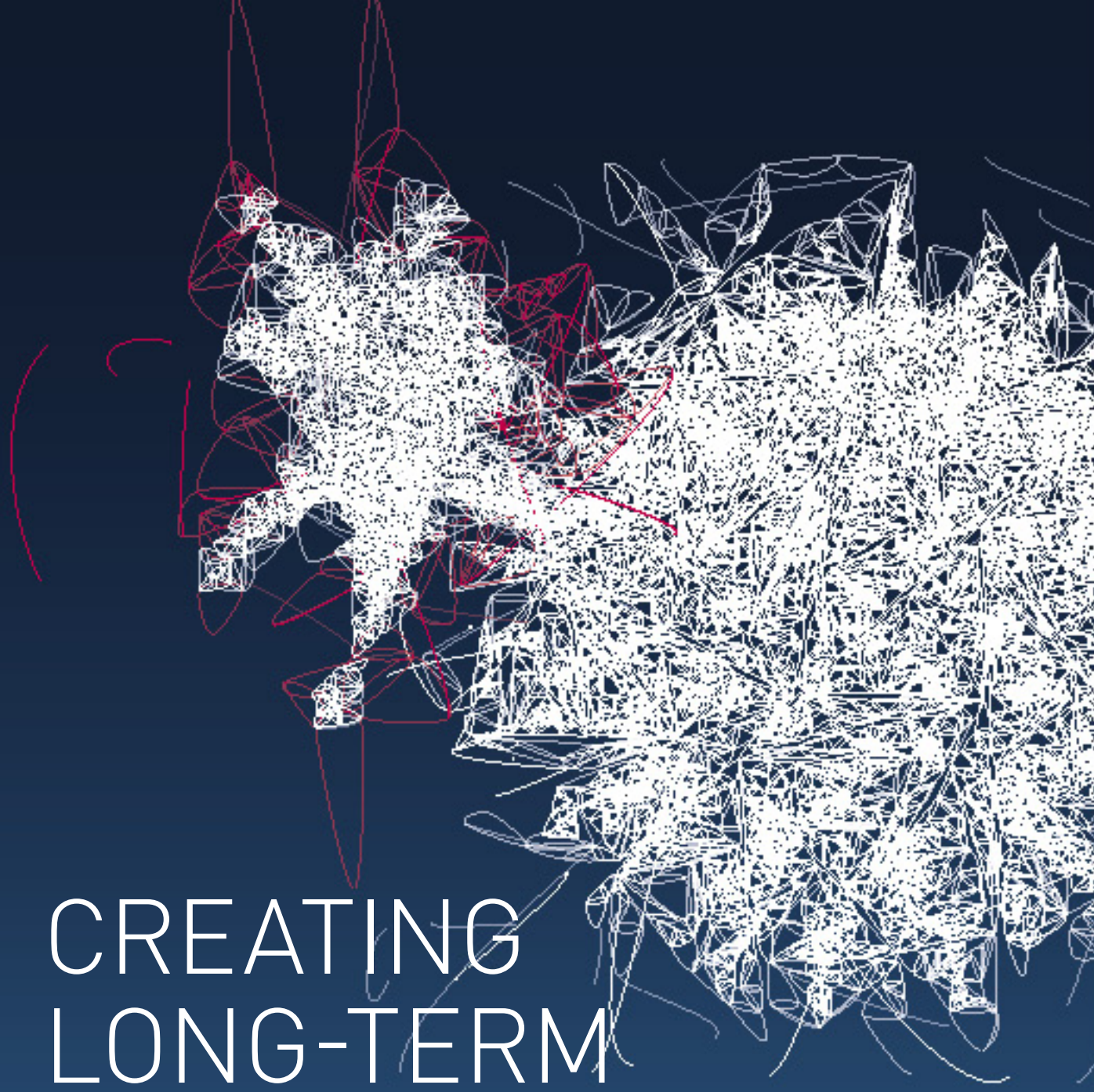
ANNUAL
REPORT
2011

TURNING RESEARCH INTO RESULTS.

ACTELION ANNUAL REPORT 2011

ACTELION

WATSON LABORATORIES, INC. , IPR2017-01622, Ex. 1068, p. 1 of 144



CREATING LONG-TERM VALUE.

ACTELION TODAY

Actelion is a biopharmaceutical company with four products on the market. We are proud to have one of the richest product pipelines among pharmaceutical companies of comparable size. Our team of 2,500 committed professionals around the world is passionate about transforming innovation into novel medicines that treat diseases with significant unmet medical need. We will continue to invest in innovation to create lasting value for all, patients and shareholders alike.

CONTENTS
ACTELION ANNUAL REPORT 2011

ACTELION TODAY

02

BUSINESS STRATEGY AND OPERATIONS

17

RESEARCH AND DEVELOPMENT

27

CORPORATE GOVERNANCE

39

CORPORATE SOCIAL RESPONSIBILITY

65

FINANCIAL REPORT

73

MILESTONES

CONTINUED STRONG PRODUCT DEMAND
Product sales for 2011 were CHF 1,713.0 million, an increase of 7% in local currencies, with 41% of sales coming from the United States, 39% from Europe, 10% from Japan and 10% from the rest of the world.

CONTINUED OPERATIONAL EARNINGS GROWTH
Growth of Non-GAAP EBIT continued on a local currency basis to end the year at CHF 520.6 million, an increase of 8% in local currencies.

NET INCOME AFFECTED BY LITIGATION
US GAAP results were affected by the litigation award to Asahi Kasai Pharma Corp. resulting in a net loss of CHF 146.3 million. The company appealed the judgement in December 2011.

FIRST DIVIDEND PAID
Actelion shareholders approved a regular dividend payment. The first dividend was CHF 0.80 per registered share.

SWISS FRANC BOND ISSUE
Actelion made a successful debut in the bond market raising CHF 235 million.

SETIPIPRANT IN ALLERGIC RHINITIS
Actelion's CRTH2 antagonist demonstrated efficacy in seasonal allergic rhinitis in a dose-ranging study. This is the first proof that this mechanism of action could bring clinically relevant benefit to patients suffering from allergic rhinitis.

PONESIMOD IN MULTIPLE SCLEROSIS
Actelion became the first company to report efficacy from a dose finding trial with a selective $S1P_1$ receptor agonist in patients suffering from relapsing-remitting multiple sclerosis.

MACITENTAN PROMISING LONG-TERM SAFETY
An exploratory study with macitentan in patients with idiopathic pulmonary fibrosis (IPF) showed a promising safety and tolerability profile though efficacy data were not supportive of initiating a Phase III program in IPF.

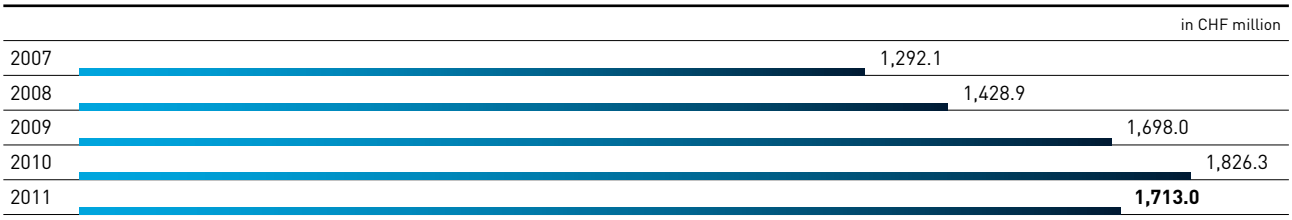
SEVEN PHASE I PROGRAMS INTITIATED
Six novel compounds entered into man in 2011. Additionally, a Phase I study with macitentan in recurrent glioblastoma was initiated.

NEW CHAIRMAN AND BOARD MEMBERS
At the company's 2011 Annual General Meeting, shareholders elected two new Directors, Robert J. Bertolini and Jean-Pierre Garnier. In September, the Board appointed Jean-Pierre Garnier Chairman of the Board and in November, Prof. Peter Gruss, President of the Max Planck Society, was nominated as a new member of the Board.

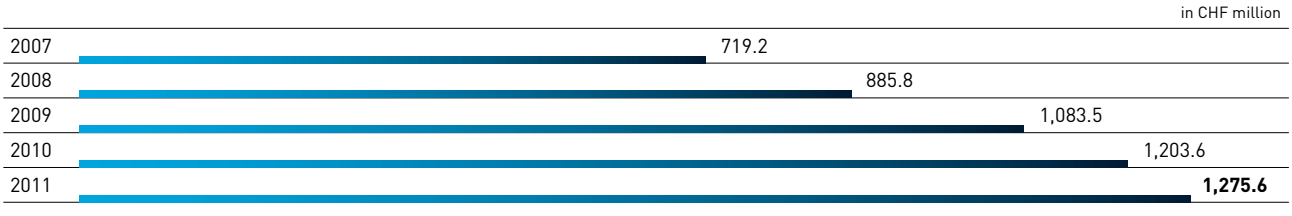
STRENGTHENED COMPANY MANAGEMENT
Actelion adapted its Executive Committee (AEC) and appointed a Chief Operating Officer (COO), Otto Schwarz, to meet the needs of a growing organization and to strengthen leadership and governance.

INNOVATION AWARD
Actelion was awarded this year's French Prix Hermès de l'Innovation in the category "amélioration de la condition humaine" (improving the human condition).

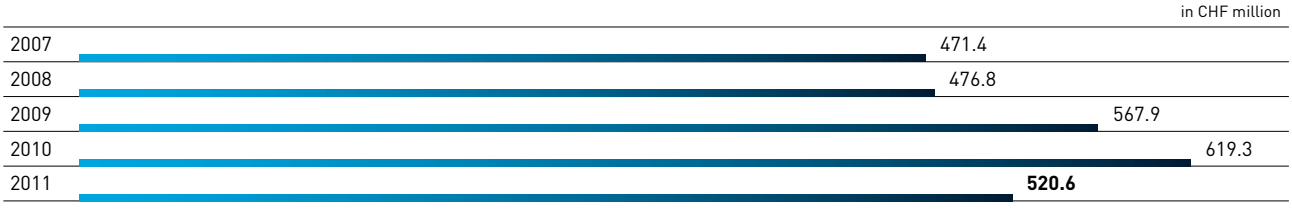
PRODUCT SALES



NON-GAAP OPEX

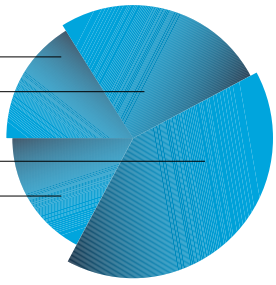


NON-GAAP EBIT



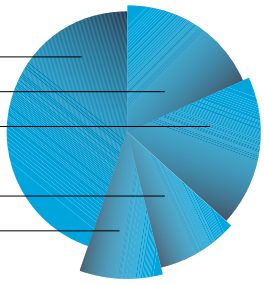
EMPLOYEES PER FUNCTION

Drug Discovery	**415**
Clinical Development	**676**
Markteting & Sales	**1,040**
Support functions	**439**
Total	**2,570**



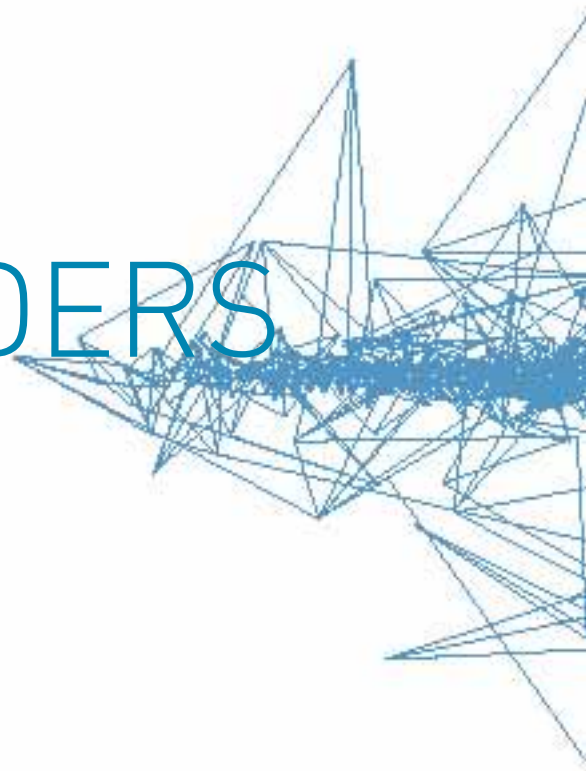
EMPLOYEES PER REGION

CH	**1,156**
US	**471**
EU	**469**
Japan	**242**
RoW	**232**
Total	**2,570**



Jean-Pierre Garnier and Jean-Paul Clozel

DEAR SHAREHOLDERS



2011 was a challenging year for Actelion, as it was for most companies in our industry. We had to face a global economic crisis, a strengthening of the Swiss franc and increasing pricing pressures. In addition, our company faced an increasingly competitive market. Moreover, earnings for the year were affected by the litigation award to Asahi Kasei which resulted in Actelion posting its first loss since its start-up phase.

We remain committed to generating value for you, our shareholders. Our response was to intensify our approach to balancing operational profitability with the investment required to assure an optimal future for Actelion. We are pleased to report that our efforts have led to solid operational results, strengthened our product pipeline and opened the door to exciting new therapeutic areas.

IMPROVING OPERATIONAL PROFITABILITY

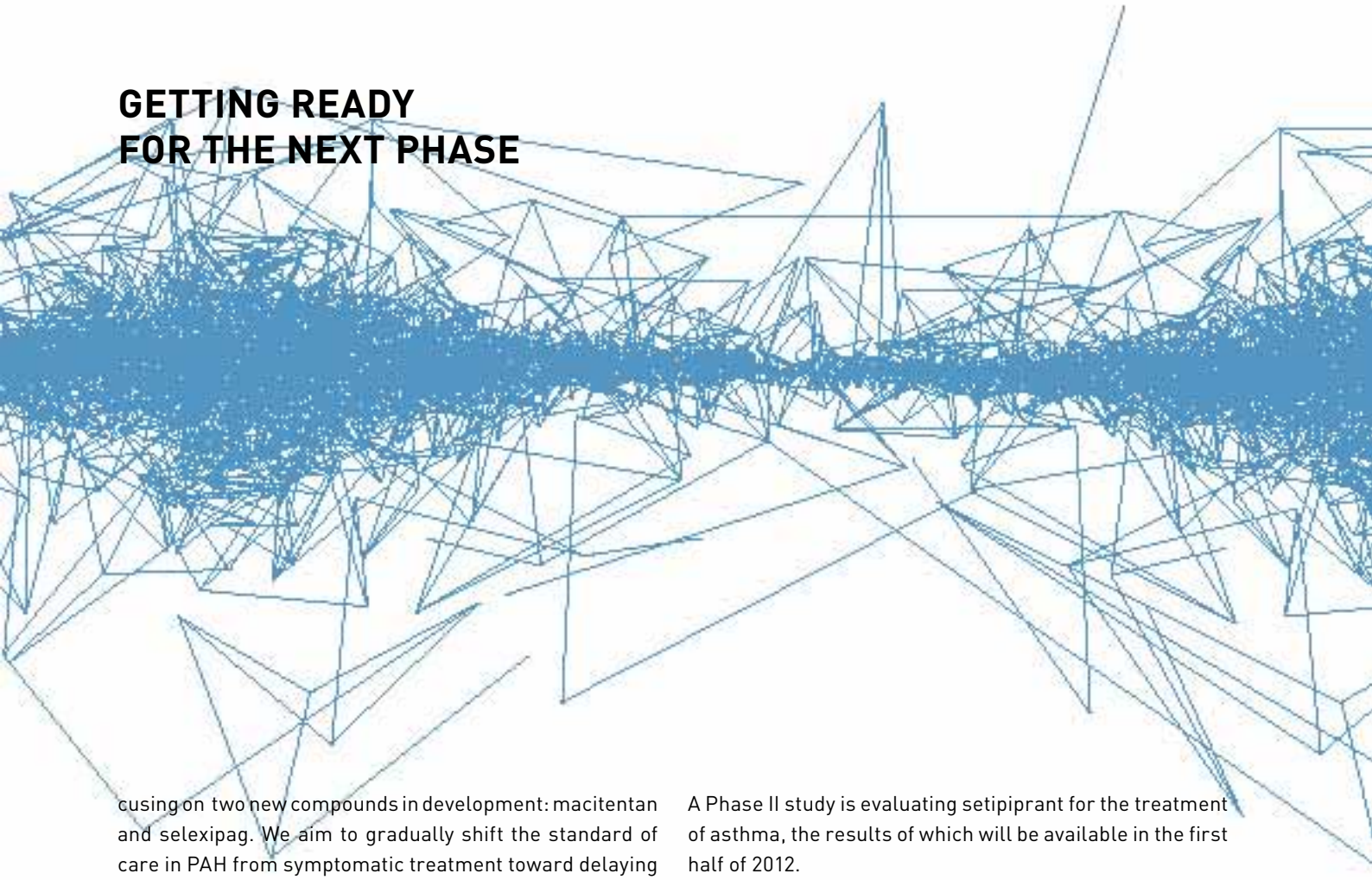
Actelion posted solid operating results in 2011. On a local currency basis, net sales increased 7%, and Non-GAAP EBIT operational profit grew 8%. Our improved operational performance is the result of our ongoing efforts to expand our market reach and to optimize the sales activities of our more than 30 affiliates. This includes extending our presence into growth markets such as Poland, Brazil, Mexico, Russia and China and, in 2011, Hungary and Taiwan, where we opened affiliate offices.

Our solid performance, however, was not fully reflected in our reporting currency, and our net income was negatively affected by the Asahi Kasei case. We were obligated to make a USD 407 million provision for potential future losses arising from this litigation. However, we remain convinced that the jury verdict and the trial court's final judgment, reached in November 2011, are neither supported by the facts nor correct as a matter of law. Therefore we filed an appeal in December 2011.

PREPARING FOR THE FUTURE WITH PAH

Actelion's three drugs for the treatment of pulmonary arterial hypertension (PAH) – Tracleer, Ventavis and Veletri – have established the company as the global market leader in PAH treatment. Competition, however, is increasing. In 2011, a change in a key competitor's label created a more challenging environment in the United States. To maintain our leadership in PAH treatment, we are fo-

GETTING READY FOR THE NEXT PHASE



cusing on two new compounds in development: macitentan and selexipag. We aim to gradually shift the standard of care in PAH from symptomatic treatment toward delaying or stopping the disease's progression with these two new oral compounds. Macitentan is under assessment in a Phase III clinical trial (SERAPHIN) that is expected to deliver results in the first half of 2012. Selexipag also is in a Phase III clinical trial (GRIPHON), which is anticipated to report results in mid-2014.

EMBARKING ON NEW FRONTIERS

By leveraging our expertise in particular molecular targets, including G-protein coupled receptors, we are able to diversify our disease and product portfolio in the areas of immunology, asthma and allergy.

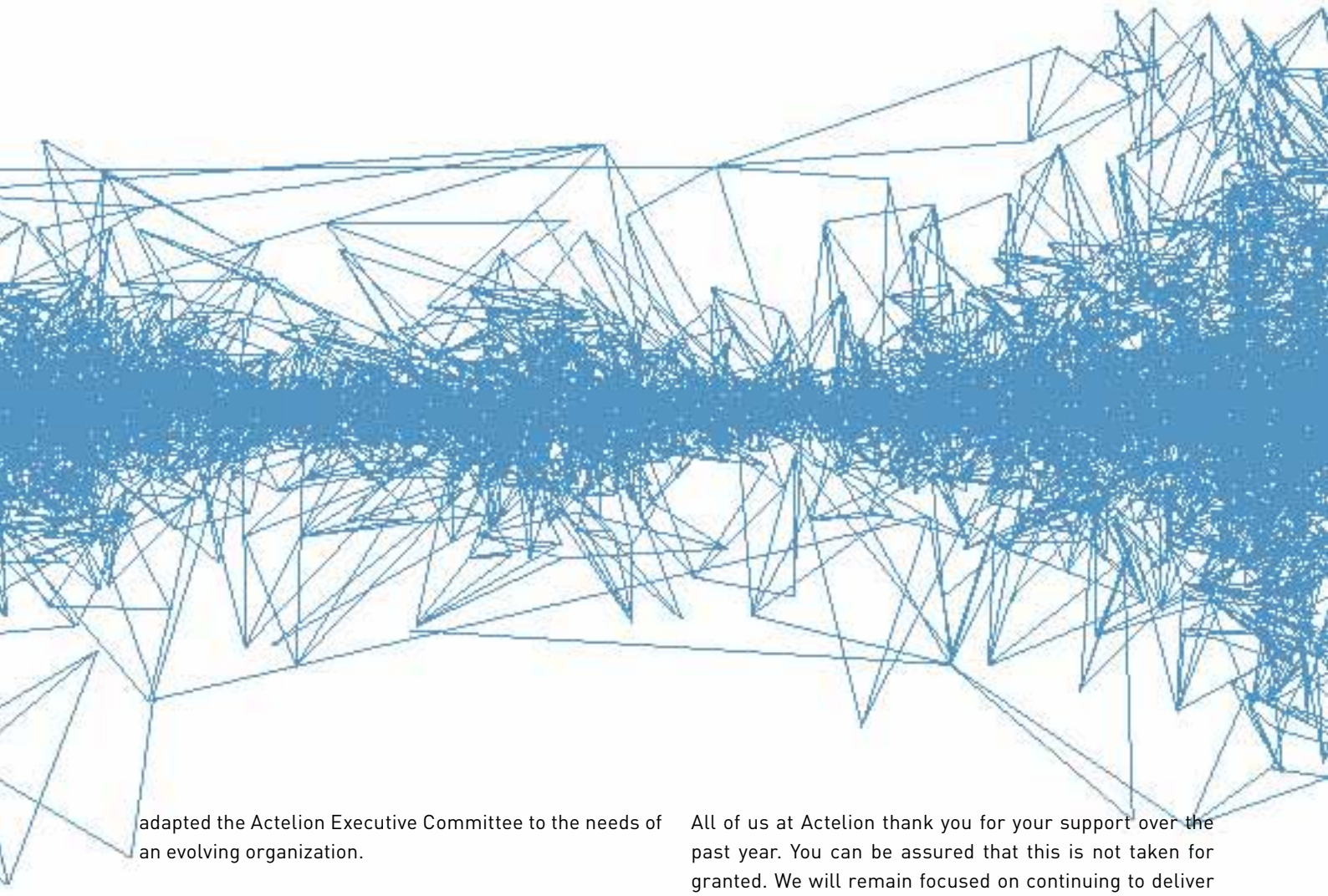
In 2011, we reported a positive Phase II trial with ponesimod, a promising compound for the treatment of relapsing-remitting multiple sclerosis. This selective $S1P_1$ receptor agonist is also under evaluation for the treatment of psoriasis in a Phase II study. In addition, we reported encouraging results with setipiprant, a CRTH2 receptor antagonist tested for its efficacy against allergic rhinitis. A Phase II study is evaluating setipiprant for the treatment of asthma, the results of which will be available in the first half of 2012.

Actelion initiated Phase I programs for seven compounds in 2011 bringing its total number of compounds in Phase I to eight.

STRENGTHENING THE BOARD AND MANAGEMENT

At the Annual General Meeting (AGM) in May 2011, you – our shareholders – supported Actelion's strategy by voting for the reelection of several Board members and for the election of two new Directors, Mr. Robert Bertolini and Dr. Jean-Pierre Garnier, our Chairman of the Board since September 2011. To further strengthen our Board, we have also nominated Prof. Peter Gruss, the president of the Max Planck Society, for election at the 2012 AGM in May.

Throughout 2011, Actelion took further steps to enhance its strategic analysis and decision-making abilities on a management level. We appointed Mr. Otto Schwarz Chief Operating Officer and reduced the number of employees reporting directly to the Chief Executive Officer. We also



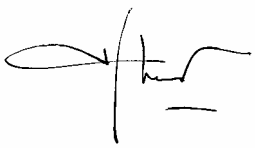
adapted the Actelion Executive Committee to the needs of an evolving organization.

All these changes are part of our commitment to improve our effectiveness operationally and to build on our focus on innovative drugs that address unmet medical needs. The Board and management are convinced that this strategy will create long-term value for Actelion and its stakeholders.

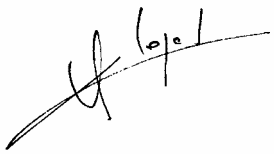
ENHANCING SHAREHOLDER RETURNS

Actelion is still a young company. Not surprisingly, its investments in innovative health care solutions are just starting to pay dividends. As part of its commitment to enhance shareholder returns, the Board recommended a share buyback program and the distribution of a dividend of CHF 0.80 in 2011, which were approved by shareholders. The Board proposes to declare a dividend of CHF 0.80 per share at the AGM in May 2012.

All of us at Actelion thank you for your support over the past year. You can be assured that this is not taken for granted. We will remain focused on continuing to deliver value for all our shareholders and to share the results of our efforts with you.



Jean-Pierre Garnier
Chairman of the Board of Directors



Jean-Paul Clozel
Chief Executive Officer

FINANCIAL SUMMARY

FINANCIAL RESULTS OVERVIEW

	2011	2010
in CHF million or shares		
Net revenues	1,796.1	1,929.0
Operating expenses	1,783.9	1,471.7
Operating income	12.2	457.3
Non-GAAP EBIT	520.6	619.3
Net income (loss)	(146.3)	390.6
Diluted EPS in CHF	(1.23)	3.22
No. of shares in calculation	118.8	121.4
Gross cash	1,331.0	1,445.9
Total assets	2,740.6	2,921.0
Cash from operations	404.9	316.4
Shareholders' equity	1,510.5	1,795.2
No. of treasury shares	13.3	10.5

2011 was a year shaped by repercussions from the global financial crisis, with government budget deficits adding to pricing pressures globally and continued currency turbulence. Additionally, a change in the competitive landscape for Tracleer adversely affected sales in the United States during the second half of the year, and ongoing legal proceedings and doubtful debt provisions stemming from the European debt crisis had an adverse impact on earnings.

NET REVENUES

Sales of the company's products continued to grow, although some of this growth was masked by the factors described above and particularly by the unprecedented strength of the Swiss franc. Product sales for the year were CHF 1,713.0 million, an increase of 7% in local currencies. In our reporting currency, however, this represents a decrease of 6%.

Contract revenues for 2011 amounted to CHF 83.1 million. Most of that amount was the remaining deferred revenue from the ongoing orexin collaboration with GlaxoSmithKline.

Net revenues for the year were CHF 1,796.1 million. This was an increase in local currency terms, of 5%, but a decrease in our reporting currency, of 7%.

OPERATING EXPENSES

Operating expenses for 2011 were CHF 1,783.9 million compared to CHF 1,471.7 million during the previous year. This variance shows the impact of the Asahi Kasei litigation award of CHF 340.6 million and of provisions made for doubtful debts related to increased sovereign debt risk from amounts owed to the company by public hospitals and institutions in southern Europe.

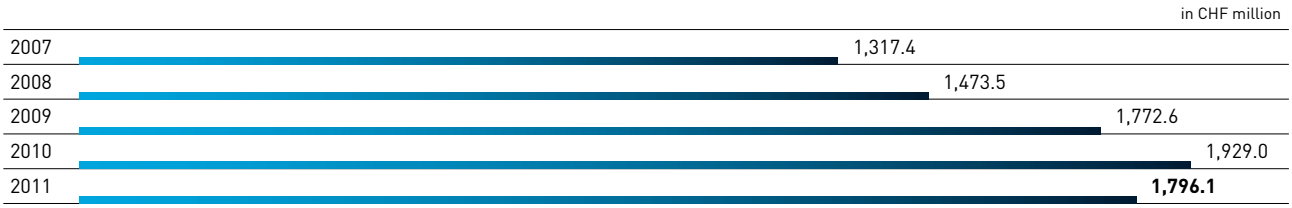
Non-GAAP operating expenses for 2011 amounted to CHF 1,275.6 million, an increase of 4% in local currencies compared with 2010. Non-GAAP operating expenses exclude all charges related to employee stock options, depreciation and amortization, and one-off items that distort comparative analysis, such as the legal provision of CHF 340.6 million.

Cost of sales amounted to CHF 196.5 million, or 11.5% of product sales. This represents a small increase due to the proportionally higher sales of Ventavis and Veletri, which have a relatively higher cost of goods than Tracleer.

Research and development expenses decreased 5% to CHF 457.7 million, compared with CHF 484.3 million in 2010. Balanced R&D spending, with increases in some programs and decreases in others, reflects Actelion's commitment to managing its bottom line. The ratio of R&D spend to product sales in 2011 was 27%, which the company considers appropriate, balancing future growth and profitability.

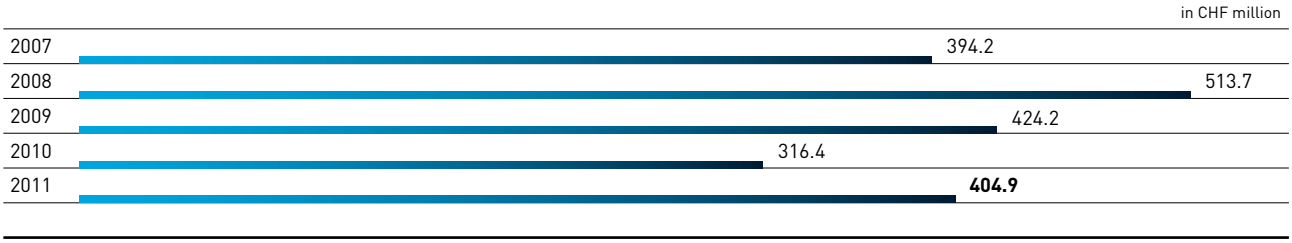
Selling, general and administration (SG&A) expenses for 2011 amounted to CHF 749.9 million, a 8% increase in local currencies and a 1% increase in Swiss francs. The sovereign debt crisis in Europe continued to worsen during the second half of 2011. This has prompted Actelion to make a provision of CHF 44.3 million related to amounts owed to the company by public hospitals and institutions in southern Europe. This provision was the main driver of this increase along with legal and corporate expenses. The company also continued to increase its reach into emerging markets, which resulted in rest of the world product sales growth of 24% in local currencies.

TOTAL REVENUES

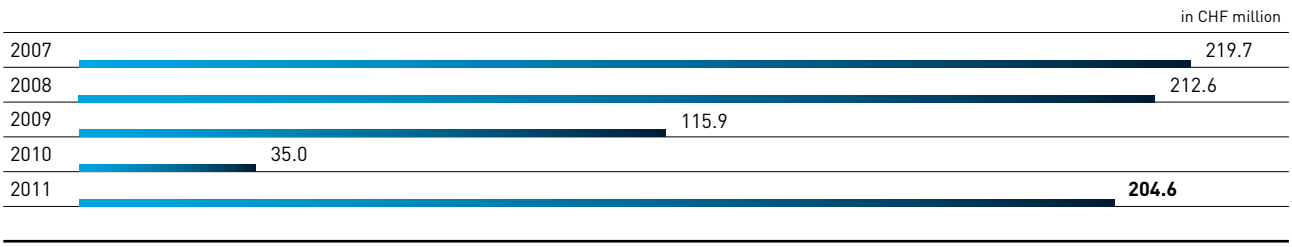


NON-GAAP DILUTED EPS

CASH FROM OPERATIONS



CASH RETURNED TO SHAREHOLDERS



Although masked by the above mentioned factors, as well as the strong Swiss franc, we continue to see margin improvement in our commercial organization with base commercial expenses remaining flat compared to product sales growth of 7%, both on a local currency basis.

At the end of 2011, Actelion employed 2,570 people worldwide, of whom more than 1,100 are located in Allschwil. Actelion believes that concentrating especially its research efforts in one location greatly enhances productivity through open and transparent communication. This approach, though, requires investing in infrastructure. In late 2010, Actelion opened a business center and a new building for its clinical development team. A second research building is under way and should be finished toward the end of 2012.

OPERATING INCOME

Operating income was negatively affected by the litigation provision, by currency fluctuations, and by doubtful debt provisions. For the full year 2011, our operating income amounted to CHF 12.2 million, compared with CHF 457.3 million in 2010. Better reflecting the actual operating performance of the business is the Non-GAAP operating profit which amounted to CHF 520.6 million, an increase of 8% in local currency terms.

NON-OPERATING RESULTS AND TAXES

Interest income for 2011 amounted to CHF 6.2 million which includes CHF 2.9 million interest paid relating to amounts outstanding by public hospitals in Spain. This compares with CHF 3.2 million in 2010.

Interest expense for the year amounted to CHF 21.9 million, compared with CHF 2.7 million for the previous year. The interest provision on the litigation award, which accrues at an annual rate of 10% and is payable only if the appeal is not successful, had a negative impact on interest expense in 2011.

Interest expense on the award amounted to CHF 19.7 million. The remainder of the interest charge is mostly related to future payments for Veletri, the improved formulation of intravenous epoprostenol that the company acquired in March 2009.

Amortization of debt discount for 2011 amounted to CHF 18.1 million, compared with CHF 18.7 million in 2010. On 1 January 2009, Actelion adopted FSP APB 14-1, which divides convertible bonds into debt and equity components and applies a non-cash interest charge equivalent to "market rates" based on a company's individual circumstances. The CHF 460 million convertible bond that this charge relates to matured on 22 November 2011 and was settled in cash.

The company issued a CHF 235 million bond in December 2011. The coupon of the four-year bond is 4.875%, which resulted in an interest expense of CHF 0.8 million for the last three weeks of the year, booked under "Amortization of debt discount", premium and issuance cost.

Changes to US GAAP required the company to add an additional line item to its Profit & Loss. The item "Impairment on financial assets" refers to charges of CHF 24.7 million related to Greek bonds as well as losses on other financial instruments.

Other financial expenses for the year amounted to CHF 22.9 million, compared with income of CHF 1.7 million in 2010. The currency environment, meanwhile, continues to add great volatility to gains and losses on the company's hedge positions and to the valuation of intercompany receivables.

Income tax expense for the period under review amounted to CHF 77.0 million, compared with CHF 50.3 million in 2010. Excluding the Asahi provision, the tax rate for 2011 is 17.3%, compared with 11.4% for the previous year. A portion of this increase can be attributed to the strength of the Swiss franc.

NET INCOME AND EARNINGS PER SHARE

Because of the litigation provision, the company reported a net loss of CHF 146.3 million for 2011. Basic and diluted loss per share for the same period amounted to CHF 1.23 compared with fully diluted earnings per share in 2010 of CHF 3.22.

Non-GAAP earnings per share dereased by 4% in local currencies to CHF 3.31 from CHF 4.54.

BALANCE SHEET AND CASH FLOW

The company's operating activities continue to generate solid cash flows, driven by top-line growth and the careful management of working capital. Cash from operations for the period under review amounted to CHF 404.9 million, compared with CHF 316.4 million in 2010, and were again affected by currency fluctuations. The company's gross cash position at 31 December 2011 amounted to CHF 1.3 billion and was negatively affected by the cash settlement of the outstanding 2011 convertible bond in November.

As mentioned, in December 2011 the company issued a CHF 235 million bond, available to Swiss investors only. This marks Actelion's first issue in the bond market. High demand for the bond signaled the confidence that investors have in the company.

The difficult health care environment, particularly in southern Europe, resulted in trade and other receivables increasing to CHF 536.5 million at the end of December, compared with CHF 520.0 million at the end of the previous year. Days sales outstanding (DSO) increased to 103 days from 91 days in 2010. Actelion continues to evaluate and pursue measures to improve cash collection that include factoring and securitization arrangements.

Investment in property, plant and equipment decreased in 2011 to CHF 89.4 million, compared with CHF 127.6 million in 2010. The majority of this investment is for the construction of a research and development building. Total property, plant and equipment at year-end was CHF 424.7 million, compared with CHF 399.0 million at the end of 2010. We are nearing the completion of our building program, so capital expenditure going forward should be at lower levels.

Total shareholders' equity decreased from CHF 1,795.2 million at the end of 2010 to CHF 1,510.5 million at the end of 2011.

SHAREHOLDER VALUE

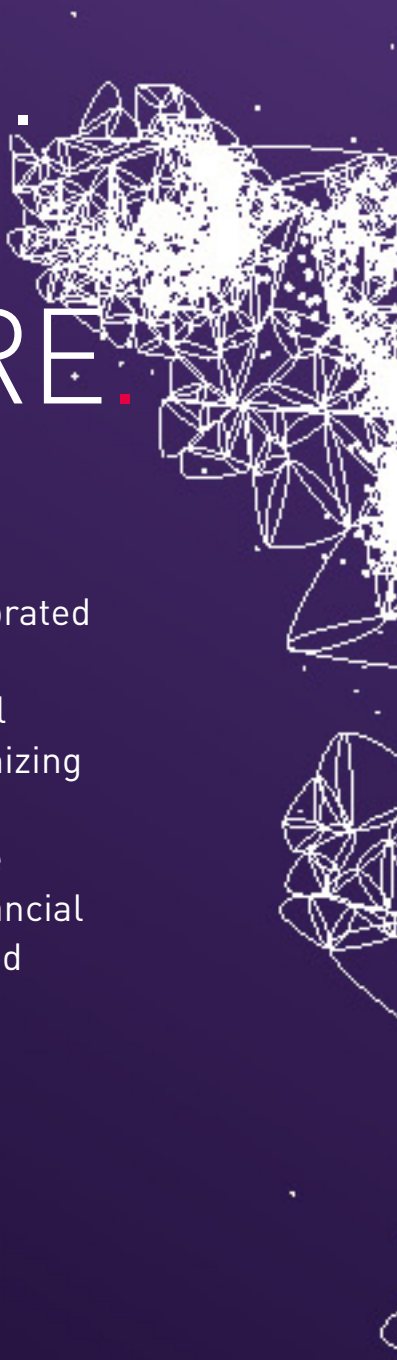
Actelion's Board proposes to maintain a dividend payment of CHF 0.80 per share and will ask for shareholder approval to do so at the upcoming Annual General Meeting on 4 May 2012.

During 2011, the company bought back 2.9 million shares at a cost of CHF 109.3 million on the second trading line as part of the CHF 800 million share buyback program announced in October 2010. This brings the number of treasury shares held to 13.3 million, or 10% of the total issued.

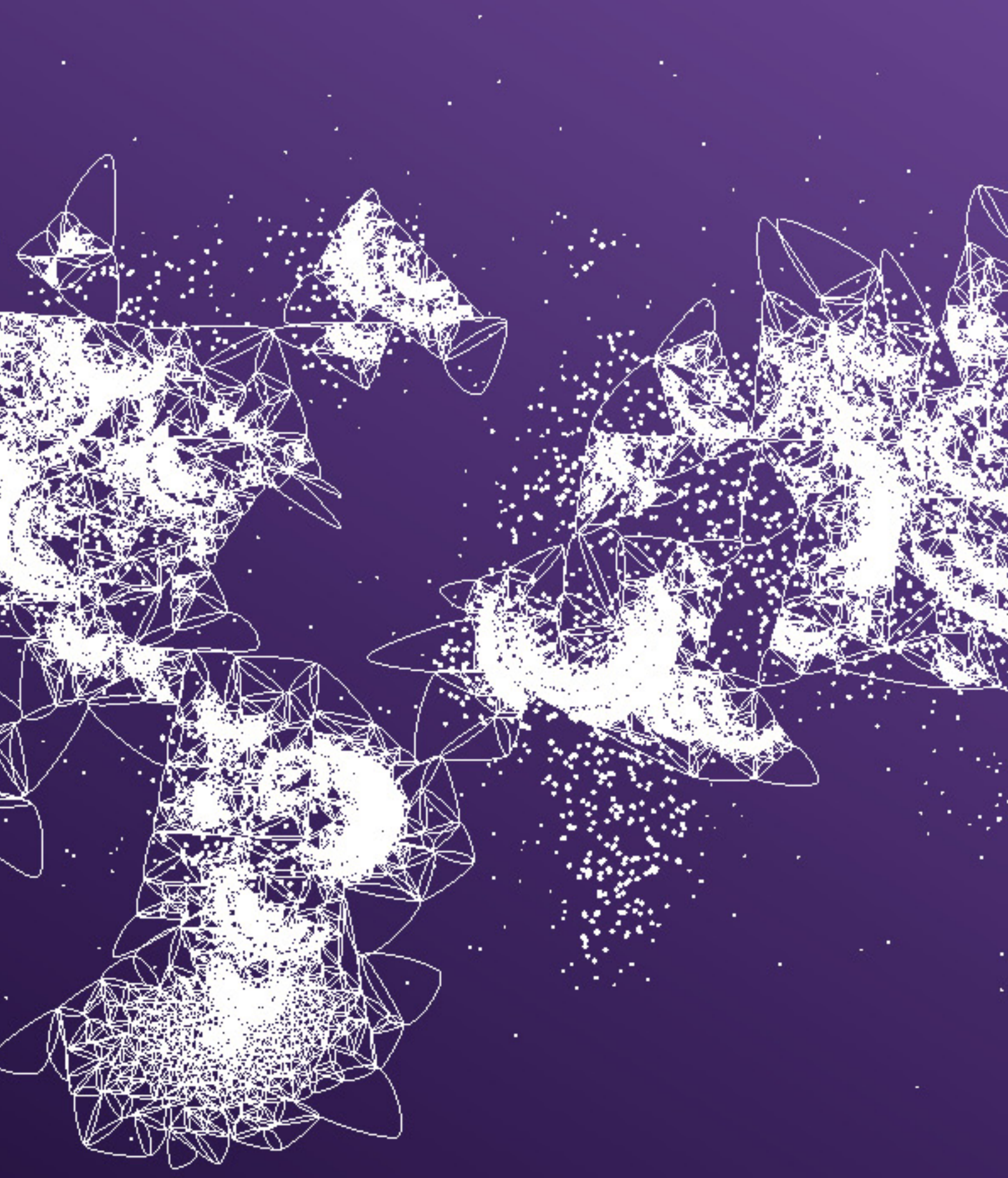
INTERNAL CONTROL OVER FINANCIAL REPORTING

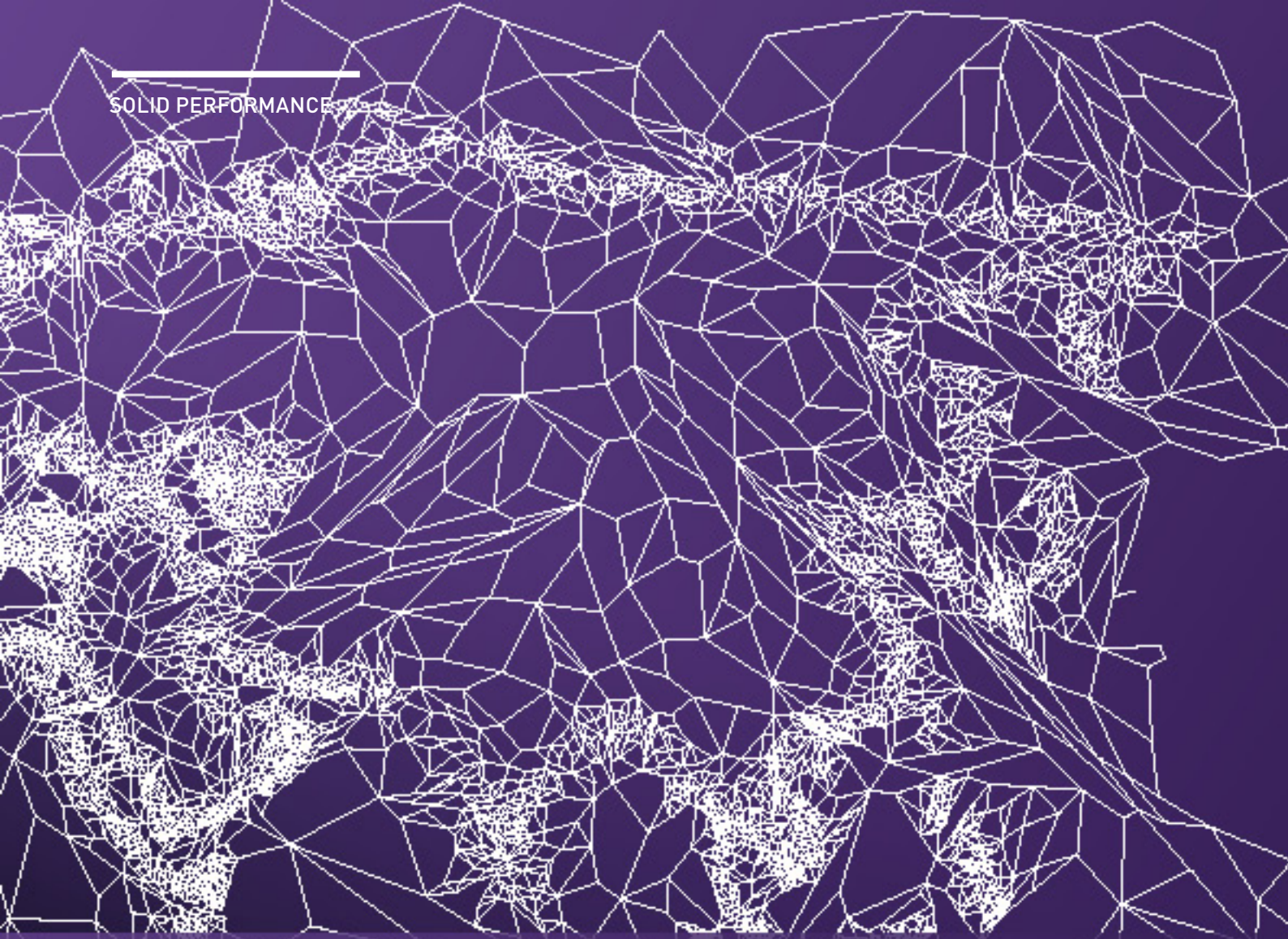
Actelion is committed to maintaining strict oversight of its financial reporting. In keeping with that commitment, for the sixth consecutive year the company's internal controls over financial reporting were certified as meeting the requirements of SOX 404 (Sarbanes-Oxley Act 2002, section 404) at 31 December 2011.

GLOBAL REACH. PREPARED FOR THE FUTURE.



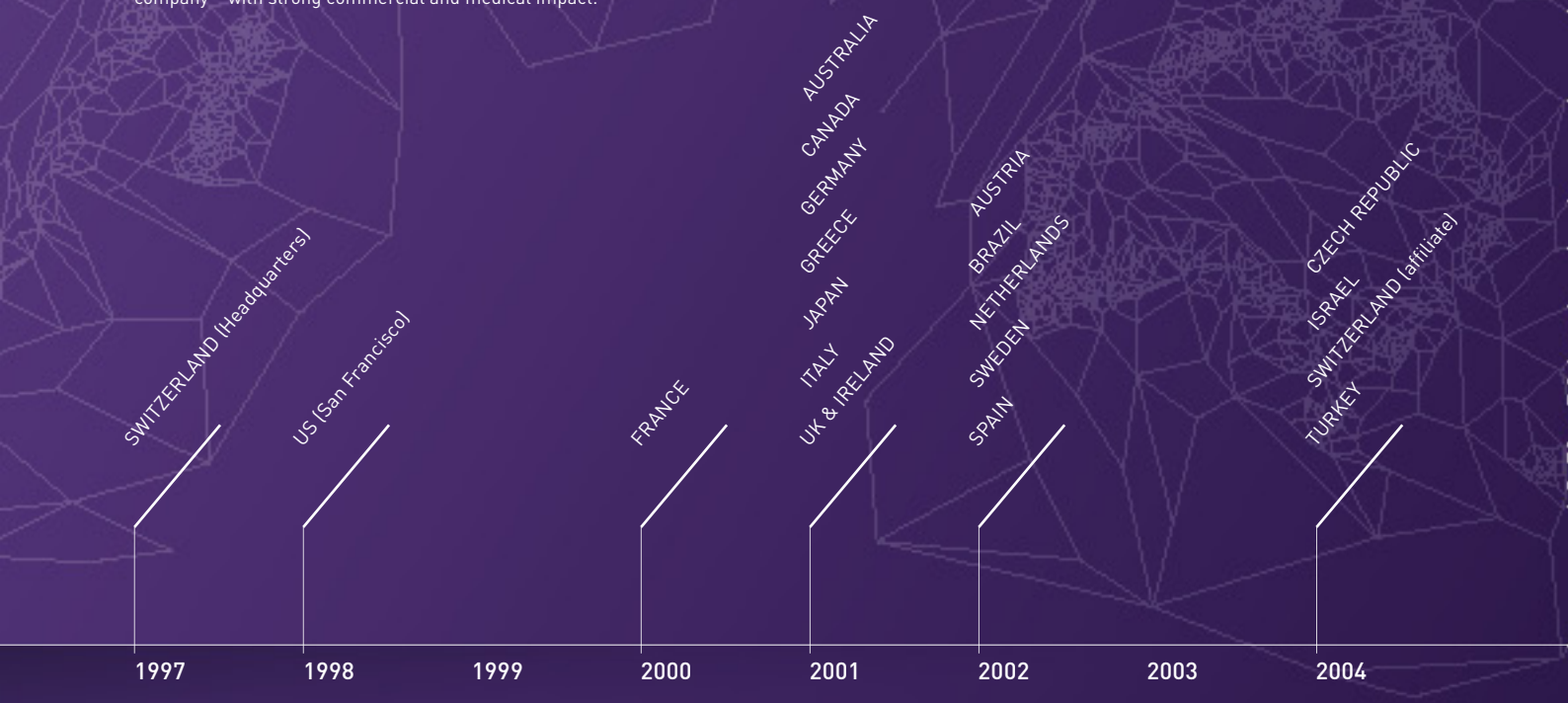
Actelion has built a global commercial infrastructure of more than 30 affiliates, many of which have already celebrated their 10th anniversary. Recently, we have expanded into emerging growth markets. We now have a presence in all principal pharmaceutical markets, which is key to maximizing the value of our current and future assets and to coping with the challenging, changing economic and health care environment. Despite health care reforms and global financial market uncertainty, our commercial organization delivered a solid performance in 2011.





ACTELION WORLDWIDE AFFILIATES

Actelion was founded in 1997. In just 14 years, it has established operational affiliates in over 30 countries. Today, Actelion is a truly global company – with strong commercial and medical impact.



SOLID PERFORMANCE

CHANGING ENVIRONMENT

It has been an extraordinary year, for countries, companies and individuals, a year whose driving dynamics included health care reforms, austerity measures, and currency rates. As a company with its headquarters in Switzerland, Actelion had to deal with the challenges of the global macroeconomic environment and of a changing health care environment. But it is precisely in such times that our established global infrastructure shows its value through its ability to deliver a solid performance.

GLOBAL FOOTPRINT

We have centralized our expertise in Allschwil, Switzerland, with the infrastructure, the quality systems, the regulatory experience and the enthusiasm to perform high-quality, clinically relevant research and development that really meets the needs of patients.

Actelion, however, has also invested in local markets, establishing more than 30 operational affiliates globally. We have expanded into such markets as Poland, Brazil, Mexico, Russia, China and, most recently, Hungary and Taiwan in 2011. The breadth of our affiliate network and a distributor network ensures that we can deliver our drugs to patients globally.

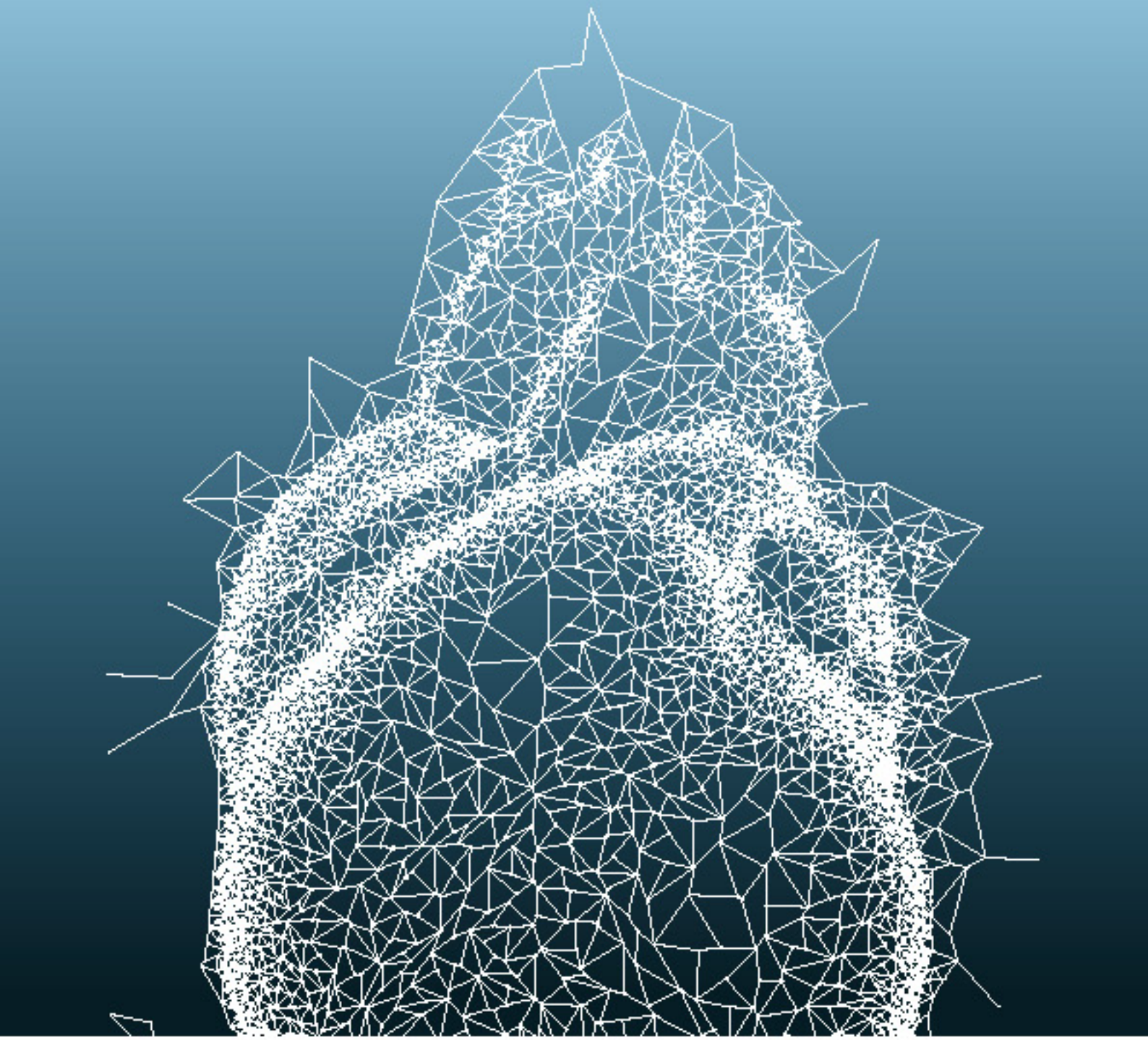
REMARKABLE PERFORMANCE

Of the 10th anniversary celebrations in 2011, there is perhaps none more poignant than that of our affiliate in Japan. The decision to set up our own affiliate in Japan was made early on during Actelion's evolution. To be able to gain approval for Tracleer in Japan soon after the US and European approvals and then to commercialize Tracleer in the Japanese market without the help of a Japanese partner is a unique achievement. The expertise and reputation of our Japanese colleagues has proven to be an asset demonstrated by the signing of a partnership agreement with Nippon Shinyaku for the global development of selexipag.

Our Japanese affiliate is our second largest, achieving a remarkable increase in net sales of almost 20% in 2011. This is all the more significant given that in 2011 Japan had to deal with much more than the global pressures that everyone is so acutely aware of. The nation also had to cope with the disastrous consequences of an earthquake and subsequent tsunami in March. Through all of this, the dedicated employees at our Japanese affiliate managed to ensure drug supplies to patients and to keep clinical development activities on track.

MAXIMIZING OUR ASSETS

Each of Actelion's local teams have unique capabilities that contributed to the very solid commercial performance that Actelion achieved in 2011. We have proven our capability to build specialty markets where no therapy exists for patients with rare diseases. The relationships that we have developed have enabled us to spearhead top-rated, innovative, continuing medical education events locally, regionally and globally. Using our knowledge, relationships and infrastructure to facilitate and enhance disease understanding and medical practices, we create and shape markets and medical practices through our comprehensive approach to PAH beyond just providing drugs.



BUSINESS STRATEGY & OPERATIONS DELIVERING OUTSTANDING VALUE.

SOLID COMMERCIAL PERFORMANCE

Sales growth driven by strong demand for our products in all major markets and significant progress in emerging markets made 2011 another commercially successful year for Actelion. Our performance is particularly satisfying, given the competitive environment especially in the United States and the challenging macro-economic environment in Europe that gave rise to pricing pressure and concern over the liquidity of national governments.

Total product sales increased 7% in local currencies to CHF 1,713.0 million with 41% of sales coming from the United States (US), 39% from Europe, 10% from Japan and 10% from the rest of the world. Product sales growth was mainly driven by patient demand and supported by price increases for Ventavis (iloprost) and Zavesca (miglustat) in the US.

GLOBAL REACH AND RESULTS

At the end of 2011, Actelion had over 30 affiliates worldwide and, through partnership arrangements, we further reach more than 30 additional markets.

European and Asia-Pacific countries contributed double-digit, local-currency sales growth to our solid results in 2011.

Japan especially had an excellent year of continued strong growth momentum despite the impact of the natural disaster on new patient recruitment and despite rising competition in the endothelin receptor antagonist (ERA) market since 2010. On a local currency basis, Actelion Japan achieved a remarkable increase in net sales of 20% in 2011 compared with the previous year.

European countries likewise delivered solid performances, collectively contributing 38% of total product sales on a constant currency basis. In 2011, the company felt the full effect of government austerity measures taken in 2010, including, for example, a 10% increase in mandatory rebates in Germany in August 2010. In addition, price cuts that came into effect in early 2011 affected our overall growth in Europe.

The United States (US) delivered 43% of our total sales for 2011 on a constant currency basis, but we face an increasingly competitive situation that is affecting Tracleer (bosentan) sales in the US.

"The in-depth understanding of the market environment together with a tailored business approach will enable us to leverage the business potential and to continuously expand our market leadership."

Matthias Hess, General Manager Belgium

ACTELION'S PRODUCTS IN THE MARKETPLACE

TRACLEER

FOCUSING ON PROVEN EFFICACY

In 2011, Tracleer again delivered excellent sales growth of 5% in local currencies and 8% in units – an impressive achievement 10 years after its market introduction. These gains translate into total Tracleer sales of CHF 1,522.1 million for 2011.

In March 2011, the competitive dynamics for Tracleer shifted in the US when a competitor's product received a change to its label and a simplified risk evaluation and mitigation strategy (REMS) obligation. Actelion has, as a result, seen a gradual decline in Tracleer's share of new prescriptions in the US. Actelion has taken several initiatives to counteract this situation.

Only Tracleer has consistently, in three major studies, demonstrated an ability to improve a patient's functional class, an important objective unsurpassed by other therapies on the market. Thus, its proven efficacy remains the overwhelming argument for prescribing Tracleer.

Outside the US, Tracleer sales were driven by the continued growth of the use of ERAs in pulmonary arterial hypertension (PAH). The ongoing increase in utilizing Tracleer to treat digital ulcers as a consequence of systemic sclerosis and the successful conversion of sitaxentan patients to Tracleer following the withdrawal of sitaxentan in early 2011 also contributed to Tracleer sales.

VENTAVIS

HOLDING ITS GROUND

Ventavis (iloprost), the first inhaled prostacyclin to treat PAH, performed very well in a highly competitive inhaled prostacyclin market. Ventavis sales in the US amounted to CHF 106.4 million, an increase of 7% in local currencies. This increase was largely due to a price increase of 4.5% in January 2011 and to an effective price gain through lower rebates. We saw a small decrease in the units shipped due to increased competition.

VELETRI
GAINING MARKET SHARE

Veletri (epoprostenol for injection), launched in the United States (US) in April 2010, is an improved formulation of epoprostenol that, at the most commonly used concentrations, is stable at room temperature for over 24 hours, eliminating the need for patients to carry ice packs. This added stability also allows patients to prepare cartridges for infusion in advance.

Positive feedback from prescribers is reflected in the continued growth momentum of Veletri in the US. Sales of Veletri totaled CHF 14.7 million in 2011.

In Europe, the filing of Veletri is planned for the first quarter of 2012. The regulatory process in Japan is ongoing.

ZAVESCA
INCREASING AWARENESS FOR NIEMANN-PICK TYPE C

Actelion continues to deliver solid results with Zavesca (miglustat), which is available for both Niemann-Pick type C disease (NP-C) and type 1 Gaucher disease (GD1), except in the US. Sales of Zavesca grew to CHF 68.4 million in 2011. This represents an increase of 12% in local currencies compared to 2010.

The product's sales growth stems from the continued uptake of Zavesca in NP-C as a result of the company's efforts to raise disease awareness and improve diagnosis.

One example of our efforts to increase market consciousness of Zavesca is the development of the Suspicion Index, accepted for publication in *Neurology*. We developed this innovative and simple-to-use tool together with an international group of NP-C experts. It allows physicians unfamiliar with NP-C to evaluate specific signs and symptoms indicative of NP-C to identify patients with a suspicion of NP-C and to then refer them to an expert center to confirm the diagnosis.

The continued increase of NP-C patients on Zavesca therapy is somewhat masked by a decline in the number of patients with GD1 under treatment with Zavesca. The latter are returning to enzyme replacement therapy (ERT) following a shortage of ERT in 2010.

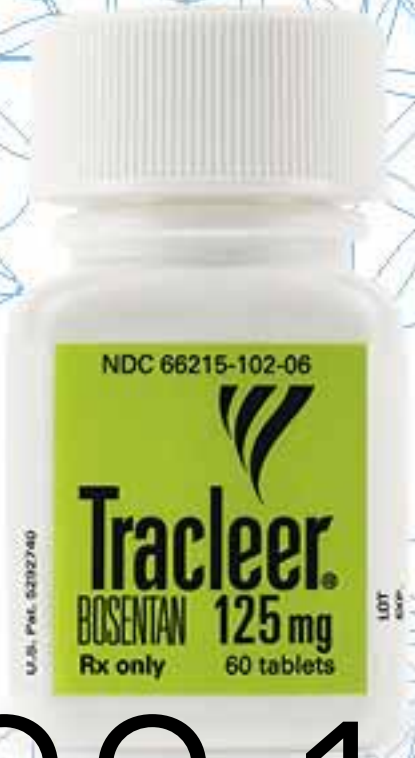
"The new Suspicion Index will contribute to reducing the time to diagnosis for more NP-C patients. This way, we ensure that they receive the support and treatment they require."

Gérard Boehm, Global Business Head Zavesca

"Assuring high quality in all that we do involves everyone at Actelion and means the continuous improvement of all of our processes"

Rudi Frank, Head Global Quality Management

SOLID PRODUCT PERFORMANCE



14.7

CHF MILLION
2010 CHF 2.8 MILLION
430.5% INCREASE
525.6% INCREASE IN LOCAL CURRENCIES

1,522.1

CHF MILLION
2010 CHF 1'636.1 MILLION
7% DECREASE
5.3% INCREASE IN LOCAL CURRENCIES

VELETRI®

- An improved formulation of i.v. epoprostenol launched in April 2010.
- Stability at room temperature eliminates the need for ice packs at most commonly used concentrations.
- Allows patients to prepare their prostacyclin needs further in advance.

PRODUCT AVAILABILITY

INDICATION	APPROVED IN
– Pulmonary arterial hypertension. WHO Group I to improve exercise capacity.	**THE UNITED STATES** The registration process for other countries is ongoing.

TRACLEER®

- Gold standard in PAH treatment with over 40,000 PAH patients currently on therapy.
- Treating PAH to either improve symptoms or maintain patients at Functional Class II status.

PRODUCT AVAILABILITY

INDICATION	APPROVED IN
– Pulmonary arterial hypertension. PAH Functional Class II, III and IV in the US and other countries. PAH Functional Class II and III in the EU.	**61 COUNTRIES**
– Digital ulcers	**46 COUNTRIES**

68.4

CHF MILLION
2010 CHF 68.7 MILLION
0.5% DECREASE
12.2% INCREASE IN LOCAL CURRENCIES

106.4

CHF MILLION
2010 CHF 118.7 MILLION
10.4% DECREASE
6.6% INCREASE IN LOCAL CURRENCIES

VENTAVIS®

– The first inhaled prostacyclin to treat PAH.
– Formulated for optimized inhalation time.

PRODUCT AVAILABILITY

INDICATION	
– Pulmonary arterial hypertension. PAH (WHO Group I) in patients with NYHA Class III and IV symptoms.	Marketed by Actelion in the United States. Marketed by Bayer Healthcare in countries outside the US.

ZAVESCA®

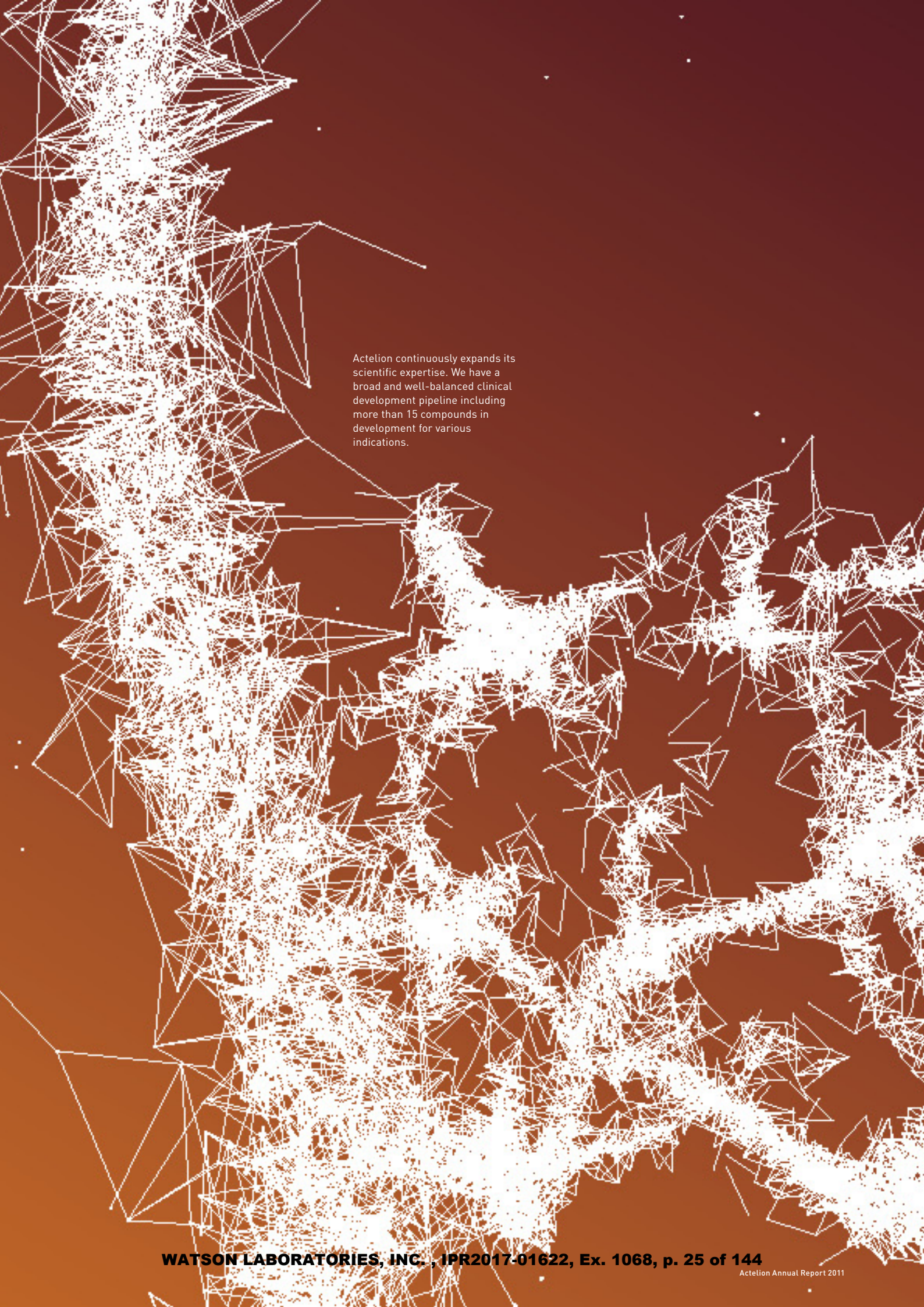
– The only disease-modifying therapy reducing the progression of clinically relevant neurological symptoms in patients with NP-C.
– Continued commitment to patients with type 1 Gaucher disease.

PRODUCT AVAILABILITY

INDICATION	**APPROVED IN 42 COUNTRIES**
– Niemann-Pick type C disease. Progressive neurological manifestations in adult and pediatric patients in the EU and other countries outside the US.	
– Mild to moderate adult type 1 Gaucher disease. Zavesca may only be used in the treatment of patients for whom enzyme replacement therapy is unsuitable.	**APPROVED IN 43 COUNTRIES**

GROWING KNOWLEDGE. GROWING OPPORTUNITIES.

At Actelion, science is our common language. Our research activities are centralized at our headquarters in Allschwil. Since the early days, we have focused on specific molecular targets, such as certain G-protein coupled receptors (GPCRs) and soluble enzymes, which are believed to play a major role in health and disease processes. Our research has led us to the discovery of compounds for pulmonary arterial hypertension (PAH) and for a variety of other diseases. Compounds such as ponesimod and setipiprant, currently in development for the treatment of multiple sclerosis, psoriasis, asthma and allergic rhinitis, expand our pipeline to new therapeutic areas.



Actelion continuously expands its scientific expertise. We have a broad and well-balanced clinical development pipeline including more than 15 compounds in development for various indications.

DIVERSIFIED DISEASE PORTFOLIO

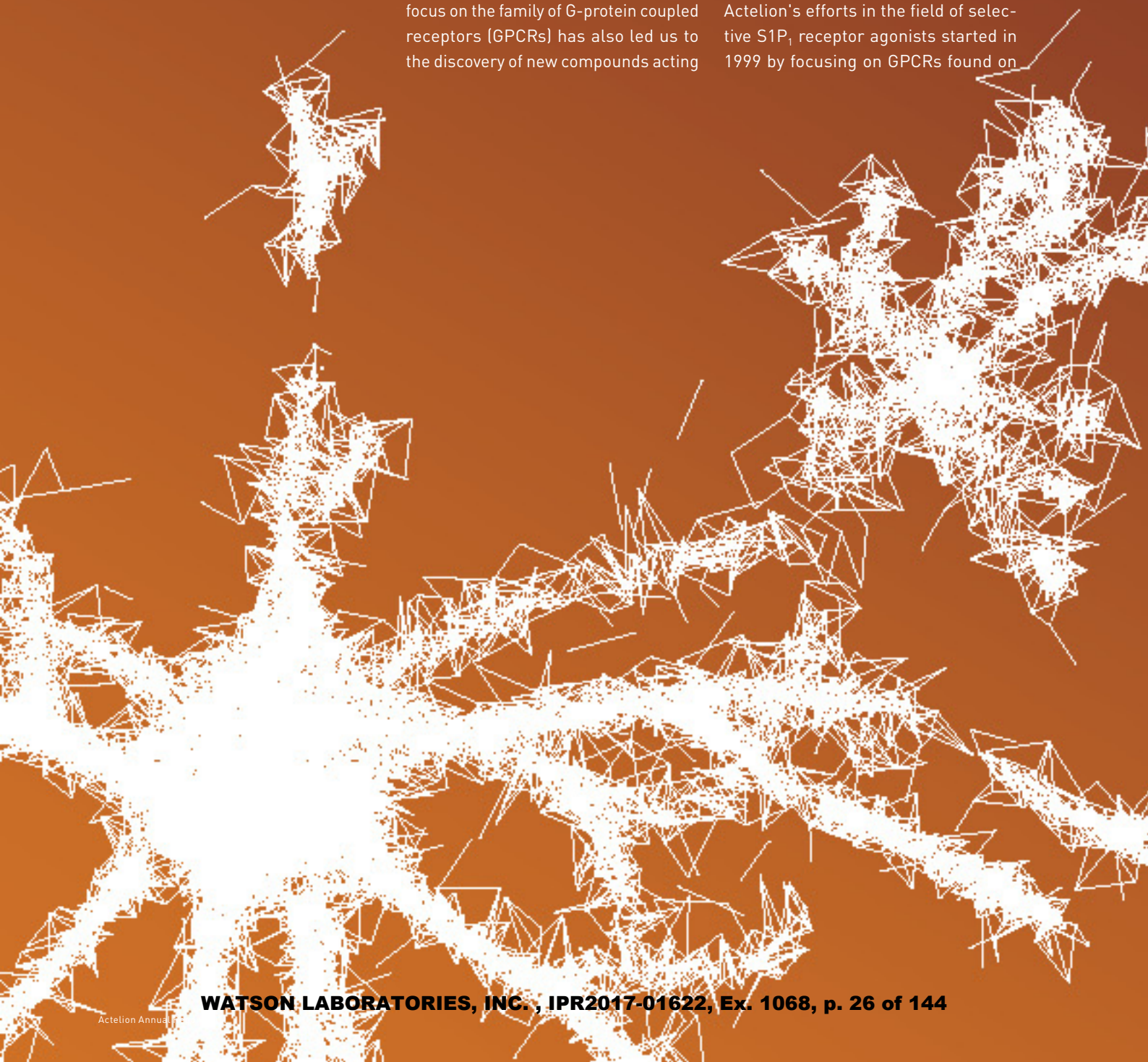
Actelion's founders contributed to the understanding of the endothelin pathway and the major role endothelin plays in pulmonary arterial hypertension, as they discovered bosentan while at Roche. At Actelion, this research on antagonists of the endothelin receptor – a G-protein coupled receptor – led to the registration of our flagship drug Tracleer for the treatment of PAH, as well as to the discovery and development of the new endothelin receptor antagonist macitentan.

Leveraging the gained knowledge, our focus on the family of G-protein coupled receptors (GPCRs) has also led us to the discovery of new compounds acting on GPCRs, among which are the selective $S1P_1$ agonist ponesimod and the CRTH2 antagonist setipiprant. (See more details on recent study results on page 29.)

THE PONESIMOD DISCOVERY STORY

Ponesimod, the selective $S1P_1$ receptor agonist, recently delivered positive results in a dose-finding study in multiple sclerosis patients. The story of ponesimod exemplifies how important long-term investments and endurance are in research and clinical development.

Actelion's efforts in the field of selective $S1P_1$ receptor agonists started in 1999 by focusing on GPCRs found on



the endothelium, the single layer of cells separating blood from tissue. The discovery of ponesimod was a consequence of the dedicated search for an appropriate molecule following the revelation that compounds selective for the $S1P_1$ receptor subtype could be a new category of oral drugs for the treatment of autoimmune diseases.

A SELECTIVE $S1P_1$ AGONIST

Ponesimod, synthesized in 2002 and intensively validated in preclinical research, was first tested for safety and tolerability in man in 2005. By binding selectively to the $S1P_1$ receptor, ponesimod prevents lymphocytes (white blood cells) from leaving the lymph nodes. Being important cells of our immune system, lymphocytes normally help to protect our body against foreign invaders. But in autoimmune diseases these cells – together with other components of our immune system – can attack and damage the body's own tissue. However, if lymphocyte infiltration can be prevented, their damaging effect in these diseases can be minimized.

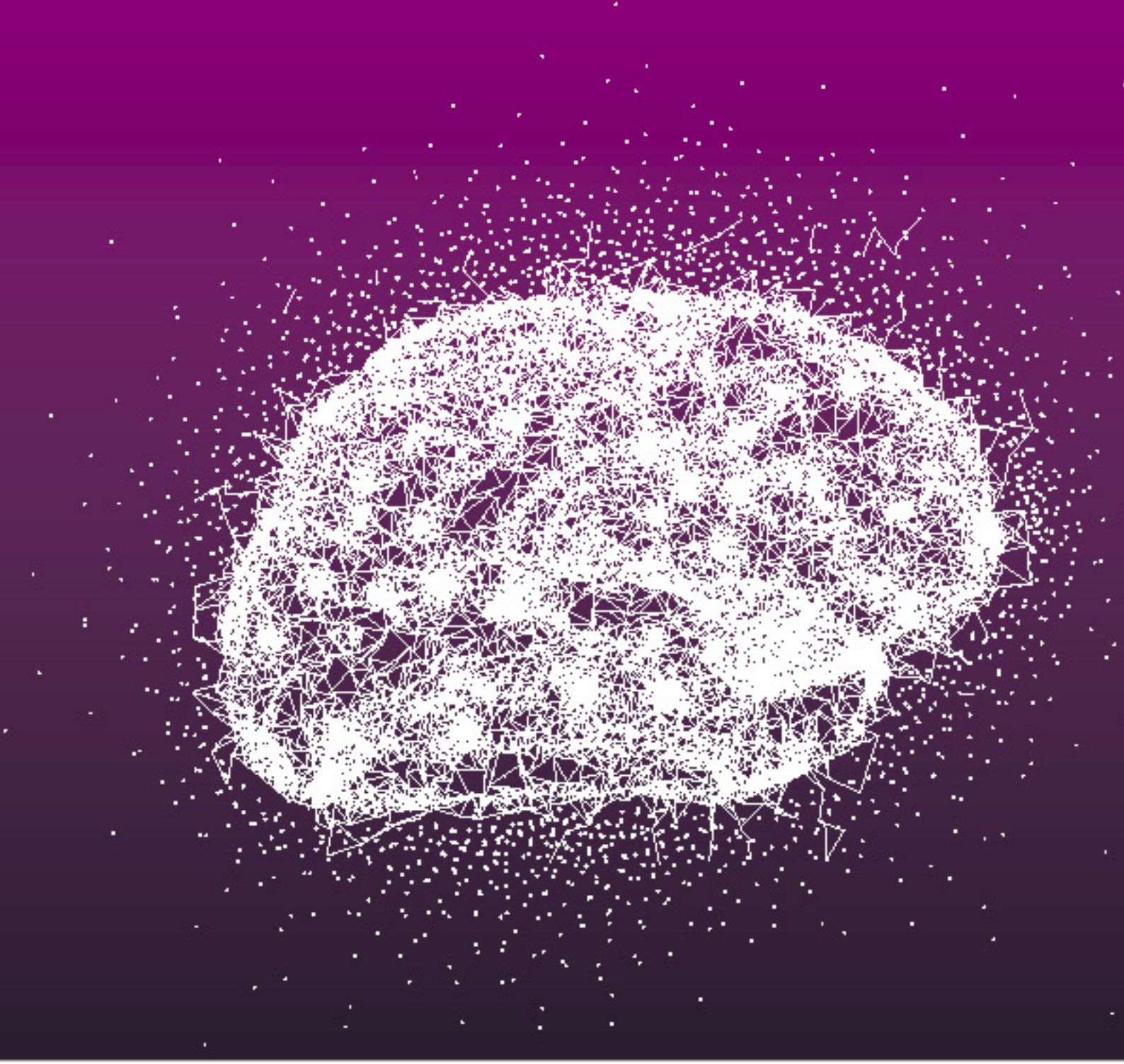
Results of our Phase II study investigating ponesimod in multiple sclerosis – an autoimmune disease affecting about two million people – demonstrated that, in addition to ponesimod's dose-dependent efficacy, its effects on lymphocyte counts are rapidly reversible. Also, ponesimod does not destroy lymphocytes or interfere with their cellular function. Other blood cells of the innate immune system are unaffected and remain available to fight off infection. As this is a therapeutic benefit in a potential range of autoimmune diseases, Actelion took the challenge to develop ponesimod not only for multiple sclerosis but also as a potential agent in psoriasis, an autoimmune disease of the skin. (See more details on pages 28 and 31.)

Research continues to strengthen our pipeline and by that lays the foundation for Actelion's future. We strive to translate our innovative ideas into novel medicines for patients.

NEW ORAL MS COMPOUND PONESIMOD

In 2011, the positive results of a Phase II study with ponesimod, Actelion's oral, selective $S1P_1$ receptor agonist, showed a statistically significant and clinically relevant treatment effect in patients suffering from relapsing remitting multiple sclerosis. In addition, the rapid reversibility of lymphocyte count observed upon treatment discontinuation highlights a key differentiation attribute of this selective $S1P_1$ receptor agonist and its pharmacokinetic profile. Ponesimod also exhibited a pharmacodynamic and adverse event profile in this study that, if confirmed in Phase III, will give it a competitive edge.

Ponesimod belongs to a class of drugs for the treatment of autoimmune diseases, including but not limited to multiple sclerosis and psoriasis. Its discovery is the outcome of our dedicated search for compounds selective for the $S1P_1$ receptor subtype. Behind the positive results are more than 10 years of intensive work by our highly experienced and committed professionals in research and development.



RESEARCH & DEVELOPMENT – TURNING RESEARCH INTO RESULTS.

DEDICATED TO INNOVATION

Actelion's drug discovery and development is committed to transforming innovation into medicines that are of benefit to patients in indications of high unmet medical need.

Our goal is to find specific molecular entities for development within our focus on four main therapeutic areas:
- Central nervous system disorders
- Cardiovascular diseases (including PAH)
- Immunology, inflammation and allergies
- Anti-infectives

Actelion's highly active research organization has delivered multiple new compounds for Phase I clinical development. At the end of 2011, Actelion's pipeline comprised eight compounds in Phase I, four compounds in Phase II and three compounds in Phase III clinical development.

Actelion's broad and diversified clinical development pipeline is a result of leveraging its expertise in particular molecular targets, including G-protein coupled receptors (GPCRs) and soluble enzymes. The translation of our discoveries into clinically useful and breakthrough drugs is evaluated on an ongoing basis, and promising molecules are selected on stringent criteria.

Actelion's drug discovery group has provided a steady flow of new compounds over the past ten years with which the company has been able to expand its core expertise. Actelion has created near- and mid-term opportunities with a broader disease portfolio. Development risks are balanced by including follow-up compounds and molecules with new mechanisms of action.

SCIENTIFIC QUALITY AND PRODUCTIVITY ARE KEY

The quality and productivity of the research at Actelion in 2011 was demonstrated in different ways. Actelion filed 21 priority patent applications in 2011. At year-end, Actelion's global patent portfolio encompassed more than 2,300 cases. The company published 46 abstracts throughout the year and national health authorities and ethics committees approved numerous dossiers for our new molecules to enter clinical development in 2011.

"Close collaboration between Actelion scientists and physicians, including external experts, ensures that our research investments are directed toward medical therapies that will create value for patients and shareholders alike."

Martine Clozel, Chief Scientific Officer

CLINICAL DEVELOPMENT PIPELINE PROGRESS

PHASE II STUDY RESULTS

ENCOURAGING SAFETY PROFILE FOR MACITENTAN

In August 2011, the company announced the results of an exploratory Phase II study with macitentan in patients with idiopathic pulmonary fibrosis (IPF). Although the primary end point of the study – forced vital capacity – was not met, the study did demonstrate a promising safety and tolerability profile for macitentan in this patient population. No difference was observed between placebo and macitentan in regard to liver enzyme elevations.

The exploratory study investigated a 10 mg dose of macitentan versus a placebo in 178 patients with IPF, where, on average, patients were exposed to the study drug for more than 14 months, with a maximum exposure of 24.6 months. The safety and tolerability profile observed with this relatively long-term exposure to the 10 mg dose of macitentan is very encouraging, since this is the higher of two doses under evaluation in the ongoing Phase III SERAPHIN study (**S**tudy with an **E**ndothelin **R**eceptor **A**ntagonist in **P**ulmonary arterial **H**ypertension to **I**mprove cli**N**ical outcome).

IMMUNOMODULATION WITH PONESIMOD

In early August 2011, ponesimod demonstrated favorable efficacy and safety in a Phase II dose-response study in patients with relapsing-remitting multiple sclerosis (MS). This is the first report of a selective $S1P_1$ receptor agonist demonstrating a statistically significant treatment effect in patients suffering from relapsing-remitting MS.

The study assessed the efficacy, safety and tolerability of three ponesimod dosages (10 mg, 20 mg or 40 mg) versus a placebo, all administered orally once daily for 24 weeks. With 464 patients enrolled, this is the largest-ever dose-finding study conducted in this autoimmune disorder.

Monthly magnetic resonance imaging (MRI) brain scans performed from weeks 12 to 24 of the study provided data that clearly demonstrated that ponesimod significantly reduced the cumulative number of new active lesions, with statistical significance at the most effective dose. There was also a clinically meaningful effect observed in the annual relapse rate.

The study provided Actelion with key information on the potential differentiation of this agent from other oral MS agents, either marketed or in development. In addition, a clear dose response relationship was demonstrated. Following discussions with the US FDA, Actelion has a clear direction for the Phase III program for ponesimod in MS, the initiation of which is planned for the first half of 2012. Also in the first half of 2012, we will finalize the evaluation of a potential strategic partnership for ponesimod.

TARGETING ALLERGIC DISORDERS WITH SETIPIPRANT

Setipiprant, a CRTH2 receptor antagonist, is being investigated in allergic diseases, including asthma and allergic rhinitis. Positive results from a proof-of-mechanism study on asthma reported in 2009 formed the basis for evaluating setipiprant in Phase II studies of these disorders.

In May 2011, setipiprant demonstrated efficacy in a Phase II dose-ranging study in patients with seasonal allergic rhinitis. The treatment was well tolerated, and no serious adverse events were reported.

In December 2011, the company initiated a Phase III program for setipiprant in allergic rhinitis. Once again, the first study in the United States targets the mountain cedar pollen season. The future development path of this novel compound depends on the anticipated results of the ongoing Phase II study in asthma and on potential partnership discussions.

"Constant learning from our molecules in drug discovery and clinical development and sharing this knowledge are key to coming up with novel drug candidates showing the required properties."

Beat Steiner, Head Drug Discovery, Biology

CLINICAL STUDIES UPDATE

PHASE IV PROGRAMS

BOSENTAN IN PEDIATRIC PAH: THE FUTURE PROGRAM

During 2011, Actelion expanded its FUTURE (pediatric **F**orm**U**lation of bosen**T**an in p**U**lmonary arterial hype**R**t**E**nsion) program to include three studies: FUTURE 3, FUTURE 4 and FUTURE 5. The first, FUTURE 3, is an open-label study in 64 patients aged from 3 months to 12 years to assess the pharmacokinetics, tolerability, safety and efficacy of the pediatric formulation of bosentan twice versus three times a day.

The second study, FUTURE 4, aims to investigate the use of bosentan as adjunctive therapy to inhaled nitric oxide in the management of persistent pulmonary hypertension of the newborn (PPHN). This randomized, placebo-controlled study will enroll 30 patients.

In the FUTURE 5 study, the company is planning a randomized, placebo-controlled investigation into the efficacy, safety and tolerability of the pediatric formulation of bosentan in children aged from 3 months to 17 years.

BOSENTAN IN PAH: COMPASS 2

The COMPASS-2 (combination therapy) study specifically evaluates the efficacy and safety of the use of the dual endothelin receptor antagonist bosentan in combination with the phosphodiesterase type 5 inhibitor sildenafil.

PHASE III PROGRAMS

At the end of 2011, Actelion was studying three compounds in Phase III programs: macitentan in pulmonary arterial hypertension (PAH) and digital ulcers associated with systemic sclerosis, selexipag in PAH and setipiprant in seasonal allergic rhinitis.

On 28 January 2011, Actelion and GlaxoSmithKline announced that the clinical development of the dual orexin receptor antagonist almorexant had been discontinued. Both companies continue to work on the discovery and development of new orexin receptor antagonist therapies based on the orexin alliance they formed in July 2008.

In December 2011, Trophos announced that the pivotal Phase III study in patients suffering from amyotrophic lateral sclerosis (ALS), also known as Lou Gehrig's disease, did not reach its primary end point. Actelion decided not to exercise its option to acquire the company.

MACITENTAN IN PAH AND ISCHEMIC DIGITAL ULCERS

The most advanced compound in Actelion's Phase III programs is macitentan, which is being studied in patients with symptomatic PAH. Macitentan's SERAPHIN study is evaluating the efficacy and safety of this highly potent, tissue-targeting endothelin receptor antagonist with morbidity and mortality as the primary end point.

"Due to an integrated and in-house developed research informatics system, Actelion is highly efficient in analyzing the huge amount of data generated by testing its chemical compounds in reliable and robust biological assays."

Thomas Weller, Head Drug Dicsovery, Chemistry

Patients are randomized 1:1:1 to receive one of two different doses of macitentan (3 mg or 10 mg) or a placebo once daily. This is the largest study in PAH patients with a clearly defined morbidity and mortality end point. Global enrollment of 742 patients for the study was completed in 2009.

The study is event driven, and, based on the progress observed, results are expected in the first half of 2012.

SELEXIPAG IN PAH

Selexipag, discovered by Nippon Shinyaku, is a novel, orally available, selective IP receptor agonist. Actelion is responsible for the global development and commercialization of selexipag outside Japan and will work with Nippon Shinyaku to co-develop and co-commercialize the compound in Japan.

At the end of 2011, selexipag was being investigated in the GRIPHON (prostacyclin [P**G**I_2] **R**eceptor agon**I**st in **P**ulmonary arterial **H**ypertensi**ON**) study. This multicenter, double-blind, placebo-controlled morbidity and mortality trial is evaluating the efficacy and safety of oral selexipag in patients with PAH.

During 2011, Actelion decided to increase the planned enrollment of patients in the study to 1,150 and the required number of events to 378, thereby maximizing the chance to observe a clinically relevant treatment effect. In addition, the company has included an interim analysis for efficacy and futility at around two-thirds of the total number of required events.

Given recruitment rates, the trial's increased target enrollment is predicted to be completed by the end of 2012. Final results from the study, therefore, are expected to be available in mid-2014. The results of the interim analysis could be available by mid-2013.

PHASE II PROGRAMS

PONESIMOD IN PSORIASIS

Actelion's lead selective $S1P_1$ receptor agonist, ponesimod, is in development as an immunomodulator with the potential for once-a-day oral dosing for multiple autoimmune disorders.

In addition to the initiation of a Phase III program in multiple sclerosis planned for the first half of 2012, recruitment continued for a dose-finding study with patients with moderate to severe chronic plaque psoriasis. This induction and maintenance study is evaluating the efficacy, safety and tolerability of two doses of ponesimod and is estimated to enroll 320 patients. Results are expected in the second half of 2012.

SETIPIPRANT IN ASTHMA

In addition to the ongoing clinical evaluations of setipiprant in seasonal allergic rhinitis, this CRTH2 receptor antagonist is being studied in adult patients with asthma. Having established proof of mechanism with positive data in an antigen-challenging efficacy study, where the primary end point was met with statistical significance, a further 12-week study is being conducted. The study is fully enrolled and is expected to report results in mid-2012.

CADAZOLID IN *CLOSTRIDIUM DIFFICILE* INFECTION

Clostridium difficile infection (CDI) is the main cause of hospital-acquired diarrhea and antibiotic-associated colitis, the incidence and mortality of which is rising in many countries. Following encouraging preclinical and Phase I results, Actelion commenced global enrollment for a Phase II dose-finding study on cadazolid, Actelion's first potent, novel antibiotic. The study is designed to investigate the efficacy, safety and tolerability profile of cadazolid in patients with CDI. Progress in enrolling study participants was made in 2011, though recruitment is slower than anticipated. Results are expected in mid-2012.

CARDIOVASCULAR COMPOUND

Throughout 2011, Actelion completed its enrollment of patients into a proof-of-concept study of its novel cardiovascular compound. The study aims to demonstrate the antihypertensive efficacy of once-daily oral administration in patients with mild to moderate essential hypertension to establish proof of concept for potential speciality cardiovascular indications. The placebo-controlled study is estimated to report results in mid-2012.

PHASE I PROGRAMS

During 2011, Actelion initiated Phase I programs for seven compounds, bringing the total of Phase I compounds to eight, which includes a follow-up compound to the $S1P_1$ receptor agonist ponesimod.

Six novel compounds entered into Phase I clinical development in 2011: a CRTH2 receptor antagonist (a follow-up compound to setipiprant); a cardiovascular compound; an immunology compound; a dual orexin receptor antagonist (a follow-up compound to almorexant); a compound addressing a rare metabolic disease; and an antimalarial compound.

Additionally, following excellent preclinical results, a Phase I, open-label study was initiated with macitentan in patients with recurring glioblastoma.

"I have been impressed by the enthusiasm and depth of expertise of Actelion's researchers and the novelty and quality of the research portfolio."

Prof. Bengt Samuelsson, Nobel Prize winner for medicine in 1982, on the occasion of Actelion's Drug Discovery Day 2011

FROM MOLECULE TO MEDICINE. OUR PIPELINE

$S1P_1$ RECEPTOR AGONIST

IMMUNOLOGICAL DISORDERS
Follow-up compound to Ponesimod
Phase I study

MACITENTAN

GLIOBLASTOMA
Phase I study

OREXIN RECEPTOR ANTAGONIST

INSOMNIA
Follow-up compound to Almorexant
Phase I study

CRTH2 RECEPTOR ANTAGONIST

ASTHMA / ALLERGIC DISORDERS
Follow-up compound to Setipiprant
Phase I study

CARDIOVASCULAR

CARDIOVASCULAR DISORDERS
Phase I study

GENETIC DISORDER

METABOLIC DISEASE
Phase I study

IMMUNOLOGY

IMMUNOLOGICAL DISORDERS
Phase I study

ANTI-MALARIAL

MALARIA
Phase I study

PHASE I

SETIPIPRANT

ASTHMA
Phase II study: CONTROL
Enrollment: 412 patients (complete)
Potential reporting: H1 2012

PONESIMOD

PLAQUE PSORIASIS
Phase II study
Est. enrollment: 320 patients
Potential reporting: H2 2012

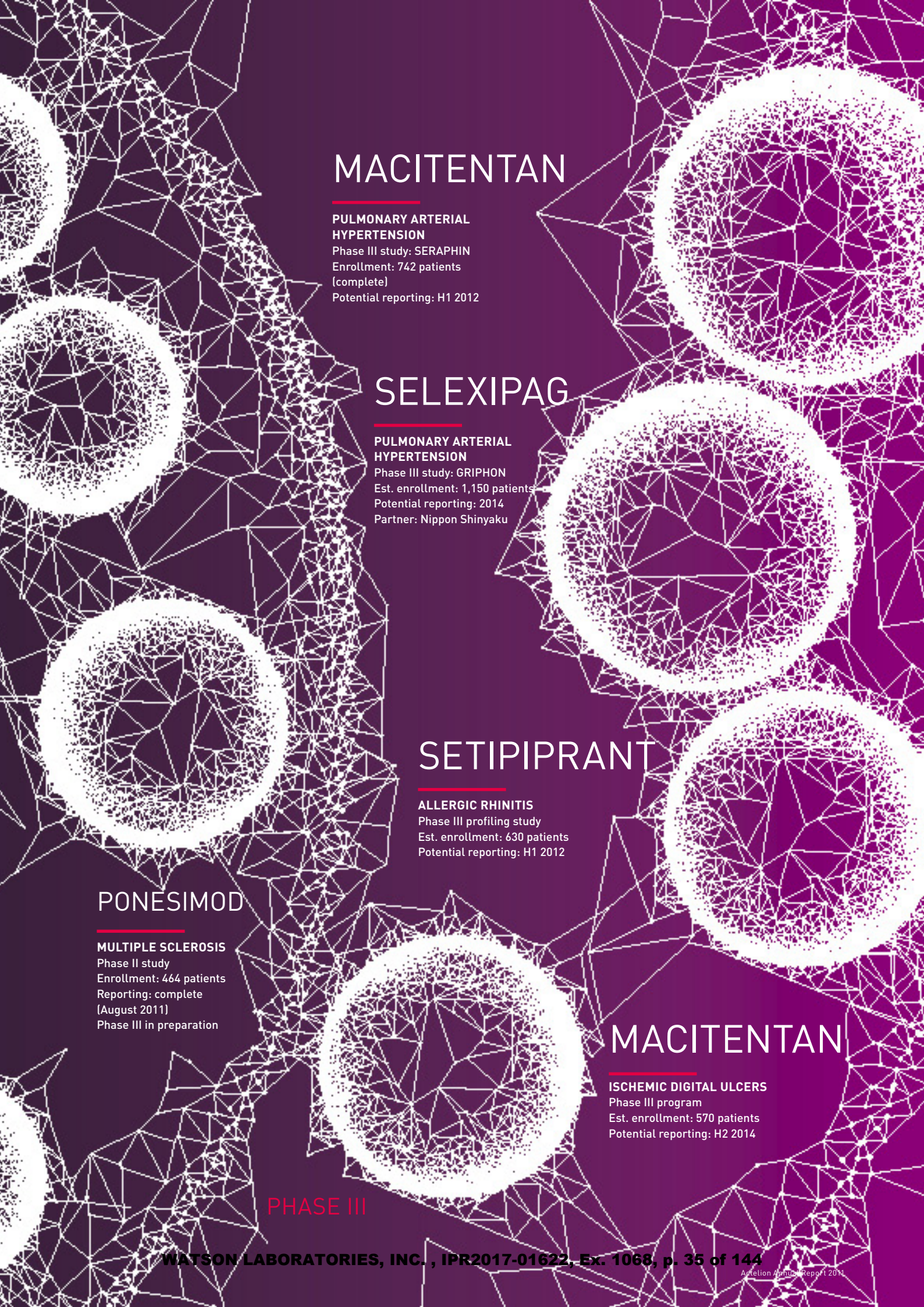
CADAZOLID

***CLOSTRIDIUM DIFFICILE* INFECTION**
Phase II study
Est. enrollment: 92 patients
Potential reporting: H2 2012

CARDIOVASCULAR

ESSENTIAL HYPERTENSION
Phase II study
Est. enrollment: 135 patients
Potential reporting: H1 2012

PHASE II



MACITENTAN

PULMONARY ARTERIAL HYPERTENSION
Phase III study: SERAPHIN
Enrollment: 742 patients (complete)
Potential reporting: H1 2012

SELEXIPAG

PULMONARY ARTERIAL HYPERTENSION
Phase III study: GRIPHON
Est. enrollment: 1,150 patients
Potential reporting: 2014
Partner: Nippon Shinyaku

SETIPIPRANT

ALLERGIC RHINITIS
Phase III profiling study
Est. enrollment: 630 patients
Potential reporting: H1 2012

PONESIMOD

MULTIPLE SCLEROSIS
Phase II study
Enrollment: 464 patients
Reporting: complete (August 2011)
Phase III in preparation

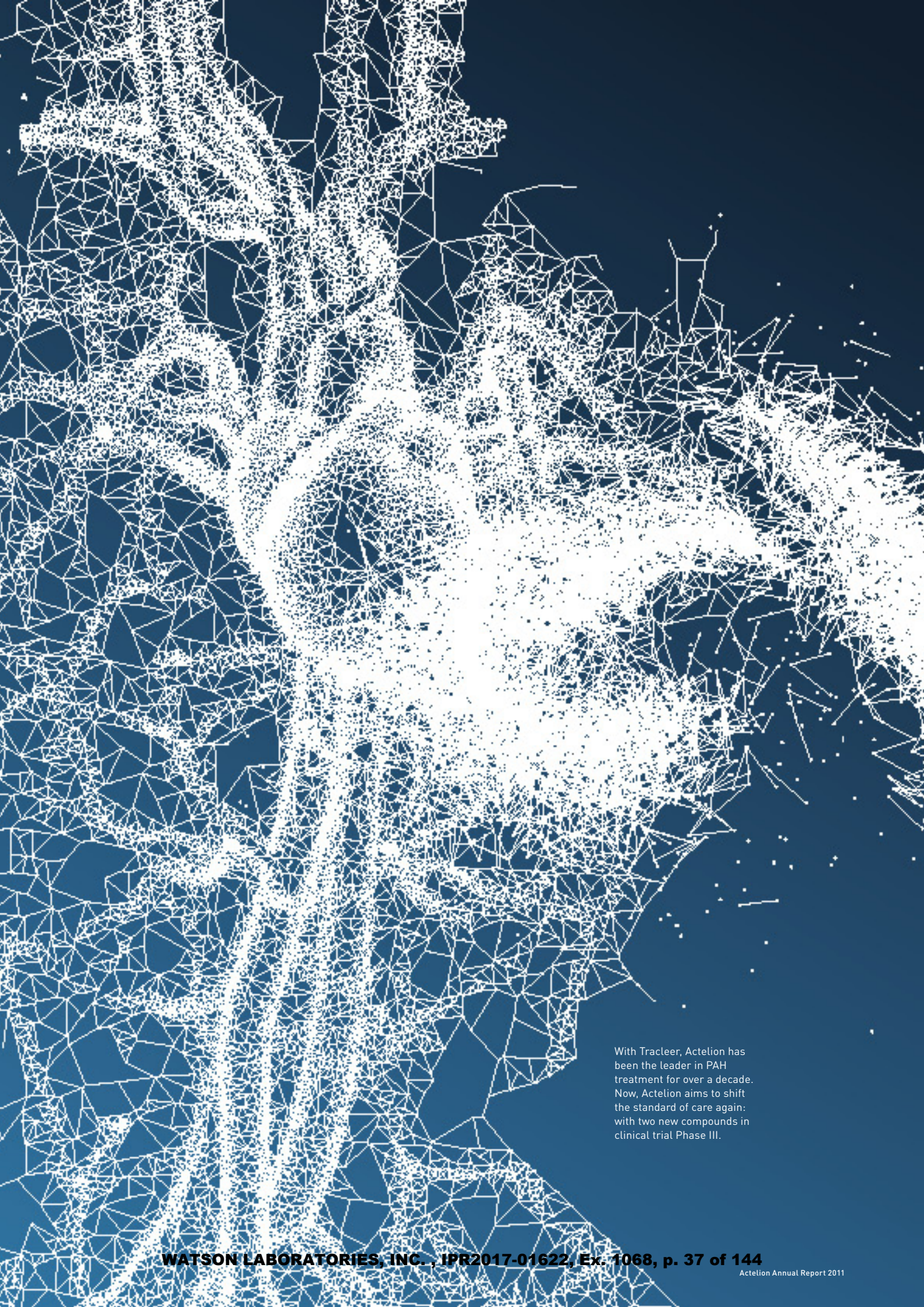
MACITENTAN

ISCHEMIC DIGITAL ULCERS
Phase III program
Est. enrollment: 570 patients
Potential reporting: H2 2014

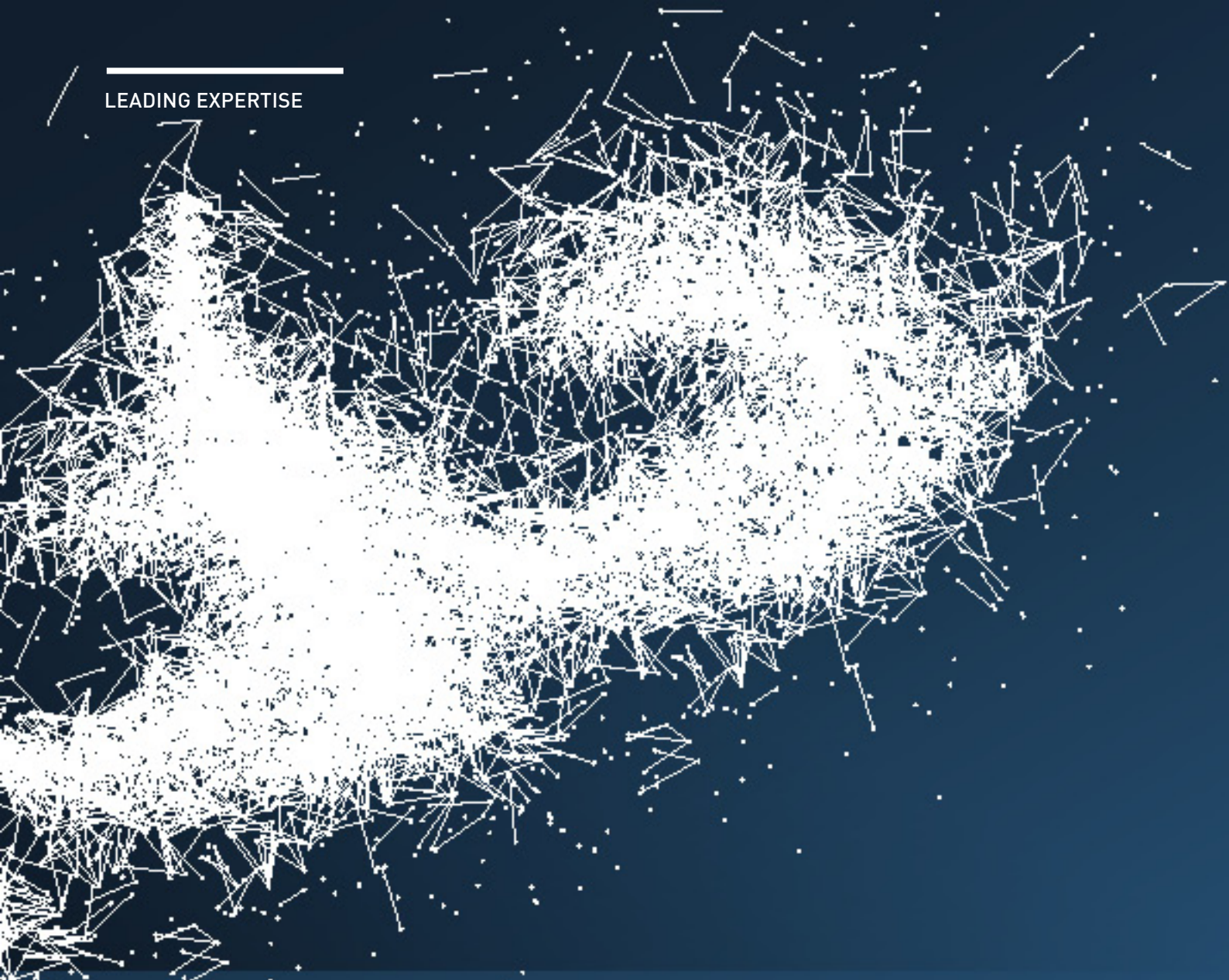
PHASE III

BUILDING PAH LEADERSHIP INTO THE NEXT DECADE.

Actelion is the leader in the market for treating PAH and will build on this leadership well into the next decade. A strategy of maximizing the medical utilization of Tracleer into areas such as earlier treatment and distinct patient populations provides growth opportunities. Our commitment is to improve the treatment of PAH patients along the continuum of care. Actelion performs studies that are shaping clinical practice.



With Tracleer, Actelion has been the leader in PAH treatment for over a decade. Now, Actelion aims to shift the standard of care again: with two new compounds in clinical trial Phase III.



GOING BEYOND PAH TREATMENT
MACITENTAN

- Macitentan is an oral, dual endothelin receptor antagonist that was developed to target tissue where Endothelin-1 predominantly exerts its deleterious effects.
- SERAPHIN is the first outcome study assessing the potential of macitentan by evaluating the time to first morbidity and mortality event.
- Patient follow-up will be up to 4 years as per protocol.
- The SERAPHIN study design reflects important recommendations from the proceedings of the 4th world symposium in PAH (Dana Point, 2008).
- SERAPHIN has a novel and highly robust primary morbidity and mortality end point.
- PAH therapies to date have been based on short-term trials, using primary end points such as exercise capacity.
- A Phase III trial with macitentan in digital ulcers has been initiated.
- The recently concluded MUSIC study confirmed a promising safety and tolerability profile for macitentan (in patients with idiopathic pulmonary fibrosis). There was no difference observed in liver enzyme elevations between placebo and macitentan even at the highest dose of macitentan currently under investigation in SERAPHIN.
- Following excellent preclinical results, a Phase I open-label study was initiated with macitentan in patients with recurring glioblastoma.

EXPANDING THE MARKET

LEVERAGE

As we leverage our infrastructure to diversify our commercial capabilities and expand our pipeline, our focus does not waver from Actelion's core business. We are leaders in the treatment of pulmonary arterial hypertension (PAH). With our current and future assets and our medical strategies we will remain the leader in PAH well into the next decade. Provided their successful extensions, our patents for Tracleer will not expire in the major US and EU markets until the second quarter of 2016 and the fourth quarter of 2017 respectively. Until then, we will maximize the medical utilization of Tracleer by focusing on distinct PAH patient populations and, in the EU, patients with ongoing digital ulcer disease.

DISTINCT PATIENT POPULATIONS

Congenital heart disease (CHD) is a broad term encompassing a spectrum of cardiac defects present from birth. Improving care means that approximately 80% to 90% of children with CHD now survive to adulthood. However, an estimated 5% to 10% of CHD patients go on to develop PAH. In addition, there are many patients either with or at risk to develop Eisenmenger syndrome, the more severe form of PAH-CHD, and it is clear that these patients need a management regimen that includes treatment with Tracleer as recommended in the *ESC/ERS and GUCH Guidelines*. The awareness and screening of these patients is a focus for Actelion consistent with the company's commitment to PAH.

Systemic sclerosis (SSc) is a complex disease of unknown cause. Digital ulcers (DUs) are a common and often debilitating complication of SSc that arise in approximately 30% to 60% of patients at some time. They can be very painful, slow and difficult to heal which makes affected fingers and hands difficult to use, particularly for tasks requiring fingertip function, such as writing, dressing and eating. 70% of hand disability in SSc is due to DUs. The RAPIDS (Randomized Placebo-controlled Investigation of Digital ulcers in Scleroderma) program led to the EU approval of Tracleer to reduce the number of new digital ulcers in patients with SSc and ongoing digital ulcer disease.

EARLY TREATMENT

Prior to Actelion's EARLY (Endothelin Antagonist tRial in miLdlY symptomatic PAH patients) program with Tracleer there were no dedicated, placebo-controlled studies exclusively in WHO Functional Class (FC) II PAH patients. These patients may have minimal symptoms, such as a slight limitation of physical activity, and are perhaps still comfortable at rest, but they may experience undue shortness of breath, fatigue, chest pain, or near syncope with ordinary physical activity. We know that PAH progresses rapidly if left untreated even in the early stages of the disease. No oral PAH therapy other than Tracleer has shown such consistent efficacy in FC II patients.

Educating prescribers with regard to the importance of early screening in PAH patients and of early treatment with Tracleer is a key element in improving patient outlook. The implementation of the "Treat to Target" concept takes all these objectives into consideration and brings the current guidelines from booklet to bedside. By providing concrete parameters to set treatment goals for individual patients and by taking into account the stage of PAH disease and possible co-morbidities, the impact of the chosen treatment can be measured and followed up. "Treat to Target" cannot only stop the rapid progression of PAH, but also returns these patients to FC II.

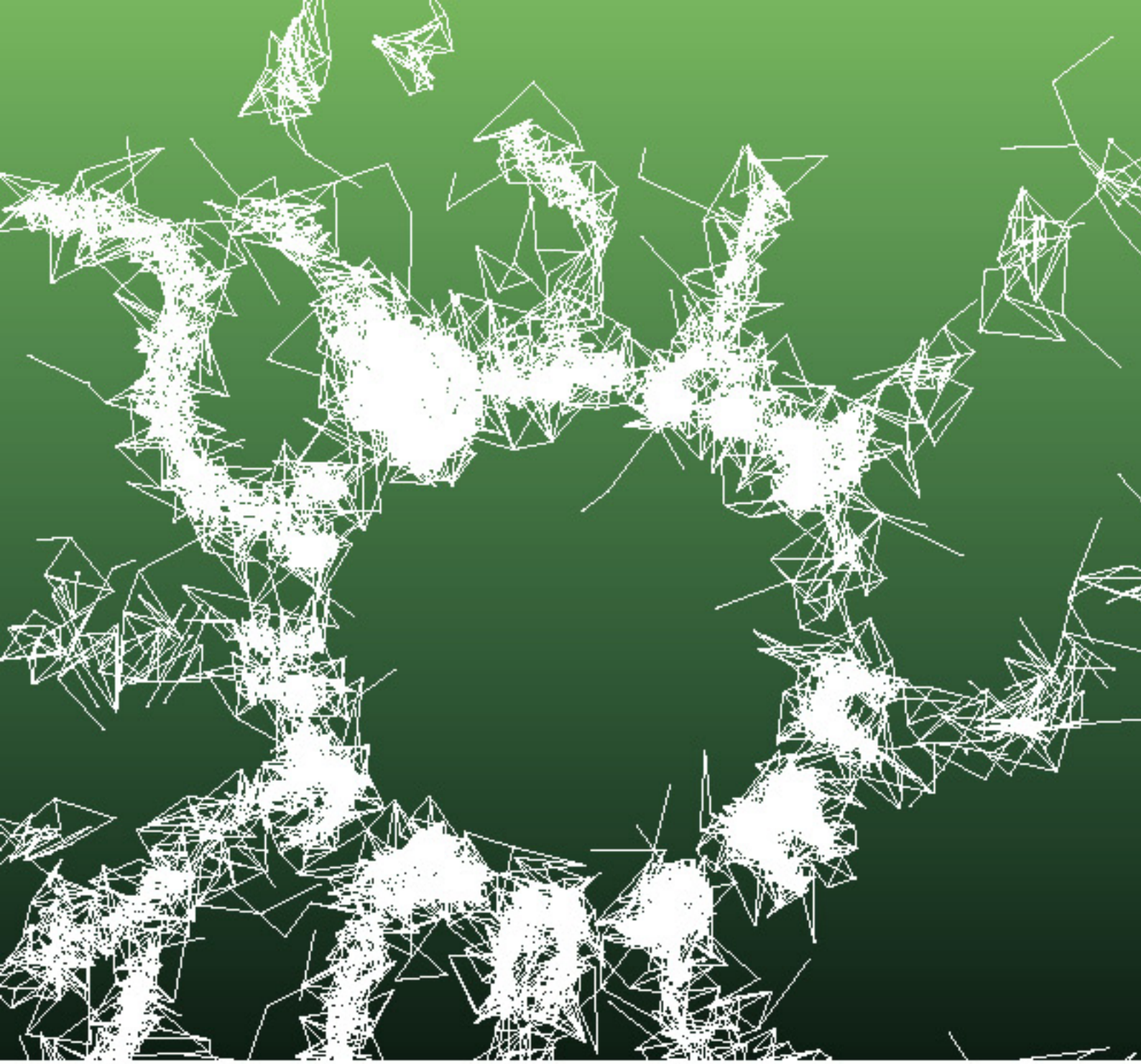
Tracleer, meanwhile, is not our only product. Tracleer is for FC II and III patients, or baseline therapy; Ventavis is an add-on therapy in deteriorating FC III patients; and Veletri is mainly used for patients once they reach FC IV. Actelion applies its extensive knowledge and experience in the PAH market to improve the treatment of patients along the continuum of care.

LEADERS OF THE FUTURE

We are currently aiming to shift the standard of care in PAH again. Our new PAH assets macitentan and selexipag are in their final stage of clinical development and are the first long-term, event-driven mortality and morbidity outcome trials in PAH.

The SERAPHIN (Study with an Endothelin Receptor Antagonist in Pulmonary arterial Hypertension to Improve cliNical outcome) trial is the largest clinical study in PAH and is investigating the long-term outcome of macitentan. The results are due in the first half of 2012 and are expected to show that our optimized, tissue-targeting dual endothelin receptor antagonist (ERA) offers improved morbidity and mortality and a superior safety profile. This safety expectation is supported by safety data collected in the recently concluded MUSIC study (Macitentan USe in an Idiopathic pulmonary fibrosis Clinical study) in patients with idiopathic pulmonary fibrosis.

The GRIPHON (Prostacyclin (PGI2) Receptor agonist in Pulmonary arterial Hypertension) trial, a Phase III study with selexipag, is our second long-term PAH outcome trial. Selexipag is a first-in-class, orally available, selective IP receptor agonist and has the potential to significantly expand the use of prostacyclin pathway modulators.



Actelion's Articles of Associoation, its By-Laws (including the Charters of the Board Committees) and its Policy on Ethical Conduct, all provide the basis for its principles of Corporate Governance. These documents can be found on: www.actelion.com/Our company/Corporate responsibility/Policies & Charters

CORPORATE GOVERNANCE LISTENING TO OUR STAKEHOLDERS.

GROUP STRUCTURE AND SHAREHOLDERS

GROUP STRUCTURE

DESCRIPTION OF ACTELION'S OPERATIONAL GROUP STRUCTURE

Actelion Ltd is the Group's holding and finance company. Actelion Pharmaceuticals Ltd, based in Allschwil, a 100% subsidiary of Actelion Ltd, is in charge of drug discovery, development, registration, production, quality assurance, safety, marketing coordination, Group management and coordination. Actelion Pharmaceuticals Ltd further holds some of the intellectual property rights of the Group.

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

Actelion Clinical Research, Inc., based in New Jersey, a 100% subsidiary of Actelion US Holding Company, performs clinical development 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 Finance SCA and Actelion Partners SNC, both based in Luxembourg, Actelion Participation GmbH, based in Allschwil, and Actelion Cyprus Limited, based in Nicosia, all four 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 One SA, based in Luxembourg, a 100% subsidiary of Actelion Ltd, holds certain intellectual property rights on behalf of the Group.

Actelion Re SA, based in Luxembourg, a 100% subsidiary of Actelion Ltd, provides insurance solutions for the Group.

Actelion US Holding Company, based in Wilmington, Delaware, a 100% subsidiary of Actelion Ltd, is the holding company of the Actelion companies in the US.

Areus, Inc, based in South San Francisco, a 100% subsidiary of Actelion US Holding Company, holds real estate.

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

ALL LISTED COMPANIES BELONGING TO THE ISSUER'S GROUP

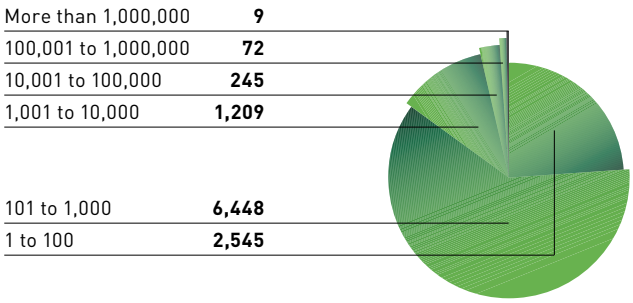
Listed on the SIX Swiss Exchange Ltd under the code ATLN ISIN CH0010532478
Market capitalization as of 31 December 2011:
CHF 4,207,500,000

SIGNIFICANT SHAREHOLDERS

SHAREHOLDER STRUCTURE

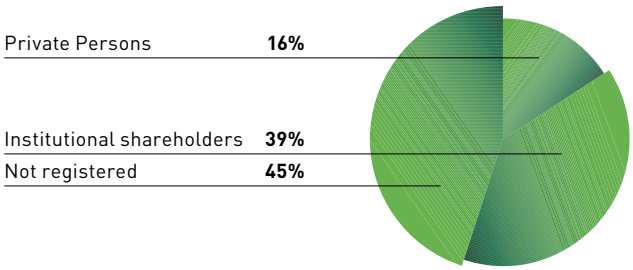
Registered shareholders: There were 10,528 shareholders recorded by the share register on 31 December 2011.

DISTRIBUTION OF SHAREHOLDINGS

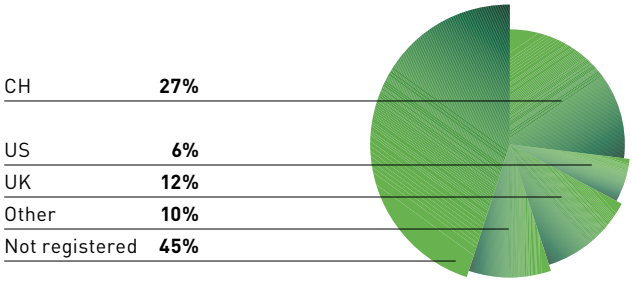


CONSTITUTION OF SHAREHOLDER BODY

Shareholder structure according to category of investors (number of shares) as of 31 December 2011:



Shareholder structure by country (number of shares) as of 31 December 2011:



CONVERTIBLE BONDS AND OPTIONS

CONVERTIBLE BONDS

Details to be found in Financial Section, note 15, page 100, and note 19, page 109.

OPTIONS / RESTRICTED STOCK UNITS (EQUITIES)

The standard employee equity plans are intended to promote the interests of the company by providing employees and members of the Board of Directors 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. Equities are normally granted annually to employees who are already employed at the company, based on their function within the company and on the achievement of defined performance criteria. Upon hiring, the company may grant equities depending on the employees' 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 increase the benefit accruing to the optionee without the approval of the shareholders.

ACTELION SHARE CHALLENGE 2011 RESTRICTED STOCK UNITS

The Actelion share challenge 2011 is a restricted stock units plan intended to promote a long-term perspective on managing business in alignment with shareholder interests, and to reward long-term employee dedication if the Group's performance is outstanding, having resulted in the achievement of certain goals by 31 December 2011. Restricted stock units were granted only once to every permanent employee or member of the Board who was either actively employed by Actelion on 31 December 2007 or who was hired between 1 January 2008 and 31 December 2009. Grant levels are reviewed by the Compensation Committee and approved by the Board.

For further information, see Financial Section, note 20, page 112.

BOARD OF DIRECTORS

MEMBERS OF THE BOARD OF DIRECTORS AND OTHER ACTIVITIES AND FUNCTIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS

JEAN-PIERRE GARNIER

(Member of the Board since 5 May 2011)
Birth date: 31 October 1947
Nationality: French and American
Education: PhD in pharmacology and MS in pharmaceutical science from Louis Pasteur University, Strasbourg, France; MBA from Stanford University, California, US.
Professional background: Various management positions at Schering-Plough. Within SmithKline Beecham, President of the pharmaceutical business in North America (1990), elected to the Board of Directors (1992), Chairman, Pharmaceuticals (from 1994), Chief Operating Officer (from 1995) and CEO (from April 2000). First Chief Executive Officer of GlaxoSmithKline, 2001–2008. CEO of Pierre Fabre Labs, 2008–2010.
Other activities and functions: Member of the Board of Directors of the listed companies United Technologies Corporation and Renault S.A. and of the unlisted companies NormOxys, Inc. (Chairman) and CerenisTherapeutics Inc. Managing partner of the unlisted company Advent International Corporation. Officier de Légion d'Honneur and Knight Commander of the British Empire.

ROBERT E. CAWTHORN

Birth date: 28 September 1935
Nationality: British
Education: Bachelor's degree in agriculture, Cambridge University, England.
Professional background: Various executive positions at Pfizer International; President of Biogen Inc., 1979–1982; Executive Vice President of Rorer Group, 1982-1985; Chairman and CEO of Rhone-Poulenc Rorer, Inc. (formerly Rorer Group), 1985–1996; Managing Director of Global Health Partners, DLJ Merchant Banking Partners, 1997–2001.
Other activities and functions: Member of the Board of Directors of the unlisted company Biodesix Inc. (Chairman).

JEAN-PAUL CLOZEL

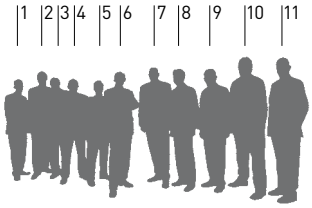
Birth date: 3 April 1955
Nationality: French
Education: Medical degree in France; further training in pharmacology and physiology at the University of Montreal, Canada, and the University of California, San Francisco, US.
Professional background: Practicing cardiologist, 1974–1985; Head of Drug Discovery Group in the Cardiovascular Department of F. Hoffmann-La Roche Ltd, 1985–1997; Founder and Chief Executive Officer of Actelion.
Other activities and functions: None.

JUHANI ANTTILA

Birth date: 20 April 1954
Nationality: Finnish
Education: Master's degree in law at the University of Helsinki, Finland, 1978.
Professional background: Managing partner at CA Corporate Advisers, Zurich, 1981–1985; Managing Director of Nokia GmbH, Zurich, 1985–1988; Member of the Executive Board of Nokia Consumer Electronics Division, 1989–1995; Chairman of the Executive Board of Nokia (Deutschland) GmbH, Germany, 1990–1995; President and CEO of the Swisslog Holding Ltd, 1996–2002; CEO of Ascom Holding Ltd, 2003–2004. Managing Partner of ValCrea AG since 2004.
Other activities and functions: Member of the Board of Directors of the listed company Ascom Holding Ltd (Chairman) and of the unlisted companies ArgYou AG and ValCrea AG (Chairman).

ROBERT BERTOLINI

(Member of the Board since 5 May 2011)
Birth date: 19 December 1961
Nationality: American
Education: B.A. degree in Economics from the Rutgers State University of New Jersey, US; Certified Public Accountant licensed in New York and New Jersey, US.
Professional background: Former Executive Vice President and CFO at Schering Plough Corporation; various executive positions at PriceWaterhouseCoopers; former Member of the Board of Directors of Genzyme Corporation.
Other activities and functions: Member of the Board of Directors of the listed company Charles River Laboratories International, Inc. and the unlisted company ElectroCore, Inc.



1
MARIAN BOROVSKY
Group General Counsel & Corporate Secretary

2
JEAN MALO
Member of the Board

3
WERNER HENRICH
Member of the Board

4
CARL FELDBAUM
Member of the Board

5
ROBERT BERTOLINI
Member of the Board

6
JEAN-PIERRE GARNIER
Chairman of the Board

7
JEAN-PAUL CLOZEL
Member of the Board, Founder and CEO

8
ROBERT E. CAWTHORN
Member of the Board

9
ARMIN KESSLER
Member of the Board

10
JUHANI ANTTILA
Member of the Board

11
MICHAEL JACOBI
Member of the Board

CARL FELDBAUM

Birth date: 1 February 1944
Nationality: American
Education: Bachelor's degree in biology from Princeton University, US; law degree from the University of Pennsylvania Law School, US.
Professional background: Assistant special prosecutor for the Watergate special prosecution force, 1973–1975; Inspector General for defense intelligence in the US Department of Defense, 1976–1979; Assistant to the Secretary of Energy, 1979–1980; President and founder of the Palomar Corporation, 1980–1988; Chief of staff to Senator Arlen Specter (D-PA) of Pennsylvania, 1988–1993; President of the Biotechnology Industry Organization (BIO) in Washington, D.C., 1993–2005.
Other activities and functions: Member of the Board of Directors of the listed company Exelexis, Inc., South San Francisco, CA. Chairman of the Board of BIO Ventures for Global Health and of The Biotechnology Institute.

WERNER HENRICH

Birth date: 3 November 1943
Nationality: French
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 listed company Basilea Pharmaceutica AG (Chairman) and of the following unlisted companies: TET Systems AG, PharmaSens AG and CEO of Pivalor AG.

MICHAEL JACOBI

Birth date: 30 January 1953
Nationality: German and Swiss
Education: PhD in Business Administration from the University of St Gallen (HSG), St Gallen, Switzerland; additional studies at the University of Washington, Seattle, US; completion of a Program for Management Development at Harvard Business School, Boston, US.
Professional background: Joined the Ciba Group in 1978 and subsequently held various executive positions in the financial area in Switzerland, Brazil and the US. Former Chief Financial Officer at Ciba Specialty Chemicals Inc., 1996–2007.
Other activities and functions: Member of the Board of Directors of the listed company Sonova Holding AG and the unlisted company Hilti AG. Member of the Board of Trustees of the Martin Hilti Family Trust.

ARMIN KESSLER

Birth date: 31 March 1938
Nationality: Swiss
Education: Degree in physics and chemistry from Pretoria University in South Africa; degree in chemical engineering from the University of Cape Town, South Africa; juris doctorate from Seton Hall University, New Jersey, US; registered Patent Attorney at the US Patent Office.
Professional background: Chief Operating Officer of F. Hoffmann-La Roche Ltd, Basel, Switzerland, 1990–1995. 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. Formerly on the Board of Syntex Chemicals, Genentech and F. Hoffmann-La Roche Ltd.
Other activities and functions: Member of the Board of Directors of the following listed companies: The Medicines Co. and Gen-Probe Inc. (vice chairman and lead director), and the unlisted company MedGenesis Therapeutix Inc.

JEAN MALO

Birth date: 16 July 1954
Nationality: French
Education: MBA from ESSEC, Cergy-Pontoise, France, in 1977.
Professional background: Chartered Financial Analyst and member of the Association for Investment Management and Research and the Houston Society of Financial Analysts. Between 1977 and 1978, Financial Analyst at the French Embassy in Singapore. From 1978 to 1989, Corporate Banker for Banque Indosuez in Saudi Arabia, Houston and New York. From 1989 to 1997, portfolio manager for Daniel Breen and Company in Houston, USA. Chief Investment Officer for Vaughan Nelson Scarborough and McCullough, Houston, between 1997 and 2000. Senior Partner and Chief Investment Officer at Breen Investors LP, 2000–2008.
Other activities and functions: Founding Partner, Houston Global Investors, LLC, 2009.

JOSEPH C. SCODARI

(Member of the Board until 31 July 2011)
Birth date: 9 January 1953
Nationality: American
Education: Bachelor of Arts degree from Youngstown State University, Youngstown, Ohio, US.
Professional background: Various executive positions at Rhone-Poulenc Rorer and Sterling Drug Inc. Senior Vice

President, General Manager – Americas at Rhone-Poulenc Rorer Pharmaceuticals Inc., 1995; President, Chief Operating Officer and member of the Board of Directors of Centocor Inc, 1996–1999; various senior executive positions at Johnson & Johnson, 2000–2004. Former Worldwide Chairman, Pharmaceuticals, member of the Executive Committee and Corporate Officer of Johnson & Johnson, 2005–2008. Former member of the Board of the Biotechnology Industry Organization (BIO) in Washington, D.C., 2003–2008.
Other activities and functions: Member of the Board of Directors of the listed companies Endo Pharmaceuticals, Inc. and Covance, Inc.

ELECTIONS AND TERMS OF OFFICE

PRINCIPLES OF THE ELECTION PROCEDURE AND LIMITS OF THE TERMS OF OFFICE

According to Article 16 of the Articles of Association, 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 term of office of newly elected members shall be fixed at the time of election with due consideration of the renewal cycle.

TIME OF FIRST ELECTION AND REMAINING TERM OF OFFICE

	Executive Member	Date of AGM of first election	Date of AGM of renewal	AGM of end of term of office
Jean-Pierre Garnier	No	2011	–	2014
Robert E. Cawthorn	No	2000	2009	2012
Jean-Paul Clozel	Yes	2000	2011	2014
Juhani Anttila	No	2005	2011	2014
Robert Bertolini	No	2011	–	2014
Carl Feldbaum	No	2005	2011	2014
Werner Henrich	No	2000	2010	2013
Michael Jacobi	No	2009	–	2012
Armin Kessler	No	2004	2010	2013
Jean Malo	No	2004	2010	2013

INTERNAL ORGANIZATIONAL STRUCTURE

ALLOCATION OF TASKS WITHIN THE BOARD OF DIRECTORS

Jean-Pierre Garnier: Chairman (since 27 September 2011)
Robert E. Cawthorn: Chairman (until 26 September 2011)*
Joseph C. Scodari: Vice-Chairman (until 31 July 2011)
Jean-Paul Clozel: Delegate

Compensation Committee	Finance and Audit Committee	Nominating and Governance Committee
Armin Kessler (Chairman)	Michael Jacobi (Chairman)	Carl Feldbaum (Chairman)
Werner Henrich	Juhani Anttila	Armin Kessler
Joseph C. Scodari (until 31 July 2011)	Jean Malo	Joseph C. Scodari (until 31 July 2011)
Jean-Pierre Garnier (since 5 May 2011)	Robert Bertolini (since 5 May 2011)	Jean-Pierre Garnier (since 5 May 2011)

* Continues to hold his inter-Committee floating role, by attending any Committee meetings at his discretion, without being a formal member of any Committee.

MEMBERS LIST, TASKS AND AREA OF RESPONSIBILITY OF EACH COMMITTEE

The *Compensation Committee* reviews and approves Actelion's compensation philosophy, reviews the company's global compensation and benefit policies and plans, as well as individual compensation for the members of the AEC and other reports to the CEO. The Committee also reviews the company's annual objectives, and evaluates performance against them. Management keeps the Compensation Committee informed of other global HR projects and policies which are being implemented.

The compensation of the Board of Directors is determined by the Board of Directors upon recommendation by the Compensation Committee. The Board also determines the compensation of the CEO based on a review of the CEO's performance against annual goals set by the Board, and approves that of the senior executives who report directly to the CEO. In making its recommendations, the Compensation Committee uses surveys regarding compensation in comparable companies and functions, and takes into account advice from an external compensation consultant.

A detailed benchmarking exercise is conducted every three years with the most recent review conducted in late 2011. The Committee has appointed Aon Hewitt as its independent external compensation advisor. Aon Hewitt also provides Actelion with survey data on remuneration levels and practices for the wider employee population.

During the year the Committee was also assisted by the Head of Corporate Services and the Head of Global Human Resources, who are invited to attend meetings, except when their own remuneration is being discussed.

In 2011, the Compensation Committee met four times in person. Each meeting took on average three hours. The Chairman at his discretion can invite any person 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 30 November 2005. The Committee has the following tasks and duties: (i) evaluate the management's proposals and formulate recommendations to the full Board in regard to financial planning; (ii) review the proposed concepts of financial objectives; (iii) review the finance policy, operations and risk management framework in the areas of treasury, controlling, taxes, insurance, 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, discuss 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 2011, the Finance and Audit Committee met four times (either in person or by telephone conference). Each meeting took on average two to three hours. The Chairman at his discretion can invite any person to attend the meetings.

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; it identifies, reviews, considers and 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. In addition, this Committee reviews and recommends Corporate Governance policies and principles for the company, handles compliance issues, accompanies Corporate Social Responsibility projects, oversees an evaluation of the Board of Directors, maintains an orientation program for new Board members and an ongoing education program for existing Board members and makes related recommendations to the Board. Moreover, it makes such recommendations to the Board of Directors as the Committee may consider appropriate and consistent with its purpose, and takes such other actions and performs such services as may be referred to it from time to time by the Board of Directors, including the engagement of any outside advisor it may deem necessary or appropriate, at the company's expense. In 2011, the Nominating and Governance Committee met four times (either in person or by telephone conference). Each meeting took approximately one hour. The Chairman at his discretion can invite any person to attend the meetings.

WORK METHODS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

In 2011, the Board of Directors met four times in person, and a majority (if not all) of the members were present at each Board meeting. Physical Board meetings take approximately eight 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 is 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, unless he is a member of the Board of Directors, the CEO is not entitled to vote.

The management presents reports before the Board takes the decisions by majority vote on the relevant issues, except where the Board has delegated specific decisions to a Committee.

In the case of Committees, after the presentation of the issue by the management, the Committee takes a preliminary decision for approval by the full Board, which will be reported along with the details of the issue to the entire Board, who will take the final decision, except where the Board has delegated specific decisions to a Committee.

An orientation program is being provided for new members of the Board of Directors and an ongoing education program will be provided for existing members of the Board of Directors. Furthermore, the members of the Board of Directors are required to regularly fill in a self-assessment form covering the performance of the full Board, the Committees and their individual performances.

DEFINITION OF AREA OF RESPONSIBILITY

The Board of Directors has delegated the management of the company's business to the Chief Executive Officer (CEO) of the company and to the Actelion Executive Committee (AEC), and has granted the CEO the power to appoint the members of the AEC.

The Board of Directors carries out the tasks reserved to it by law. The AEC takes all other management decisions. The By-Laws contain detailed information regarding the assignment of responsibilities to the Board of Directors and the AEC. 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 31 December 2011, the Scientific Advisory Board (SAB) was composed of the following external experts of worldwide reputation: Professors Joël Ménard, Craig Pratt, Graeme Stewart, George Talbot, Richard Tsien and Peter Wipf.

For more information on the SAB, please refer to:
www.actelion.com/Our company/Actelion people/Scientific Advisory Board

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 the Board of Directors approves quarterly financial results before they are released to the public.

Effective internal controls over financial reporting, in line with the Sarbanes-Oxley Act of 2002, Section 404, have been maintained in 2011. In the financial area, the Board is informed regularly, at least once a year, of financial risks and the proposed actions to be taken in the form of the ERM (Enterprise Risk Management) and the ICFR Management attestation.

Actelion's risk management systems primarily address the areas of production, development, business operations and finance. In the area of production, an effective quality system following the principles of Good Manufacturing Practices 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 function performs independent quality audits ensuring Good Clinical Practice within clinical development, hereby adhering to globally recognized ethical and quality standards for development of investigational medicinal products. A program of Internal Audit assignments provides a systematic and disciplined approach to evaluate and improve the effectiveness of the risk management, control and governance processes within the Group. These are reviewed by the Finance and Audit Committee and where appropriate by the Nominating and Governance Committee. The Finance and Audit Committee receives Internal Audit reports at the conclusion of each audit assignment. These reports detail risks arising in the areas of operations, compliance and internal control over financial reporting. The Chairman of the Finance and Audit Committee presents a summary of each report to the full Board of Directors at their regular meetings. On request, Internal Audit reports are disseminated to the full Board of Directors.

MANAGEMENT BOARD

MEMBERS OF THE MANAGEMENT BOARD

On 31 December 2011, the Actelion Executive Committee (AEC), constituting the "Management Board" as per the Corporate Governance Directive, was composed of:

JEAN-PAUL CLOZEL

Title and function: Chief Executive Officer (since 1999)
Birth date: 3 April 1955
Nationality: French
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, 1974–1985; Head of Drug Discovery Group in the Cardiovascular Department of F. Hoffmann-La Roche, 1985–1997; Founder and Chief Executive Officer of Actelion.

GUY BRAUNSTEIN

Title and function: Executive Vice President,
Head of Clinical Development (since 2009)
Birth date: 19 November 1956
Nationality: French
Education: MD, pulmonologist and PhD in life science, Paris University, France.
Professional background: Merck Serono, Chief Medical Officer; Serono, Chief Medical Officer International; various executive positions at Astra, Fisons, Rhône Poulenc Rorer, Glaxo-Wellcome, GSK and Chiron.

SIMON BUCKINGHAM

(Member of the AEC until 7 June 2011)
Title and function: Senior Global Advisor (since 7 June 2011)
Birth date: 20 July 1962
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: Territory Manager and Product Marketing Manager, F. Hoffmann-La Roche Ltd, Australia, 1990–1995; Global Project Director, F. Hoffmann-La Roche Ltd, Switzerland, 1995–1997; Sales and Marketing Director, Parke-Davis US (a division of Warner Lambert), 1998–2000; President, Actelion Pharmaceuticals US, 2000–2003; President, North America and Asia Pacific, Actelion, 2001–2005; President, Global Corporate & Business Development (2005–2011).

NICHOLAS FRANCO

Title and function: Executive Vice President,
Chief Business Development Officer (since 7 June 2011)
Birth date: 9 July 1962
Nationality: Canadian
Education: Graduate of McGill University, Canada, with a Bachelor of Science in Biochemistry and a Masters in Business Administration, Strategic Planning and Marketing.
Professional background: Senior Vice President, International Commercial Operations, at Axcan Pharma, based near Paris, France; Head of Market Access Region Europe for Novartis Pharma AG, Basel, Switzerland, where he held various management positions since 1991. Previous positions include President of Novartis Ophthalmics, Global Head, Business Development and Licensing Negotiations, and Global Head of Neuroscience Business Franchise.

LOUIS DE LASSENCE
(Member of the AEC until 7 June 2011)
Title and function: Vice President,
Head of Corporate Services (since 2001)
Birth date: 3 November 1953
Nationality: French
Education: Business School in Paris, France, in 1976, and degrees in accounting.
Professional background: External auditor. From 1982 to 2000 worked for 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
(Member of the AEC until 7 June 2011)
Title and function: Senior Vice President,
Chief Medical Officer (since 2009)
Birth date: 18 December 1947
Nationality: Israeli
Education: Internist educated in Israel with further training (Fulbright Fellowship) at Ochsner Medical Foundation in New Orleans, US, 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 Ltd, 1997–1999; Head of Clinical Development, Actelion, 1999–2009.

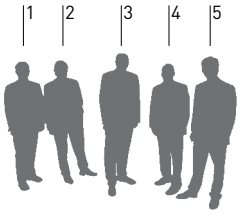
ANDREW J. OAKLEY
Title and function: Executive Vice President,
Chief Financial Officer (since 2003)
Birth date: 23 April 1962
Nationality: Australian
Education: MBA from London Business School, UK
Professional background: Member of the Australian Institute of Chartered Accountants since 1987, following 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.

OTTO SCHWARZ
Title and function: Executive Vice President,
Chief Operating Officer (since 7 June 2011)
Birth date: 13 October 1955
Nationality: Austrian
Education: PhD Pharmacy/Pharmaceutical Chemistry at the University of Vienna, Austria; postdoc at the University of Florida, Gainesville, US (Prof. Katritzky)
Professional background: EVP Commercial Operations, Nycomed; Member Executive Board Business Strategy & Commercial Operations, Altana Pharma AG; various managerial positions at Schering Plough in Austria, Canada, US, Germany and at a regional European level, and prior to that with Eli Lilly Austria and Switzerland. President, Business Strategy & Operations, Actelion, 2008–2011.

In addition to the above-mentioned members of the AEC, the Extended AEC (not being part of the Management Board as per the Corporate Governance Directive) comprised the following individuals:

CHRISTIAN ALBRICH
Title and function: Senior Vice President,
Head Global Human Resources (since 2005)
Birth date: 14 July 1964
Nationality: French and German
Education: MBA from ESSEC Business School, Paris, France
Professional background: Various Human Resources positions with increasing responsibilities in several pharmaceutical companies. Before joining Actelion in 2002, he was Human Resources Director at Serono.

MARIAN BOROVSKY
Title and function: Senior Vice President,
Group General Counsel (since 2000) & Corporate Secretary (since 2003)
Birth date: 25 September 1969
Nationality: Swiss
Education: Doctor of law (Dr. iur.) educated at the University of Basel, Switzerland, attorney at law admitted to the Bar in Switzerland and qualified business mediator.
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.



1

NICHOLAS FRANCO
Chief Business Development Officer & Member of the Actelion Executive Committee

2

OTTO SCHWARZ
Chief Operating Officer & Member of the Actelion Executive Committee

3

JEAN-PAUL CLOZEL
Chief Executive Officer, Member of the Board & of the Actelion Executive Committee

4

ANDREW J. OAKLEY
Chief Financial Officer & Member of the Actelion Executive Committee

5

GUY BRAUNSTEIN
Head of Clinical Development & Member of the Actelion Executive Committee

MARTINE CLOZEL
Title and function: Senior Vice President,
Chief Scientific Officer (since 2009)
Birth date: 27 December 1955
Nationality: French
Education: Paediatrician specialized in neonatal intensive care, educated at the University of Nancy, France; further training in physiology and pharmacology at McGill University, Montreal, Canada, and at the University of California, San Francisco, US.
Professional background: Assistant professor, Neonatology; Scientific expert, leader of drug discovery projects, F. Hoffmann-La Roche Ltd. Head of Drug Discovery, Pharmacology & Preclinical Development, Actelion, 1997–2009.

ROLAND HAEFELI
(Member of the AEC until 7 June 2011)
Title and function: Senior Vice President,
Head of Investor Relations & Public Affairs (since 2001)
Birth date: 5 September 1964
Nationality: Swiss
Education: Advanced degrees in contemporary history from the University of Bern, Switzerland, and University of North Carolina, Chapel Hill, US, 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 Ltd, Head of Media Relations for various companies, including Serono.

SHAREHOLDERS' PARTICIPATION RIGHTS

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 two months prior to the date of the Annual General Meeting of Shareholders.

REGISTRATION IN SHARE REGISTER

Only shareholders who are registered in the shareholders register of the company on the date falling approximately 10 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 shareholders register is made public with the press release following the presentation of the financial results to the public for the full year ending on December 31.

AUDITORS

DURATION OF THE MANDATE AND TERM OF OFFICE OF LEAD AUDITOR

Ernst & Young AG, Basel, was elected as the statutory auditor of the company for the first time in 2006 and was reelected for the financial year 2011 by resolution of the shareholders on 5 May 2011.

Mr Jürg Zürcher has been lead auditor since 2006.

AUDITING HONORARIUM

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

Audit fees: CHF 2,122,937
Audit-related fees: CHF 131,135

ADDITIONAL HONORARIUM

In addition to the fees described above, aggregate fees of CHF 20,260 were billed by Ernst & Young during the year ending 31 December 2011, mainly for income tax compliance and related tax services.

SUPERVISORY AND CONTROL INSTRUMENTS VIS-À-VIS THE AUDITORS

The Finance and Audit Committee is responsible for reviewing the internal control of the accounts and finances of the company via its supervisory activities over both external and internal audit functions (see page 46). This process continues to be supported by the increased transparency resulting from internal controls over financial reporting and the continued 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, budget 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 resulting from an integrated audit, along with an annual management letter. The company has ensured that the auditors' partner in charge has unrestricted access to the Chairman of the Finance and Audit Committee and fulfills all independence criteria. In 2011, the external auditors met four times with the Finance and Audit Committee, once each quarter.

Regarding the selection of external auditors, on an infrequent basis the Finance and Audit Committee will assess offers and presentations from several appropriate, independent external audit firms, and the Finance and Audit Committee will then make a proposal to the full Board, based on preset 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.

INFORMATION POLICY

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

The shareholders are regularly informed of Actelion's business at the Annual General Meeting of Shareholders via ad hoc releases, online 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 www.actelion.com. The site contains information useful to investors, including media releases, financial statements and background information on marketed products, clinical pipeline and research capabilities. Also available on the website is the company's communication policy, outlining Actelion's disclosure guidelines.

Section	Details to be found in
GROUP STRUCTURE	
The non-listed companies belonging to the issuer's consolidated entities	Financial Section, note 2, page 124
SIGNIFICANT SHAREHOLDERS	Financial section, note 10, page 128
CROSS-SHAREHOLDINGS	None
CAPITAL STRUCTURE	
Capital	Financial section, notes 3, 4 and 5, page 125
AUTHORIZED AND CONDITIONAL CAPITAL IN PARTICULAR	
Conditional share capital	Financial Section, note 4, page 125, note 19, page 108, and Article 3a of the Articles of Association
Authorized share capital	Financial Section, note 4, page 125, note 19, page 108, and Article 3b of the Articles of Association
CHANGES OF CAPITAL	Financial Section, page 77 For 2009, please refer to the Annual Report 2010 (page 67).
SHARES AND PARTICIPATION CERTIFICATES	
Shares	Financial Section, note 3, page 125
Participation certificates	None
PROFIT SHARING CERTIFICATES	None
LIMITATION ON TRANSFERABILITY AND NOMINEE REGISTRATIONS	
Limitations on transferability for each share category, along with an indication of statutory group clauses, if any	Article 5 of the Articles of Association
Rules on making exceptions	None
Reasons for making exceptions in the year under review	Not applicable
Admissibility of nominee registrations, along with an indication of percent clauses, if any, and registration conditions	Article 5 of the Articles of Association
Procedure and conditions for canceling statutory privileges and limitations on transferability	Statutory privileges and limitations on transferability can be canceled with a two-thirds majority of the votes represented at the Annual General Meeting of Shareholders.
BOARD OF DIRECTORS	
Cross-involvement	None
MEMBERS OF THE MANAGEMENT BOARD	
Other activities and functions	None
Management contracts	None
SHAREHOLDERS' PARTICIPATION RIGHTS	
Voting rights and representation restrictions	Articles 5 and 11 of the Articles of Association.
Statutory quorums	Article 15 of the Articles of Association, and the Swiss Code of Obligations.
Convening of Annual General Meetings of Shareholders	Articles 9, 12 and 13 of the Articles of Association, and the Swiss Code of Obligations.
DUTY TO MAKE AN OFFER	
Opting-out or opting-up provisions	None

COMPENSATION REPORT

In 2011, the shareholders approved a Board of Directors proposal to introduce a consultative vote on Actelion's compensation report. The Annual General Meeting (AGM) in 2012 will give shareholders their first opportunity for such a consultative vote. This vote is non-binding and advisory in nature, which means that the final decision on compensation remains within the authority of the Board of Directors.

The Compensation Committee of the Board of Directors serves as the governance body for compensation matters.

COMPENSATION STRATEGY AND PHILOSOPHY

Actelion's compensation strategy supports its effort to attract, engage and retain the best professionals in a competitive environment for talent and to align employees' rewards with sustainable performance.

The key principles underpinning our compensation strategy are to

- offer competitive compensation
- ensure fairness and transparency in compensation decisions
- support a pay-for-performance culture linked with sustainable value creation
- share company success with our employees

The objective is to set levels of compensation that are comparable to other organizations with whom Actelion competes for talent. To encourage and reward superior performance, we include a significant variable pay element in the form of short- and long-term incentives. Short-term incentives consist of a cash bonus linked to company and personal objectives and a deferred profit-sharing plan, which is based on a percentage of operating profit with payments deferred for 12 months. Long-term incentives consist of share options awarded at market value and/or restricted stock units (RSUs).

REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

Non-executive members of the Board of Directors typically receive an annual retainer, for their membership on the Board and participation in various Board committees. They also receive meeting fees according to their attendance at Board and committee meetings, whether in person or by telephone conference.

Non-executive members may choose to take part of their fixed compensation as an allotment of shares under the Director Share Plan (DSP) and/or stock options under the Director Stock Option plan (DSOP) and/or in cash. (See Financial Section, note 20, page 109.)

Shares allotted are subject to immediate vesting and a one-year mandatory blocking period, with taxation of the shares at time of grant. Stock options allotted are subject to immediate vesting, with taxation at either time of grant or at exercise at the discretion of the non-executive member, with the life of the options adjusted based on this choice to 10 or 10.5 years from grant date. The strike price of the options is defined as the closing share price on the last trading day immediately prior to the grant date.

Retainers are paid in respect of a typical annual time commitment. Where this is significantly exceeded, the company has discretion to pay additional compensation to reflect the additional time commitment. In consideration for significant additional time commitments of the non-executive members during 2011, the company paid additional fees, as disclosed in the table below, "Individual compensation of members of the Board of Directors". In addition, a non-executive member received a supplementary retainer linked to his election as Chairman.

BENEFITS

In addition to retainers and meeting fees paid in 2011, the company paid employer contributions on behalf of the non-executive members and a former member to social security schemes totaling CHF 161,113.

No additional remuneration was paid to non-executive members of the Board of Directors.

TOTAL COMPENSATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

In 2011 and 2010, the nine non-executive members and a former member of the Board of Directors received a total compensation of CHF 2,832,065 and CHF 1,995,159 respectively, as outlined in the table below.

	2011	**2010**
Cash compensation	987,250	617,000
Cash compensation additional activies	220,032	-
Social security contribution	161,113	261,108
Option allotment	321,603	509,740
Share allotment	1,142,066	607,311
Total	**2,832,065**	**1,995,159**

INDIVIDUAL COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS

Name		Functions	Total compensation	Remuneration		Options (DSOP)[2]		Shares	
				Retainer and meeting fees	Additional activities				
			(CHF)[1 and 6]	(CHF)[7]	(CHF)[6]	Total number	Grant date fair value (CHF)[3]	Total number	Grant date fair vaule (CHF)[4]
Jean-Pierre Garnier	2011	Member (since AGM 2011) and Chairman (since 27 September 2011) Member of the Compensation Committee Member of the Nominating & Governance Committee	937,262	484,000	2,000	-	-	8,464	47.85
Robert E. Cawthorn	2011	Member (since 27 September 2011) Chairman (until 26 September 2011)	360,660	69,750	50,750	-	-	4,232	47.85
	2010	Chairman Member of the Compensation Committee Member of the Nominating & Governance Committee	302,263	149,188	-	13,741	11.14	-	-
Juhani Anttila	2011	Member Member of the Finance & Audit Committee	239,656	59,500	32,000	-	-	2,822	47.85
	2010	Member Member of the Finance & Audit Committee	206,744	71,771	-	-	-	3,053	44.21
Robert J. Bertolini	2011	Member (since AGM 2011) Member of the Finance & Audit Commitee	196,869	52,500	750	12,696	11.05	-	-
Carl Feldbaum	2011	Member Chairman of the Nominating & Governance Committee	172,456	59,000	12,650	8,464	11.00	-	-
	2010	Member Chairman of the Nominating & Governance Committee	172,527	70,759	-	9,160	11.11	-	-
Werner Henrich	2011	Member Member of the Compensation Committee	220,752	55,000	9,250	-	-	2,822	47.85
	2010	Member Member of the Compensation Committee	202,534	67,561	-	-	-	3,053	44.21
Michael Jacobi	2011	Member Chairman of the Finance & Audit Committee	208,808	71,500	37,000	8,464	11.05	-	-
	2010	Member Chairman of the Finance & Audit Committee	200,718	82,211	-	4,582	11.14	1,526	44.21
Armin Kessler	2011	Member Chairman of the Compensation Committee Member of the Nominating & Governance Committee	221,957	68,000	9,250	-	-	2,822	47.85
	2010	Member Chairman of the Compensation Committee Member of the Nominating & Governance Committee	215,140	80,167	-	-	-	3,053	44.21
Jean Malo	2011	Member Member of the Finance & Audit Committee	235,430	56,500	31,000	-	-	2,822	47.85
	2010	Member Member of the Finance & Audit Committee	173,385	71,817	-	9,160	11.11	-	-

Name		Functions	Remuneration			Options (DSOP)[2]		Shares	
			Total compensation	Retainer and meeting fees	Additional activities				
			(CHF)[1 and 6]	(CHF)[7]	(CHF)[6]	Total number	Grant date fair value (CHF)[3]	Total number	Grant date fair vaule (CHF)[4]
Joseph C. Scodari	2011	Vice-Chairman (until 31 July 2011) Member of the Compensation Committee Member of the Nominating & Governance Committee	94,245	25,500	35,382	1,058	11.05	353	47.85
	2010	Vice-Chairman Member of the Compensation Committee Member of the Nominating & Governance Committee	213,324	94,817	-	4,582	11.14	1,526	44.21
Elias A. Zerhouni	2011[8]	Member (member until 31 December 2010) Member of the Nominating & Governance Committee	(56,030)	(14,000)	-	(1,527)	11.14	(508)	44.21
	2010	Member (member until 31 December 2010) Member of the Nominating & Governance Committee	175,383	56,876	-	4,582	11.14	1,526	44.21
André J. Mueller	2010	Member (until 24 April 2009)	132,941[5]	132,941	-	-	-	-	-
Jean-Paul Clozel		CEO	See Sections "Executive Members of the Board of Directors" and "Highest total compensation"						
2011 Total (excl. Jean-Paul Clozel)			**2,832,065**	**987,250**	**220,032**	**29,155**	**-**	**23,829**	**-**
2010 Total (excl. Jean-Paul Clozel)			**1,995,159**	**878,108**	**-**	**45,807**	**-**	**13,737**	**-**

[1] Compensation includes social security contributions.

[2] The company has a share-based payment plan for the Board of Directors (DSOP). Options granted to members of the Board under the DSOP vest immediately. Each option entitles the holder to one share. Options generally expire between 10 and 10.5 years after the plan issuance date. Each director may elect to receive compensation in options (out of the DSOP), in shares or a combination of the two.

[3] The fair value of the options and RSUs is estimated using a Binomial Lattice option pricing model. Input assumptions for the model are determined based on available internal and external data sources.

[4] The grant date fair value of the shares equals the share price of the day prior to the AGM of the respective year.

[5] Social security contributions generated by equity transactions.

[6] Fees for additional activities were paid for additional preparatory and follow-up work performed by members of the Board in relation to the 2011 AGM.

[7] Includes a supplementary retainer to Jean-Pierre Garnier for his election as Chairman of the Board in September 2011

[8] The deductions have been made in 2011 as this member of the Board did not serve for the full board term 2010/2011.

EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

In 2011, the CEO was the only executive member of the Board of Directors. As a member of the Board, the CEO may elect to take part of his long-term incentive compensation as an allotment of shares under the DSP or stock options under the DSOP, or a combination of both. (See Non-Executive Members of the Board of Directors above for more details on DSP and DSOP.)

The structure of the other components of the remuneration of the CEO is similar to that of the members of the Actelion Executive Committee (AEC). For more details, please refer to "Remuneration of the Members of the AEC" below.

The non-executive members of Board of Directors review the performance of the CEO and set his compensation.

Stock options granted to the CEO under the DSOP

	Date of Award	Number of Options	Fair Value on the Date of Award (CHF)
Jean-Paul Clozel*	2011	60,489	11.05
	2010	120,000	11.14

* Highest paid executive

Shares granted to the CEO under DSP

	Date of Award	Number of Shares	Fair Value on the Date of Award
Jean-Paul Clozel*	2011	20,163	47.85
	2010	-	-

* Highest paid executive

REMUNERATION OF THE MEMBERS OF THE AEC

Remuneration of the members of the AEC is typically composed of a base salary, performance cash bonus, deferred profit-sharing cash bonus and long-term incentives.

The CEO reviews the performance of members of the AEC and determines compensation of those members. This is then approved by the non-executive members of the Board of Directors.

BASE SALARY

The annual base salary is paid in monthly cash installments. This remuneration is set according to the level of responsibility, skills and experience required and takes into consideration compensation for comparable positions in the international pharmaceutical industry. Remuneration levels are reviewed annually, taking into account individual performance as well as market and company conditions.

PERFORMANCE CASH BONUS

As a means of fostering a pay-for-performance culture, all permanent employees are eligible for a performance cash bonus. Members of the AEC can earn a bonus for on-target performance ranging from 100% of annual base salary for the CEO to between 30% and 50% of salary for other members. Bonuses are awarded subject to the achievement of defined goals related to corporate, business unit and individual performance. Based on performance, bonuses may pay between 0% and 130% of the on-target bonus. The cash performance bonus for the CEO is based on corporate performance. For all other positions, the bonus is based on the following weighting: 10% corporate, 40% business unit and 50% individual performance.

For 2011, corporate performance was measured by sales, profit and project or operational achievements. This performance and the performance of the CEO are evaluated by the Board of Directors. The performance level of business units is approved by the Board of Directors upon recommendation by the CEO. The performance level of individual members of the AEC other than the CEO is evaluated by the CEO and approved by the Board of Directors.

Performance cash bonuses for 2010, which were paid in 2011, were above on-target levels, reflecting the company's strong financial performance.

In addition, members of the AEC as all permanent employees are eligible for special one-off bonus awards to reward special achievements.

DEFERRED CASH PROFIT-SHARING BONUS

The deferred cash profit-sharing bonus is offered to selected executives as means of recognizing their contribution to the company and supporting the retention of those executives. Eligible executives are nominated by the CEO and approved by the non-executive members of the Board of Directors.

The bonus is based on a percentage of Actelion's operating profit, as determined by the Compensation Committee at the beginning of each year. At the same time, executives eligible to participate in the bonus plan are selected based on their level of responsibility and performance. Following the end of the year, the profit-sharing bonus is allocated to eligible participants, with payment deferred for 12 months and subject to employment of the participant by Actelion at the end of the deferral period.

Cash performance and deferred cash profit-sharing bonuses paid to eligible members of the AEC during 2011 ranged from 96.19% to 162.68% of their annual base salary.

TOTAL COMPENSATION OF THE AEC IN 2011 AND 2010

			Benefits			Short-term incentives		
		Base salary	Pension	Other benefits[1]	Social security contribution	Cash bonus[2]	Deferred profit sharing[3]	Total
Jean-Paul Clozel*	2011	1,081,500	158,754	0	187,392	1,050,000	416,726	2,894,372
	2010	1,050,000	175,509	0	146,113	1,290,000	430,124	3,091,746
Other Executive Commitee Members (total)	2011	2,470,670	377,473	60,800	346,666	1,824,410	2,178,502	7,258,521
	2010	3,130,693	392,138	61,080	382,663	1,738,915	2,029,762	7,735,251
Total	2011	3,552,170	536,227	60,800	534,059	2,874,410	2,595,228	10,152,893
	2010	4,180,693	567,647	61,080	528,776	3,028,915	2,459,886	10,826,997

* Highest paid executive

[1] Includes transportation allowances, car allowances and contributions to the gym membership

[2] Cash bonus paid in the year relates to performance in 2010

[3] Deferred profit sharing paid in the year relates to profit in 2009

LONG-TERM INCENTIVES

Actelion's long-term incentive plans are aimed at aligning the interests of Directors, employees and shareholders. All Directors and employees are eligible to participate in these plans.

Members of the AEC, except the CEO described above under Executive Members of the Board of Directors, are eligible to receive annual long-term incentive awards under the Employee Stock Option Plan (ESOP) and Employee Share Plan (ESP). The members may choose between receiving their award entirely in the form of stock options or in form of RSUs or a mix of the two. (See Financial Section, note 20, page 109.)

Stock options granted in 2011 under the ESOP and RSUs awarded under the ESP vest and become exercisable three years after the date of grant.

Stock options granted to AEC members (other than CEO) under ESOP

	Date of Award	Number of Options	Fair Value on the Date of Award
AEC members without CEO (total)	2011	38,760	16.59
	2010	138,825	17.47

RSUs granted to AEC members other than CEO under ESP

	Date of Award	Number of RSUs	Fair Value on the Date of Award
AEC members without CEO (total)	2011	63,738	50.22
	2010	39,075	47.97

ACTELION SHARE CHALLENGE 2011 PLAN

The Actelion Share Challenge 2011 Plan was initiated in 2008 to promote a long-term perspective for managing the business in alignment with shareholder interests and to reward long-term employee dedication.

Under this plan, permanent employees and Directors who joined Actelion by the end of 2009 were allocated RSUs.

The challenge was based on the achievement of three objectives related to Actelion's performance: revenue generation, product development and product launches.

The revenue generation objective was achieved in 2010 and the remaining two in 2011. The Board of Directors confirmed that the three performance conditions were met and approved the allocation of RSUs, which vested on January 3, 2012 according to plan regulations.

RSUs granted to AEC members under the Actelion Share Challenge

	Date of Award	Number of Shares	Fair Value on the Date of Award
Jean-Paul Clozel*	2011	-	-
	2010	-	-
Other Executive Commitee Members (total)	2011	-	-
	2010	1,670	55.2

* Highest paid executive

BENEFITS

In 2011, the company paid additional employer contributions to social security schemes and pension plans on behalf of AEC members totaling CHF 1,070,286. The company also paid other benefits for transportation allowances, car allowances and contributions to the gym membership totaling CHF 60,800.

HIGHEST TOTAL COMPENSATION

In 2011, Jean-Paul Clozel as CEO and member of the Board of Directors, received the highest total compensation, amounting to CHF 4,527,576, as outlined in the table below. This compensation relates to both functions – Chief Executive Officer and member of the Board of Directors.

	2011	2010
Cash remuneration	2,548,226	2,770,124
Social security and pension contribution	346,147	321,622
Options allotment (DSOP)	668,403	1,336,800
Share allotment (DSP)	964,800	-
Total	**4,527,576**	**4,428,546**
Number of options allocated (DSOP)	60,489	120,000
Fair Value at grant date	11.05	11.14
Number of shares allocated (DSP)	20,163	-
Fair Value at grant date	47.85	-

SEVERANCE AGREEMENTS

The employment contracts of all members of the AEC and 79 key employees within the Group have an addendum that provides for a severance payment in the event of a loss of position because of a change in control of the ownership of Actelion.

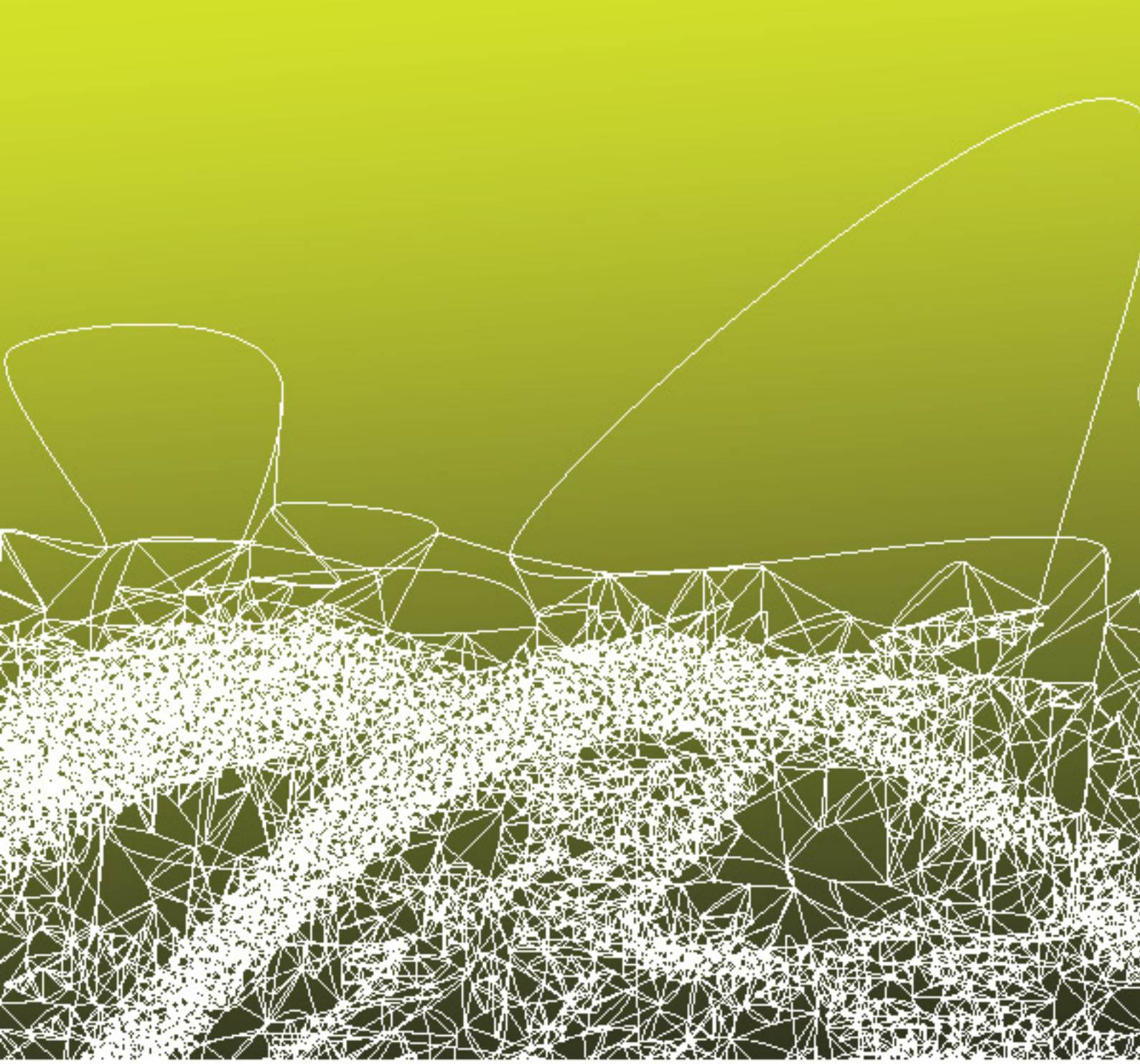
These individuals may receive a severance payment equivalent to twice their total yearly cash compensation and fringe benefits. However, this severance payment is only due if, within six months prior to or two years after the effective date of a change in control, the company terminates the employee's employment without cause, or the employee terminates his or her employment with good reason. Good reason being either:

- a reduction in the key employee's salary, or
- a material reduction, or adverse or substantive change in the key employee's duties or responsibilities, or
- the requirement that the employee relocate to a worksite more than 50 kilometers from the employing company's principal office.

In case of change of control, equities granted to these individuals will immediately vest and become exercisable.

No other severance agreements were entered into with members of the AEC.

For information regarding shares and option rights of the members of the Board of Directors and AEC, please refer to note 11 of the Financial Statements 2011 on page 133/134.



CORPORATE SOCIAL RESPONSIBILITY BUILDING THE FUTURE.

OUR COMMITMENTS

While concentrating on our core activities to discover, develop and market medicines that make a difference in patients' lives, we are mindful that we have other responsibilities: to the physicians who prescribe our drugs, to health authorities around the globe, to our shareholders, to our employees and to the communities in which we live and work.

We endeavor to improve our corporate responsibility standards and have made progress in various areas. We have implemented comprehensive ethical rules and are undertaking numerous environmental initiatives.

COMPLIANCE

If we are not compliant, we are not sustainable. This remains the cornerstone of Actelion's approach to corporate responsibility. It is imperative that we conduct ourselves, as individuals and as a company, with the highest ethical standards, as outlined in the Actelion code of conduct.

The company continues to be proactive in establishing policies and practices that support strong corporate governance and transparency. These policies and practices are continually reviewed and enhanced as appropriate.

During 2011, we updated our anti-corruption and anti-bribery policy, which all employees are expected to sign. The company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally in all of its business dealings and relationships.

"At Actelion we foster a culture of compliance by promoting an open work environment that encourages proactive identification and resolution of emerging risk."

Peter Herrmann, Group Compliance Officer

Actelion supports transparency in its relationships with healthcare professionals. In 2011, we implemented an annual spending cap for fees paid to health care providers in the United States that will come into effect in 2012. Also during 2011, we designed, tested and rolled out an integrated system to facilitate our compliance with the regulations of the US Sunshine Act. On a global level, the company also updated its policy related to the organization and planning of meetings involving healthcare professionals.

ENVIRONMENT

Actelion believes that environmental responsibility goes hand in hand with its obligation to make a positive impact in the communities in which it operates and where its employees live. In that regard, we encourage our employees to contribute by adopting a "green" way of thinking in their jobs and in their lives.

As outlined in the 2010 report, Actelion has been incorporating green building standards in its new construction projects and in the renovation of its US headquarters building. We have applied for LEEDS (Leadership in Energy and Environmental Design) certification for the US building. Actelion is furthering its commitment to environmental stewardship by using alternative energies, by recycling and by offsetting fleet emissions.

During 2011, we improved the data collection process for our carbon footprint and continued to track direct and indirect emissions. Direct emissions are those resulting from activities within our organization's control, such as on-site fuel combustion, manufacturing and process emissions, refrigerant losses and company vehicles. Indirect emissions are those resulting from electricity, heat or steam that our organization purchases and uses.

Since April 2011, Actelion has been testing a novel climate control system provided by the Swiss Technical University (ETH) in Zurich. The system, called Opticontrol, combines the latest developments in building technologies, weather forecasts, automatic control engineering and sensorics to improve the climate control of buildings. The aim is to develop a predictive system that provides optimal climate control and maximal comfort for the users of a building while reducing energy consumption and operating costs.

Whether it's through global efforts to reduce carbon emissions and pollution or individual choices such as bike to work or two-sided printing, Actelion colleagues around the globe are living the company's commitment to a more sustainable world.

COMMUNITIES

Actelion employees are compassionate and caring. They run for breast cancer, cycle for multiple sclerosis and complete triathlons to raise awareness for PAH. The company is proud to support their efforts through a donation-matching program.

In early 2011, when the devastating earthquake and tsunami hit Japan, Actelion employees outside Japan rallied to support their colleagues in the affected area and raised CHF 55,000, which the company then matched. In addition, Actelion sent JPY 50 million to local disaster relief organizations. The company also supported a "Clothing and Boots" drive following the more recent earthquakes in Turkey.

Another pillar of Actelion's community efforts is science education. We continue to support science education programs aimed at encouraging bright young minds to explore a future in science. By improving access to resources for students and teachers and raising community understanding of the value of science literacy, we want to do our part to develop the scientists of tomorrow. During 2011, we sent science teachers on mini-sabbaticals, supported local science fairs, and continue to support a mobile lab bus project. In addition, many local schools and universities visit our research facilities in Allschwil, near Basel, Switzerland.

ACCESS TO DRUGS

Access to healthcare is one of the major challenges facing societies today. Actelion believes that it has an obligation to strive to make its drugs available to those in medical need, regardless of their financial situation. Cost is the most obvious issue, but there are other hurdles to obtaining treatment.

In the United States, we support patients by providing co-payment assistance and through a free drug program for eligible patients. In other parts of the world, where Actelion's drugs are either not approved or reimbursed, we have global guidelines in place to try and provide access while ensuring full compliance with local laws and regulations.

Malaria is our main area of focus relating to diseases of the developing world. In late 2011, our first antimalarial compound entered Phase I clinical trials. (See more details on page 68.)

RESEARCH ETHICS

We strive to maintain the highest ethical, scientific, and clinical standards in all our research activities and to comply with all national and international standards. Actelion regularly reviews its research policies to align them with its corporate values and goals, and with the evolving values and goals of its stakeholders.

Regulatory authorities around the world require pharmaceutical companies to test all new drugs before they are launched, and there is no alternative to including some animal testing as part of this process. It is essential both for scientific reasons and to safeguard the volunteers and patients who take part in subsequent clinical trials.

As a fundamental principle we support the 'three R's' in relation to animal testing - the reduction of the number of tests undertaken; the refinement of those tests; and, ultimately, the replacement of animal testing by other methods. The number of animals used in drug development has dropped dramatically over the past three decades as a result of industry initiatives like this. Actelion revised and strengthened its policy on the care, welfare and treatment of animals in 2010 and we conduct regular audits to make sure that our expectations are being met, whether the studies are being conducted in-house or outsourced.

"I am deeply grateful for the large donation from Actelion's employees that helped me to repair damages caused by the earthquake and to recover mentally from the disaster."

Mitsuru Kikuchi, Deputy Head of Hokkaido/Tohoku Sales Office

CLINICAL TRIAL PROTOCOL REGISTRY AND MARKETING AND SALES GUIDELINES

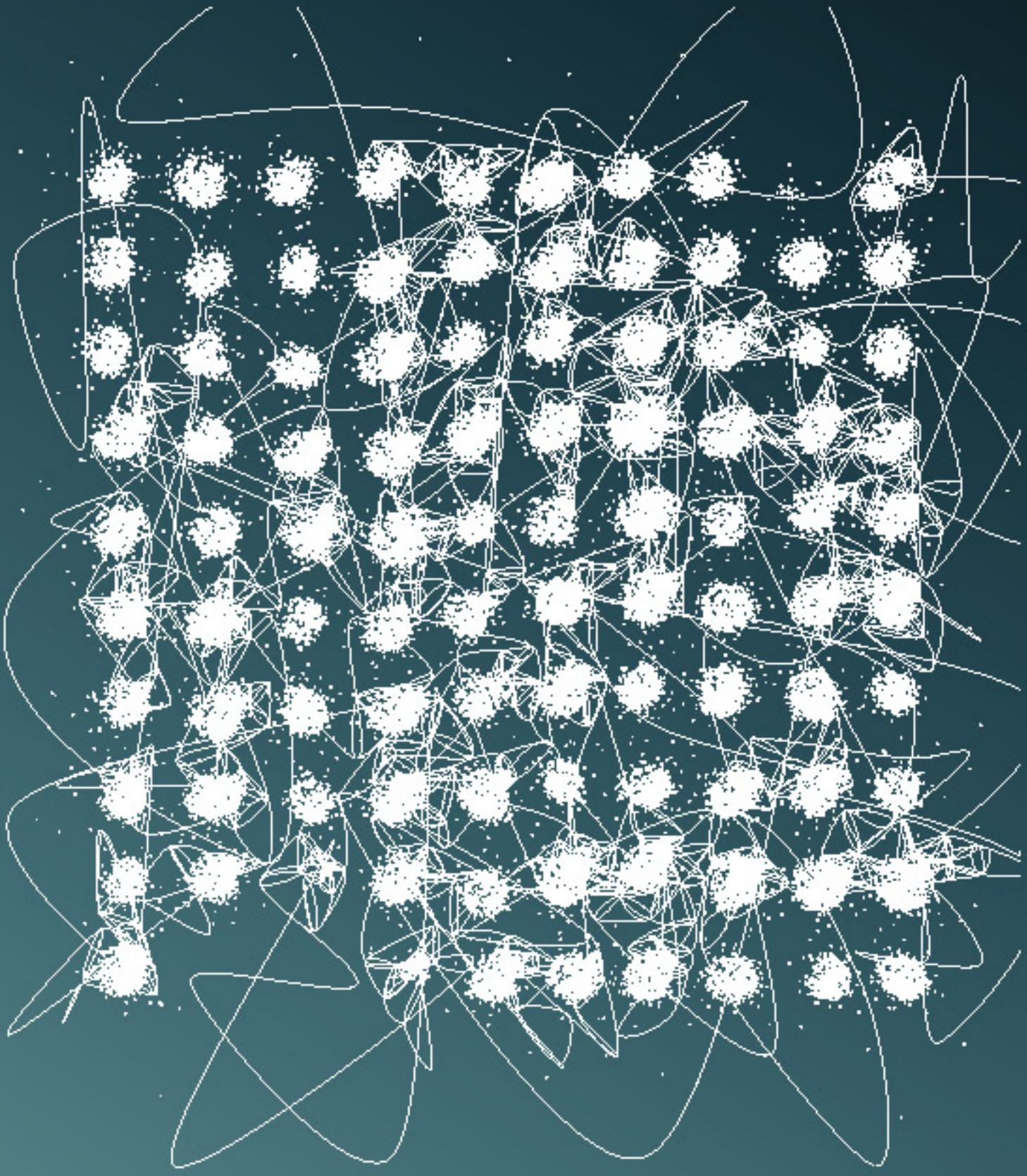
Actelion is dedicated to enhancing the transparency of its clinical trials by means of public databases. The project Study MetA DAta Registry (SMADAR) is designed to serve this goal (see http://www.trials.actelion.com) by helping patients, caregivers and physicians find clinical trials that may be appropriate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

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

COMMON EFFORT TO FIGHT MALARIA.

As a result of its long-term research activities in the field of malaria, Actelion started clinical studies with a novel molecule in 2011. The malaria project is a perfect example of fruitful cooperation between industry, the public sector and product development partners. Our common goal is to combine forces to discover and develop innovative, effective and affordable malaria medicines.

There is an urgent need for new malaria treatments because of growing signs of resistance of the malaria parasite to antimalarial drugs.



In ordet to meet urgent medical needs, strong partners have to team up. The Actelion malaria R&D project is a fine example for a fruitful partnership between the pharmaceutical industry and public health institutions.

MORE THAN 650,000 DEATHS PER YEAR
FACTS ABOUT MALARIA

Malaria is the most widespread parasitic disease in man and the fifth leading cause of death in low-income countries. Every year, more than 200 million people are infected with malaria, and more than three billion people live in regions where malaria is endemic. Annually, more than 650'000 people die from the disease.

Malaria is caused by a parasite that is transmitted by the bite of infected female Anopheles mosquitoes. Preventive measures, such as mosquito control and insecticidal nets as well as drug therapies, are key in fighting the disease. Although a wide range of antimalarial therapies is available, in some parts of the world treatment is becoming compromised by an increased resistance of the parasite to most antimalarial drugs. Resistance may develop as a consequence of the inappropriate use of prescribed drugs, of incorrect dosing regimens or of the use of counterfeit drugs.

In order to cope with resistant parasites, antimalarial drugs are no longer used as mono-therapies but as combination therapies. However, even combination therapies using artesiminin have started to show decreasing sensitivity or overt resistance, thus calling for an urgent and continuous search for new therapies.

ADDRESSING RESISTANCE

The innovative research and development of medicines that fundamentally improve the lives of patients with diseases of high medical need has been the creed of Actelion since the company was established.

Two years after the company was founded, researchers from Actelion started looking at potential new drugs for malaria. Using the company's drug discovery platform, a small project team put all its efforts, enthusiasm and energy into this research project to discover compounds that are active on the most deadly form of the malaria parasite: *Plasmodium falciparum.* This parasite is becoming increasingly resistant to commonly used malaria drugs in many of the endemic areas in Africa, Asia and Latin America according to observations by the World Health Organization.

PARTNERING WITH MALARIA SPECIALISTS

For this project, Actelion has been collaborating closely with experienced malaria specialists at the Swiss Tropical and Public Health Institute (Swiss TPH) in Basel.

Throughout the drug discovery project, objectives evolved. The initial aim to identify inhibitors of *Plasmodium falciparum* aspartic proteases, developed into a screening approach, focused on the evaluation of anti-proliferative activity in a red blood-cell assay.

Because of its integrated, multidisciplinary approach and its experience with the peculiarities of the malaria parasite, the research group at the Swiss TPH is an indispensable partner.

The collaboration has proven beneficial. With the support of students and postgraduates, the Swiss TPH and Actelion research teams quickly grew together.

DEVELOPMENT OF A NOVEL ANTIMALARIAL DRUG CANDIDATE

One drug candidate was chosen from several thousand substances tested. The compound showed a strong effect and a rapid onset for inhibiting the growth of the malaria parasite. It belongs to a new substance class and has a new mode of action compared with antimalarial drugs currently available.

After comprehensive efficacy and safety tests, clinical trials in humans started in late 2011.

Looking ahead, Actelion is seeking the cooperation of another partner experienced in antimalarial drug development: Medicines for Malaria Venture (MMV), a nonprofit, public-private partnership based in Geneva. MMV collaborates with research-based industrial companies and academic research institutions to develop and provide affected countries with new, effective and affordable antimalarial drugs.

MMV also has international ties to all major private and public centers of excellence and will be an important partner in the clinical development of our new drug in endemic countries.

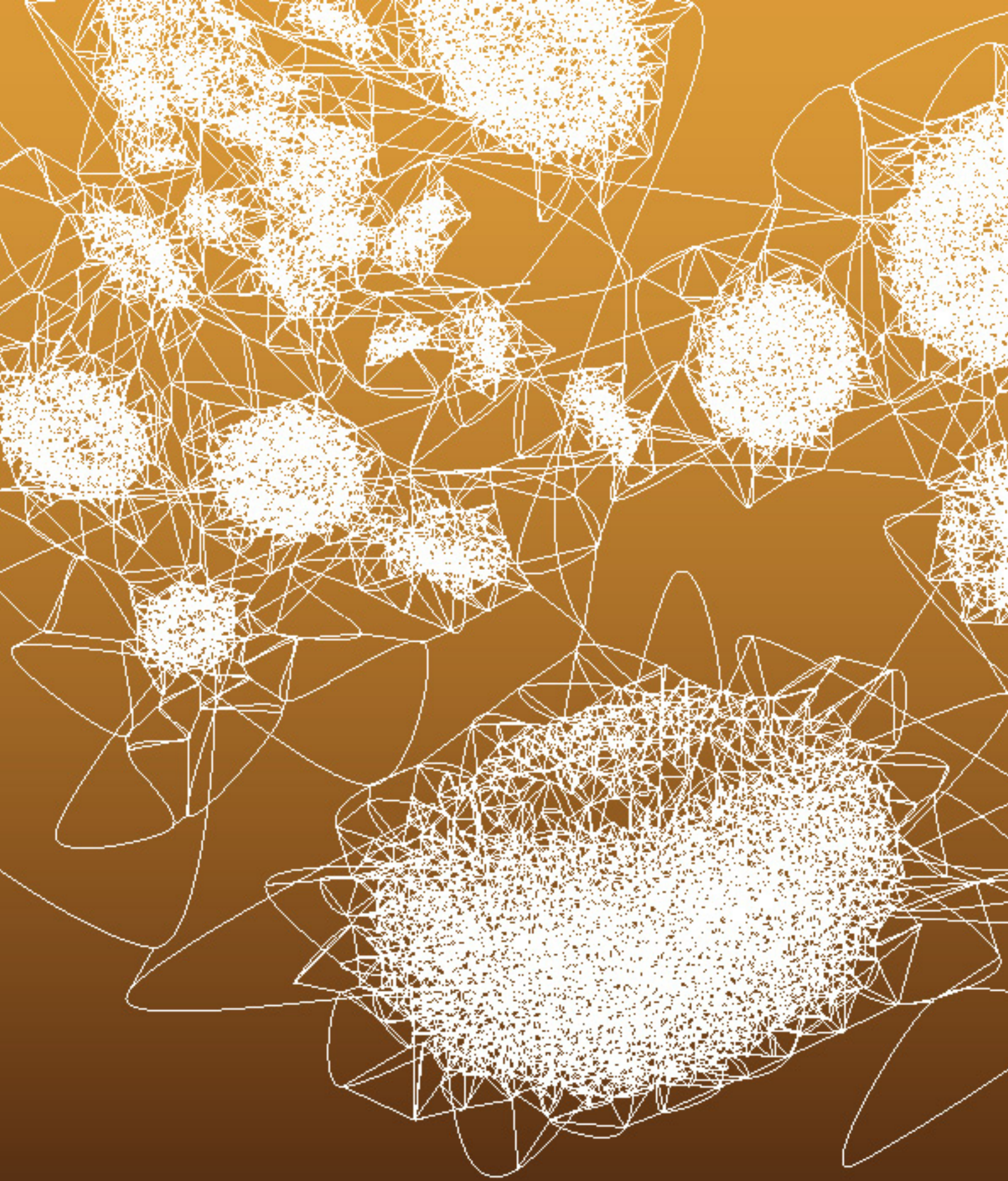
Actelion's malaria R&D project is an example of successful cooperation between industry, the public sector and product development partners in the joint search for effective malaria treatments. Actelion will continue along this path and live up to its responsibility to society by providing an affordable new drug to meet a major medical need.

"Learning from each other is the rationale of the Swiss TPH. Inspired by this principle, the partnership with Actelion was not only of benefit for both partners but resulted in promising new perspectives for patients in need."

Marcel Tanner, Director of the Swiss TPH

"Every minute a child dies from malaria. This is why we feel we must participate in the fight against malaria and discover new therapies."

Martine Clozel, Chief Scientific Officer, Actelion



FINANCIAL REPORT SOLID PERFORMANCE

Repercussions from the global financial crisis, government budget deficits adding to pricing pressures globally and currency turbulence shaped 2011. Actelion has continued to grow with product sales increasing by 7% in local currencies compared to the previous year.

Continued bottom line focus has resulted in Non-GAAP EBIT increasing by 8% in local currencies impacted by doubtful debt provisions stemming from the European debt crisis.

Because of the litigation provision, related to the Asahi litigation in the California courts, the company reported a net loss of CHF 146.3 million for 2011. Basic and diluted loss per share for the same period amounted to CHF 1.23, compared with fully diluted earnings per share in 2010 of CHF 3.22.

Actelion's Board proposes to maintain a dividend payment of CHF 0.80 per share and will ask for shareholder approval to do so at the upcoming Annual General Meeting on 4 May 2012.

During 2011, the company bought back 2.9 million shares at a cost of CHF 109.2 million on the second trading line as part of the CHF 800 million share buyback program announced in October 2010. This brings the number of treasury shares held to 13.3 million, or 10.3% of the total issued.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENTS

(in CHF thousands, except per share amounts)	Notes	Twelve months ended December 31, 2011	2010
Net revenue			
Product sales	23	1,712,991	1,826,329
Contract revenue	4/23	83,072	102,640
Total net revenue		**1,796,063**	**1,928,969**
Operating expenses[1]			
Cost of sales		196,485	200,266
Research and development		457,691	484,279
Selling, general and administration		749,896	744,081
Amortization of acquired intangible assets	12	39,204	43,091
Litigation provisions	17	340,626	-
Total operating expenses		**1,783,902**	**1,471,717**
Operating income		**12,161**	**457,252**
Interest income		6,247	3,194
Interest expense on litigation provisions	17	(19,734)	-
Amortization of debt discount, premium and issuance costs	15	(18,129)	(18,650)
Interest expense		(2,208)	(2,662)
Impairment on financial assets	8	(24,735)	-
Other financial income (expense), net	1/8	(22,903)	1,727
Income before income tax expense		**(69,301)**	**440,861**
Income tax expense	5	(77,018)	(50,304)
Net income (loss)		**(146,319)**	**390,557**
Basic net income (loss) per share	6	**(1.23)**	**3.28**
Weighted-average number of common shares (in thousands)		118,832	119,053
Diluted net income (loss) per share	6	**(1.23)**	**3.22**
Weighted-average number of common shares (in thousands)		118,832	121,394
[1] Includes stock-based compensation as follows:			
Research and development		35,194	33,379
Selling, general and administration		49,716	49,833
Total stock-based compensation		**84,910**	**83,212**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(in CHF thousands, except number of shares)	Notes	December 31, 2011	December 31, 2010
Assets			
Current assets			
Cash and cash equivalents	7/8	1,281,037	1,195,945
Short-term deposits		50,000	250,000
Derivative instruments	8	1,457	35,248
Marketable securities	8	5,520	-
Trade and other receivables, net	9	536,481	520,032
Inventories	10	63,859	59,325
Other current assets	11	33,811	43,062
Deferred tax assets, current portion	5	9,952	8,000
Total current assets		**1,982,117**	**2,111,612**
Property, plant and equipment, net	13	424,659	398,956
Other non-current assets		23,385	19,836
Intangible assets, net	12	204,267	240,554
Goodwill	12	74,940	75,004
Long-term financial assets	8	-	26,706
Deferred tax assets, less current portion	5	22,710	48,352
Total assets		**2,732,078**	**2,921,020**
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables		101,781	104,275
Accrued expenses	14	365,467	387,345
Deferred revenue, current portion		10,135	21,877
Other current liabilities	2/8	49,448	38,835
Short-term financial debt	8/15	-	444,040
Total current liabilities		**526,831**	**996,372**
Deferred revenue, less current portion		4,843	72,301
Other non-current liabilities	2	18,014	20,729
Litigation provisions	17	404,696	-
Long-term financial debt	15	235,578	-
Pension liability	18	31,271	36,071
Deferred tax liabilities	5	391	343
Total liabilities		**1,221,624**	**1,125,816**
Shareholders' equity	19		
Common shares (par value CHF 0.50 per share, authorized			
185,735,290 and 248,019,960 shares; issued 130,464,351			
and 129,824,575 shares in 2011 and 2010, respectively)		65,232	64,912
Additional paid-in capital		1,213,004	1,209,857
Accumulated profit		1,126,498	1,272,817
Treasury shares, at cost		(699,392)	(592,461)
Accumulated other comprehensive income (loss)	21	(194,888)	(159,921)
Total shareholders' equity		**1,510,454**	**1,795,204**
Total liabilities and shareholders' equity		**2,732,078**	**2,921,020**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in CHF thousands)	Twelve months ended December 31, 2011	2010
Cash flow from operating activities		
Net income (loss)	(146,319)	390,557
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	82,857	78,823
Stock-based compensation, incl. treasury shares to members of Board of Directors	87,016	83,820
Excess tax benefits from share-based payment arrangements	(915)	(1,881)
Deferred revenue	(79,215)	(102,467)
(Gains) Losses on derivative instruments	56,477	(24,296)
(Gains) Losses on marketable securities, incl. other-than-temporary impairment	30,523	-
Amortization of debt discount and issuance costs	18,129	18,650
Trade and other receivables	(46,088)	(114,681)
Inventories	(4,521)	1,975
Other assets	7,663	820
Trade and other payables	(2,029)	(2,718)
Other liabilities	404,928	(28,163)
Changes in other operating cash flow items	(3,604)	15,949
Net cash flow provided by operating activities	**404,902**	**316,388**
Cash flow from investing activities		
Purchase of short-term and long-term deposits	(50,000)	(749,633)
Proceeds from short-term and long-term deposits	250,000	965,867
Purchase of property, plant and equipment	(89,406)	(127,598)
Proceeds from marketable securities	11,949	-
Purchase of intangible assets	(6,226)	(9,732)
Purchase of financial assets	-	(13,445)
Acquisition of a business, incl. deferred consideration payments	(18,375)	(42,933)
Net cash flow provided by investing activities	**97,942**	**22,526**
Cash flow from financing activities		
Dividend payment	(95,316)	-
Repayment and repurchase of convertible debt	(459,950)	-
Proceeds from long-term financial debt, net of expense	232,664	-
Payments on capital leases	(65)	(115)
Proceeds from exercise of stock options, net of expense	14,243	27,847
Purchase of treasury shares	(109,257)	(34,959)
Excess tax benefits from share-based payment arrangements	915	1,881
Net cash flow used in financing activities	**(416,766)**	**(5,346)**
Net effect of exchange rates on cash and cash equivalents	(986)	(14,948)
Net change in cash and cash equivalents	**85,092**	**318,620**
Cash and cash equivalents at beginning of period	1,195,945	877,325
Cash and cash equivalents at end of period	**1,281,037**	**1,195,945**
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	28	714
Taxes	57,190	49,547

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in CHF thousands, except number of shares)	Common shares		Additional paid-in capital	Accumulated profit	Treasury shares	Accum. other comprehen-sive income (loss)	Shareholders' equity
	Shares	Amount					
At January 1, 2010	**118,770,610**	**64,264**	**1,098,840**	**882,260**	**(558,227)**	**(79,486)**	**1,407,651**
Comprehensive income (loss) net of tax:							
Net income (loss)				390,557			390,557
Other comprehensive income (loss):							
Currency translation adjustment						(61,884)	(61,884)
Not recognized components of net periodic benefit costs						(18,663)	(18,663)
Unrealized gain (loss) on marketable securities						112	112
Comprehensive income (loss)							**310,122**
Excess tax benefit and underrealization from share-based payment arrangement			1,006				1,006
Exercise of stock options	1,297,351	648	27,199				27,847
Transactions in treasury shares	(701,534)		(118)		(34,234)		(34,352)
Stock-based compensation expense			82,930				82,930
At December 31, 2010	**119,366,427**	**64,912**	**1,209,857**	**1,272,817**	**(592,461)**	**(159,921)**	**1,795,204**
Comprehensive income (loss) net of tax:							
Net income (loss)				(146,319)			(146,319)
Other comprehensive income (loss):							
Currency translation adjustment						(43,672)	(43,672)
Not recognized components of net periodic benefit costs						8,817	8,817
Reclassification of holding gains (losses) on marketable securities to net income						(112)	(112)
Comprehensive income (loss)							**(181,286)**
Excess tax benefit and underrealization from share-based payment arrangement			(110)				(110)
Exercise of stock options	639,776	320	13,923				14,243
Transactions in treasury shares	(2,888,083)		(217)		(106,931)		(107,148)
Stock-based compensation expense			84,867				84,867
Dividend payment			(95,316)				(95,316)
At December 31, 2011	**117,118,120**	**65,232**	**1,213,004**	**1,126,498**	**(699,392)**	**(194,888)**	**1,510,454**

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CHF thousands, except share and per share amounts)

NOTE 1.
DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Actelion Ltd ("Actelion" or the "Group"), a biopharmaceutical company headquartered in Allschwil, Switzerland, discovers, develops and commercializes innovative low molecular weight drugs for high unmet medical needs.

Basis of presentation

The Group's consolidated financial statements have been prepared under Generally Accepted Accounting Principles in the United States ("US GAAP"). The Financial Accounting Standards Board ("FASB") established the Accounting Standards Codification ("ASC" or "Codification") as the single authoritative source of US GAAP to be applied by non-governmental entities. All amounts are presented in Swiss francs ("CHF"), unless otherwise indicated.

Scope of consolidation

The consolidated financial statements include the accounts of the Group and its wholly-owned affiliated companies in which the Group has a direct or indirect controlling financial interest and exercises control over their operations (generally more than 50% of voting interest).

Variable interest entities ("VIE"), irrespective of their legal structure, are consolidated if the Group has determined to be the primary beneficiary as defined in the *Variable Interest Entities* Subsection of FASB ASC ("ASC 810-10-25-20 to 59") and thus has the power to direct the activities that most significantly impact the VIE's economic performance and will also absorb the majority of the VIE's expected losses or receive the majority of the VIE's expected residual returns, or both. For determination whether or not an entity is a VIE, the Group considers if the equity at risk for the entity is sufficient to support its operations, if the voting rights of the equity holders are in disproportion to their risk and rewards or if substantially all of the entity's activities are on behalf of the Group.

Principles of consolidation

Businesses acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or until the date of disposal. The acquisition method of accounting follows the guidance codified in the *Business Combinations* Topic of the FASB ASC ("ASC 805"). Intercompany transactions and balances are eliminated.

Business Combinations

The purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition. The excess of the consideration transferred over the fair value of the Group's share of the identifiable acquired net assets is recorded as goodwill. Acquired in-process research and development projects ("IPR&D"), regardless of whether they have an alternative future use, are recognized as indefinite-lived intangible assets. Impairment charges are immediately reflected in the Group's results of operation. Contingent liabilities assumed in a business combination are recognized on the basis of information known at the time of the initial purchase price allocation. If the fair value of the contingencies is not determinable at the date of acquisition and till the end of the allocation period, the Group follows the guidance of the *Contingencies* Topic of FASB ASC ("ASC 450") in respect to these liabilities. Adjustments after the expiration of the allocation period are recognized as an element of net income. Acquisition-related costs, except costs related to the issuance of debt or equity securities, are expensed in the periods in which they are incurred and the services are received. Pro forma disclosures include revenue and earnings of the combined entity as of the beginning of the comparable prior annual reporting period.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make judgments, assumptions and estimates that affect the amounts and disclosures reported in the consolidated financial statements and accompanying notes. On an on-going basis, management evaluates its estimates, including those related to revenue recognition for contract revenue, allowance for doubtful accounts, stock-based compensation, intangible assets, clinical trial accruals, impairment of indefinite lived intangibles including goodwill, provisions, contingent losses and income taxes. The Group bases its estimates on historical experience and on various market-specific and other relevant assumptions that are believed to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ significantly from these estimates.

Revenue recognition

Product sales

The Group recognizes revenue from product sales when there is persuasive evidence that a sales arrangement exists, delivery has occurred, the price is fixed and determinable, and collectibility is reasonably assured. Provisions for rebates and discounts granted to government agencies, wholesalers, retail pharmacies, managed care and other customers are recorded as a reduction of revenue at the time the related revenues are recognized or when the incentives are offered. They are calculated on the basis of historical experience and the specific terms in the individual agreements. Cash discounts offered to customers to encourage prompt payment are recorded as revenue deductions based on contractual terms, historical utilization rates and Group's expectation regarding future utilization rates. Accruals for product returns are recorded as revenue deduction if the products are damaged or defective when received by the customer. Estimates on expected returns are based primarily on historical return patterns.

Taxes collected from customers and remitted to governmental authorities such as sales taxes and VAT are deducted directly from gross sales without recording them in revenue.

Multiple-Deliverable Revenue Arrangements

The Group's revenue arrangements with multiple elements generally relate to collaborative agreements with third parties, which are typical transactions in the biopharmaceutical industry and usually include multiple elements such as product licensing, research and development activities, manufacturing and supply, royalty payments etc. As of January 1, 2011, the Group applied prospectively the requirements of ASU 2009-13, Multiple-Deliverable Revenue Arrangements, ("ASU 2009-13"), an update to the *Multiple-Element Arrangements* Subtopic of FASB ASC ("ASC 605-25"). ASU 2009-13 introduced two significant changes to the existing accounting guidance related to changes in the separability criteria for determination of units of accounting and to changes in methods of allocation of a transaction consideration. It eliminated the requirement that objective and reliable evidence of the fair value for the undelivered items exists in order for a delivered item to be treated as a separate unit of accounting and requires arrangement consideration to be allocated at the inception of the arrangement to all deliverables based on their relative selling price. The selling price for each deliverable is determined using Group's specific objective evidence of that price, if it exists; otherwise third-party evidence of the selling price is used. If neither exists for a deliverable, the Group applies its best estimate of the selling price for that deliverable.

Since ASU 2009-13 applies to all arrangements entered into or materially modified after the adoption date and the Group did not enter into any new collaborative agreements since such date, the adoption of this standard did not have an impact on the Group's financial condition, results of operations and cash flows. It neither led to changes of units of accounting nor to modifications of pattern or timing of revenue recognition. For ongoing disclosures required by ASU 2009-13 – see Note 4. Collaborative agreements.

Contract revenue

Contract revenue includes license fees and milestone payments associated with collaborative agreements with third parties. Collaborative agreements with third parties represent the Group's major agreements with multiple elements. The significant deliverables generally include license fees and milestone payments, which are recognized as contract revenue when the services are performed and collectibility is reasonably assured. License fees are treated as separate

units of accounting only if upon careful evaluation of the facts and circumstances in the individual contracts it has been determined that they have a standalone value to the customer. The assessment of standalone value depends on the customer's ability to recover a substantial portion of the consideration paid to the Group either through resale or use. Revenue from non-refundable, upfront license fees and performance milestones where the Group has continuing involvement is recognized ratably over the estimated performance or agreement period, depending on the terms of the agreement. The recognition of revenue is prospectively adjusted for subsequent changes in the development or agreement period. Revenue associated with performance milestones where the Group has no continuing involvement or service obligation is recognized upon achievement of the milestone. Payments received in excess of amounts earned are classified as deferred revenue until earned.

Following the guidance codified in the *Collaborative Arrangements* Topic of FASB ASC ("ASC 808") the Group presents the result of activities for which it acts as the principal on a gross basis and reports any payments received from (made to) other collaborators based on other applicable GAAP. The Group's accounting policy for its qualifying collaborative agreements (See Note 4. Collaborative agreements) is to evaluate amounts due from (owed to) other collaborators based on the nature of each separate activity.

Shipping and handling costs
The Group recognizes expenses relating to shipping and handling costs in cost of sales.

Research and development ("R&D")
R&D expense consists primarily of compensation and other expenses related to R&D personnel; costs associated with pre-clinical testing and clinical trials of the Group's product candidates, including the costs of manufacturing the product candidates; expenses for research and services rendered under co-development agreements; and facilities expenses. All R&D costs are charged to expense when incurred following the guidance codified in the *Research and Development* Topic of FASB ASC ("ASC 730").

Payments made to acquire individual R&D assets, including those payments made under licensing agreements, that are deemed to have an alternative future use or are related to proven products are capitalized as intangible assets. Payments made to acquire individual R&D assets that do not have an alternative future use, are expensed as R&D costs. R&D costs for services rendered under collaborative agreements are charged to expense when incurred. Reimbursements for R&D activities received from other collaborators are classified as reduction of the Group's R&D expense (See Note 4. Collaborative agreements).

Advertising and promotional costs
The Group expenses the costs of advertising, including promotional expenses, as incurred. Advertising and promotional costs were CHF 135.4 million and CHF 158.7 million in 2011 and 2010, respectively.

Legal fees
Legal fees related to loss contingencies are expensed as incurred and included in selling, general and administration expenses.

Patents and trademarks
Costs associated with the filing and registration of patents and trademarks are expensed in the period in which they occur.

Stock-based compensation
Stock-based compensation follows the guidance codified in the *Compensation – Stock Compensation* Topic of FASB ASC ("ASC 718"). As such, costs for awards granted after July 1, 2005, are recognized in earnings using the fair-value based method. Compensation costs for unvested stock options and awards that were outstanding at July 1, 2005, are recognized in earnings over the requisite service period based on the grant-date fair value of those options and awards.

Fair values of awards granted under share option plans until December 2004 were estimated at grant or purchase dates using a Black-Scholes option pricing model. Fair value of awards granted after December 2004 is estimated by use of a Binomial Lattice option pricing model. The model input assumptions are determined based on available internal and external data sources. The risk free rate used in the model is based on the 10 year Swiss zero coupon rate. The probability of death is derived from data of the Swiss Federal Statistical Office. Expected volatility is based on equal weighting of historic and forward looking data which includes the Group's historic volatility, average peer group volatility and implied volatility on the longest outstanding convertible debt and traded warrants. The dividend yield is based on the expected dividend yield over the expected term of the awards granted. Resignation, redundancy, retirement and early exercise behavior assumptions are based on the Group's historical headcount data and analyses of historical early exercises of the Group's employees, respectively. The Group recognizes compensation costs considering estimated future forfeiture rates. The latter are reviewed annually or whenever indicators are present that actual forfeitures differ materially from estimated forfeitures.

Amortization of total compensation costs for the Standard Share Option Plans and for the Employee Share Plan is recognized on a straight-line basis over the requisite service period for the entire award (See Note 20. Stock-based compensation). The 2011 Actelion Share Challenge Plan's related expenses are recognized ratably over the requisite service period for each separately vesting portion of the award. Stock-based compensation costs related to employees engaged in the production process generally are recognized in a manner similar to all other compensation paid to these employees and are capitalized as part of inventory. Due to the immateriality of such cost, no stock-based compensation cost was capitalized in the periods presented. Stock option exercises are settled out of the conditional capital or with the treasury shares which the Group purchases on the market.

Taxes

The Group accounts for income taxes in accordance with the *Income Taxes* Topic of FASB ASC (primarily codified in "ASC 740"). Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using enacted tax rules and laws that will be in effect when differences are expected to reverse. The Group performs periodic evaluations of recorded tax assets and liabilities and maintains a valuation allowance if deemed necessary. Uncertain tax positions are evaluated for recognition by determining if the weight of available evidence indicates that it is more likely than not, that the position will be sustained on tax audit, including resolution of related appeals or litigation processes, if any. The recognized tax benefits are measured as the largest benefit of having a greater than fifty percent likelihood of being sustained upon settlement. Significant estimates are required in determining income tax expense and benefits. Various internal and external factors may have favorable or unfavorable effects on the future effective tax rate, which would directly impact the Group's financial position or results of operations. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations, future levels of capital expenditures, and changes in overall levels of pre-tax earnings. Interest and penalties related to uncertain tax positions are recognized as income tax expense.

Earnings per share ("EPS")

In accordance with *Earnings per Share* Topic of FASB ASC ("ASC 260"), basic EPS are computed by dividing net income available to common shareholders by the weighted-average common shares outstanding for the fiscal year. Diluted EPS reflect the potential dilution that could occur if dilutive securities, such as share options or convertible debt, were exercised or converted into common shares or resulted in the issuance of common shares that would participate in net income. In accordance with ASC 260-10-45-19 the Group does not consider any potential common shares in the computation of diluted EPS if there is a loss from continuing operations. Potential dilutive shares resulting from the assumed exercise of the convertible bond option were included only with the conversion spread into the diluted EPS calculation as of December 31, 2010 (See Note 6. Earnings per share and Note 15. Borrowings).

Dividends

The Group may declare dividends upon the recommendation of the Board of Directors and the approval of shareholders at their Annual General Meeting. Under Swiss corporate law, the Holding Company's right to pay dividends may be limited in specific circumstances.

Cash and cash equivalents
The Group considers all highly liquid investments with a contractual maturity of three months or less to be cash equivalents. Additionally, the Group includes all amounts held in money market funds as cash equivalents.

Short-term deposits
Short-term deposits with contractual maturities greater than three months are separated from cash and cash equivalents and reported in a separate line in the consolidated balance sheet.

Marketable securities
The Group classifies marketable securities in accordance with guidance primarily codified in the *Investments – Debt and Equity Securities* Topic of FASB ASC ("ASC 320") as either available-for-sale ("AFS"), held-to-maturity ("HTM") or trading. AFS securities are carried at fair value with unrealized gains and losses recorded as a separate component of shareholders' equity. HTM securities are carried at amortized cost. Dividends and interest income are accrued as earned. Realized gains and losses are determined on an average cost basis. Trading securities are carried at fair value with unrealized holding gains and losses reported in other financial income (expense).

The Group reviews marketable securities for impairment whenever circumstances indicate that a decline in the fair value of the security below its cost may be other than temporary ("other than temporary impairment" or "OTTI"). Debt securities with a fair value below their amortized cost are considered impaired. Such impairments are considered other than temporary if the Group has the intent or can be required to sell the investment or it does not expect recovery of the entire cost basis of the security till maturity. If it is unlikely that the Group can be forced to sell the debt security, OTTI is split between a credit loss, which relates to collectibility of estimated cash flows to be received and is immediately recognized in net income, and other losses, not related to collectibility and recognized in other comprehensive income (loss). Equity securities are considered other than temporarily impaired upon analyses of certain indicators, like the length of time and the extent to which the market value of the investment has been less than its cost; the financial conditions and the long-term prospects of the issuer as well as Group's intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in market value. OTTIs on equity securities are immediately recognized in net income.

Derivative instruments and foreign currency exchange risk
A significant portion of the Group's operations is denominated in foreign currencies, principally in US Dollars, Euros and Yen. Exposures to fluctuations in foreign currencies may adversely impact the Group's net income and net assets. The Group uses derivatives to partially offset these risks (See Note 8. Financial assets and liabilities). The Group records all derivatives on the balance sheet at fair value with changes in fair value reported in other financial income (expense), net. The Group's derivative instruments, while providing economic hedges under the Group's policies, do not qualify for hedge accounting as defined by the *Derivatives and Hedging* Topic of FASB ASC ("ASC 815").

The Group determines the fair value of its derivative contracts based on observable inputs, which include foreign exchange rates, counterparty information and other related inputs. Changes in the fair value of all derivative instruments are recognized immediately in other financial income (expense) in the consolidated income statement. Fair value amounts recognized for the right to reclaim and the obligation to return cash collateral arising from derivative instruments recognized at fair value and executed with the same counterparty under a master netting arrangement are not offset.

The Group does not regularly enter into agreements containing embedded derivatives. However, when such agreements are executed, an assessment is made based on the criteria set out in ASC 815 to determine if the derivative is required to be bifurcated and accounted for as a standalone derivative instrument.

Fair value measurements
The Group follows the guidance included in the *Fair Value Measurements and Disclosures* Topic of FASB ASC ("ASC 820"). The guidance defines fair value, expands related disclosure requirements and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three levels of inputs to fair value measurements – Level 1, meaning the use of

quoted prices for identical instruments in active markets; Level 2, meaning the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable; and Level 3, meaning the use of unobservable inputs. Unless otherwise indicated, the Group's financial assets and liabilities are carried at fair value. Observable market data is used when available. When a quoted price in an active market for a liability is not available, the Group uses one of the following approaches: a) quoted prices for identical liabilities when traded as assets; b) quoted prices for similar liabilities when traded as assets; or c) another valuation technique which is consistent with the principles of ASC 820 like the price which the Group would pay to transfer (or receive to enter into) an identical liability at the measurement date. The Group does not consider the existence of contractual restrictions that prevent the transfer of a liability when estimating the fair value of a liability.

As a practical expedient, the net asset value per share is considered fair value for investments in certain entities that calculate net asset value per share or its equivalent and that are part of the pension plan assets of the Group (See Note 18. Pension plans).

As of June 30, 2010, the Group adopted the applicable disclosure requirements of ASU 2010-06, Improving Disclosures about Fair Value Measurements, an update to ASC 820. ASU 2010-06 requires additional disclosures for significant transfers in and out of Level 1 and Level 2 as well as a detailed reconciliation for fair value measurements using Level 3 inputs. The guidance also provides amendments that clarify the required level of disaggregation for each class of assets and liabilities and expands the disclosures about inputs and valuation techniques for both recurring and non recurring fair value measurements that fall in either Level 2 or Level 3. ASU 2010-06 became effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures in the roll-forward of activity in Level 3 fair value measurements. These disclosures became effective and were applied by the Group in 2011. The adoption of this ASU did not have a material impact on the Group's financial position, results of operations and cash flows.

The Group did not elect to apply the fair value option for any of its financial assets or liabilities.

Financial instruments indexed to own shares
The costs of contracts indexed to own shares which meet all of the applicable criteria for equity classification as outlined in the *Contracts in Entity's Own Shares* Subtopic of FASB ASC ("ASC 815-40"), are classified in shareholder's equity. The Group applies settlement date accounting to such instruments.

Accounts receivable
Accounts receivable are stated at net realizable value after deducting an allowance for doubtful accounts. Due to their short-term nature, the carrying value of accounts receivable approximates their fair value. The Group maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Group's customers were to deteriorate, resulting in an impairment of their ability to make payments, an increase to the allowance might be required. Group's estimates on its allowance for doubtful accounts are determined based on existing contractual obligations; historical, current and expected payment patterns of the customers and individual customer circumstances; an analysis of days sales outstanding by customer and geographic region and a review of the local economic environment and its potential impact on government funding and reimbursement practices. If available information indicates the existence of impairment conditions and the amount of loss can be reasonably estimated, the Group establishes an allowance for groups of similar types of receivables that may be uncollectible, even though the particular receivables might not yet be identifiable. Actual results may differ significantly from these estimates. Changes in the estimate of the allowance are recognized as selling, general and administration expense. Historically, the amounts of uncollectible accounts receivable that have been written off have been consistent with management's expectations. See discussion on concentrations of credit risk in Note 22. Concentrations. The Group does not generally require collateral on receivables.

The Group accounts for transfers of trade receivables in accordance with the guidance primarily included in the *Sales of Financial Assets* Subtopic of FASB ASC ("ASC 860-20"). ASC 860-20 requires an entity to recognize the financial and servicing assets it controls and the liabilities it has incurred and to derecognize financial assets when control has been surrendered. At the time the Group meets the criteria of ASC 860-20, the balances are removed from trade receivables and costs associated with the sale of receivables are included in the determination of earnings. Sales or transfers that

do not meet the requirements of ASC 860-20 are accounted for as secured borrowings in accordance with the *Secured Borrowing and Collateral* Subtopic of FASB ASC ("ASC 860-30"). Additionally, the Group evaluates whether the purchasing entities qualify as VIEs and whether the Group is required to consolidate these entities in accordance with ASC 810-10.

In July 2010, the FASB issued ASU 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses ("ASU 2010-20"), an update to the *Receivables* Topic of FASB ASC ("ASC 310"). ASU 2010-20 introduced the term financing receivable and required entities to provide extensive new disclosures about such receivables, including credit risk exposures and the allowance for credit losses. The provisions related to disclosures of financing receivables as of the end of a reporting period became effective for public entities for interim and annual reporting periods ending on or after December 15, 2010. The disclosures related to activity that occurs during a reporting period were required to be adopted by public entities for interim and annual reporting periods beginning on or after December 15, 2010. The provisions related to troubled debt restructurings became effective with the adoption of ASU 2011-02, Disclosures about Troubled Debt Restructuring – Creditors, an update to ASC 310, for periods beginning on or after June 15, 2011. Trade receivables with maturities of one year or less that arose from sales of goods or services are excluded from the scope of ASU 2010-20. The adoption of this ASU did not have a material impact on the Group's financial position, results of operations and cash flows.

Inventories
Inventories are stated at the lower of cost or market value with cost determined by the average cost method. Inventories consist of semi-finished and finished products. The Group periodically reviews the composition of its inventories in order to identify obsolete, slow-moving or otherwise unsalable items. If unsalable items are observed and there are no alternate uses for the inventory, the Group adjusts inventory to net realizable value.

Property, plant and equipment
Property, plant and equipment are recorded at historical cost less accumulated depreciation and amortization. Repairs and maintenance costs are expensed as incurred.

The estimated useful lives are as follows:

Group of assets	Useful life
Computers	3 years
Furniture and fixtures	5 years
Laboratory equipment	5 years
Leasehold improvements	5 to 10 years
Technical Installations	10 to 20 years
Buildings	20 to 40 years

Depreciation and amortization expense is recorded utilizing the straight-line method over the estimated useful life of the assets to their estimated residual value. Leasehold improvements and assets acquired under capital leases are depreciated using the straight-line method over the shorter of the lease term or the estimated useful life of the asset. Assets acquired under capital leases in which title transfers to the Group at the end of the agreement are recorded at their estimated fair value and depreciated over the useful life of the assets. Amortization expense of capitalized leased equipment is included in depreciation expense. If material, capitalized interest on construction in-progress is included in property, plant and equipment.

Goodwill and intangible assets
Goodwill represents the excess of purchase price over the estimated fair value of net assets acquired in a business combination. Goodwill is not amortized but tested annually for impairment and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable. Recoverability of goodwill is measured at the reporting unit level based on a two-step approach. First, the carrying amount of the reporting unit is compared to its fair value. If the carrying value of the reporting unit exceeds its fair value or the reporting unit has zero or a negative carrying amount, a second step determines the fair value of the reporting unit's assets and liabilities and as such the implied fair value of the reporting unit's goodwill. To the extent that the carrying value of the reporting unit's goodwill exceeds its implied fair value of goodwill, an impairment is recognized.

Intangible assets with definite lives consist primarily of acquired existing licenses and internally used software, which are amortized on a straight-line basis over the useful lives of the respective assets ranging from three to eleven years. The Group develops its own assumptions about renewal or extension options used to determine the amortization period of a recognized intangible asset, consistent with its expected use of the asset. Intangible assets with definite lives are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Intangible assets with indefinite lives are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the assets might be impaired. Costs incurred to renew or extend the term of a recognized intangible asset are expensed and classified as selling, general and administration.

Impairment of long-lived assets
Long-lived assets to be held and used are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Potential indicators of impairment include but are not limited to: a significant decrease in the fair value of an asset, a significant change in the extent or manner in which an asset is used or a significant physical change in an asset, a significant adverse change in legal factors or in the business climate that affects the value of an asset, an adverse action or assessment by the US Food and Drug Administration ("FDA") or another regulator, an accumulation of costs significantly in excess of the amount originally expected to acquire or construct an asset and operating or cash flow losses combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with an income producing asset. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. The cash flow estimates applied in such calculations are based on management's best estimates, using appropriate and customary assumptions and projections at the time. In the event that such cash flows are not expected to be sufficient to recover the carrying amount of the assets, the assets are written down to their estimated fair values. Long-lived assets to be disposed of are not depreciated and reported at the lower of carrying amount or fair value less cost to sell.

Financial debt

Convertible debt
The Group accounts for convertible debt in accordance with the guidance primarily codified in FASB ASC 470-20, *Debt with Conversion and other options*. Convertible debt with a cash conversion option is separated into a liability and an equity component at initial recognition by a) recording the liability component at the fair value of a similar liability that does not have an associated equity component thus reflecting Group's nonconvertible debt borrowing rate and b) attributing the remaining proceeds from issuance to the equity component. The resulting discount on the debt is accreted as amortization of debt discount and issuance cost in the income statement. Debt issuance costs are also allocated to a liability and an equity component in proportion to the allocation of the fair value of the bond. Liability issuance costs are recorded in other current assets and are amortized over the life of the bond using the effective interest method.

Other debt
Long-term financial debt without conversion or other options is reported at amortized cost. Any difference between the proceeds received and the principal value due on redemption (discount or premium) is amortized over the duration of the debt instrument and is recognised within financing costs using the effective interest rate method. Debt issuance costs are recorded in other non-current assets and are amortized over the life of the debt instrument.

Pension accounting
The Group accounts for pension assets and liabilities in accordance with the provisions of the *Compensation – Retirement Benefits* Topic of FASB ASC ("ASC 715"), which requires the recognition of the funded status of pension plans in the Group's balance sheet. The liability in respect to defined benefit pension plans is the projected benefit obligation calculated annually by independent actuaries using the projected unit credit method. The projected benefit obligation as of December 31 represents the actuarial present value of the estimated future payments required to settle the obligation that is attributable to employee services rendered before that date. The expense for such pension plans, represented by the net periodic benefit cost, is included in the personnel expenses of the various functions where the employees are engaged. Plan assets are recorded at their fair value. Unvested prior service costs arising from retroactive amendments to pension plans are originally reflected in accumulated other comprehensive income (loss) and distributed to income

over the employees' remaining service period. Vested prior service costs including those related to retirees are immediately recognized in the income statement. Gains or losses arising from plan curtailments or settlements are accounted for at the time they occur. Any net pension asset is limited to the present value of the future economic benefits available to the Group in the form of refunds from the plan or expected reductions in future contributions to the plan. In interim periods, a net pension asset reflects Group's prepayments of annual employee and employer plan contributions. Actuarial gains and losses arising from differences between the actual and the expected return on plan assets are recognized in accumulated other comprehensive income (loss) and amortized over the requisite service period.

Comprehensive income (loss)
Comprehensive income (loss) is comprised of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains/losses on available-for-sale securities, currency translation adjustments, actuarial gains (losses) and prior service costs resulting from retroactive amendments of defined benefit plans. The components of comprehensive income (loss) are shown net of related taxes where the underlying assets or liabilities are held in jurisdictions that are expected to generate a future tax benefit or liability (See Note 21. Accumulated other comprehensive income (loss)). Comprehensive income (loss) is reflected in the consolidated statement of changes in shareholders' equity.

Foreign currencies
The Group follows the guidance included in the *Foreign Currency Matters* Topic of FASB ASC ("ASC 830"). The reporting currency of the Group is the Swiss Franc. Except for certain foreign finance entities, the functional currency of Group's subsidiaries is generally the respective local currency. A limited number of foreign finance entities use CHF as their functional currency as their cash flows and transactions are primarily denominated in CHF.

Income, expense and cash flows of foreign subsidiaries are translated into the Group's reporting currency at monthly average exchange rates and the corresponding balance sheets at the period-end exchange rate. Exchange differences arising from the translation of the net investment in foreign subsidiaries and long-term internal financial debt are recorded in currency translation adjustment ("CTA") in shareholders' equity. Translation gains and losses accumulated in CTA are included in the income statement when the foreign operation is completely liquidated or sold.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the subsidiary's income statements in the corresponding period. The aggregate transaction loss included in other financial income (expense), net in 2011 and 2010 amounts to CHF 8 million and CHF 34.1 million, respectively.

Interest rate risk
Interest rate risk arises from movements in interest rates, which could have adverse effects on the Group's net income or financial position. Changes in interest rates cause variations in interest income and expenses on interest-bearing assets and liabilities. In addition, they can affect the market value of certain financial assets, liabilities and instruments. The Group may use interest rate swap contracts to manage its net exposure to interest rate changes.

Segment information
The Group follows the guidance established in the *Segment Reporting* Topic of FASB ASC ("ASC 280") for reporting information on operating segments in interim and annual financial statements. The Group operates in one segment which primarily focuses on the development and commercialization of human therapeutics for life threatening diseases. The majority of the Group's products have similar economic and other characteristics, including the nature of the products and production processes, type of customers, distribution methods and regulatory environment. The Group's chief operating decision-makers review the profit and loss of the Group on an aggregate basis and manage the operations of the Group as a single operating segment.

Subsequent events
The Group evaluates subsequent events in accordance with the *Subsequent Events* Topic of FASB ASC ("ASC 855") through the date the financial statements are available to be issued (See Note 25. Subsequent events).

Recent accounting pronouncements

ASU 2011-11, Disclosures about Offsetting Assets and Liabilities
In December 2011, the FASB issued ASU 2011-11, Disclosures about Offsetting Assets and Liabilities, ("ASU 2011-11"), an update to the *Balance Sheet* Topic of FASB ASC ("ASC 210"). ASU 2011-11 requires enhanced disclosures about financial instruments and derivatives that are either offset in accordance with ASC 210-20-45 or ASC 815-10-45 or subject to an enforceable master netting agreement, irrespective of whether they are offset. ASU 2011-11 is effective for annual and interim reporting periods beginning on or after January 1, 2013. The amended guidance should be applied retrospectively for all comparative periods presented. The Group does not expect an impact on its financial position, results of operations and cash flows upon adoption.

ASU 2011-08, Testing Goodwill for Impairment
In September 2011, the FASB issued ASU 2011-08, Testing Goodwill for Impairments, ("ASU 2011-08"), an update to the *Intangibles - Goodwill and Other* Topic of FASB ASC ("ASC 350"). ASU 2011-08 permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If based on this qualitative assessment it is not more like than not that the fair value of a reporting unit is below its carrying amount, an entity is not required to perform the two-step goodwill impairment test described in ASC 350. Furthermore, under the amended guidance an entity would no longer be permitted to carry forward its detailed calculation of a reporting unit's fair value from a prior year as previously permitted by ASC 350-20-35-29. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The Group does not expect a material impact on its financial position, results of operations and cash flows upon adoption.

ASU 2011-05, Presentation of Comprehensive Income, and ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income ("AOCI") in ASU 2011-05
In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income, ("ASU 2011-05"), an update to the *Comprehensive Income* Topic of FASB ASC ("ASC 220"). ASU 2011-05 increases the prominence of items reported under other comprehensive income and eliminates the option to present elements of other comprehensive income as part of the statement of changes in stockholders' equity. It requires an entity to present all non-owner changes in stockholders' equity either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Regardless of the presentation form chosen, an entity has to present on the face of the financial statements reclassification adjustments for items that have been reclassified from other comprehensive income to net income. The amended guidance only clarifies the presentation of items reported in other comprehensive income but does not change their nature, recognition, measurement or reclassification requirements. Public entities are required to adopt the requirements of ASU 2011-05 for annual and interim reporting periods beginning after December 15, 2011, with early adoption permitted. The guidance would be applied retrospectively as of the end of the comparable reporting period presented.

In December 2011, with the issuance of ASU 2011-12, the FASB deferred the requirements in ASU 2011-05 to: a) present reclassification adjustments for each component of AOCI in both other comprehensive income and net income on the face of the financial statements; and b) to report such reclassification adjustments in interim periods in the notes to the financial statements. The effective dates of ASU 2011-12 are consistent with the effective dates of ASU 2011-05. The Group does not expect an impact on its financial position, results of operations and cash flows upon adoption of ASU 2011-05 and ASU 2011-12.

ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs
In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRSs, ("ASU 2011-04"), an update to ASC 820. For current US GAAP preparers many of the amendments clarify currently existing concepts and provide additional application guidance on existing fair value measurement and disclosure requirements. In particular, such amendments specify that: a) the concepts of highest and best use and valuation premise in a fair value measurement are only relevant when measuring the fair value of non-financial assets; b) that the fair value of own equity instruments should be determined from the perspective of a market participant that holds such instruments as assets; and c) that the existing disclosures about the unobservable inputs used in Level 3 fair value measurements should be quantitative. ASU 2011-04 also introduces two significant changes to

the existing accounting guidance related to changes in the fair value measurements of financial instruments managed within a portfolio and to the application of premiums or discounts in the absence of Level 1 inputs. It permits entities that manage their financial instruments on the basis of net exposure to also measure the fair value of such instruments on net basis and prohibits the usage of blockage factors based on the transaction quantity of the instruments measured at fair value. The revised guidance also significantly expands the disclosures required for fair value measurements using Level 3 inputs including information about the valuation processes used by a reporting entity and the sensitivity of fair value measurements to changes in unobservable inputs. ASU 2011-04 is effective for public entities during annual and interim reporting periods beginning after December 15, 2011. The amended guidance should be applied prospectively. Early adoption is not permitted. The Group does not expect a material impact on its financial position, results of operations and cash flows upon adoption.

NOTE 2. ACQUISITIONS

GeneraMedix

On March 11, 2009, the Group acquired from privately-held GeneraMedix Inc. ("GXI") a new formulation of epoprostenol sodium with improved thermal stability for the intravenous treatment of pulmonary arterial hypertension ("PAH") which met a definition of a business. As such the acquisition has been accounted for as a business combination in compliance with the requirements of the guidance codified in ASC 805. Accordingly, the fair value of the total consideration transferred has been allocated to the assets acquired based on their estimated fair values at the date of the acquisition and goodwill. The aggregate purchase price of CHF 150.7 million (USD 130.4 million) consisted of cash paid to GXI of CHF 57.8 million (USD 50 million) and the fair value of a deferred and a contingent considerations of CHF 75.5 million (USD 65.3 million) and CHF 17.4 million (USD 15.1 million), respectively. Since denominated in USD, both considerations are re-valued at each reporting date.

The deferred consideration is payable for the three consecutive years following the acquisition date whereas Actelion has the right to not make all or a portion of these deferred payments and thus would forgo its rights to commercialize Veletri® (epoprostenol for injection) in various countries. As of December 31, 2011 and 2010, the deferred consideration amounted to CHF 18.4 million (USD 19.5 million) and CHF 34.9 million (USD 37.1 million), respectively. In 2011 and 2010, the Group settled CHF 18.4 million (USD 20 million) and CHF 42.9 million (USD 40 million) of the deferred consideration, respectively.

The contingent consideration is related to future patent issuance events in various markets and thus re-measured at fair value at each reporting date using Level 3 inputs. In determining the fair value the Group considered present value calculations of the expected cash-outflows as well as probabilities of amounts and timing of settlement of the contingencies. At December 31, 2011 and 2010, the Group applied a discount rate of 7.18% and 7.25%, respectively. This discount rate corresponds to the Bloomberg Composite US Industrial BB yield, which management believes is equivalent to a market participant's cost of borrowing.

As of December 31, 2011, the fair value of the contingent consideration amounts to CHF 17.2 million (USD 18.3 million). Thereof, CHF 6.3 million (USD 6.7 million) are included in other current liabilities and CHF 10.9 million (USD 11.6 million) are disclosed as other non-current liabilities. Compared to December 31, 2010, the fair value of the contingent consideration has decreased by CHF 0.9 million (USD 0.9 million) due to the reversal of contingent consideration expense mainly driven by changes in timing estimates and by CHF 0.02 million due to effects of foreign currency translation.

December 31, 2010		Reversal of contingent consideration expense due to changes in estimates		Foreign currency translation	December 31, 2011	
USD	CHF	USD	CHF	CHF	USD	CHF
19,176	18,041	(918)	(864)	(24)	18,258	17,153

The fair value changes of the contingent consideration are included in operating expenses. The maximum undiscounted amount of the contingency remains unchanged at USD 20 million (CHF 18.8 million) which are expected to be paid in 2012 and 2013 (2010: 2011 and 2012).

NOTE 3.
LICENSING AGREEMENTS

On April 18, 2008, the Group entered into an exclusive license agreement with Nippon Shinyaku Co., Ltd. ("Nippon") on a novel orally available selective IP receptor agonist NS-304 originally discovered and synthesized by Nippon for the treatment of PAH. Under the terms of the agreement between February 2008 and January 2010, Nippon received from the Group upfront payments of USD 30 million (CHF 30.3 million), which have been expensed and disclosed as R&D costs. The Group will make further milestone payments depending on achievement of certain development and approval milestones and sales targets. If the Group is successful in obtaining regulatory approval, the Group will pay royalties to Nippon on a percentage of net sales of products with NS-304 as the active ingredient.

In conjunction with the acquisition of CoTherix on January 9, 2007, the Group gained access to the license granted from Bayer Schering Pharma AG for Ventavis®.

On November 22, 2002, the Group entered into a license agreement with Oxford GlycoSciences ("OGS") for miglustat, the active ingredient of Zavesca® (miglustat). OGS has since been acquired by Celltech Group plc, which was subsequently acquired by UCB SA. The Group has been granted exclusive marketing rights to sell Zavesca® (miglustat) in all countries except Israel and the adjacent West Bank and Gaza Strip territories where the Group will ensure the drug supply to Teva Pharmaceutical Industries Ltd., the license holder of Zavesca® (miglustat) in Israel. In addition, in 2005 the Group assumed full responsibility for manufacturing and supply chain, patent-related activities, clinical and pre-clinical activities of Zavesca® (miglustat). Consequently, the Group made payments of EUR 7.5 million (CHF 11.7 million) to UCB, which were capitalized as an intangible asset and amortized over the remaining patent life of eight years, in exchange for a single-digit royalty rate on future Zavesca® (miglustat) sales in glycosphingolipid ("GSL") storage disorders (See Note 12. Goodwill and intangible assets).

On November 4, 1998, the Group entered into a license agreement with F. Hoffman-La Roche ("Roche") for bosentan, the active ingredient in the Group's product, Tracleer® (bosentan). The license grants the Group the exclusive worldwide rights to develop, manufacture, sell any pharmaceutical product with bosentan as its active ingredient for any human therapeutic use, and grant sub-licenses to third parties. The agreement called for the Group to make an initial payment to Roche as well as payments upon the achievement of certain milestones. All payments made to Roche prior to receiving regulatory approval were expensed. Payments of CHF 9 million made to Roche subsequent to receiving regulatory approval were capitalized as intangible assets and are being amortized over ten years. The agreement also calls for the Group to pay a royalty to Roche based on a percentage of net sales of products with bosentan as the active ingredient (See Note 12. Goodwill and intangible assets).

NOTE 4.
COLLABORATIVE AGREEMENTS

In 2008, the Group entered into an exclusive worldwide (excluding Japan) collaboration agreement with GlaxoSmithKline ("GSK") to develop and commercialize the Group's almorexant, a dual orexin receptor antagonist in Phase III development for treatment of primary insomnia. The Group received an upfront payment of CHF 150 million which has been deferred and amortized over the estimated development period. On January 28, 2011, the Group and GSK announced that clinical development of almorexant has been discontinued. This decision followed a review of data from additional clinical studies, which were conducted to further establish the clinical profile of almorexant, including the tolerability profile. As of March 31, 2011, the Group determined that it had fulfilled all performance obligations related to the upfront payment and, as such, recognized the entire amount of the remaining unamortized deferred revenue balance of CHF 76.5 million as contract revenue in the three months period ending March 31, 2011. As of December 31, 2010, the Group had recognized revenue of CHF 18.9 million related to the amortization of the upfront payment over the estimated development period at that time. In addition, for the years ended December 31, 2011 and 2010, the Group received net reimburse-

ments for R&D activities performed under this agreement of CHF 0.6 million and CHF 7.6 million, respectively. Both companies will continue to work on the discovery and development of new orexin receptor antagonist therapies based on the orexin alliance formed in July 2008.

In 2006, the Group entered into an agreement with Roche to jointly develop and commercialize the Group's selective $S1P_1$ receptor agonist. Following the new alignment of its strategic research portfolio, Roche terminated the agreement effective June 7, 2010. With the termination of the collaboration the unamortized deferred revenue balance of CHF 77.2 million was recognized over the remaining contractual period, which ended June 7, 2010. The Group continues its research and development efforts to improve medical care for patients with autoimmune disorders.

In December 2003, the Group and Merck formed an exclusive worldwide alliance to discover, develop and market new classes of renin inhibitors. This alliance enables the Group and Merck to combine their discovery, development and marketing capabilities with the goal to efficiently provide innovative and better medicines to patients suffering from cardio-renal diseases. Development funding is initially shared by both parties, with Merck fully responsible to fund pivotal Phase III and outcome studies.

Merck will lead and fund commercialization, whereas the Group retains a worldwide option to co-promote any product resulting from this alliance as a paid-for sales force. From December 2006 till December 2007 Merck made upfront and milestone payments in the total of USD 47 million (CHF 57.4 million). All payments have been deferred and were recognized over the expected co-development period, which ended December 31, 2009. Consequently, for the years ended December 31, 2011 and 2010 the Group did not recognize revenue under the agreement. The Group will be eligible to receive additional payments of up to USD 225 million for the successful commercialization of the first collaboration product as well as certain milestone payments for the successful commercialization of additional products. Merck will pay the Group substantial royalties on the sale of all products resulting from this alliance.

In December 2000, the Group entered into an agreement with Genentech Inc. ("Genentech") for the co-exclusive, royalty-bearing right and license to research, develop, manufacture and sell bosentan, the active ingredient in Tracleer®, in the United States. Upon signing the contract the Group received an upfront payment of USD 35 million (CHF 56.4 million), which is being amortized over the life of the agreement. In December 2001, the Group received FDA approval for bosentan in the United States for the treatment of PAH and began paying Genentech a royalty on net sales. For each of the years ended December 31, 2011 and 2010, the Group recognized revenue of CHF 4.9 million related to this agreement.

In February 2000, the Group entered into an agreement with Genentech for the co-exclusive, royalty-bearing right and license to research, develop, manufacture and sell tezosentan in the United States. Genentech may elect to co-promote the drug for certain indications in the United States or receive a royalty on net sales of tezosentan in the United States. Upon signing the contract the Group received an upfront payment of USD 15 million (CHF 24.7 million), which is being recognized over the life of the agreement. For each of the years ended December 31, 2011 and 2010, the Group recognized revenue of CHF 1.5 million, respectively, under this agreement.

NOTE 5.
INCOME TAXES

The following table sets forth the income before income tax expense:

	For the twelve months ended December 31,	
	2011	**2010**
Switzerland	262,216	483,292
Foreign	(331,517)	(42,431)
Total income (loss) before income tax expense	**(69,301)**	**440,861**

The following table sets forth the current and deferred income tax expense:

	For the twelve months ended December 31,	
	2011	**2010**
Current tax expense		
Switzerland	20,801	31,572
Foreign	27,241	19,344
Total current tax expense	**48,042**	**50,916**
Deferred tax (benefit) expense		
Switzerland	1,026	1,015
Foreign	27,950	(1,627)
Total deferred tax (benefit) expense	**28,976**	**(612)**
Total income tax expense	**77,018**	**50,304**

Income taxes payable and accrued as of December 31, 2011 and 2010, amounted to CHF 42.9 million and CHF 45.4 million, respectively. Significant components of the Group's deferred tax assets as of December 31, 2011 and 2010, are shown below. As of December 31, 2011 and 2010, a valuation allowance of CHF 190.3 million and CHF 46.6 million, respectively, has been recognized for certain Group companies primarily based on their historical cumulative operating losses. The increase in valuation allowance in 2011 is mainly related to losses deriving from the litigation provision (See Note 17. Commitments, contingencies and guarantees), which the Group does not expect to be utilizable.

Deferred tax assets	December 31,	
	2011	**2010**
Net benefit from operating loss carry forward	52,414	70,995
Deferred revenue	781	1,225
Stock compensation expense	14,721	29,126
Accrued expenses	7,317	11,958
Intangible assets	5,305	7,275
Tax credits	13,146	8,610
Long-term financial debt	12,846	6,999
Litigation provisions	133,367	-
Other temporary differences	10,362	9,064
Deferred tax assets	**250,259**	**145,252**
Valuation allowance for deferred tax assets	(190,302)	(46,552)
Total deferred tax assets	**59,957**	**98,700**

Deferred tax liabilities	December 31,	
	2011	2010
Intangible assets	26,865	35,265
Other temporary differences	822	7,313
Total deferred tax liabilities	**27,687**	**42,578**

Deferred tax assets and liabilities are presented net in the balance sheet. The total offset amount in 2011 and 2010 is CHF 27.3 million and CHF 42.3 million, respectively.

As of December 31, 2011, the gross value of unused tax loss carry forwards with their expiry dates is as follows:

	Tax losses
One year	73
Two years	-
Three years	-
Four years	-
Five years	631
Six years	-
Seven years	-
More than seven years	233,898
Total tax losses	**234,602**

Reconciliation between the effective income tax expense and expense computed using the Swiss statutory tax rate of 20.6%:

	2011	2010
Tax at Swiss statutory tax rate	(14,276)	90,817
Non deductible expenses	3,075	6,941
Non taxable income	(28,576)	(68,734)
Tax rates different from the Swiss statutory rate	(52,926)	741
Tax credits	(4,536)	(777)
Tax reserve build (release)	14,726	(637)
Change in valuation allowance	143,750	30,028
Other items	15,781	(8,075)
Effective income tax expense	**77,018**	**50,304**

The tax benefit of tax loss carry forwards used in the years 2011 and 2010 are CHF 38.7 million and CHF 32.9 million, respectively. The impact of changes in enacted tax rates on deferred tax assets for the year 2011 is CHF 6.6 million.

The movements of the uncertain tax positions for 2011 and 2010 are as follows:

	2011	2010
Uncertain tax positions, beginning of year	42,520	43,157
Additions based on tax positions related to the current period	14,200	13,048
Additions based on tax positions of prior years	1,785	334
Reductions based on tax positions of prior years	(877)	(11,863)
Foreign exchange	(382)	(2,156)
Uncertain tax positions, end of year	**57,246**	**42,520**

Future recognition of uncertain tax positions of CHF 27.3 million and CHF 20.3 million would affect the effective tax rate in 2011 and 2010, respectively. In 2011 and 2010, the Group recognized tax expense of CHF 1.9 million and CHF 1.3 million related to interest and penalties on tax positions, respectively. The statute of limitations for assessment in the major jurisdictions in which the Group operates is open for the years 2006-2011. The Group has identified tax positions amounting to CHF 8.6 million related to closing of tax periods under review for which it is reasonably possible that a significant change will occur during the next twelve months.

NOTE 6.
EARNINGS PER SHARE

Basic and diluted earnings per share ("EPS") are based on weighted-average common shares and generally exclude shares that would have an anti-dilutive effect. For the twelve months ended December 31, 2011 and 2010, 15,398,483 and 14,846,501 anti-dilutive shares were excluded from the EPS calculation, respectively. In accordance with ASC 260-10-45-19, the Group did not consider any potential common shares in the computation of diluted EPS as of December 31, 2011, due to the loss from continuing operations.

The following table sets forth the basic and diluted earnings per share calculations:

	2011		2010	
	Basic	**Diluted**	**Basic**	**Diluted**
Numerator				
Net income (loss)	(146,319)	(146,319)	390,557	390,557
Net income (loss) available for earnings per share calculation	**(146,319)**	**(146,319)**	**390,557**	**390,557**
Denominator				
Weighted-average number of common shares	118,831,959	118,831,959	119,053,356	119,053,356
Incremental shares for assumed conversion:				
Convertible bond	-	-	-	29,769
Share options	-	-	-	2,310,493
Total average equivalent shares	**118,831,959**	**118,831,959**	**119,053,356**	**121,393,618**
Earnings per share	**(1.23)**	**(1.23)**	**3.28**	**3.22**

NOTE 7.
CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at December 31:

	2011	2010
Cash [1]	1,276,436	1,193,255
Short-term bank deposits	4,601	2,690
Total	**1,281,037**	**1,195,945**

[1] Contains CHF 0.5 million pledged for an unused credit line of CHF 5 million.

In January 2012, in conjunction with the Asahi litigation, certain insurance companies issued USD 623.6 million (CHF 585.9 million) in surety bonds which were posted as collateral at the California Court of Appeal, US, in order to securitize the awards granted to Asahi by the State Court in California, US - See Note 17. Commitments, contingencies and guarantees. Consequently, in January 2012, the Group was required to pledge USD 375 million in cash or investments to secure the surety bonds and classified the amounts as restricted cash. The amount of cash collateral required could change depending on the progress of the appeal procedures and currency exchange fluctuations. As of December 31, 2011, no cash or investments were pledged to collateralize the surety bonds.

NOTE 8.
FINANCIAL ASSETS AND LIABILITIES

The following table states Group's financial assets and liabilities carried at fair value:

	December 31, 2011	Level 1	Level 2	December 31, 2010	Level 1	Level 2
Financial assets carried at fair value [1]						
Cash and cash equivalents	1,281,037	1,281,037	-	1,195,945	1,195,945	-
Derivative financial instruments	1,457	-	1,457	35,248	-	35,248
Debt securities [2]	5,520	5,520	-	-	-	-
Equity securities	-	-	-	13,261	13,261	-
Total	**1,288,014**	**1,286,557**	**1,457**	**1,244,454**	**1,209,206**	**35,248**
Financial liabilities carried at fair value [1]						
Derivative financial instruments [3]	22,687	-	22,687	-	-	-
Contingent consideration	See Note 2. Acquisitions for Level 3 disclosures					
Total	**22,687**	**-**	**22,687**	**-**	**-**	**-**

[1] For the twelve months ended December 31, 2011, no transfers to or from Level 1 and Level 2 took place.

[2] Included in marketable securities.

[3] Included in other short-term liabilities.

Derivative financial instruments

Derivative financial instruments are deployed to manage foreign currency and interest rate exposures and are not used for speculative purposes (See Note 1. Description of a business and summary of significant accounting policies).

The following tables reflect the contract or underlying principal amounts and fair values of derivative financial instruments analyzed by type of contract as of December 31, 2011 and 2010. Contract or underlying principal amounts indicate the volume of outstanding positions at the balance sheet date and do not represent amounts at risk.

Derivative financial instruments not designated as hedging instruments	Contract or underlying principal amount	Location of gain or (loss) recognized in income on derivatives	Amount of gain recognized in income on derivatives	Amount of (loss) recognized in income on derivatives
December 31, 2011				
Forward rate contracts	301,634	Other financial income (expense), net	50,479	(59,426)
Total	**301,634**		**50,479**	**(59,426)**
December 31, 2010				
Forward rate contracts	398,550	Other financial income (expense), net	42,734	(6,904)
Total	**398,550**		**42,734**	**(6,904)**

Derivative financial instruments not designated as hedging instruments	Asset derivatives		Liability derivatives	
	Balance Sheet location	Fair value	Balance Sheet location	Fair value
December 31, 2011				
Forward rate contracts	Derivative instruments	1,457	Other current liabilities	22,687
Total		**1,457**		**22,687**
December 31, 2010				
Forward rate contracts	Derivative instruments	35,248	Other current liabilities	-
Total		**35,248**		**-**

As of December 31, 2011 and 2010, all foreign currency forwards are privately negotiated OTC contracts with maturities of twelve months or less and entered into with counterparties with a minimum Standard & Poor's ("S&P") credit rating of A+. The Group determines the fair value of these derivative contracts using an income-based industry standard valuation model which utilizes counterparty information and other observable inputs, which include foreign currency spot rates, forwards points and stated maturities.

Derivative financial instruments include gross unrealized losses of CHF 56.5 million, all related to foreign currency transactions (December 31, 2010: gross unrealized gains of CHF 24.3 million), which have been recorded in other financial income (expense), net.

Credit and interest rate risk related to derivative and money market instruments

The Group is exposed to credit losses in the event of non-performance by counterparties, which are creditworthy financial institutions with S&P credit ratings as of December 31, 2011, in a range from A to AAA and partially protected by a Swiss state guarantee or owned by such public authorities. The Group has not experienced any credit loss in the past and believes that the risk of loss related to counterparties in derivative contracts and money market instruments is remote.

In addition, the Group reviews on an ongoing basis the creditworthiness of counterparties to foreign exchange and interest rate agreements. The Group has not experienced and does not expect to incur any significant losses from failure of counterparties to perform under these agreements. There are no significant concentrations of credit risk related to the Group's investments in money market instruments and derivatives with any individual counterparty (See Note 22. Concentrations).

Marketable securities

Equity Securities
During 2011 the Group sold equity investments, which were classified as available-for-sale marketable securities and recorded under long-term financial assets. In conjunction with the sale, the Group received cash proceeds of CHF 7 million, reclassified unrealized holding gains of CHF 0.1 million, which were accumulated as of December 31, 2010, in AOCI, from other comprehensive income (loss) to net income and realized a loss of CHF 6.2 million. Transaction costs were immaterial.

Debt Securities
In late December 2010, the Greek government initiated a program to settle outstanding hospital debt for the years 2007 to 2009 with zero coupon bonds and maturities from December 2011 to December 2013. The program followed a Greek law issued in August 2010 applicable to pharmaceutical companies and healthcare providers. The Group participated in the program and followed a predefined certification process on identification of qualifying receivables. As of December 31, 2010, there were no bonds in possession of the Group. Consequently, in 2010 the Group adjusted its allowance for doubtful accounts upon consideration of available information on the expected discounts on the bonds.

In 2011, in conjunction with the settlement of the Greek hospital debt for the years 2007 to 2009, the Group received zero-coupon bonds with face value of EUR 23.6 million in total and maturities from December 2011 to December 2013, which have been classified as AFS and recorded under short-term marketable securities. The fair value of the bonds at issuance amounted to EUR 17.7 million. The difference between the fair value of the bonds and their redemption amount has been provided for as an adjustment to the allowance for doubtful accounts as of December 31, 2010.

The bonds can be settled in cash at any time until maturity at the prevailing market rate at the time of sale. As the settlement of the receivables with debt instruments represents a cashless exchange of assets, the transaction did not have an impact on the statement of cash flows, except for the cash proceeds from the sale or repayment of these instruments, which are recorded within the investment section in the consolidated statement of cash flows.

For the twelve months ended December 31, 2011, the Group sold a portion of the bonds, received cash proceeds of EUR 1.98 million (CHF 2.4 million) and realized a loss of EUR 0.3 million (CHF 0.3 million). On December 22, 2011, EUR 2.2 million (CHF 2.6 million) have been repaid in accordance with their contractual maturity. The Group realized a gain of EUR 0.5 million (CHF 0.7 million) which offset the other than temporary impairment recognized during the first three quarters of 2011 of EUR 0.3 million (CHF 0.4 million) and the discount at bond issuance of EUR 0.2 million (CHF 0.3 million).

At December 31, 2011, the amortized cost value of the outstanding debt securities with maturities in 2012 and 2013 amounts to EUR 7.7 million (CHF 9.3 million) and is above the fair value of these investments by EUR 3.1 million (CHF 3.8 million). Taking into consideration the economic downturn and the severe debt crisis currently impacting Greece, the multiple decrease in the country's risk rating by all major rating agencies in the last twelve months and the likelihood of the Group being required to sell the securities before recovery of the entire amortized cost basis, which may be at maturity, the Group believes that the decline in market value of the bonds since issuance is attributable to the reduction of the credit quality of the issuer and as such relates to a loss of cash flows expected to be collected. Consequently, for the twelve months ended December 31, 2011, the Group has recognized all decreases in the fair value of the bonds as other than temporary impairment in the total of EUR 9.3 million (CHF 11.3 million), which has been classified as impairment on financial assets in the consolidated income statement.

Purchase option Trophos

On July 19, 2010, the Group obtained, for a consideration of EUR 10 million (CHF 13.4 million), an option to acquire Trophos SA, a French clinical stage pharmaceutical company ("Trophos") developing drugs for patients with neurodegenerative diseases. The exercise of the option was contingent on the Group's receipt and review of the results of an ongoing Phase III study with olesoxime.

In line with the Group's policy to account for purchase options that do not meet the definition of a derivative as outlined in the Codification Master Glossary and because it represented an advance for the purpose of control, the purchase option was initially recorded at cost as a long-term financial asset and subsequently accounted for at its original cost, less any recorded impairment losses.

On December 13, 2011, following the disclosure of the Phase III results in patients suffering amyotrophic lateral sclerosis (ALS) the Group decided not to exercise the option to acquire Trophos SA. Consequently, the long-term financial asset has been written-off and classified as impairment on financial assets in the consolidated income statement.

Financial liabilities carried at amortized cost

The following table states Group's financial liabilities carried at amortized cost:

	December 31, 2011	December 31, 2010
Short-term financial debt	-	444,040
Long-term financial debt	235,578	-
Total	**235,578**	**444,040**

The long-term financial debt balance of CHF 235.6 million as of December 31, 2011, relates to the issuance of a bond during 2011, while the short-term financial debt balance of CHF 444 million as of December 31, 2010 represents the net carrying amount of the liability component of the 2006 convertible bond, which was repaid on November 22, 2011 (See Note 15. Borrowings and Note 1. Description of business and summary of significant accounting policies).

NOTE 9.
TRADE AND OTHER RECEIVABLES

Trade and other receivables consisted of the following at December 31:

	2011	2010
Trade receivables	527,547	493,015
Other receivables	55,827	38,841
Trade and other receivables, gross	**583,374**	**531,856**
Allowance for doubtful accounts	(46,893)	(11,824)
Total trade and other receivables, net	**536,481**	**520,032**

In 2011 and 2010, the Group transferred EUR 6.9 million (CHF 8.5 million) and EUR 7.6 million (CHF 10.4 million), respectively, of its trade accounts receivable owned by foreign subsidiaries to third-party financial institutions without recourse. None of these financial institutions meets the criteria of a VIE subject to consolidation (See Note 1. Description of business and summary of significant accounting policies). The consideration received was paid in cash. The factoring transactions were accounted for as a sale and the related receivables excluded from the accompanying consolidated balance sheets. Transaction costs and net gains (losses) realized were not material.

As of December 31, 2011 and 2010, approximately 44% and 51% of trade accounts receivables are due from public institutions funded by governmental agencies in certain Southern European countries. For concentration of credit risk related to Group's trade receivables – see Note 22. Concentrations.

NOTE 10.
INVENTORIES

Inventories consisted of the following at December 31:

	2011	2010
Semi-finished products	40,449	37,786
Finished products	23,410	21,539
Total	**63,859**	**59,325**

Semi-finished products primarily include active pharmaceutical ingredients used in production of finished goods.

NOTE 11.
OTHER CURRENT ASSETS

Other current assets consisted of the following at December 31:

	2011	2010
Unearned income	1,033	758
Prepaid expenses	32,778	40,888
Issuance cost convertible bond	-	1,416
Total	**33,811**	**43,062**

NOTE 12.
GOODWILL AND INTANGIBLE ASSETS

Except for the effect of foreign currency translation, the net carrying amount of goodwill has not been adjusted in the current reporting period. The following table summarizes the changes in 2011:

Balance at January 1	Translation effects	Balance at December 31
75,004	(64)	74,940

Intangible assets other than goodwill consisted of the following at December 31:

	2011			2010		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Acquired licenses	258,447	(124,822)	133,625	258,678	(92,061)	166,617
Acquired IPR&D intangibles	58,305	-	58,305	58,305	-	58,305
Acquired software and other	33,615	(21,278)	12,337	29,172	(13,540)	15,632
Total	**350,367**	**(146,100)**	**204,267**	**346,155**	**(105,601)**	**240,554**

In 2010, the Group abandoned fully amortized intangible assets related to acquired software in the total amount of CHF 10.6 million, respectively. The gross carrying amounts of the respective asset class and the related accumulated amortization have been reduced correspondingly.

The aggregated amortization expense of intangible assets was CHF 39.2 million and CHF 43.1 million in 2011 and 2010, respectively. The weighted-average amortization period for acquired licenses amounts to 8 years and for acquired software 3 years (See Note 1. Description of business and summary of significant accounting policies and Note 3. Licensing agreements)

The expected future annual amortization expense of intangible assets other than goodwill and IPR&D assets is as follows:

For the year ending December 31,	Amortization expense
2012	38,902
2013	35,325
2014	32,204
2015	11,444
2016	8,890
Thereafter	19,197
Total expected future amortization	**145,962**

NOTE 13.
PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at December 31:

	2011	2010
At cost:		
Land	30,273	30,240
Buildings	213,233	40,583
Furniture and fixtures and lab equipment	148,485	118,568 [1)]
Computers	28,580	27,848
Other tangible assets	29,587	24,809 [1)]
Construction in progress	116,813	245,058
Less: Accumulated depreciation	(142,312)	(88,150) [1)]
Property, plant and equipment, net	**424,659**	**398,956**

[1] These amounts exclude fully depreciated furnitures and fixtures and lab equipment of CHF 35.7 million and other tangible assets of CHF 2.7 million, which were still in use as of December 31, 2010, and abandoned in their majority in 2011.

In 2011 and 2010, the Group abandoned fully depreciated tangible assets related to computers, furniture, fixtures and lab equipment and other tangible assets in the total amount of CHF 26 million and CHF 5.8 million, respectively. The gross carrying amounts of the respective asset classes and the related accumulated depreciation have been reduced correspondingly.

For the twelve months ended December 31, 2011 and 2010, the Group invested CHF 68.5 million and CHF 155 million in tangible assets, respectively. As of December 31, 2011 and 2010, CHF 21.7 million and CHF 42.6 million of those were unpaid and appropriately excluded from presentation in the consolidated statements of cash flows. Depreciation expense of property, plant and equipment including capital leases was CHF 43.7 million and CHF 35.7 million in 2011 and 2010, respectively. Gains and losses on asset disposals were not material.

NOTE 14.
ACCRUED EXPENSES

Accrued expenses consisted of the following at December 31:

	2011	2010
Personnel and compensation costs	110,777	114,845
Accrued taxes	44,775	47,422
Rebates and allowances	106,113	84,457
Research and development	33,411	38,653
Marketing and royalties	15,157	14,903
Fixed assets	20,012	42,013
Inventory	1,181	1,301
Professional services	13,027	17,656
Other accrued expenses	21,014	26,095
Total	**365,467**	**387,345**

NOTE 15.
BORROWINGS

The aggregate contractual maturities of all debt obligations due subsequent to December 31, 2011 are as follows:

Date	2011 Bond	
December 7,	**Type of payment**	**in CHF**
2012	Annual interest	11,456,250
2013	Annual interest	11,456,250
2014	Annual interest	11,456,250
2015	Repayment of debt incl. annual interest	246,456,250
Thereafter		-
Total		**280,825,000**

As of December 31, 2011, the total book value of all debt obligations was 235.6 million and consisted of CHF 235 million related to the principal amount of the bond issued in 2011 and CHF 0.6 million related to the unamortized portion of the premium received at issuance of the bond.

2011 bond

On December 7, 2011, the Group issued CHF 235 million in 4.875% interest bearing bonds ("2011 bond") with maturity at par on December 7, 2015. The issue price was set at 100.25%. Interest is payable annually on December 7 in arrears. The Group has the right without the consent of the current 2011 bonds' holders to reopen this issue by the issuance of further bonds which will be fungible with the currently outstanding bonds (i.e. identical especially in respect of the terms of the bonds, final maturity and interest rate). In addition, at any time, the Group is entitled to purchase 2011 bonds in the open market or otherwise, at any price and at the option of the Group, the bonds may be held, resold or surrendered for cancellation. If purchases are made by tender, tenders for such bonds have to be made available to all holders of the 2011 bonds alike. Up to two months prior to the maturity date on December 7, 2015, and within 30 days following a change of control notice by the Group, the 2011 bond is, in accordance with its terms, redeemable at the option of the bond holders. Subject to a period of not less than 30 nor more than 60 days prior notice, the Group may redeem the bonds at any time prior to the maturity date, in whole, but not in part only, at par plus accrued interest, if 85% or more of the aggregate principal amount have been redeemed or purchased and cancelled at the time of such notice.

The 2011 bond is listed on the SIX Swiss Exchange. As of December 31, 2011, its fair value amounts to 104.25%.

The Group accounts for the 2011 bond at amortized cost. The difference between the proceeds received and the principal amount due on redemption (premium) of CHF 0.6 million and the debt issuance costs of CHF 2.9 million are amortized over the duration of the bond and are recognised, using the effective interest rate method, as amortization of debt premium and debt issuance costs in the income statement. At December 31, 2011, other non-current assets include debt issuance costs of CHF 2.9 million.

As of December 31, 2011, the Group recognized CHF 0.8 million interest expense related to the accrued interest payable on December 7, 2012, and CHF 0.04 million related to the amortization of the premium and the debt issuance cost, net.

2006 convertible bond

In November 2006, the Group issued CHF 460 million in zero coupon convertible bonds ("2006 convertible bond") with a yield to maturity of zero percent. The conversion price was CHF 54.17 per share, issue and redemption price were set at 100% and the bond was non-callable for life. On or after June 30, 2007, and until the 30th trading day prior to the maturity date on November 22, 2011, the 2006 convertible bond was, in accordance with its terms, convertible free of charge into cash up to the principal amount and any conversion value above the principal amount may have been settled, at the option of the Group, into cash or shares or a combination of cash and shares. The maximum amount of shares that could have been delivered should all bondholders have converted was 8,492,099. As the 2006 convertible bond was convertible since June 30, 2007, for cash up to the principal amount and there were no contingencies to be met for the bondholders to be able to convert, the 2006 convertible bond was classified as short-term debt. The conversion option expired unutilized on October 22, 2011.

On November 9, 2011, the Group purchased at 99.5% and cancelled 2006 convertible bonds with a face value of CHF 10 million. On November 22, 2011, the Group repaid the remaining 2006 convertible bonds with a face value of CHF 450 million.

Due to the cash conversion option the Group bifurcated the liability and equity components of the bond, applying an effective interest rate of 3.995% to determine the carrying amount of the liability component. As of December 31, 2010, the carrying amount of the equity component, net of debt issuance costs, was recorded in additional paid-in capital and amounted to CHF 80.2 million. As of December 31, 2010, the unamortized discount and the net carrying amount of the liability were CHF 16 million and CHF 444 million, respectively.

For the twelve months ended December 31, 2011 and 2010, the Group recognized interest expense of CHF 15.9 million and CHF 17.1 million, respectively, which related to the amortization of the discount on the liability component. The discount was amortized till maturity date of the bond.

Credit facilities

At December 31, 2011, the Group had a credit line of CHF 10 million as margin cover for over-the-counter trades, a credit line of CHF 5 million deployable for issuance of letters of credit, a credit line of JPY 500 million (CHF 6.1 million) established as an overdraft facility and senior mortgage certificates in the total amount of CHF 15.9 million. All credit facilities were unused as of December 31, 2011.

NOTE 16.
LEASE COMMITMENTS

Operating leases

The Group has several operating leases for its office space, R&D facilities and various equipment. The leases expire between 2012 and 2077, most of them with options to extend for one to twentyfive years. The aggregate of the minimum annual operating lease payments are expensed on a straight-line basis over the term of the related lease. The amount by which straight-line rent expense differs from actual lease payments is recognized as either prepaid rent or deferred rent liability and is amortized in later years.

Future minimum payments under non-cancelable operating and capital leases at December 31, 2011, are as follows:

For the year ending December 31,	Operating leases	Capital leases
2012	29,677	57
2013	21,568	53
2014	15,336	53
2015	12,358	-
2016	9,590	-
Thereafter	40,790	-
Total minimum payments	**129,319**	**163**
Less amounts representing interest		(7)
Present value of future lease payments		**156**
Less current portion of lease payments		(53)
Non-current portion of lease payments		**103**

Rent expense under operating leases was CHF 36 million and CHF 35 million for the years ended December 31, 2011 and 2010, respectively.

NOTE 17.
COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments

In the context of its ongoing facility expansion, the Group has entered into capital commitments totaling CHF 5.8 million (2010: 38.3 million), with the majority of this amount expected to be paid during 2012.

In the ordinary course of business the Group has entered into purchase commitments related to long-term manufacturing and supply agreements in the total amount of CHF 11.5 million for 2012, CHF 5.6 million for 2013, CHF 3.6 million for 2014, CHF 4.3 million for 2015 and CHF 4.8 million for 2016.

Contingencies

The Group records accruals for loss contingencies to the extent that their occurrence is deemed to be probable and the related damages are estimable. If a range of liability is probable and estimable and some amount within the range appears to be a better estimate than any other amount within the range, the Group accrues that amount. If a range of liability is probable and estimable and no amount within the range appears to be a better estimate than any other amount within the range, the Group accrues the minimum of such probable range. Interest on litigation is accrued on a prospective basis and classified as non-operating expense. Litigation claims that the Group is involved in involve highly complex issues which are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. Consequently, the Group cannot reasonably estimate the maximum potential exposure or the range of possible loss in excess of amounts accrued for these contingencies. These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions (See Note 1. Description of business and summary of significant accounting policies: Use of estimates). The Group's assessments are based on estimates and assumptions that have been deemed reasonable by management. Litigation is inherently unpredictable, and excessive verdicts do occur. Although we believe we have substantial defenses in these matters, we could in the future incur judgments or enter into settlements of claims that could have a material adverse effect on our results of operations in any particular period.

Asahi Kasei Litigation
On November 19, 2008, plaintiff Asahi Kasei Pharma Corporation ("Asahi") filed a complaint at the State Court in California, US, against Actelion Ltd and its subsidiaries Actelion Pharmaceuticals US Inc., Actelion Pharmaceuticals Ltd, Actelion US Holding Company, CoTherix, Inc. ("CoTherix") and three individual officers. The action arises from a dispute involving the license and development agreement between Asahi and CoTherix for the drug compound fasudil that has been terminated upon the acquisition of CoTherix in 2007. In its Third Amended complaint Asahi had asserted claims for interference with contract, interference with prospective economic advantage, breach of confidentiality agreement, breach of common law duty of confidence, claims under California's false advertising statute, and violations of California's Cartwright Act, and violations of California's unfair competition law. The jury trial began in February 2011 at the State Court in San Mateo County, California, and continued until May 4, 2011. On procedural grounds the trial continued until November 18, 2011, when the final judgment was issued. Prior, during or subsequent to the jury trial Asahi voluntarily dismissed the claims under the California's false advertising statute and California's unfair competition law. The Court granted summary adjudication in favor of Actelion on the Cartwright Act claims and granted CoTherix summary adjudication on all claims against it. Asahi appealed the dismissal of the Cartwright Act claims against CoTherix, and that appeal was argued on January 19, 2012. A decision is anticipated in the first quarter of 2012.

On May 4, 2011, a jury awarded Asahi USD 547 million in compensatory damages and USD 30 million in punitive damages. In subsequent motions Actelion requested an election between damages of USD 358.95 million for alleged lost profits and USD 187.4 million for alleged development costs or a new trial. In addition, the motions requested a deduction of USD 78.4 million from either amount based on the previous payment related to the arbitration proceedings in 2009.

On July 28, 2011, the State Court granted Actelion's motion for offset of the previous arbitration payment and applied a reduction of USD 70.35 million on the original jury verdict. On October 20, 2011, the State Court granted Actelion's motion for a new trial on compensatory damages contingent on an Asahi's consent to a reduction of the jury award by further USD 99.2 million. Following Asahi's consent to this reduction, on November 18, 2011, the State Court issued final judgment for USD 377.3 in compensatory damages, USD 30 million in punitive damages and USD 0.3 million in cost reimbursements. In addition, should this final judgement be confirmed by the California Court of Appeal, Asahi would be entitled to receive pre-judgment interest of USD 8.1 million and additional simple post-judgment interest of 10% p.a., which will be applied on the total amount of the awards until paid.

Consequently, the Group recorded a provision of USD 407.7 million, which represents the final amount awarded to Asahi by the State Court and which led to a net loss for the twelve months ended December 31, 2011. Furthermore, as of December 31, 2011, the Group provided for the estimated amount of interest of USD 23.1 million. Since denominated in USD, both contingencies are revalued at each reporting date.

The Group appealed the entire judgment in December 2011. The amount of cash to be paid, if any, or the timing of such payment will depend on the outcome of the appeal process. Because a resolution of the case is not expected within the next twelve months the provision and the corresponding interest have been recorded as a litigation provision.

In conjunction with the appeal, in January 2012, the Group was required to provide surety bonds in total of USD 623.6 million (CHF 585.9 million) at the California Court of Appeal, US, in order to securitize the awards granted to Asahi by the State Court in California, US. The surety bonds were issued and posted as collateral by certain insurance companies at the California Court of Appeal, US in January 2012. In return, the Group was required to pledge USD 375 million in cash or investments in order to secure the surety bonds - See Note 7. Cash and cash equivalents. The amount of cash collateral required could change depending on the progress of the appeal procedures and currency exchange fluctuations. As of December 31, 2011, the cash required as collateral was not restricted.

US Department of Justice Investigation
In September 2010, a Group's subsidiary received a subpoena from the US Attorney's Office for the Northern District of California, requesting documents relating, among others, to marketing and sales practices of Tracleer® (bosentan) in the United States. As of December 31, 2011, the investigation is ongoing and the Group cannot evaluate the final outcome.

Guarantees
In order to secure its obligations from derivative trading, cash pooling, overdraft facilities and forward transactions in foreign currencies, the Group has issued guarantees and a letter of indemnity to various financial institutions in the total amount of CHF 76.9 million.

In the ordinary course of business the Group has entered into certain guarantee contracts and letters of credit amounting to CHF 5.2 million. The guarantees primarily relate to operating leases and credit lines for subsidiaries in foreign jurisdictions. Due to the nature of these arrangements, the Group has never been required to make payments under these contracts and does not expect any potential required future payments to be material.

NOTE 18.
PENSION PLANS

Swiss Employee Pension Plan
The Group maintains a pension plan (the "Basic Plan") covering all of its employees in Switzerland. The Plan insures remuneration up to a maximum annual base salary of CHF 150,000 as well as additional cash incentives paid voluntarily by the Group to its employees. In addition to retirement benefits, the Basic Plan provides benefits on death or long-term disability of its employees.

The Basic Plan is organized under the legal form of a pension foundation. The Group and its employees pay retirement contributions, which are defined as a percentage of the employees' covered salaries. Interest is credited to the employees' accounts at the minimum rate provided in the Basic Plan, payment of which is guaranteed by the insurance contract, which represents the Basic Plan's primary asset. In 2011, the guaranteed interest rate for withdrawal benefits amounted to 2% for the mandatory portion of the contributions paid and 1.5% for the non-mandatory portion of the contributions paid. Future benefit payments are managed by the insurance company. The foundation entered into an insurance contract with a third party insurance company to minimize the risk associated with the pension obligation. This investment strategy was adopted as a means to reduce the uncertainty and volatility of the Basic Plan's assets for the Group. Investment strategy and policies are determined by the insurance company. The foundation council's decision power in relation to investment strategies and asset allocation is limited to the amount of available unappropriated foundation reserves as determined by Swiss pension law. The targeted allocation for these funds (if any) is as follows:

Asset category	Targeted allocation
	Ranges in %
Cash and notes receivable issued by banks or insurance companies	0–100%
Equity securities Switzerland including funds	0–30%
Equity securities foreign issuers including funds	0–20%
Debt securities in CHF including funds	0–100%
Debt securities in foreign currencies including funds	0–20%
Real estate including funds	0–30%

Swiss Management Pension Plan
The Group also maintains a defined benefit plan ("the Swiss Management Pension Plan") that also provides retirement benefits and risk insurance for death and disability for components of remuneration in excess of the maximum insurable amount of base salary described in the previous paragraph. The Swiss Management Pension Plan insures base salary above CHF 150,000, and annual incentives, up to an aggregate maximum of CHF 835,200. It is funded through contributions by the Group and its employees.

The targeted allocation for plan assets is as follows:

Asset category	**Targeted allocation**
	Ranges in %
Cash and notes receivable issued by Swiss banks or insurance companies	0–100%
Equity securities Switzerland including funds	8–18%
Equity securities foreign issuers including funds	8–18%
Swiss debt securities in CHF including funds	29–48%
International debt securities in CHF including funds	10–22%
Debt securities in foreign currencies including funds	4–12%
Real Estate Switzerland including funds	0–10%

In addition, the Group maintains other pension plans outside Switzerland, which are not material to the Group. The Group uses a measurement date of December 31 for all pension plans.

Net periodic benefit costs for the Group's defined benefit pension plans include the following components:

	For the twelve months ended December 31,	
	2011	**2010**
Service cost	19,652	15,651
Interest cost	6,102	6,142
Expected return on plan assets	(6,361)	(4,525)
Amortization of net actuarial (gain) loss	1,638	198
Net periodic benefit cost	**21,031**	**17,466**

The following table provides the weighted average assumptions used to calculate net periodic benefit cost and the actuarial present value of projected benefit obligations ("PBO") as of December 31:

Weighted average assumptions to determine net cost	**2011**	**2010**
Discount rate for all defined benefit plans of the Group	2.52%	2.53%
Salary increase	2.01%	2.51%
Long-term rate of return on assets	3.10%	3.10%

The present value of the PBO is determined using the projected unit credit method (See Note 1. Description of business and significant accounting policies). For active plan participants, the PBO corresponds to the present value of retirement, survivors', disability and termination benefits on the measurement date and considers future salary and pension increases as well as service termination probabilities. For retirees, the PBO corresponds to the present value of the current annuity, including future pension increases. As at December 31, 2011, the Group applied mortality and disability probabilities as outlined in the BVG 2010 generation tables (December 31, 2010: BVG 2005 periodic tables). The BVG 2010 tables represent the most recently updated basis for such assumptions commonly applied by independent actuaries in Switzerland. The use of the generation tables resulted in an increase of the projected benefit obligation by CHF 7.8 million, compared to the PBO that would have resulted, had the Group used the BVG 2010 periodic tables. The Group decided on the application of the generation tables as these already consider future increases in life expectancy and deliver as such more accurate results in respect of the PBO as of the measurement date.

The weighted average discount rate applied for the calculation of the PBO as at December 31, 2011, is 2.52%. A decrease of the discount rate by 0.25%, would increase the PBO by CHF 6.9 million.

The expected long-term rate of return on plan assets represents a weighted average of expected returns per asset category. It considers the real interest rate and the expected inflation as basis and adds the expected risk premiums per asset category. The expected risk premiums per asset category are verified with the historical yields based on publicly available information from various indices like SPI, MSCI Word in CHF, HFRI etc. In 2011, the Group has utilized an expected long-term rate of 3% for determination of the expected return on the Basic Plan's assets. For the other asset categories the Group has applied expected returns of 7% for Swiss equity securities, 6.5% for foreign equity securities, 3% for debt securities in CHF, 3.5% for debt securities in foreign currencies, 4.5% for Swiss real estate and 2% for liquidity, thus arriving at an overall expected long-term rate of return on plan assets of 3.1%. In 2010, the Group has utilized an expected long-term rate of 3% for determination of the expected return on the Basic Plan's assets and 7% for equity securities, 3% for debt securities in CHF, 3.5% for debt securities in foreign currencies, 4.5% for Swiss real estate, 5% for hedge funds and 2% for liquidity for determination of the expected long-term rate of return of the Swiss Management Plan's assets, thus arriving at an overall expected long-term rate of return on plan assets of 3.1%.

The following tables set forth the change in present value of obligations and change in fair value of plan assets at December 31, for the Group's pension plans:

Change in present value of obligations	**2011**	**2010**
Projected benefit obligation, beginning of year	230,227	171,141
Service cost	19,652	15,651
Interest cost	6,102	6,142
Plan participants' contribution	11,892	11,168
Benefits paid	(187)	(378)
Premiums paid	(4,513)	(4,742)
Net transfer in/out	(1,585)	6,956
Actuarial loss (gain)	(10,842)	24,908
Foreign currency exchange rate changes	21	(619)
Projected benefit obligation, end of year	**250,767**	**230,227**

Change in plan assets	**2011**	**2010**
Fair value of plan assets, beginning of year	194,156	158,041
Actual return on plan assets	3,374	8,734
Employer contributions	16,392	14,587
Plan participants' contributions	11,892	11,168
Benefits paid	(187)	(378)
Premiums paid	(4,513)	(4,742)
Net transfer in/out	(1,585)	6,956
Foreign currency exchange rate changes	(33)	(210)
Fair value of plan assets, end of year	**219,496**	**194,156**
Accumulated benefit obligation	**238,330**	**216,451**

The following table provides information about the fair value of the plan assets per asset category as of December 31:

Asset category	2011			2010		
	in CHF	as % of total plan assets	Level 2 in CHF	in CHF	as % of total plan assets	Level 2 in CHF
Basic Plan (Insurance contract)	198,083	90.25%	198,083	174,516	89.88%	174,516
Equity security funds	6,195	2.82%	6,195	5,910	3.04%	5,910
Debt securitiy funds	13,873	6.32%	13,873	12,287	6.33%	12,287
Real estate funds	1,295	0.59%	1,295	1,389	0.72%	1,389
Other	50	0.02%	50	54	0.03%	54
Total plan assets	**219,496**	**100%**	**219,496**	**194,156**	**100%**	**194,156**

Fair value of the Basic Plan's assets is the estimated cash surrender value of the insurance contract at the respective balance sheet date. The cash surrender value consists of the withdrawal benefits of the Basic Plan's members determined in accordance with the requirements of the Swiss pension law, benefits derived from surplus sharing by the insurance company of CHF 6.8 million (2010: 3.6 million) and premiums paid in excess to premiums owed by the Group of CHF 0.1 million (2010: 6.5 million).

The fair value of the Swiss Management Pension Plan's assets has been estimated using the net asset value per share of the investments. As of December 31, 2011 and 2010, the investments in all asset classes can be redeemed at any time without a notice or waiting period.

The debt security funds primarily invest in bonds of obligors with a minimum rating of A+ with a limitation for individual investments at 15% and limited exceptions for obligations of the Swiss Federation and countries with a minimum credit quality of AA. The equity security funds primarily invest in Swiss and foreign large caps with respective limitations of 25% and 15% per individual investment within the portfolio. The strategy of the real estate funds is to primarily invest in residential property from 50% to 75% and in lease of commercial use property from 60% to 90%.

The movement in the net asset or liability and the amounts recognized in the balance sheet as of December 31, were as follows:

	2011	2010
Present value of obligations	(250,767)	(230,227)
Fair value of plan assets	219,496	194,156
Funded status	**(31,271)**	**(36,071)**

Changes in other comprehensive income (loss)	**2011**	**2010**
Components of net periodic benefit costs, beginning of year	(35,981)	(17,318)
Net gain (loss) arising during the period	7,856	(20,698)
Amortization of net gain (loss)[1]	1,638	198
Foreign currency exchange rate changes	(54)	455
Taxes	(623)	1,382
Total included in other comprehensive income (loss), end of year	**(27,164)**	**(35,981)**

[1] In financial year 2011, the Group expects an amortization of not recognized components of net periodic benefit costs of CHF 0.5 million.

As of December 31, 2011, an amount of CHF 27.2 million net of tax related to the pension plans has been recognized in other comprehensive income (December 31, 2010: CHF 36 million). In principle, this represents not yet recognized components of net periodic benefit costs such as not amortized actuarial gains (losses) and, if applicable, not recognized prior year service costs or transition obligations that arise at initial adoption of changed authoritative guidance.

The expected future cash flows to be paid by the Group in respect of the pension plans as of December 31 were as follows:

Expected employer contributions	
2012 (estimated)	16,454
Expected future benefit payments	
2012	965
2013	2,762
2014	2,561
2015	3,770
2016	3,819
Next 5 years thereafter	30,732

Certain of the Group's subsidiaries sponsor defined contribution plans with Group's contributions fixed at 1% to 25% of the employee's annual salary. These plans are structured as saving schemes without further obligation of the Group. Total expense of these defined contribution plans was CHF 6.3 million and CHF 6.8 million in 2011 and 2010, respectively.

Significant concentrations of risk
The Group is exposed to a credit loss in the event of non-performance by the insurance company which is currently rated from Standard & Poor's with a stable BBB+. A significant portion of this credit risk is mitigated by a Swiss Federal Institution ("Sicherheitsfonds") stipulated by Swiss pension law. In the event of default of a Swiss pension plan this institution will cover the minimum benefits mandatorily required by Swiss pension law.

NOTE 19.
SHAREHOLDERS' EQUITY

Authorized capital
The Annual General Meeting on April 24, 2009, authorized the creation of authorized share capital to be used for strategic and/or financial business purposes. The Board of Directors is authorized to increase the Group's share capital to an amount of not more than CHF 31 million by issuance of not more than 62 million fully paid-in registered shares with a nominal value of CHF 0.50 per share. The authorization expired unutilized on April 24, 2011.

Conditional capital
Since inception, the Group has created conditional capital for the establishment of share option plans, convertible bonds and similar forms of financing. At December 31, 2011, the Group had conditional capital of CHF 27.6 million of which CHF 11.4 million relate to share option plans and CHF 16.2 million to convertible bonds and similar forms of financing.

Movements in conditional capital are as follows:

January 1, 2010	**28,882**
Forfeited Challenge Award options	(135)
Exercise of options	(649)
December 31, 2010	**28,098**
Forfeited Challenge Award options	(142)
Exercise of options	(320)
December 31, 2011	**27,636**

Treasury shares
At December 31, 2011, the Group held 13,346,231 treasury shares including those acquired via the share repurchase program (2010: 10,458,148). The average purchase price of all treasury shares held amounts to CHF 52.40 (2010: 56.65).

Treasury shares acquired via the Share Repurchase Program ("SRP")
On October 21, 2010, the Group announced the repurchase of up to CHF 800 million of the Company's common stock over the next three years. At the Annual General Meeting ("AGM") on May 5, 2011, the shareholders approved to cancel the shares bought through this program and to reduce the issued share capital accordingly. The buyback, which is carried out via a second trading line on the SIX Swiss Exchange, will be completed no later than October 31, 2013. Actelion's Board of Directors and senior management believe that the share repurchase program represents an appropriate use of the Group's cash, while allowing sufficient flexibility for continued investments in R&D, in-licensing and potential M&A opportunities. For the twelve months ended December 31, 2011, the Group acquired 2,932,075 treasury shares through the SRP at an average price of CHF 37.26 (2010: 186,000 treasury shares at an average price of CHF 53.54).

Treasury shares bought on the first trading line
At December 31, 2011, the Group held 10,228,156 treasury shares mainly acquired on the first trading line on the SIX Swiss Exchange (2010: 10,272,148) at an average price of CHF 56.72 (2010: 56.71). During 2011, the Company did not acquire any treasury shares via the first trading line. Members of the Board of Directors received 43,992 treasury shares at an average price of CHF 52.83 as compensation. On January 3, 2012, 732,625 treasury shares have been transferred to Actelion's employees in exchange for restricted stock units which vested on that date due to the full achievement of the conditions of the Actelion's 2011 Share Challenge Plan (See Note 20. Stock-based compensation).

Treasury shares are deducted from equity at their cost value and are shown as a separate component of shareholders' equity. Except for the shares acquired through the SRP, the Group intends to further use the repurchased stock to offset dilution caused by the issuance of shares related to the Group's share-based payment plans.

Call options
In connection with the 2006 convertible bond, the Group used a portion of the proceeds to purchase call spread options on its own shares from an international financial institution to mitigate the exposure to potential dilution from conversion of the 2006 convertible bond. The total premium paid was CHF 20.6 million, which has been recorded as a reduction in shareholders' equity. The number of options purchased was 8.5 million with a lower strike price at CHF 54.17 and an upper strike price at CHF 58.92. The call spread expired unexercised during November and December 2011.

Dividends
The AGM on May 5, 2011, approved a cash dividend for 2010 of CHF 0.80 per share. Based on this approval, the Group distributed gross dividends of CHF 95.3 million to its shareholders on May 11, 2011.

The Board of Directors will propose a cash dividend for 2011 of CHF 0.80 per share to the shareholders at the Annual General Meeting on May 4, 2012. The distribution is subject to shareholders' approval at the Annual General Meeting.

NOTE 20.
STOCK-BASED COMPENSATION

Share-based payment arrangements
The Group has several share-based payment plans for employees and members of the Board of Directors. Total compensation costs recognized in the consolidated financial statements with respect to these plans were CHF 84.9 million and CHF 83 million in 2011 and 2010, respectively. Total related tax benefits of CHF 10.3 million and CHF 10.4 million were recognized in 2011 and 2010, respectively. CHF 6.3 million of the tax benefits recognized in 2011 were provided for – See Note. 5 Taxes.

The following assumptions have been applied in the valuation model:

	For the twelve months ended December 31,	
	2011	**2010**
Expected term	5 years	6 years
Interest rate	1.78%	1.67%
Volatility	38%	37.60%
Expected dividend yield	1.57%	-

Standard Share Option Plans ("SSOP")

The SSOP include the employee share option plan ("ESOP") and the directors' share option plan ("DSOP"). ESOP conditions are regularly reviewed and modified by the Board of Directors. Consequently, vesting conditions of standard share options granted to employees and directors may differ depending on the timing of option allocation and the results of the Board's review of the ESOP conditions. Options granted till March 31, 2009, generally vest over a four-year period with 25% of the options becoming exercisable each year. Options granted since April 1, 2009, generally vest and become exercisable three years after the grant date. Effective March 1, 2011, ESOP options are allocated only to members of senior management who can elect to receive the equivalent of their allocated restricted stock units under the Employees Share Plan in options under SSOP.

Standard share options granted to members of the Board of Directors out of the DSOP vest immediately. Standard share options granted to senior management out of the ESOP vest three years after the grant date. Each option entitles the holder to one share. Options generally expire between ten and ten and a half years after the grant date.

The following table summarizes activities under the SSOP for the twelve months ended December 31:

	2011		**2010**	
	Share options	**Weighted average exercise price**	**Share options**	**Weighted average exercise price**
Outstanding, beginning of year	13,456,025	44.90	12,905,611	42.35
Granted	350,669	49.75	2,277,582	47.65
Forfeited	(575,117)	51.68	(429,817)	52.51
Exercised	(639,776)	22.63	(1,297,351)	21.84
Outstanding, end of year	**12,591,801**	**45.86**	**13,456,025**	**44.90**
Exercisable, end of year	8,445,215		7,940,986	

The following is a summary of options outstanding and exercisable under the SSOP at December 31, 2011:

	Share options outstanding			**Share options exercisable**		
Range of exercise prices	**Share options outstanding**	**Weighted average remaining contractual life in years**	**Weighted average exercise price**	**Share options exercisable**	**Weighted average remaining contractual life in years**	**Weighted average exercise price**
5.01–15.00	341,811	0.7	11.88	341,811	0.7	11.88
15.01–25.00	433,448	2.0	21.09	433,448	2.0	21.09
25.01–35.00	2,349,246	4.1	27.40	2,339,374	4.1	27.38
35.01–45.00	219,573	8.7	43.36	175,230	8.6	43.98
45.01–55.00	6,734,790	7.7	51.54	2,747,566	6.8	53.41
55.01–65.00	2,508,933	5.9	56.96	2,403,786	5.8	56.87
65.01–75.00	4,000	6.2	67.00	4,000	6.2	67.00
Total	**12,591,801**			**8,445,215**		

The Group recorded stock-based compensation expense for the SSOP of CHF 45.1 million and CHF 57.8 million for the years ended December 31, 2011 and 2010, respectively, which is being amortized over the vesting periods of the related options. The total intrinsic value of options exercised during the years ended December 31, 2011 and 2010, was CHF 16.1 million and CHF 36 million, respectively. The aggregate intrinsic value of options outstanding and options exercisable at December 31, 2011, was CHF 23.2 million. The fair value of options vested was CHF 25.7 million and CHF 39.1 million in 2011 and 2010, respectively. There were no expirations during 2011. In total, 12,650 options with a weighted average exercise price of CHF 17.68 expired during 2010.

The weighted-average grant date fair values of options granted during the years ended December 31, 2011 and 2010, were CHF 14.89 and CHF 17.01, respectively.

A summary of the status of non-vested share options distributed under SSOP and changes during the year is presented below:

	2011	
	Share options	**Weighted average grant date fair values**
Outstanding non-vested, beginning of year	5,229,674	20.43
Granted	350,669	14.89
Forfeited	(298,061)	19.81
Vested	(1,135,696)	22.67
Outstanding non-vested, end of year	**4,146,586**	**19.39**

As of December 31, 2011, there was CHF 23.6 million of total unrecognized compensation cost related to non-vested options which is expected to be recognized over a weighted average period of 0.68 years.

Challenge Award

In 2004, the Group initiated a special one-time incentive plan ("Challenge Award") linked to specific market and performance conditions to be achieved. On March 31, 2007, all conditions have been met and no further options have been distributed under the plan. Upon achievement, granted options vested and became exercisable in four equal instalments between April 2, 2007, and October 2, 2008. The exercise price of all options granted under the Challenge Award was CHF 57.20. These options expire ten and a half years after the grant date. There were no expirations during the periods presented.

The following table summarizes activities under the Challenge Award for the twelve months ended December 31:

	2011	**2010**
	Share options	**Share options**
Outstanding, beginning of year	5,506,947	5,777,322
Forfeited	(284,670)	(270,375)
Exercised	-	-
Outstanding, end of year	**5,222,277**	**5,506,947**
Exercisable, end of year	5,222,277	5,506,947

Weighted average remaining contractual life for options outstanding and exercisable at December 31, 2011, is 3.7 years. The total intrinsic value of options exercised during the years ended December 31, 2011 and 2010, was zero.

Since the Challenge Award is fully vested since October 2, 2008, all compensation costs related to the Challenge Award have been fully recognized. The aggregate intrinsic value of options outstanding and exercisable at December 31, 2011 was zero.

The 2011 Actelion Share Challenge Plan
In 2008, the Group implemented the Actelion Share Challenge 2011 Plan ("the Plan"). Under the Plan, the Group allocated restricted stock units ("RSUs") of its publicly traded shares to all permanent employees who joined the Group by the end of 2009 at the latest. The last options granted under the Plan were distributed in the first quarter of 2010.

An RSU corresponds to a right of one Group share. The Plan was intended to promote a long-term perspective on managing business in alignment with shareholder interests and to reward long-term employee dedication. The Plan was based on three performance criteria, which related strictly to the Group's performance in the area of revenues and product development.

If the three performance criteria were achieved on or before December 31, 2011, 100% of the allocated RSUs would have vested, been converted into Group's shares and been transferred to the employees (Full Achievement). If only one or two of the three goals were achieved by December 31, 2011, the allocated RSUs would have partially vested and been transferred to the participants on January 2, 2012, whereas the unvested portion of the allocated RSUs would have become null and void (Partial Achievement).

During 2011 and 2010, two of the performance conditions have been met and the related share equivalents appropriately included in the calculation of dilutive EPS (See Note. 6 Earnings per share). On January 3, 2012, the Board of Directors evaluated that the third performance condition has also been achieved by December 31, 2011. Consequently, 732,625 treasury shares (See Note 19. Shareholders' Equity) have been transferred to the employees in exchange for the RSUs that vested under the Plan on January 3, 2012. The Group has fully recognized all compensation costs related to the Plan as of December 31, 2011.

The following table summarizes activities under the Plan for the twelve months ended December 31:

	2011		2010	
	RSU	Weighted average grant date fair values	RSU	Weighted average grant date fair values
Outstanding, beginning of year	**799,490**	**52.96**	**835,655**	**52.93**
Granted	-	-	28,260	55.20
Forfeited	(60,670)	53.70	(64,425)	53.54
Outstanding, end of year	**738,820**	**52.90**	**799,490**	**52.96**
Exercisable, end of year	-		-	

As of December 31, 2011, no shares vested under the Plan. The weighted average exercise price of RSUs granted, outstanding and forfeited is zero.

The Group recorded stock-based compensation expense for the Plan of CHF 9.9 million and CHF 9.8 million for the years ended December 31, 2011 and 2010, respectively.

Employee Share Plan ("ESP")
In 2009, the Group initiated a new stock-based compensation award – the Employee Share Plan ("the ESP"). Under the ESP, the Group allocated RSUs of its' publicly traded shares to all permanent employees in addition to options distributed under SSOP. At the time of grant members of senior management can elect to receive the equivalent of their allocated RSUs under ESP in options under SSOP. An RSU corresponds to a right of one Group share. RSUs granted under the ESP vest on the third anniversary of the grant date.

The following table summarizes activities under the ESP for the twelve months ended December 31:

	2011		2010	
	RSU	Weighted average grant date fair values	RSU	Weighted average grant date fair values
Outstanding, beginning of year	**1,109,301**	**49.67**	**485,395**	**52.18**
Granted	1,104,960	49.43	672,726	47.91
Forfeited	(131,452)	49.18	(48,820)	50.47
Outstanding, end of year	**2,082,809**	**49.57**	**1,109,301**	**49.67**
Exercisable, end of year	-	-	-	-

At December 31, 2011, no RSUs vested under the Plan. The weighted average exercise price of RSUs granted, outstanding and forfeited is zero.

The Group recorded stock-based compensation expense for the ESP of CHF 29.9 and CHF 15.3 million for the years ended December 31, 2011 and 2010, respectively. As of December 31, 2011, total unrecognized compensation costs related to non-vested RSUs amount to CHF 49.3 million. These costs are expected to be recognized over 1.07 years.

At December 31, 2011, 2,959,392 conditional shares were available for grant of future share options and RSUs under SSOP and ESP. In 2011 and 2010, no additional conditional capital has been approved to be used in connection with SSOP and similar stock-based compensation awards.

NOTE 21.
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) consists of the following for the years ended:

	Pre-tax	Income tax	After tax
December 31, 2011			
Foreign currency translation adjustments [1]	(167,724)	-	(167,724)
Not recognized components of net periodic benefit costs	(29,235)	2,071	(27,164)
Total accumulated other comprehensive income (loss)	**(196,959)**	**2,071**	**(194,888)**
December 31, 2010			
Foreign currency translation adjustments [1]	(124,052)	-	(124,052)
Not recognized components of net periodic benefit costs	(38,675)	2,694	(35,981)
Unrealized gains (losses) on available-for-sale securities [2]	112	-	112
Total accumulated other comprehensive income (loss)	**(162,615)**	**2,694**	**(159,921)**

[1] Income taxes are not provided for foreign currency translation relating to permanent investments in international subsidiaries.

[2] Income taxes are not provided for unrealized gains on available-for-sale securities because these gains are taxed at zero percent.

In 2011, CHF 0.1 million unrealized holding gains related to sold AFS equity securities have been reclassified from other comprehensive income and realized into earnings (See Note 8. Financial assets and liabilities).

NOTE 22.
CONCENTRATIONS

Cash and cash equivalents, short-term deposits, marketable securities, derivatives and accounts receivable are financial instruments, which potentially subject the Group to concentrations of credit risk.

The Group invests its excess cash in deposits with major banks and other high quality money market instruments at creditworthy financial institutions. The majority of these financial institutions has S&P credit ratings as of December 31, 2011, in a range from A to AAA and is partially protected by a Swiss state guarantee or owned by such public authorities. Deposits and other money market investments mature on average within five months and the Group has not incurred any related credit losses.

In addition, the Group reviews on an ongoing basis the creditworthiness of counterparties to foreign exchange and interest rate agreements. The Group has not experienced and does not expect to incur any significant losses from failure of counterparties to perform under the agreements. There are no significant concentrations of credit risk related to the Group's investments in money market instruments and derivatives with any individual counterparty (See Note 8. Financial assets and liabilities).

For the years ended December 31, 2011 and 2010, one distributor accounted for approximately 26% and 25% respectively, of total sales. At December 31, 2011 and 2010, CHF 53.3 million (USD 56.7 million) and CHF 40.1 million (USD 42.6 million), respectively, of trade accounts receivables related to this distributor. Management believes other distributors could be identified which would purchase the Group's products on comparable terms; however, the establishment of new distributor relationships could take several months. The Group performs ongoing credit evaluations of such distributors.

As of December 31, 2011, EUR 209.5 million (CHF 254.6 million) of gross trade accounts receivable are due from public institutions funded by governmental agencies in Greece, Italy, Spain and Portugal (collectively referred to as "Southern European countries"), thereof EUR 60 million are overdue for more than 365 days. The Group monitors the economic conditions and the associated impact on the financial markets and its business, taking into consideration the global economic downturn and debt crisis impacting these countries. Based on its knowledge and review of the local economic environment, of the historical, current and expected payment patterns and on analyses of days sales outstanding in these countries, the Group believes that the deterioration of the credit and economic conditions as well as the inherent variability of timing of cash receipts have resulted and may further result in an increase in the average length of time that it takes to collect the accounts receivable outstanding in these countries or in significant discounts to be applied on older outstanding receivables. The Group adjusts its allowance for doubtful accounts based on estimates and other relevant assumptions believed to be reasonable under the circumstances (See Note 1. Description of business and summary of significant accounting policies). Actual results may differ significantly from these estimates. As a result of this assessment, the Group changed its estimate of the allowance for doubtful accounts and as of December 31, 2011 provided for EUR 36.4 million (CHF 44.3 million) related to the outstanding receivables in Southern European countries. This change in estimate resulted in an increase compared to December 31, 2010, to the allowance of doubtful accounts related to those public debtors by EUR 27.2 million (CHF 32.8 million) or CHF 0.23 per share (basic and diluted) for the twelve months ended December 31, 2011. Furthermore, the Group is implementing various measures to increase cash collection in the Southern European countries, including among others negotiations of payment plans, legal claims or interest charges for late payments.

The Group is dependent upon toll manufacturers to manufacture its products. For the year ended December 31, 2011, one supplier accounted for approximately 18% of total purchases, while in 2010 another supplier accounted for approximately 38% of total purchases. Management believes other suppliers could provide similar products on comparable terms. A change in suppliers, however, could cause a delay in fulfillment of customer orders and a possible loss of sales, which could adversely affect operating results. Management believes that the Group maintains sufficient inventory levels to minimize the impact that a change in suppliers would have on operating results.

The detailed disclosures regarding risk management process that are required by Swiss Company Law are included in the accompanying statutory financial statements of Actelion Ltd, Allschwil ("Holding Company Statements").

NOTE 23.
SEGMENT AND GEOGRAPHIC INFORMATION

The Group operates in one segment of discovering, developing and commercializing drugs for unmet medical needs. The chief operating decision-makers, which are comprised of the Group's executive committee, review the profit and loss of the Group on an aggregated basis and manage the operations of the Group as a single operating unit. The Group currently derives product revenue mainly from sales of Tracleer® (bosentan), Zavesca® (miglustat), Ventavis® (iloprost) and Veletri® (epoprostenol for injection). Contract revenue is derived from collaboration and service agreements with third parties. Product revenue attributable to individual countries is primarily based on location of the customer.

The Group's geographic information is as follows:

	Switzerland	United States	Europe	Other	Total
December 31, 2011					
Product revenue from external customers	24,728	703,173	641,183	343,907	**1,712,991**
Contract revenue from external customers	82,909	-	-	163	**83,072**
Property, plant and equipment	378,986	38,069	3,092	4,512	**424,659**
December 31, 2010					
Product revenue from external customers	23,497	816,632	681,806	304,394	**1,826,329**
Contract revenue from external customers	102,454	-	-	186	**102,640**
Property, plant and equipment	347,930	41,289	4,156	5,581	**398,956**

NOTE 24.
RELATED PARTY TRANSACTIONS

During 2011, Board members held a Board seat with Covance Inc., a provider of clinical development services, and Basilea Pharmaceuticals Ltd., a biopharmaceutical company with primary focus on antibiotics and antifungals. In the ordinary course of business the Group entered into transactions with these related parties amounting to CHF 7.1 million in 2011. During 2010, Board members held a Board seat with Covance Inc., Leerink Swann Strategic Advisors, an independent market research and consulting company with a primary focus on the healthcare industry, and Mayo Clinic, a provider of clinical trial services. In the ordinary course of business the Group entered into transactions with these related parties in the total amount of CHF 7.4 million in 2010. As of December 31, 2011 and 2010, outstanding receivables from or payables to related parties are not material. In addition, the Group leases certain assets from related parties. The total lease payments in 2011 and 2010 were not material.

The detailed disclosures regarding executive remuneration that are required by Swiss Company Law are included in the Holding Company Statements.

NOTE 25.
SUBSEQUENT EVENTS

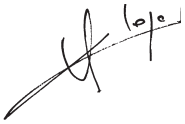
The Group has evaluated subsequent events through February 10, 2012, which represents the date the consolidated financial statements were available to be issued. These events have been disclosed in the respective notes to these consolidated financial statements.

REPORT OF ACTELION MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Actelion's Board of Directors and Management of the Group are responsible for establishing and maintaining adequate internal control over financial reporting. Actelion's internal control system was designed to provide reasonable assurance to Actelion's Management and Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of its published consolidated financial statements. All internal control systems no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Actelion Management assessed the effectiveness of the Group's internal control over financial reporting as of December 31, 2011. In making this assessment, it used the criteria established within Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment Management has concluded that, as of December 31, 2011, Actelion's internal control over financial reporting is effective based on those criteria.

Ernst & Young AG, Switzerland, an independent registered public accounting firm, has issued an opinion on the effectiveness of the Group's internal control over financial reporting which is included in this Annual Report on page 118.



Dr. Jean-Paul Clozel
CEO

Andrew J. Oakley
CFO

Allschwil, February 10, 2012

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Shareholders of Actelion Ltd and its subsidiaries

We have audited Actelion Ltd's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Actelion Ltd's Board of Directors and management are responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Actelion Ltd maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with Swiss law, Swiss Auditing Standards and the standards of the Public Company Accounting Oversight Board (United States), the 2011 consolidated financial statements of Actelion Ltd and our report dated February 10, 2012, expressed an unqualified opinion thereon.

Ernst & Young AG

Jürg Zürcher
Licensed Audit Expert
(Auditor in charge)

Pramit Mehta
Licensed Audit Expert

Basel, February 10, 2012

REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the General Meeting of Actelion Ltd, Allschwil

As statutory auditor, we have audited the consolidated financial statements of Actelion Ltd, which comprise the consolidated balance sheets as of December 31, 2011, and December 31, 2010, and the related consolidated income statements, statements of cash flow, statements of changes in stockholders' equity, and notes thereto (pages 74 to 116), for the years then ended.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Actelion Ltd as of December 31, 2011, and December 31, 2010, and the consolidated results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States and comply with Swiss law.

Report on Other Legal and Regulatory Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Actelion Ltd's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 10, 2012, expressed an unqualified opinion on the effectiveness of Actelion Ltd's internal control over financial reporting.

Ernst & Young AG

Jürg Zürcher
Licensed Audit Expert
(Auditor in charge)

Pramit Mehta
Licensed Audit Expert

Basel, February 10, 2012

HOLDING COMPANY STATEMENTS

BALANCE SHEET

(in CHF thousands, except number of shares)	December 31, 2011	December 31, 2010
Assets		
Current assets		
Cash and cash equivalents	630,727	415,658
Derivative instruments	-	9,726
Other receivables	1,999	525
Other receivables with group companies	643,466	748,231
Prepayments and accrued income	1,479	565
Total current assets	**1,277,671**	**1,174,705**
Non-current assets		
Investments in subsidiaries	615,343	778,367
Treasury shares	163,439	111,605
Long-term loans to subsidiaries	833,276	360,265
Long-term financial assets	-	13,445
Total non-current assets	**1,612,058**	**1,263,682**
Total assets	**2,889,729**	**2,438,387**
Liabilities and shareholders' equity		
Current liabilities		
Trade and other payables	6,193	44
Trade and other payables with group companies	112,195	78,629
Other current liabilities with group companies	-	38,000
Accrued expenses	2,836	937
Total current liabilities	**121,224**	**117,610**
Non-current liabilities		
Other non-current liabilities	29,227	-
Long-term financial debt	235,000	-
Total non-current liabilities	**264,227**	-
Total liabilities	**385,451**	**117,610**
Shareholders' equity		
Common shares (par value CHF 0.50 per share, authorized 185,735,290 and 248,019,960 shares; issued 130,464,351 and 129,824,575 shares in 2011 and 2010 respectively)	65,232	64,912
General legal reserve		
Capital contribution reserve	913,180	984,975
Other legal reserve	40,110	110
Treasury shares reserve	699,392	592,461
Accumulated profit	786,364	678,319
Total shareholders' equity	**2,504,278**	**2,320,777**
Total liabilities and shareholders' equity	**2,889,729**	**2,438,387**

INCOME STATEMENT

(in CHF thousands)	Twelve months ended December 31, 2011	2010
Financial income	569,119	464,347
Total income	**569,119**	**464,347**
Administrative expense	(39,656)	(3,603)
Valuation adjustment investments	(163,259)	(38,563)
Expiration derivative instruments	(9,726)	-
Impairment on financial assets	(13,445)	-
Financial expense	(88,051)	(105,558)
Total expense	**(314,137)**	**(147,724)**
Income before taxes	**254,982**	**316,623**
Income taxes	(5)	(80)
Income after taxes (net income)	**254,977**	**316,543**

NOTES TO THE FINANCIAL STATEMENTS 2011

1. ACCOUNTING PRINCIPLES

The financial statements of Actelion Ltd (the "Company") have been prepared in accordance with the accounting principles as prescribed by Swiss Company Law.

2. MATERIAL INVESTMENTS

Company	Country	Location	Ownership interest	Consolidation method	Function	Share capital
Actelion Pharmaceuticals Australia Pty Ltd	Australia	Sydney	100%	Full	Sales	AUD 2,016,667
Actelion Pharmaceuticals Austria GmbH	Austria	Vienna	100%	Full	Sales	EUR 35,000
Actelion Pharmaceuticals do Brasil Ltda	Brazil	Rio de Janeiro	100%	Full	Sales	BRL 13,861,708
Actelion Pharmaceuticals Canada Inc.	Canada	Laval	100%	Full	Sales	CAD 100,000
Actelion Pharmaceuticals France SAS	France	Paris	100%	Full	Sales	EUR 12,200,000
Actelion Pharmaceuticals Deutschland GmbH	Germany	Freiburg	100%	Full	Sales	EUR 1,000,000
Actelion Pharmaceuticals Hellas SA	Greece	Athens	100%	Full	Sales	EUR 421,500
Actelion Pharmaceuticals Italia S r l	Italy	Milan	100%	Full	Sales	EUR 15,000
Actelion Pharmaceuticals Japan Ltd	Japan	Tokyo	100%	Full	Sales	JPY 95,000,000
Actelion Pharmaceuticals Nederland BV	Netherlands	Woerden	100%	Full	Sales	EUR 50,010
Actelion Pharmaceuticals Espana SL	Spain	Barcelona	100%	Full	Sales	EUR 127,100
Actelion Pharmaceuticals Sverige AB	Sweden	Danderyd	100%	Full	Sales	SEK 1,000,000
Actelion Ilac Ticaret L.S.	Turkey	Istanbul	100%	Full	Sales	TRY 4,357,375
Actelion Pharmaceuticals Ltd (CH)	Switzerland	Allschwil	100%	Full	R&D, Production, Marketing, Sales	CHF 614,610
Actelion Pharmaceuticals UK Ltd	United Kingdom	London	100%	Full	Sales	GBP 250,000
Actelion Registration Ltd	United Kingdom	London	100%	Full	Holder marketing authorization EU	GBP 1
Actelion Pharmaceuticals US Inc.	United States	South San Francisco	100%	Full	Sales	USD 5,000
Actelion Pharma Schweiz AG	Switzerland	Baden	100%	Full	Marketing	CHF 100,000
Actelion Clinical Research, Inc.	United States	Cherry Hill, New Jersey	100%	Full	Clinical Development	USD 1,000
Actelion Finance SCA	Luxembourg	Luxembourg	100%	Full	Financing	CHF 62,000
Actelion Partners SNC	Luxembourg	Luxembourg	100%	Full	Financing	USD 1,000
Actelion Luxembourg S.à.r.l	Luxembourg	Luxembourg	100%	Full	Financing	EUR 12,500
Actelion Participation GmbH	Switzerland	Allschwil	100%	Full	Financing	CHF 20,000
Actelion Pharmaceuticals Israel Ltd	Israel	Ramat-Gan	100%	Full	Clinical Development	ILS 100
Actelion Pharmaceuticals Portugal	Portugal	Lisboa	100%	Full	Sales	EUR 5,000
Actelion Pharmaceuticals Belgium NV	Belgium	Mechelen	100%	Full	Sales	EUR 600,000
Actelion Pharmaceuticals Korea Ltd	South Korea	Seoul	100%	Full	Sales	KRW 100,000,000
Actelion US Holding Co.	United States	Delaware	100%	Full	US Holding	USD 1
CoTherix Inc.	United States	South San Francisco	100%	Full	Sales	USD 1
Actelion Cyprus Ltd	Cyprus	Nicosia	100%	Full	Financing	CHF 81,400
Actelion Pharmaceuticals Singapore PTE Ltd	Singapore	Singapore	100%	Full	Sales	SGD 2
Actelion Pharmaceuticals Mexico S.A. De C.V.	Mexico	Mexico City	100%	Full	Sales	MXN 11,000,000
Actelion Pharmaceuticals (Shanghai) Company Ltd	China	Shanghai	100%	Full	Sales	CNY 1,370,545
Actelion Pharmaceuticals India Private Ltd	India	Mumbai	100%	Full	Clinical Development	INR 500,000
Actelion One SA	Luxembourg	Luxembourg	100%	Full	Holder IP rights	CHF 55,000
Actelion Pharma Polska Sp. z.o.o.	Poland	Warsaw	100%	Full	Sales	PLN 50,000

Company	Country	Location	Ownership interest	Consolidation method	Function	Share capital
Actelion Pharmaceuticals RUS LLC	Russia	Moscow	100%	Full	Marketing	RUB 10,000
Areus, Inc.	USA	South San Francisco	100%	Full	Real Estate Holding	USD 10,876,000
Actelion Re SA	Luxembourg	Luxembourg	100%	Full	Insurance Solutions	CHF 6,000,000
Actelion Pharmaceuticals CZ, s.r.o.	Czech Republic	Prague	100%	Full	Sales	CZK 200,000
Actelion Pharmaceuticals SK, s.r.o.	Slovak Republic	Bratislava	100%	Full	Sales	EUR 5,000
Actelion Pharmaceuticals Hungaria LLC	Hungary	Budapest	100%	Full	Marketing	HUF 50,000,000
Actelion Pharmaceuticals Taiwan Ltd	Taiwan	Taipeh	100%	Full	Sales	TWD 600,000

3. SHARE CAPITAL AND GENERAL LEGAL RESERVE

Share capital

At December 31, 2011, the issued share capital amounts to CHF 65,232,176 (2010: 64,912,288) consisting of 130,464,351 (2010: 129,824,575) common shares, including 13,346,231 treasury shares (2010: 10,458,148) with a nominal value of CHF 0.50 each. The shares are registered and fully paid-in. Each share is entitled to one vote.

General legal reserve

Pursuant to change in Swiss tax legislation, the capital contribution reserve is presented separately within the general legal reserve. Any dividend distribution made out of the capital contribution reserve after January 1, 2011 is neither subject to Swiss withholding tax nor subject to income tax on individual shareholders who are residents of Switzerland. Only capital contributions paid after December 31, 1996 qualify for the tax exemption and are classified within the capital contribution reserve.

4. CONDITIONAL AND AUTHORIZED CAPITAL

Conditional capital

Since inception the Company has created conditional capital for the establishment of share option plans, convertible bonds and similar forms of financing. At December 31, 2011, the Company has conditional capital of CHF 27.6 million of which CHF 11.4 million relate to share option plans and CHF 16.2 million to convertible bonds and similar forms of financing.

Movements in conditional capital are as follows (in CHF thousands):

January 1, 2010	**28,882**
Forfeited Challenge Award options	(135)
Exercise of options	(649)
December 31, 2010	**28,098**
Forfeited Challenge Award options	(142)
Exercise of options	(320)
December 31, 2011	**27,636**

Authorized capital

The Annual General Meeting on April 24, 2009, authorized the creation of authorized share capital to be used for strategic and/or financial business purposes. The Board of Directors was authorized to increase the Company's share capital to an amount of not more than CHF 31 million by issuance of not more than 62 million fully paid-in registered shares with a nominal value of CHF 0.50 per share. The authorization expired unutilized on April 24, 2011.

5. TREASURY SHARES

At December 31, 2011, the Company held 13,346,231 treasury shares including those acquired via the share repurchase program (2010: 10,458,148). The average purchase price of all treasury shares held amounts to CHF 52.40 (2010: 56.65).

Treasury shares acquired via the Share Repurchase Program ("SRP")
On October 21, 2010, the Company announced the repurchase of up to CHF 800 million of the Company's common stock over the next three years. At the Annual General Meeting ("AGM") on May 5, 2011, the shareholders approved to cancel the shares bought through this program and to reduce the issued share capital accordingly. The buyback, which is carried out via a second trading line on the SIX Swiss Exchange, will be completed no later than October 31, 2013. Actelion's Board of Directors and senior management believe that the share repurchase program represents an appropriate use of the Company's cash, while allowing sufficient flexibility for continued investments in R&D, in-licensing and potential M&A opportunities. As of December 31, 2011, the Company had acquired 3,118,075 treasury shares in total through the SRP at an average price of CHF 38.23 (2010: 186,000 treasury shares at an average price of CHF 53.54).

Treasury shares bought on the first trading line
At December 31, 2011, the Company held 10,228,156 treasury shares mainly acquired on the first trading line on the SIX Swiss Exchange (2010: 10,272,148) at an average price of CHF 56.72 (2010: 56.71). During 2011, the Company did not acquire any treasury shares via the first trading line. Members of the Board of Directors received 43,992 treasury shares at an average price of CHF 52.83 as compensation. The treasury shares are considered as long-term investment and therefore valued at lower of cost or market.

On January 3, 2012, 732,625 treasury shares have been transferred to Actelion's employees in exchange for restricted stock units which vested on that date due to the full achievement of the conditions of the Actelion's 2011 Share Challenge Plan (See Note 20. Stock-based compensation in the audited consolidated financial statements for the twelve months ended December 31, 2011).

6. DERIVATIVE INSTRUMENTS

In connection with the 2006 convertible bond, the Company used a portion of the proceeds to purchase call spread options on its own shares from an international financial institution to mitigate the exposure to potential dilution from conversion of the 2006 convertible bond. The total premium paid was CHF 20.6 million, which was originally recorded as a long-term derivative instrument. The number of options purchased was 8.5 million with a lower strike price at CHF 54.17 and an upper strike price at CHF 58.92. As of December 31, 2010, the unamortized portion of the premium paid has been disclosed as a short-term derivative instrument. The call spread expired unexercised during November and December 2011.

7. LONG-TERM FINANCIAL ASSETS

On July 19, 2010, the Company obtained, for non-refundable consideration of EUR 10 million (CHF 13.5 million), an option to acquire Trophos SA, a French clinical stage pharmaceutical entity developing drugs for patients with neurodegenerative diseases. The exercise of the option was contingent on the Company's receipt and review of the results of an ongoing Phase III study with olesoxime. In 2010, the Company recognized the payment at cost as a long-term financial asset.

On December 13, 2011, following the disclosure of the Phase III results in patients suffering from amyotrophic lateral sclerosis (ALS), the Company decided not to exercise the option to acquire Trophos SA. Consequently, the long-term financial asset has been written-off and disclosed as impairment on financial assets in the income statement.

8. NON-CURRENT LIABILITIES

Long-term financial debt

On December 7, 2011, the Company issued CHF 235 million in 4.875% interest bearing bonds ("2011 bond") with denominations of CHF 5,000 and multiples thereof and with maturity December 7, 2015. The issue and redemption price were set at 100.25% and 100%, respectively. Interest is payable annually on December 7. Note 15. Borrowings in the audited consolidated financial statements for the twelve months ended December 31, 2011, provides further details on the terms and conditions of the 2011 bond.

A premium of CHF 0.6 million received at issuance and representing the difference between the cash proceeds obtained and the principal amount due on redemption, has been fully recognized as financial income as of December 31, 2011. Upon materiality considerations, debt issuance cost of CHF 1.6 million and federal issue taxes of CHF 1.2 million have been recorded within financial expense and have not been capitalized and subequently amortized over the duration of the 2011 bond.

Other non-current liabilities

The other non-current liabilities balance of CHF 29.2 million as of December 31, 2011, relates to punitive damages awarded to Asahi by the State Court in California, US, and accrued interest thereon. Note 17. Commitments, contingencies and guarantees in the audited consolidated financial statements for the twelve months ended December 31, 2011, provides further information on the current status of the litigation procedures.

9. GUARANTEES AND COMMITMENTS

In 2011, the Company has reduced the first demand guarantee to Deutsche Bank Mortgage Capital, USA, for securing the rent obligations of Actelion Clinical Research, USA, from USD 2,468,998 to USD 2,128,357.

In order to secure its obligations from derivative trading, cash pooling, overdraft facilities and forward transactions in foreign currencies, in 2011 the Company has issued or renewed guarantees and a letter of indemnity to various financial institutions in the total amount of CHF 76.9 million. In addition, the Company carries a joint obligation with a Company's subsidiary to financial institutions to secure lines of credit amounting to CHF 15 million in total. As of December 31, 2011, these credit facilities have not been utilized, but collateralized by CHF 0.4 million in restricted cash.

In addition, the Company guarantees long-term loans provided by a Company's financing subsidiary to certain operating entities of the Company in the total amount of CHF 63.1 million (2010: 61.1 million).

The Company guarantees financial support to an operating entity to meet its financial obligations in the total amount of CHF 35.5 million (2010: CHF 53 million).

In addition, as of December 31, 2011, other guarantees in the amount of CHF 527,570 (2010: 705,909) exist.

In 2003, the Company has issued a first demand guarantee of up to EUR 1,100,000 to Deutsche Bank for their credit facility with Actelion Pharmaceuticals Germany GmbH.

The Company belongs to the Swiss value-added tax (VAT) group of Actelion Pharmaceuticals Ltd, and thus carries joint liability to the Swiss federal tax authority for value-added tax.

In conjunction with the Asahi litigation, in January 2012, certain insurance companies issued USD 623.6 million (CHF 585.9 million) in surety bonds which were posted as collateral at the California Courts of Appeal, US, in order to securitize the awards granted to Asahi by the State Court in California, US - See Note 17. Commitments, contingencies and guarantees in the audited consolidated financial statements for the twelve months ended December 31, 2011. Consequently, the Company and its affiliates were required to pledge USD 375 million in cash or investments to secure the surety bonds. The amount of cash collateral required could change depending on progress of the appeal procedures and currency exchange fluctuations. As of December 31, 2011, the cash required as collateral was not restricted. In addition, the Company issued a first demand guarantee in favor of the insurance companies for the unsecured portion of the surety bonds issued – currently USD 250 million.

10. SIGNIFICANT SHAREHOLDERS

According to the information available to the Board of Directors the following shareholders held a significant percentage of shares:

	2011		2011		2010		2010	
	Percentage of share capital	Percentage of voting rights	Percentage of purchase positions	Percentage of sale positions	Percentage of share capital	Percentage of voting rights	Percentage of purchase positions	Percentage of sale positions
Members of the Board of Directors, the AEC and Senior Management	>5%	>5%	<3%	-	>5%	>5%	<3%	-
Actelion Ltd[2]	>10%	>5%	<3%	-	>5%	>5%	>5%	-
Rudolf Maag	>3%	>3%	-	-	<5%	<5%	-	-
BB Biotech Invest SA[1]	>3%	>3%	-	-	<5%	<5%	-	-
BNY Mellon Asset Management	<3%	<3%	-	-	>3%	>3%	-	-
Elliott Advisors (UK) Ltd[1]	<3%	<3%	-	-	>3%	>3%	-	-
Lazard Asset Management LLC[1]	>3%	>3%	-	-	>3%	>3%	-	-
FMR LLC[1]	<3%	<3%	-	-	<3%	<3%	-	-
MFS Investment Management[1]	<3%	<3%	-	-	<3%	<3%	-	-
Orbis Investment Management Limited[1]	>5%	>5%	-	-	<3%	<3%	-	-
BlackRock, Inc.[1]	<3%	<3%	-	-	<3%	<3%	-	-
Norges Bank (the Central Bank of Norway)	<3%	<3%	-	-	-	-	-	-

[1] According to shareholders' disclosure notifications to SIX Swiss Exchange. For more information, please refer to http://www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html

[2] Includes treasury shares purchased via the second trading line.

11. COMPENSATION AND SHAREHOLDINGS OF THE MEMBERS OF THE BOARD OF DIRECTORS AND ACTELION EXECUTIVE COMMITTEE

Only members of the Actelion Executive Committee ("AEC") are members of the management within the relevant meaning of Art 663b[bis] of the Swiss Code of Obligations ("SCO") and as such disclosed in the following tables. All compensation amounts reflect the effective grant or payment date and not the related service period.

Compensation Board of Directors

Total compensation
In 2011 and 2010, the 9 non-executive members and former members of the Board of Directors received a total compensation of CHF 2,832,065 and CHF 1,995,159, respectively, consisting of the following:

	2011	2010
Cash compensation	1,207,282	617,000
Social security contribution	161,113	261,108
Option allotment	321,604	509,740
Share allotment	1,142,066	607,311
Total	**2,832,065**	**1,995,159**

Name		Functions	Total compensation	Remuneration[1]	Options (DSOP)[2]		Shares	
			(CHF)	(CHF)	Total number	Grant date fair value (CHF)[3]	Total number	Grant date fair value (CHF)[5]
Jean-Pierre Garnier	2011	Chairman (since September 27, 2011) Member (since May 5, 2011) Member of the Compensation Committee Member of the Nominating & Governance Commitee	937,262	532,260[7]	-	-	8,464	47.85
Robert E. Cawthorn	2011	Member (since September 27, 2011) Chairman (until September 26, 2011)	360,660	158,159	-	-	4,232	47.85
	2010	Chairman	302,263	149,188	13,741	11.14	-	-
Juhani Anttila	2011	Member Member of the Finance & Audit Committee	239,656	104,623	-	-	2,822	47.85
	2010	Member Member of the Finance & Audit Committee	206,744	71,771	-	-	3,053	44 .21
Robert J. Bertolini	2011	Member (since May 5, 2011) Member of the Finance and Audit Commitee	196,869	56,578	12,696	11.05	-	-
Carl Feldbaum	2011	Member Chairman of the Nominating & Governance Committee	172,456	79,353	8,464	11.00	-	-
	2010	Member Chairman of the Nominating & Governance Committee	172,527	70,759	9,160	11.11	-	-
Werner Henrich	2011	Member Member of the Compensation Committee	220,752	85,719	-	-	2,822	47.85
	2010	Member Member of the Compensation Committee	202,534	67,561	-	-	3,053	44.21

Name		Functions	Total compensation	Remuneration[1]	Options (DSOP)[2]		Shares	
			(CHF)	(CHF)	Total number	Grant date fair value (CHF)[3]	Total number	Grant date fair value (CHF)[5]
Michael Jacobi	2011	Member Chairman of the Finance & Audit Committee	208,808	115,281	8,464	11.05	-	-
	2010	Member Chairman of the Finance & Audit Committee	200,718	82,211	4,582	11.14	1,526	44.21
Armin Kessler	2011	Member Chairman of the Compensation Committee Member of the Nominating & Governance Committee	221,957	86,924	-	-	2,822	47.85
	2010	Member Chairman of the Compensation Committee Member of the Nominating & Governance Committee	215,140	80,167	-	-	3,053	44.21
Jean Malo	2011	Member Member of the Finance & Audit Committee	235,430	100,397	-	-	2,822	47.85
	2010	Member Member of the Finance & Audit Committee	173,585	71,817	9,160	11.11	-	-
Joseph C. Scodari	2011	Vice-Chairman (until July 31, 2011) Member of the Compensation Committee (until July 31, 2011) Member of the Nominating & Governance Committee (until July 31, 2011)	94,245	65,663	1,058	11.05	353	47.85
	2010	Vice-Chairman Member of the Compensation Committee Member of the Nominating & Governance Committee	213,324	94,817	4,582	11.14	1,526	44.21
Elias A. Zerhouni	2011[4]	Member (until December 31, 2010)	(56,030)	(16,562)	(1,527)	11.14	(508)	44.21
	2010	Member (until December 31, 2010) Member of the Nominating & Governance Committee	175,383	56,876	4,582	11.14	1,526	44 .21
André J. Müller	2010	Member (until April 24, 2009)	132,941[6]	132,941[6]	-	-	-	-
Jean-Paul Clozel		Delegate	See Section "Highest total compensation"					
2011 Total (excl. Jean-Paul Clozel)			**2,832,065**	**1,368,395**	**29,155**	**-**	**23,829**	**-**
2010 Total (excl. Jean-Paul Clozel)			**1,995,159**	**878,108**	**45,807**	**-**	**13,737**	**-**

[1] Remuneration includes cash compensation, social security contributions and remuneration for extraordinary activities that were paid for the additional preparatory and follow up work performed by the members of the Board of Directors in relation to the AGM 2011 .

[2] The Company has a share-based payment plan for the Board of Directors. Options granted to members of the Board out of the Company's directors' share option plan ("DSOP") vest immediately. Each option entitles the holder to one share. Options generally expire between ten and ten and a half years after the plan issuance date. Each director can decide if part of his compensation should be paid out in options (out of the DSOP) or in shares.

[3] The fair value of options and restricted stock units ("RSUs") is estimated by the use of a Binomial Lattice option pricing model. The model input assumptions are determined based on available internal and external data sources. RSUs on the Company's publicly traded shares are allocated to all permanent employees either under the conditions of the 2011 Actelion Share Challenge Plan or under the Employee Share Plan ("ESP"). Each RSU entitles the holder to one share.

[4] The deductions have been made in 2011 as this member of the Board did not serve for the full board term 2010/2011.

[5] The grant date fair value of the shares equals the share price of the day prior to the AGM of the respective year.

[6] Represents social security contributions generated by equity transactions.

[7] Includes an exceptional retainer to Jean-Pierre Garnier for his election as Chairman of the Board in September 2011.

AEC compensation

Total cash and other compensation

In 2011 and 2010, the executive member of the Board of Directors and the members of the AEC received the following compensation (in CHF):

		Benefits				Short-term incentives		
		Fixed remuneration	Pension	Other benefits[1]	Social security contribution	Cash bonus	Deferred profit sharing	Total
Jean-Paul Clozel*	2011	1,081,500	158,754	-	187,392	1,050,000	416,726	2,894,372
	2010	1,050,000	175,509	-	146,113	1,290,000	430,124	3,091,746
Other Executive Committee Members (total)	2011	2,470,670	377,473	60,800	346,666	1,824,410	2,178,502	7,258,521
	2010	3,130,693	392,138	61,080	382,663	1,738,915	2,029,762	7,735,251
Total	**2011**	**3,552,170**	**536,227**	**60,800**	**534,058**	**2,874,410**	**2,595,228**	**10,152,893**
	2010	**4,180,693**	**567,647**	**61,080**	**528,776**	**3,028,915**	**2,459,886**	**10,826,997**

* Highest paid executive

[1] Includes transportation allowances, car allowances and contributions to the gym membership

Long-term incentives

The following tables set out the awards under the various schemes operated by Actelion to the executive member of the Board of Directors and the other members of the AEC.

Standard Share Option Plans ("SSOP")

Standard share options granted to members of the AEC under the employee share option plan ("ESOP") and to the executive member of the Board under the directors' share options plan are as follows:

	Date of award	Plan	Number of options	Fair value on the date of award (CHF)
Jean-Paul Clozel*	2011	DSOP	60,489	11.05
	2010	DSOP	120,000	11.14
Other Executive Committee Members (total)	2011	ESOP III	38,760	16.59
	2010	ESOP III	138,825	17.47
		ESOP II	40,000	23.15

* Highest paid executive

Employee Share Plan ("ESP")

Restricted stock units granted to members of the AEC under the employee share plan and shares to the CEO under the Director share plan ("DSP") consist of the following:

	Date of award	Plan	Number of RSUs /Shares	Fair value on the date of award (CHF)
Jean-Paul Clozel*	2011	DSP	20,163	47.85
	2010	-	-	-
Other Executive Committee Members (total)	2011	ESP I	63,738	50.22
	2010	ESP I	39,075	47.97

* Highest paid executive

The 2011 Actelion Share Challenge Plan

	Date of award	Number of RSUs	Fair value on the date of award (CHF)
Jean-Paul Clozel*	2011	-	-
	2010	-	-
Other Executive Committee Members (total)	2011	-	-
	2010	1,670	55.2

* Highest paid executive

Highest total compensation

In 2011 and 2010, Jean-Paul Clozel, Chief Executive Officer and member of the Board of Directors, received the highest total compensation amounting to CHF 4,527,576 and CHF 4,428,546, respectively, which is composed of the following:

	2011	2010
Cash remuneration	2,548,226	2,770,124
Social security contribution and pension	346,147	321,622
Options allotment (DSOP)	668,403	1,336,800
Share allotment (DSP)	964,800	-
Total	**4,527,576**	**4,428,546**
Number of options allocated (DSOP)	60,489	120,000
Fair Value at grant date	11.05	11.14
Number of shares allocated (DSP)	20,163	-
Fair Value at grant date	47.85	-

This compensation relates to both functions – Chief Executive Officer and member of the Board of Directors.

Loans and other payments to members of the Board of Directors, the AEC and related parties

Loans

No loans were granted to current or former members of the Board of Directors, of the AEC or to "Related Parties" as per Article 663b^{bis} SCO during 2011 and 2010. No such loans were outstanding as of December 31, 2011.

Other payments

During 2011 and 2010, no payments (or waivers of claims) other than those set out above were made to current members of the Board of Directors, of the AEC or to "Related Parties" as per Article 663b^{bis} SCO.

Payments to former members of the Board of Directors

During 2011, no payments (or waivers of claims) other than those set out above were made to former members of the Board of Directors, of the AEC or to "Related Parties" as per Article 663b^{bis} SCO.

Investments owned by the members of the Board of Directors

Investments owned by the members of the Board of Directors as of December 31, 2011 and 2010, are as follows:

Name	Functions	Number of shares (related voting rights[2])		Number of option rights (related potential voting rights[2])		Number of RSU (related voting rights[2])	
		2011	2010	2011	2010	2011	2010
Jean-Pierre Garnier	Chairman (since September 27, 2011) Member of the Compensation Commitee Member of the Nominating & Governance Commitee	8,464 (<0.1%)	-	-	-	-	-
Jean-Paul Clozel[1]	Delegate	5,248,883 (4.02%)	5,228,720 (4.03%)	1,035,337 (0.79%)	954,915 (0.74%)	27,095 (<0.1%)	20,450 (<0.1%)
Juhani Anttila	Member Member of the Finance & Audit Committee	2,822 (<0.1%)	3,053 (<0.1%)	10,000 (<0.1%)	10,000 (<0.1%)	1,000 (<0.1%)	1,000 (<0.1%)
Robert E. Bertolini	Member (since AGM 2011)	-	-	12,696 (<0.1%)	-	-	-
Robert E. Cawthorn[1]	Member (since September 27, 2011) Chairman (until September 26, 2011)	692,119 (0.53%)	820,187 (0.63%)	95,795 (<0.1%)	105,795 (<0.1%)	1,500 (<0.1%)	1,500 (<0.1%)
Carl Feldbaum	Member Chairman of the Nominating & Governance Committee	1,100 (<0.1%)	1,100 (<0.1%)	44,888 (<0.1%)	36,424 (<0.1%)	1,000 (<0.1%)	1,000 (<0.1%)
Werner Henrich	Member Member of the Compensation Committee	14,419 (<0.1%)	5,874 (<0.1%)	15,016 (<0.1%)	32,475 (<0.1%)	1,000 (<0.1%)	1,000 (<0.1%)
Michael Jacobi	Member Chairman of the Finance & Audit Committee	3,526 (<0.1%)	3,526 (<0.1%)	24,888 (0.1%)	16,424 (<0.1%)	335 (<0.1%)	335 (<0.1%)
Armin Kessler	Member Chairman of the Compensation Committee Member of the Nominating & Governance Committee	36,386 (<0.1%)	19,164 (<0.1%)	15,000 (<0.1%)	15,000 (<0.1%)	1,000 (<0.1%)	1,000 (<0.1%)
Jean Malo	Member Member of the Finance & Audit Committee	7,118 (<0.1%)	4,296 (<0.1%)	52,410 (<0.1%)	52,410 (<0.1%)	1,000 (<0.1%)	1,000 (<0.1%)
Joseph C. Scodari	Vice-Chairman Member of the Compensation Committee Member of the Nominating & Governance Committee	1,879 (<0.1%)	1,776 (<0.1%)	17,482 (<0.1%)	16,424 (<0.1%)	-	335 (<0.1%)
Elias A. Zerhouni	Member (until 31 December 2010) Member of the Nominating & Governance Committee	1,018 (<0.1%)	1,526 (<0.1%)	14,897 (<0.1%)	16,424 (<0.1%)	-	335 (<0.1%)
Total		**6,017,734 (4.61%)[2]**	**6,089,222 (4.69%)[2]**	**1,338,409 (1.03%)[2]**	**1,256,291 (0.97%)[2]**	**33,930 (<0.1%)[2]**	**27,955 (<0.1%)[2]**

[1] Including Related Parties.

[2] Share of the Company's issued capital.

Investments owned by the members of the AEC

Investments owned by the members of the AEC as of December 31, 2011 and 2010, consist of the following:

Name	Functions	Number of shares (related voting rights[1])		Number of option rights (related potential voting rights[1])		Number of RSU (related voting rights[1])	
		2011	2010	2011	2010	2011	2010
Guy Braunstein	Head Clinical Development	-	-	59,350 (<0.1%)	59,350 (<0.1%)	28,053 (<0.1%)	8,120 (<0.1%)
Simon Buckingham	Head Corporate and Business Development Member of the AEC until June 7, 2011	100,000 (<0.1%)	160,095 (0.12%)	227,885 (0.18%)	214,965 (0.17%)	21,857 (<0.1%)	17,550 (<0.1%)
Nicolas Franco	Chief Business Development Officer Member of the AEC as of June 7, 2011	-	-	21,600 (<0.1%)	-	7,200 (<0.1%)	–
Louis de Lassence	Head Corporate Services Member of the AEC until June 7, 2011	112,200 (<0.1%)	112,200 (<0.1%)	178,570 (0.14%)	165,650 (0.13%)	11,907 (<0.1%)	7,600 (<0.1%)
Roland Haefeli	Head Investor Relations and Public Affairs Member of the AEC until June 7, 2011	-	-	219,460 (0.17%)	209,895 (0.16%)	4,000 (<0.1%)	4,000 (<0.1%)
Isaac Kobrin	Chief Medical Officer Member of the AEC until June 7, 2011	-	-	212,650 (0.16%)	245,210 (0.19%)	26,163 (<0.1%)	17,550 (<0.1%)
Andrew J. Oakley	Chief Financial Officer	-	-	229,950 (0.18%)	229,950 (0.18%)	23,739 (<0.1%)	10,450 (<0.1%)
Otto Schwarz	Head Business Strategy and Operations	-	-	96,475 (<0.1%)	96,475 (<0.1%)	35,449 (<0.1%)	22,160 (<0.1%)
Jean-Paul Clozel	Chief Executive Officer	See table "Investments owned by the members of the Board of Directors"					
Total (excluding Jean-Paul Clozel)		**212,200 (0.16%)[1]**	**272,295 (0.21%)[1]**	**1,245,940 (0.96%)[1]**	**1,221,495 (0.95%)[1]**	**158,368 (0.12%)[1]**	**87,430 (0.07%)[1]**

[1] Share of the Company's issued capital.

12. RISK ASSESSMENT

In compliance with Article 663b pt 12 SCO the Board of Directors regularly reviews the results of the Company's risk assessment and the implementation of corrective measures. Based on this review, the Board of Directors determined measures to assess the significant risks of the Company and concludes that all identified material risks have been appropriately addressed.

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

	2011	2010
Retained earnings at beginning of the year	678,319	396,051
Transfer from capital contribution reserve to accumulated profit	95,316	-
Contribution from accumulated profit to other legal reserve	(40,000)	-
Dividend payment	(95,316)	-
Treasury shares reserve	(106,932)	(34,275)
Net income for the year	254,977	316,543
Total accumulated profit	**786,364**	**678,319**
Transfer from capital contribution reserve to accumulated profit	93,694	95,493
Total available earnings	**880,058**	**773,812**
Contribution to other legal reserve	-	(40,000)
Dividend to be paid (0.80 CHF per share)	(93,694)	(95,493)
Balance to be carried forward	**786,364**	**638,319**

The gross dividend of CHF 93.7 million is to be distributed out of the capital contribution reserve.

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

To the General Meeting of Actelion Ltd, Allschwil

As statutory auditor, we have audited the financial statements of Actelion Ltd, which comprise the balance sheet, income statement and notes (pages 122 to 135) for the year ended December 31, 2011.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended December 31, 2011, comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

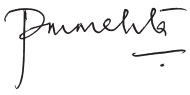
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (Art. 728 Code of Obligations (CO) and Art. 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young AG

Jürg Zürcher
Licensed Audit Expert
(Auditor in charge)



Pramit Mehta
Licensed Audit Expert

Basel, February 10, 2012

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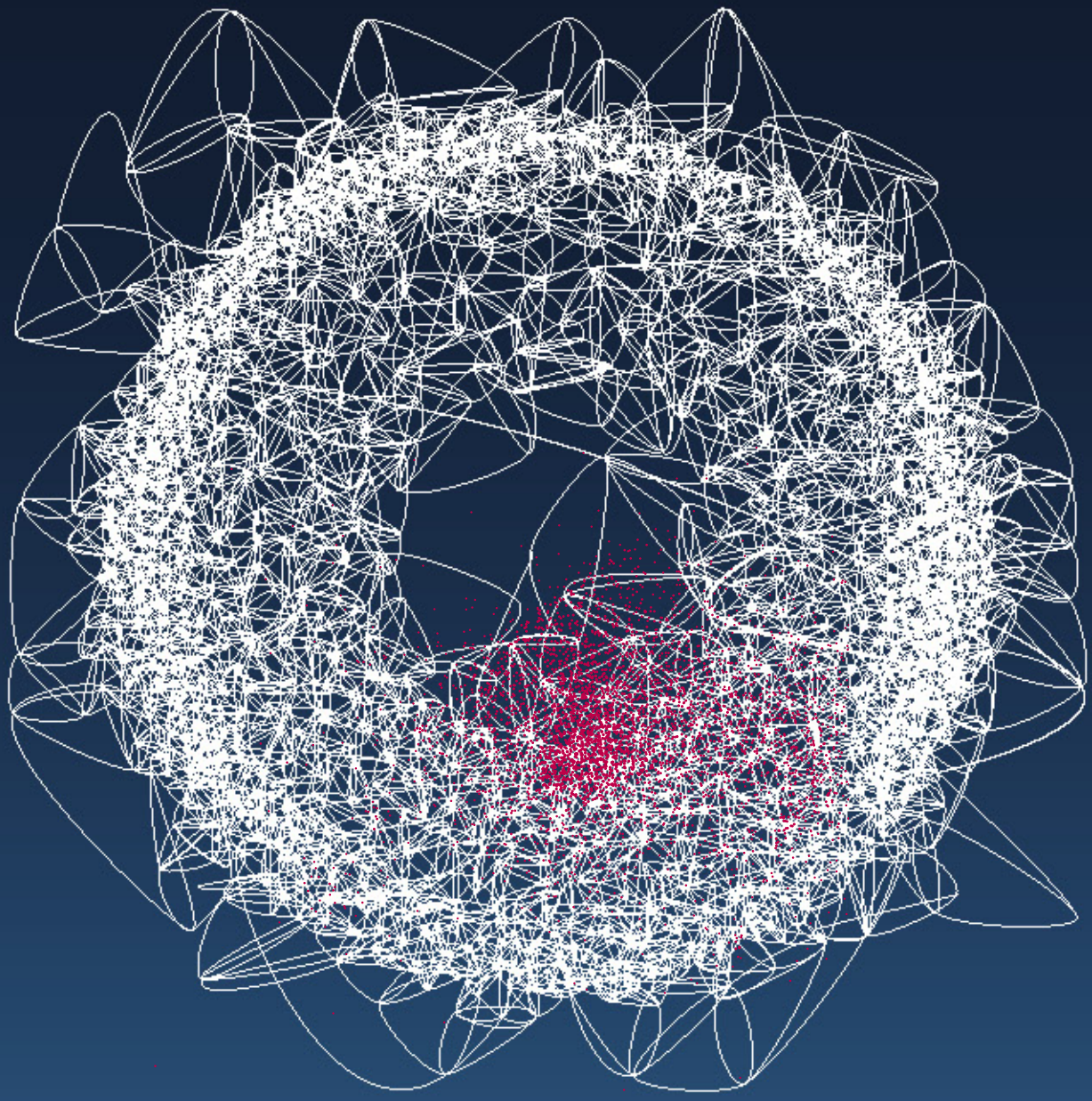

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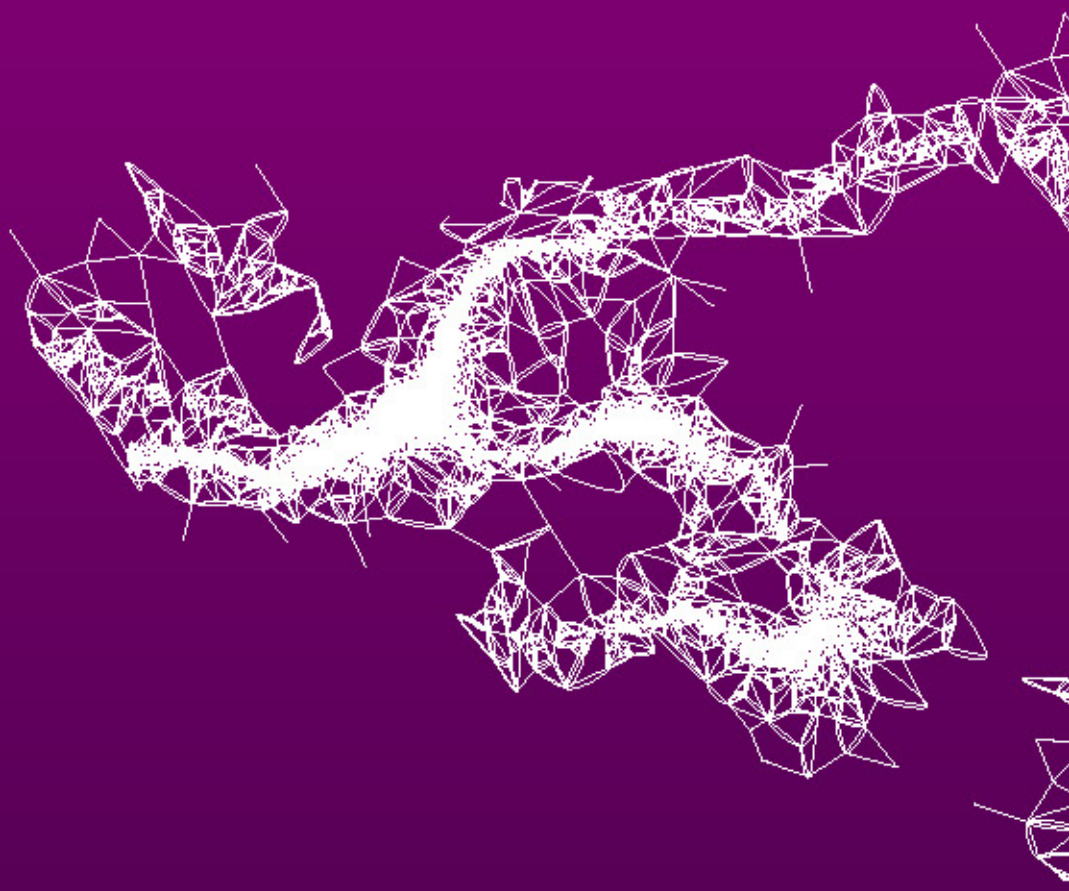

www.actelion.com