Industries' Association (EFPIA). In the United States, Actelion adheres strictly to the principles of the PhRMA code.