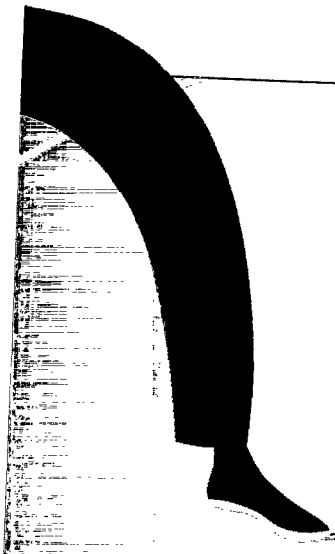
Annual Report 2002

ACTELION



Actelion is on track for growth and profitability ... Tracleer®, a breakthrough in treating pulmonary arterial hypertension (PAH) and our first product on the market, is off to a dynamic start. Revenues are rising, with over CHF 120 million in sales in its first year on the market. Our global sales and marketing organization is growing to capture the full potential in PAH – estimated at USD 400 million to 500 million at peak. Our scientists are exploring new indications for Tracleer® and developing new molecules that are advancing into human trials at a record-breaking pace. We are preparing to launch Zavesca®, an innovative therapy that we have licensed in to treat type 1 Gaucher's disease. Actelion is clearly a company on the move ...

Message to Shareholders

Robert E. Cawthorn
Chairman of the Board

Jean-Paul Clozel
Chief Executive Officer

Dear Shareholders,

We can look back on 2002 with a sense of accomplishment. The successful launch of our first product, Tracleer® (bosentan), gained additional momentum. With more than 5,000 patients already on the drug in the United States, Canada, the European Union and Switzerland by the end of the year, Tracleer® generated revenue of CHF 121.8 million – making it one of the most successful biopharmaceutical product launches ever. This puts Actelion on track for long-term growth that should result in full-year profitability for the company in 2004.

Tracleer®, the only endothelin receptor antagonist (ERA) on the market, has been approved for the treatment of pulmonary arterial hypertension (PAH) in key markets worldwide.

We have also made substantial progress in both drug discovery and drug development.

Clinical trials for new indications for Tracleer® are underway and an initial study in digital ulcerations has shown very promising results. Following a successful dose-optimization study with Veletri™, this intravenous ERA has been moved into a Phase III registration program in acute heart failure (AHF).

In early 2003, Actelion started clinical trials with the first orally available urotensin II receptor antagonist, a breakthrough from our own research program. This milestone is indicative of the innovative potential of our drug discovery efforts, as it has taken Actelion only three years to move from basic ideas to human testing.

Expanding marketing and sales

Rapid success in the marketplace has also been the result of the substantial investment Actelion has made in building up its presence in key markets worldwide. At the end of 2002, more than half of our employees in over 20 countries either marketed the drug or, as in the case of Australia, were preparing for the full commercial introduction of Tracleer®. In Japan, the Actelion affiliate prepared a registration filing.

Despite the relatively small size of our company, we have a truly global outlook, infrastructure and capabilities to discover, develop and market drugs such as Tracleer® on our own. Our unique pharmacovigilance system, which supports the safe and appropriate use of Tracleer® around the world, is a significant competitive advantage for Actelion. This international strength is reflected in Actelion obtaining marketing and development rights from Oxford GlycoSciences concerning Zavesca®, the first oral treatment for type 1 Gaucher's disease and, potentially, for other lipid storage diseases.

Promising results from clinical trials

Since its foundation in late 1997, Actelion has worked and invested diligently to become a biopharmaceutical company with core competencies in drug discovery, drug development and marketing. We are glad to report that we have made rapid and substantial progress toward achieving these goals.

In drug development, the company in 2002 successfully concluded the clinical trials Breathe-2 covering the use of Tracleer® in patients with concomitant intravenous therapy and Breathe-3 for pediatric cases. In autumn of 2002, a first study evaluating Tracleer® for use in scleroderma-related digital ulceration showed a significant reduction in the occurrence of these painful lesions on fingers and toes and, consequently, an improvement in hand functionality.

Throughout 2002, Actelion added development programs to further define the potential benefits of endothelin receptor antagonism, evaluating Tracleer® in idiopathic pulmonary fibrosis, pulmonary fibrosis due to scleroderma and metastatic melanoma.

Veletri™, our intravenous endothelin receptor antagonist, demonstrated significant promise in a dose-optimization trial in treating acute heart failure. A registration study program was initiated in late 2002, which is expected to enroll up to 2,000 patients over the coming two years.

Advances in drug discovery

Our successful efforts in the clinical area have been matched by our achievements in drug discovery. Several projects, including the areas of renin inhibition and orexin antagonism, are in an advanced stage. Our urotensin receptor antagonist project has moved particularly fast. In early 2003, we will initiate human clinical studies with an orally active urotensin receptor antagonist. To the best of our knowledge, Actelion is the first company worldwide to have discovered a compound and moved it into the development phase in this field. This represents an entirely novel therapeutic principle, with potential indications especially in, but not limited to, the cardiovascular area.

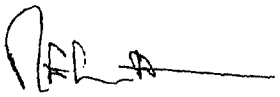
Generating revenue, containing costs

With the success of Tracleer®, Actelion is generating the necessary revenues to sustain such strong and far-reaching clinical and preclinical programs. Throughout the year 2002, Actelion management renewed our commitment to expand the company through internal efforts. We believe that the potential of endothelin receptor antagonism in general and the compounds Tracleer® and Veletri™ in particular possess the necessary potential for further breakthroughs beyond those already achieved in the treatment of PAH.

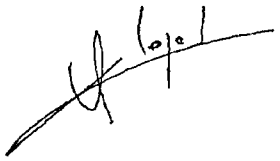
This decision has also been made in view of Actelion's commitment to reach profitability in 2004 and maintain it thereafter. Throughout the year, while investing appropriately in future growth opportunities, management has made every effort to ensure that expenses are controlled in this important expansion phase, both by strengthening our internal budgeting and accounting systems as well as by fostering cost consciousness throughout the company. As a consequence, Actelion reduced its net loss to CHF 40.8 million in 2002. Barring unforeseen events, the company will start reporting profitable quarters during the year 2003.

Actelion represents a new breed of biopharmaceutical company that marries the best attributes of the biotechnology and pharmaceutical industries – employing biotech innovation, speed and flexibility in concert with pharma disciplines in drug development and marketing.

Together with our bottom-line oriented approach, this has made Actelion an attractive employer for professionals from both worlds. We continue to attract motivated and highly talented people due to our stable organizational structure and innovation-driven corporate culture, which encourages scientific progress and commercial prowess.
All of these achievements would not have been possible without a committed shareholder base that provided the company with the necessary liquidity in spring 2000. We will continue to do our utmost to maintain and strengthen the trust you have placed in all of us here at Actelion. We will stay in close touch with you, our shareholders, to ensure that you remain fully informed about the company's progress.



Robert E. Cawthorn
Chairman of the Board



Jean-Paul Clozel
Chief Executive Officer

Quality in research, development and marketing

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