

ACTELION LTD. ARTICLES OF ASSOCIATION

8 MAY 2014

Translation; in case of controversy the German text shall prevail



I GENERAL PROVISIONS

Art. 1 Corporate Name, Registered Office

A stock corporation under the name "Actelion Ltd" ("the Company") is established with its Registered Office in Allschwil (Switzerland).

Art. 2 Purpose

1. The purpose of the Company is to hold interests in other companies active in the areas of research, manufacturing, development and marketing of pharmaceutical, biological and diagnostic products.
2. The Company has the power to provide management services, effect financial transactions and to acquire, hold and sell real estate. The Company may also engage in any commercial, contractual, financial or other activities which further the purpose of the Company or which are directly or indirectly related to it.

II. SHARE CAPITAL, SHARES, SHAREHOLDERS

Art. 3 Share Capital and Shares

1. The fully paid-in Share Capital of the Company amount to CHF 57'064'213.50 and is divided into 114'128'427 registered Shares with a nominal value of CHF 0.50 each.
2. The registered shares of the Company are issued as uncertificated securities (in terms of the Swiss Code of Obligations) and as book entry securities (in terms of the Book Entry Securities Act). The Company may withdraw shares issued as book entry securities from the custodian system (Verwahrungssystem). Provided that the shareholder is registered in the shareholders register, the shareholder may request from the Company a statement of his or her registered shares at any time.
3. The shareholder has no right to the printing and delivery of certificates. The Company may, however, print and deliver certificates (individual share certificates or global certificates) for shares at any time. The Company may, with the consent of the shareholder, cancel issued certificates that are returned to the Company.
4. Registered Shares not physically represented by certificates and the rights derived there from can only be transferred by assignment. Such assignment shall not be valid unless notice is given to the Company. The Company can give notice to the bank handling the book entries of the assigned registered Shares of such assignment.
5. Registered Shares not physically represented by certificates which are administrated by a bank on request of the Shareholder, and the rights derived there from, may only be transferred with the assistance of the bank. Such Shares may also be pledged only to that bank. The pledge must be made by means of a written pledge agreement; notice to the Company is not required.
6. Registered Shares may be converted into bearer Shares and vice versa at any time by resolution of a Meeting of the Shareholders.

Art. 3a Conditional Increase of Capital

1. The Share Capital of the Company shall be increased in an amount of not more than CHF 4'000'000 by issuance of not more than 8'000'000 fully paid-in registered Shares with a nominal value of CHF 0.50 per Share by means of the exercise of options or similar instruments which are granted to the employees of the Company. Preferential subscription rights and pre-emptive rights of the Shareholder shall be precluded.
2. The options or similar instruments for the employees shall be granted by the Company. The grant conditions such as the exercise price, the time of entitlement to dividends and the kind of payment of the price shall be determined by the Board of Directors in the form of plan rules.
3. The Share Capital of the Company shall be increased in an amount of not more than CHF 9'500'000 by issuance of not more than 19'000'000 fully paid-in registered Shares with a nominal value of CHF 0.50 per Share by means of the exercise of conversion rights or options in relation with convertible debt instruments, loans and similar forms of financing of the Company or of a subsidiary company.

The conditions for the granting of the option rights and conversion rights shall be determined by the Board of Directors. The Board of Directors is authorized to restrict or exclude shareholders' advance subscription rights if the convertible debt instruments, loans and similar forms of financing are used, (i) in connection with the financing and refinancing of the business of the Company or its subsidiaries or (ii) in connection with the financing and refinancing of the takeover of companies, parts of companies, interests or co-operations or strategic partnerships,

To the extent shareholders' advance subscription rights are excluded, (i) the exercise period for conversion and option rights granted shall not exceed 10 years and 5 years, respectively, and (ii) the conversion or exercise price for the new shares to be issued shall at least correspond to the market conditions at the time of the issue of the relevant debt or loan instrument.

4. The further transfer of the registered Shares acquired by the exercise of the Options shall be subject to the restrictions of Article 5 of these Articles of Association.

Art. 3b Authorized Share Capital

1. The Board of Directors is authorized to increase the Share Capital of the Company at any time until 8 May 2016, by an amount not exceeding CHF 6'500'000 through the issuance of up to 13'000'000 fully paid-in registered Shares with a nominal value of CHF 0.50 each. Increases by way of underwriting as well as partial increases are permitted. Issue price, type of contribution, start of dividend entitlement as well as the expiry or allocation of pre-emptive rights not exercised shall be determined by the Board of Directors.
2. The Board of Directors is authorized to exclude or restrict the pre-emptive rights of the existing Shareholders:
 - a) in connection with strategic partnering and co-operation transactions;
 - b) in connection with mergers, acquisitions (including take-over) of companies, enterprises, participations or intellectual property rights as well as financing or refinancing of such transactions; or
 - c) for granting an over-allotment option (*greenshoe*) of up to twenty percent of the preceding offer to the lead-manager(s) in connection with a share placement at market conditions.

If in the context of combined capital increases pursuant to Art. 3a Sec.3 and Art. 3b funds are being raised for the purpose of the financing and refinancing of a takeover of companies, parts of companies, interests, co-operations or strategic partnerships and the share capital is increased by an aggregate nominal value amount (assuming full conversion) in excess of CHF 11'000'000 (representing 22'000'000 registered shares of CHF 0.50 par value each; the "Threshold Amount"), pre-emptive rights under this Art. 3b may not be excluded with respect to the increase amount in excess of the Threshold Amount.

3. The subscription and acquisition of the newly issued Shares as well as any further transfer of these Shares shall be subject to the restrictions of Article 5 of these Articles of Association.

Art. 4 Share Register

1. The Company keeps a Share Register for the registered Shares. The Shareholders and usufructuaries of Shares are entered in the Share Register with their names, addresses and nationality (for legal entities the registered office).
2. The Company recognizes as Shareholder or usufructuary of a Share the person whose name is entered in the Share Register.
3. The rights derived from the Shares are indivisible. The Company recognizes only one authorized party per Share.

Art. 5 Transfer Limitations / Nominees

1. The transfer of Shares, be it for ownership or usufruct purposes, is in any case subject to the approval of the Company. The approval is granted if the acquirer declares its name, address and nationality (for legal entities the registered office) on an application form provided by the Company and declares that it acquired the Shares in its own name and for its own account.
2. Any acquirer not expressly stating in its application form that the Shares have been acquired for its own account ("Nominee") may be entered as Shareholder in the Share Register with voting rights for a maximum of 5% of the total outstanding Share Capital. In excess of this limit, registered Shares held by a Nominee will only be registered with voting rights, if such Nominee declares in writing that it is prepared to disclose the name, address and shareholding of any person for whose account it is holding 1% or more of the outstanding Share Capital. The limit of 5% shall apply correspondingly for Nominees who are related to one another through capital ownership or voting rights or have a common management or are otherwise interrelated.
3. The Company may, after having heard the party involved, cancel entries which were based on untrue information. The acquirer must be informed of the cancellation immediately.

Art. 6 Preferential Subscription Rights

1. In the event of an increase of the Share Capital, every existing Shareholder is entitled to subscribe for newly issued Shares in proportion to his or her existing shareholding.
2. the Meeting of the Shareholders may suspend the preferential subscription rights of the Shareholders wholly or in part for good cause within the meaning of Art. 652b para. 2 of the Swiss Code of Obligations.

III. ORGANISATION

Art. 7 Governing bodies

The governing bodies of the Company are:

- A. the Meeting of the Shareholders;
- B. the Board of Directors;
- C. the Statutory Auditors.

A. THE MEETING OF THE SHAREHOLDERS

Art. 8 Powers

The Meeting of the Shareholders has the following inalienable powers:

- a) the determination and amendment of the Articles of Association;
- b) the election and removal of the members of the Board of Directors, the Chairman of the Board of Directors, the members of the Compensation Committee, the Auditors and the Independent Proxy;
- c) the approval of the Annual Report and of the consolidated statements of account;
- d) the approval of the annual financial statement as well as the resolution on the allocation of the disposable profit, in particular, the declaration of dividends;
- e) the discharge of the members of the Board of Directors, Executive Management and the Compensation Committee;
- f) the approval of the compensation of the Board of Directors and the Executive Management pursuant to Art. 8a; and
- g) the passing of resolutions on matters which are reserved to the Meeting of the Shareholders by law or by these Articles of Association, or which are submitted to it by the Board of Directors.

Art. 8a Resolutions on Compensation

1. Each year, the ordinary Meeting of the Shareholders shall approve separately the proposals by the Board of Directors in relation to the aggregate maximum amount of:
 - a) the compensation of the Board of Directors for the term of office until the next ordinary Meeting of the Shareholders; and
 - b) the compensation of the Executive Management for the next financial year.
2. If the Meeting of the Shareholders does not approve the proposed compensation amount, the Board of Directors may determine the aggregate maximum compensation amount, taking into consideration all relevant circumstances and submit such amount to a new Meeting of the Shareholders for approval. The Company or companies controlled by it may pay compensation prior to such Meeting of Shareholders, subject to its subsequent approval.
3. Each year, the ordinary Meeting of the Shareholders shall hold a consultative vote on the Company's compensation report.

Art. 8b Supplementary Compensation Amount for New Members of Executive Management

In the event that new members of Executive Management are appointed during a compensation period for which the Meeting of the Shareholders has already voted upon and the aggregate maximum compensation approved for such period is not sufficient to cover the compensation of the new appointees, the Company or companies controlled by it are authorized to pay or award supplementary compensation to any such new member. The supplementary amount (including sign-on bonuses, if any) shall, per compensation period, not exceed forty percent for the Chief Executive Officer and, for each other member of the Executive Management, twenty-five percent of the aggregate (maximum) compensation amount for Executive Management last approved.

Art. 9 Convening of Meetings

Meetings of the Shareholders shall be convened by the Board of Directors and, if necessary, by the Statutory Auditors by means of a one-time notice in the Company's official medium for publication at least twenty days prior to the day of the meeting. The notice shall state the agenda and the proposals of the Board of Directors and of the Shareholders.

Art. 10 Implementation

1. The Meeting of the Shareholders shall take place at the Registered Office of the Company, unless the Board of Directors resolves otherwise.
2. The Chairman or Chairwoman of the Board of Directors shall chair the Meeting of the Shareholders, or in his or her absence, a Vice-Chairman or Vice-Chairwoman or another member designated by the Board shall take the chair. The Person chairing the Meeting shall appoint a Secretary to take the minutes and Tellers to count the votes at the Meeting.
3. Minutes shall be taken and signed by the Person chairing the Meeting and the Secretary.

Art. 11 Procedures and Right to Vote

1. The Board of Directors issues regulations on the procedures of participation and representation in the Meeting of the Shareholder.
2. A Shareholder may only be represented by (i) the Independent Proxy by means of a written or electronic proxy or (ii) by another Shareholder by means of a written proxy.
3. The Person chairing the Meeting decides whether the proxy is acceptable or not.
4. Each Share is entitled to one vote.

Art. 11a Independent Proxy

The Independent Proxy is elected by the Meeting of Shareholders. The term of office ends with the conclusion of the next ordinary Meeting of the Shareholders. Re-election is possible. In case of vacancies, the Board of Directors shall appoint the Independent Proxy.

Art. 12 Ordinary Meeting of the Shareholders

1. The ordinary Meeting of the Shareholders shall be held annually within six months after the close of the business year.
2. The Annual Report and the Auditors report as well as the Compensation Report shall be made available for inspection by the Shareholders at the Company's Registered Office, not less than twenty days prior to the ordinary Meeting of the Shareholders. This shall be mentioned in the notice to convene the Meeting.

Art. 13 Extraordinary Meeting of the Shareholders

1. Extraordinary Meetings of the Shareholders shall be convened upon a resolution of the Board of Directors or on demand of the Statutory Auditors.
2. In addition, extraordinary Meetings of the Shareholders shall be convened upon a resolution of the Meeting of the Shareholders or on demand of one or more Shareholders representing an aggregate of at least 10% of the Share Capital. Such demands to call a Meeting shall state the agenda items and the proposals to be submitted to the Meeting.

Art. 14 Resolutions and Elections

1. Subject to mandatory provisions of law or these Articles of Association, resolutions and elections by the Meeting of the Shareholders require the approval of a simple majority of the votes represented. Abstentions from voting and empty ballots are not taken into account in calculating the majority. In the case of a tie, the Person chairing the Meeting has the casting vote.
2. The voting shall be conducted by an electronic voting and election system – to the extent that this is possible at the Meeting. If not, resolutions or elections will be taken on a show of hands unless a written ballot is held upon resolution of the Meeting of the Shareholders or if the Person chairing the Meeting so directs.
3. If the Person chairing the Meeting doubts the results of the vote, he or she may change the way of voting. In this case, the preceding resolution determined by the electronic voting and election system or by a show of hands is deemed not to have occurred.

Art. 15 Important resolutions

A resolution of the Meeting of the Shareholders passed by at least two thirds of the votes represented shall be required for:

- a) the change of the purpose of the Company;
- b) the creation of Shares with privileged voting rights;
- c) the restriction of the transferability of registered Shares;
- d) an increase of Capital, authorized or conditional subject to a condition;
- e) the increase of Capital out of equity, against contributions in kind, or for the purpose of acquisition of assets and the granting of special benefits;
- f) the limitation or withdrawal of the Shareholders' preferential subscription rights;

- g) the change of the domicile of the Company;
- h) the dissolution of the Company.

B. THE BOARD OF DIRECTORS

Art. 16 Composition, Election and Term of Office

1. The Board of Directors consists of 5 to 11 members.
2. The members of the Board of Directors are elected individually by the Meeting of the Shareholders. Re-election is possible.
3. The term of office ends with the conclusion of the next ordinary Meeting of the Shareholders.

Art. 17 Constitution

1. Except for the election of the Chairman of the Board of Directors and the members of the Compensation Committee, the Board of Directors constitutes itself.
2. The Chairman of the Board of Directors shall be elected by the Meeting of the Shareholders. The term of office ends with the conclusion of the next ordinary Meeting of the Shareholders. Re-election is possible. In the event the Chairman function is vacant, the Board of Directors shall appoint the successor.
3. The Board of Directors shall appoint its Secretary; the Secretary does not need to be a member of the Board of Directors.

Art. 18 Convening of Meetings and Resolutions

1. The meetings of the Board of Directors are convened by the Chairman or Chairwoman as often as made necessary by the business; they are also convened upon a request in writing by a member of the Board of Directors.
2. At least half of the members of the Board of Directors must be present in order to pass resolutions; however, there is no quorum requirement for resolutions regarding a report on a capital increase and for those resolutions requiring notarization.
3. The passing of the resolutions by the Board of Directors requires a simple majority of the votes cast. In the case of a tie, the Person chairing the Meeting has the casting vote.
4. Resolutions can be made by circulation by mail, telefax, telex, telegram or e-mail, unless a member of the Board requests oral deliberation. The Organisational Regulations of the Company shall regulate the details.
5. Minutes of all meetings and resolutions of the Board of Directors shall be taken and signed by the Person chairing the Meeting and the Secretary.

Art. 19 Functions

The Board of Directors is authorized to pass resolutions regarding all matters which are not reserved to another governing body of the Company by law, these Articles of Association or any regulations.

Art. 20 Delegation of Powers / Organisational Regulations

1. The Board of Directors may delegate the management of the Company wholly or partly to one or more of its members or third parties, who need to be natural persons (management), in accordance with the Organizational Regulations of the Company.
2. The Board of Directors issues Organisational Regulations defining the exact powers of the Board of Directors and the responsibilities and duties of the management.

Art. 21 Signatory power

The Board of Directors determines the members of the Board of Directors and third parties who have signatory power and the nature of the signatory power.

Art. 22 Compensation Committee

1. The Meeting of Shareholders elects at least three but not more than five Directors as members of the Compensation Committee. The term of office ends with the next ordinary Meeting of the Shareholders. Re-election is possible. In case of vacancies, the Board of Directors shall appoint the required number of Committee members.
2. The Compensation Committee shall support the Board of Directors in reviewing and establishing the Company's compensation strategy and policy and shall have the following basic tasks and responsibilities in relation to the compensation of the Board of Directors and Executive Management:
 - a) propose to the Board of Directors for approval by the Meeting of the Shareholders the aggregate maximum compensation of the Board of Directors and the aggregate maximum compensation of the Executive Management;
 - b) propose to the Board of Directors the allocation of the aggregate Board compensation approved by the Meeting of Shareholders;
 - c) determine the compensation of the members of the Executive Management within the framework of the aggregate maximum compensation approved by the Meeting of Shareholders;
 - d) set targets and determine target achievement under the performance-based short-term variable compensation of the Executive Management;
 - e) set performance targets and determine target achievement under the Executive Management's long-term incentive plans;
 - f) propose to the Board of Directors modifications to the Articles of Association regarding the compensation system for the Board of Directors and Executive Management.
3. The Board of Directors shall regulate the further tasks and responsibilities of the Compensation Committee in the Organizational Rules and the Compensation Committee Charter.

C. AUDITORS

Art. 23

The Auditors shall be annually elected by the Meeting of the Shareholders and shall be responsible for carrying out all functions and duties incumbent upon them by law.

IV. REMUNERATION AND RELATED PROVISIONS FOR BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Art. 23a Permitted Additional Activities

1. The non-executive members of the Board of Directors can have up to four additional Mandates (as defined below) in listed companies and up to five Mandates in non-listed companies.
2. The members of the Executive Management may upon prior approval by the Board of Directors, or a committee thereof, have up to three additional Mandates (as defined below) one of which can be in listed companies.
3. For the purposes of this Art. 23a the following functions do not fall under the above restrictions:
 - a) Mandates in entities controlled by the Company;
 - b) Mandates a member of the Board of Directors or the Executive Management assumes upon request by the Company, provided that no member of the Board of Directors or Executive Management may hold more than five of such Mandates; and
 - c) Mandates in associations, foundations, charitable organisations, trusts, employee welfare foundations or other comparable structures, provided that no member of the Board of Directors or the Executive Management may hold more than ten Mandates in such organizations.
4. "Mandate" as used in this Art. 23a means memberships in the superior management or oversight bodies of legal units obliged to register themselves in a Swiss commercial register or a foreign equivalent thereof. Several Mandates in legal units belonging to the same consolidated group of companies are deemed one Mandate.

Art. 23b Compensation related Agreements

1. The agreements of the members of the Board of Directors shall have a term from election until the conclusion of the next ordinary Meeting of the Shareholders. Resignation or dismissal remains reserved.
2. The employment agreements of the Executive Management are as a general rule without fixed term. The maximum notice period for employment shall be twelve months. If the Board of Directors or a committee thereof comes to the conclusion that a fixed term is appropriate, the fixed term shall not exceed one year. Renewal is possible.
3. In the event of termination of the employment agreement, the Company can relieve the member of Executive Management from his/her duties during the notice period or enter into a termination agreement.
4. The Company may enter into non-competition agreements with members of the Executive Management with a duration of up to one year after termination of employment. The annual compensation payable during the term of the non-competition agreement shall not exceed the annual base salary paid prior to the termination of employment.

Art. 23c Board Compensation Principles

1. The members of the Board of Directors shall receive an annual retainer as determined by the Board of Directors upon recommendation by the Compensation Committee, subject to prior approval by the Meeting of the Shareholders.
2. Non-executive members of the Board of Directors have the right to elect that part of their annual retainer be paid in shares. In addition, the Board of Directors may determine that part of the retainer be paid in the form of blocked shares, in which case it shall determine the conditions, including blocking periods. Allocation occurs at market conditions.

Art. 23d Executive Management Compensation Principles

1. Members of the Executive Management shall receive a fixed compensation consisting of a base salary, allowances payable in cash, contributions to pension schemes or similar benefits and, where applicable, other benefits in cash or kind. In addition, members of Executive Management are eligible for performance based short-term variable compensation and long-term variable compensation.
2. The short-term variable compensation shall be based on the achievement of performance targets which are generally measured over a one-year period. Performance targets are based on enterprise, functional/business unit and individual goals. The annual target level shall be determined as a percentage of the base salary. Depending on the achieved performance, the short-term variable compensation may vary between zero and one hundred-fifty percent of the target level. Short-term variable compensation can be awarded in cash or equity or equity-based instruments. The vesting period of such equity and equity based instruments shall be at least one year.
3. Long-term variable compensation consists of equity or equity based instruments. The Compensation Committee shall determine the size of the long-term incentive award for each member of the Executive Management. The annual target fair value of the award at grant shall be determined as a percentage of the base salary. Depending on past performance it may vary between zero and one hundred-fifty percent of the target level. Vesting periods shall be at least three years. In addition, receipt of unrestricted ownership may be made subject to pre-determined performance metrics taking into account the strategic long-term objectives of the Company. Achievement of which is measured over a multi-year period. The Compensation Committee shall confirm the final allocation size based on metrics achievement.
4. Upon termination of employment, awarded equity and equity-based instruments for which the employee has not yet received unrestricted ownership shall forfeit except in case of retirement, disability or death. The equity plans may provide that, contingent upon the occurrence of a change-of-control, transfer restrictions or retention periods are cancelled, and that applicable performance metrics are determined on a pro rata basis.

The fair value of equity and equity based instruments at the time of award shall be determined by the Compensation Committee in reliance on and with the assistance of management and external experts (if any).

5. Compensation may be paid by the Company or companies controlled by it.

Art. 23e Credits and Pension Schemes

1. The Company may make employment related credits to the members of Executive Management. The credits are limited to one hundred percent of the of the base salary.
2. The Company may reimburse members of the Board of Directors and Executive Management for cost incurred in connection with legal, regulatory or similar proceedings and grant respective advances.
3. The members of the Board of Directors not serving in the Executive Management shall not participate in the Company's pension and retirement plans. The members of the Executive Management are eligible to be insured and to participate in the Company's retirement and pension schemes.

V. BUSINESS YEAR AND FINANCES

Art. 24 Business Year

The Company's business year shall be determined by the Board of Directors.

Art. 25 Finances

The annual profit shall be at the disposal of the Meeting of the Shareholders after observing the relevant legal provisions.

VI. OFFICIAL NOTICES AND ANNOUNCEMENTS; JURISDICTION; DISSOLUTION OF THE COMPANY

Art. 26 Publication

Notices and announcements of the Company shall be made in the Swiss Commercial Gazette (Schweizerisches Handelsamtsblatt). The Board of Directors may determine additional publication media.

Art. 27 Jurisdiction

Jurisdiction for all controversies which may arise in relation with the Company is at the place of the Company's Registered Office.

Art. 28 Dissolution and Liquidation

Should the Company be dissolved, the liquidation shall be carried out according to the provisions of the Swiss Code of Obligations.