



Public Tender Offer
by
Janssen Holding GmbH, Zug, Switzerland
for all publicly held registered shares with a nominal value of
CHF 0.50 each
of
Actelion Ltd, Allschwil, Switzerland

Offer Price: U.S. Dollars (**USD**) 280 net in cash (the **Offer Price**) per registered share of Actelion Ltd (**Actelion** or the **Company**) with a nominal value of Swiss Francs (**CHF**) 0.50 each (each an **Actelion Share**). The Offer Price will be paid regardless of the distribution of shares of R&D NewCo as described below (see Section A ("*Background of the Offer*")), and will not be reduced as a result thereof.

Other than as set forth in this paragraph, the Offer Price will be reduced by the gross amount of any dilutive effects caused by the Company or any of its Subsidiaries (as hereinafter defined) in respect of the Actelion Shares prior to the consummation of the Offer (the **Settlement**, and the date on which the Settlement shall occur, the **Settlement Date**), including dividend payments and other distributions of any kind, stock splits or reverse stock splits, demergers and spin-offs, capital increases and the sale of treasury shares at an issuance or sales price per Actelion Share below the Offer Price, the purchase of Actelion Shares at a purchase price above the Offer Price, the issuance of options or other rights for the acquisition of Actelion Shares and repayments of capital in any form. The Offer Price will not be reduced by the stock dividend to be declared by the Company to effect the Demerger Transactions (as hereinafter defined) or in connection with issuances of Actelion Shares arising from the exercise or settlement of awards outstanding as of January 25, 2017 (the last Trading Day prior to the Pre-Announcement, as hereinafter defined) or issued in compliance with the Transaction Agreement (as hereinafter defined), in each case under the Company's existing equity plans.

Main Offer Period: From March 3, 2017, to March 30, 2017 (subject to extension).

| Actelion | Securities No. | ISIN | Ticker symbol |
|---|----------------|-----------------|---------------|
| Registered shares not tendered (first trading line) | 1 053 247 | CH001 053 247 8 | ATLN |
| Registered shares tendered (second trading line) | 35 579 402 | CH035 579 402 2 | ATLNEE |
| Registered shares tendered (third line, not open for trading, for USD/CHF Conversion Facility) | 35 579 403 | CH035 579 403 0 | - |

Lead Financial Advisor
Lazard

Financial Advisor
Citibank

Offer Manager
Bank Vontobel AG

Offer Prospectus dated February 16, 2017 (the **Offer Prospectus**)

Offer Restrictions

General

The public tender offer (*öffentliches Kaufangebot*) described in this Offer Prospectus (the **Offer**) is not being made and will not be made, directly or indirectly, in any country or jurisdiction in which such an Offer would be considered unlawful or otherwise violate any applicable laws or regulations, or which would require Johnson & Johnson (**J&J**) or any of its direct or indirect subsidiaries, including but not limited to Janssen Holding GmbH (the **Offeror**) (each direct or indirect subsidiary of J&J or of Actelion hereinafter a **Subsidiary**), to change or amend the terms or conditions of the Offer in any material way, to make an additional filing with any governmental, regulatory or other authority or take additional action in relation to the Offer. It is not intended to extend the Offer to any such country or jurisdiction. Any such documents relating to the Offer must neither be distributed in any such country or jurisdiction nor be sent into such country or jurisdiction, and must not be used for the purpose of soliciting the purchase of securities of the Company by any person or entity resident or incorporated in any such country or jurisdiction.

Notice to U.S. Holders

The Offer is being made for the registered shares of Actelion, a Swiss corporation (*Aktiengesellschaft*) whose shares are listed on the SIX Swiss Exchange (**SIX**), and is subject to Swiss disclosure and procedural requirements, which are different from those of the United States of America (**U.S.**). The Offer is being made in the U.S. pursuant to Section 14(e) of, and Regulation 14E under, the U.S. Securities Exchange Act of 1934, as amended (the **U.S. Exchange Act**), subject to the exemptions provided by Rule 14d-1 and Rule 14e-5 under the U.S. Exchange Act and any exemptions from such requirements granted by the U.S. Securities and Exchange Commission (the **SEC**), and otherwise in accordance with the requirements of Swiss law. Accordingly, the Offer is subject to disclosure and other procedural requirements, including with respect to withdrawal rights, settlement procedures and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and laws. U.S. holders of Actelion Shares are encouraged to consult with their legal, financial and tax advisors regarding the Offer.

According to the laws of Switzerland, Actelion Shares tendered into the Offer may generally not be withdrawn after they are tendered except under certain circumstances, in particular if a competing offer for the Actelion Shares is launched.

In accordance with the laws of Switzerland and subject to applicable regulatory requirements, J&J and its Subsidiaries and affiliates or their respective nominees or brokers (acting as agents for the Offeror) may from time to time after the date of the Offer Prospectus, and other than pursuant to the Offer, directly or indirectly, purchase or arrange to purchase Actelion Shares or any securities that are convertible into, exchangeable for or exercisable for Actelion Shares from shareholders of the Company who are willing to sell their Actelion Shares outside the Offer from time to time, including purchases in the open market at prevailing prices or in private transactions at negotiated prices, and shall comply with applicable laws and regulations in Switzerland and applicable U.S. securities regulation and pursuant to exemptive relief granted by the SEC from Rule 14e-5 under the U.S. Exchange Act. Any such purchases will not be made at prices higher than the offer price or on terms more favorable than those offered pursuant to the Offer

unless the Offer Price is increased accordingly. Any information about such purchases or arrangements to purchase will be publicly disclosed in the U.S. on <http://www.investor.jnj.com/publictenderoffer.cfm> to the extent that such information is made public in accordance with the applicable laws and regulations of Switzerland. In addition, the financial advisor to the Company and, subject to applicable Swiss and U.S. securities regulation and pursuant to exemptive relief granted by the SEC from Rule 14e-5 under the U.S. Exchange Act, the financial advisor to J&J and its affiliates may also engage in ordinary course trading activities in securities of the Company, which may include purchases or arrangements to purchase such securities.

It may be difficult for U.S. holders to enforce their rights and any claim arising out of U.S. securities laws, since the Offeror and the Company are located in a non-U.S. jurisdiction, and some or all of their officers and directors may be residents of a non-U.S. jurisdiction. U.S. holders may not be able to sue a non-U.S. company or its officers or directors in a U.S. or non-U.S. court for violations of the U.S. securities laws. Further, it may be difficult to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

The receipt of cash pursuant to the Offer by a U.S. holder of Actelion Shares may be a taxable transaction for U.S. federal income tax purposes and under applicable U.S. state and local laws, as well as foreign and other tax laws. In addition, the receipt of shares of R&D NewCo (as hereinafter defined) pursuant to the Demerger Distribution (as hereinafter defined) by a U.S. holder of Actelion Shares may be taxable as a dividend for U.S. federal income tax purposes and under applicable U.S. state and local laws, as well as foreign and other tax laws. Each shareholder of the Company is urged to consult his or her independent professional advisor immediately regarding the tax consequences of an acceptance of the Offer. Neither the SEC nor any securities commission of any State of the U.S. has (a) approved or disapproved of the Offer; (b) passed upon the merits or fairness of the Offer; or (c) passed upon the adequacy or accuracy of the disclosure in this Offer Prospectus. Any representation to the contrary is a criminal offence in the U.S.

American Depositary Shares and American Depositary Receipts

The Offeror is aware that there are “unsponsored” American Depositary Receipt Programs concerning Actelion Shares. The Offer is not being made for American Depositary Shares representing Actelion Shares (**ADSs**), nor for American Depositary Receipts evidencing such ADSs (**ADRs**). However, the Offer is being made for the Actelion Shares that are represented by the ADSs. Holders of ADSs and ADRs are encouraged to consult with the appropriate depository regarding the tender of Actelion Shares that are represented by ADSs. The Offeror is unaware whether any respective depository will make arrangements to tender the underlying Actelion Shares into the Offer on behalf of holders of ADSs or ADRs.

Holders of ADSs may present their ADSs to the appropriate depository for cancellation and (upon compliance with the terms of the deposit agreements relating to the “unsponsored” American Depositary Receipt Program concerning Actelion Shares, including payment of the depository's fees and any applicable transfer fees, taxes and governmental charges) delivery of Actelion Shares to them, in order to become shareholders of the Company. The Offer may then be accepted in accordance with its terms for the Actelion Shares delivered to holders of ADSs upon

such cancellation. Holders of ADSs should be aware, however, that in order to tender in this manner, they may need to have an account in Switzerland into which the Actelion Shares can be delivered.

Notice Regarding Currency Exchange Rate Risks

The Actelion Shares are traded on SIX in CHF. At Settlement, the Offeror will pay the Offer Price for validly tendered Actelion Shares in USD. Accordingly, tendering shareholders who desire proceeds to be in CHF or in any currency other than USD (a **Non-USD Currency**), will bear the currency exchange rate related risks on the Offer Price. These include the risks that the prevailing USD exchange rate into any Non-USD Currency may materially adversely change and competent authorities may impose or modify exchange controls or adopt monetary policies which may impact the value of a Non-USD Currency relative to the USD, or vice versa. In addition, the exchange will be associated with costs that will have to be borne by the relevant tendering shareholder (including a spread between bid and ask prices for the relevant currencies).

Accordingly, the proceeds that can be realized by a tendering shareholder upon conversion of the Offer Price into CHF or another Non-USD Currency may be materially adversely reduced through changes of the exchange rate as well as costs of such currency exchange. Tendering shareholders may be able to limit these risks with hedging-transactions and by selling their shares in the market or by ordering their bank to deposit the Offer Price on a USD denominated account, but tendering shareholders are encouraged to consult with their legal, financial and tax advisors regarding these risks.

If a tendering shareholder does not pro-actively procure another solution (e.g., payment on a USD denominated account), custodian banks of such a tendering shareholder might, depending on the terms and conditions applying between bank and shareholder, automatically convert the USD amount into CHF at conditions that are potentially not favorable for such holders. Tendering shareholders are encouraged to consult with their custodian banks.

The USD/CHF Conversion Facility that will be provided for certain Eligible Private Investors (see Section L.5 ("*USD/CHF Conversion Facility for Eligible Private Investors*")) may lead to better foreign exchange terms for Eligible Private Investors electing the Conversion Facility than without such facility, but does not mitigate the risks associated with potential adverse changes of the USD/CHF exchange rate (due to de-valuation of USD versus CHF or the potential increase in valuation of CHF versus USD or due to speculation, interference by national or central banks or governments or for other reasons) prior to and during the time period between the determination of the USD/CHF exchange rate used in the USD/CHF Conversion Facility and the Settlement.

Forward-Looking Statements

This Offer Prospectus contains statements that are, or may be deemed to be, forward-looking statements. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words "aims", "believes", "estimates", "anticipates", "expects", "intends", "may", "will", "plans", "continue" or "should" or similar terminology. These forward-looking statements include matters that are not historical facts or which may not otherwise be provable by reference to past events. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events, and/or depend on circumstances, that may or may not occur in the future.

A. Background of the Offer

The Offeror is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Switzerland, having its registered seat in Zug, Switzerland. The Offeror is an indirect Subsidiary of J&J and, as of the date hereof, a direct Subsidiary of the Bidder (as hereinafter defined) (see Section D.1 ("*Name, Registered Seat, Capital, Shareholders and Principal Business Activities of the Offeror*")).

Cilag Holding AG is a corporation (*Aktiengesellschaft*) organized under the laws of Switzerland, having its registered seat in Zug, Switzerland (the **Bidder**). The Bidder is an indirect Subsidiary of J&J. J&J is a corporation organized under the laws of the State of New Jersey, U.S., having its headquarters in New Brunswick, New Jersey, U.S. J&J's common stock is listed on the New York Stock Exchange (**NYSE**) (ticker symbol JNJ). J&J, together with its Subsidiaries (the **J&J Group**), is globally active in the pharmaceutical, medical devices and consumer health products industry.

Actelion is a corporation (*Aktiengesellschaft*) organized under the laws of Switzerland, having its registered seat in Allschwil, Switzerland. Actelion's registered shares have been traded on SIX since April 6, 2000 (ticker symbol ATLN). Actelion, together with its Subsidiaries (the **Actelion Group**), is a leading biopharmaceutical company that is focused on the discovery, development and commercialization of innovative drugs for diseases with significant unmet medical needs. Through the Offer and subject to the Demerger Transactions, the Offeror intends to obtain full control over Actelion and its Subsidiaries, and add Actelion's complementary in-market medicines and late-stage products to J&J Group's pharmaceutical business segment (see Section D.1 ("*Name, Registered Seat, Capital, Shareholders and Principal Business Activities of the Offeror*")).

The proposed transaction combines the Offer with a demerger of the Company's preclinical discovery and clinical pipeline business (the **R&D Business**), accomplished through (1) the transfer of the assets and liabilities of the R&D Business into new entities to be wholly owned by a newly formed holding company (**R&D NewCo**) (the **Reorganization**) and (2) subject to approval by Actelion's shareholders, the distribution of all of the shares of R&D NewCo by way of a dividend in kind (the **Stock Dividend**) to Actelion's shareholders in the ratio of one share of R&D NewCo per Actelion Share (the **Demerger Distribution**), in each case pursuant to the terms of the Demerger Agreement (as hereinafter defined). All shares of R&D NewCo will be listed on SIX (the **Listing**) (the Reorganization, the Demerger Distribution and the admission to Listing together, the **Demerger Transactions**) (see Section C ("*Demerger Transactions*")). The Offer and the Demerger Transactions are two processes running in parallel and they are generally cross-conditioned. The Settlement as well as the Demerger Distribution and the Listing shall take place on the same date.

On January 26, 2017, the Offeror, J&J and the Bidder entered into a transaction agreement with the Company (the **Transaction Agreement**) pursuant to which the Offeror agreed to submit, publish and conduct the Offer, and the Company's board of directors unanimously agreed, *inter alia*, to recommend the Offer for acceptance by the holders of Actelion Shares. On January 26, 2017, a Subsidiary of J&J also entered into a demerger agreement with the Company and other Subsidiaries of the Company (the **Demerger Agreement**) pursuant to which the parties agreed to consummate the Demerger Transactions (see Section F.4 ("*Agreements between the Offeror and Actelion, its Directors, Officers and Shareholders*")).

In connection with the Offer and the Demerger Transactions, the Bidder has also agreed to make a convertible loan in the amount of CHF 580 million to R&D NewCo with a maturity of ten (10) years, which shall be convertible, in two tranches, up to an aggregate of 32% of the shares of R&D NewCo. One business day following the Settlement and the completion of the Demerger Transactions, the first tranche of the convertible loan will be converted, so that the Bidder will hold 16% of the shares of R&D NewCo, and the former Actelion shareholders will own 84% of the shares of R&D NewCo. The remaining portion of the loan shall be convertible by the Bidder at any time during the term of the convertible loan. At maturity, R&D NewCo may settle the second tranche of the loan (if still outstanding) in cash or in shares of R&D NewCo. The Bidder has committed itself by contract for a period of five (5) years following the Settlement not to acquire any equity securities of R&D NewCo which would result in the Bidder holding more than 32% of R&D NewCo's issued share capital, subject to certain exceptions.

B. Offer

1. Pre-Announcement

On January 26, 2017, the Offeror published a pre-announcement (the **Pre-Announcement**) of the Offer in accordance with articles 5 *et seq.* of the Ordinance of the Swiss Takeover Board on Public Takeover Offers (*Verordnung der Übernahmekommission über öffentliche Kaufangebote*; the **Takeover Ordinance**). The Pre-Announcement was published in English, German and French on the websites of J&J and the Swiss Takeover Board (the **TOB**), and was otherwise distributed in accordance with the Takeover Ordinance, before opening of trading on SIX on January 26, 2017.

2. Object of the Offer

Except as set forth below and subject to the Offer restrictions set forth above, the Offer extends to all publicly held Actelion Shares.

The Offer will not extend to (i) Actelion Shares held by J&J or any of its Subsidiaries, (ii) Actelion Shares held by the Company or any of its Subsidiaries (other than those that will have been issued by the end of the Additional Acceptance Period (as defined in Section B.6 ("*Additional Acceptance Period*")) as a result of the exercise of awards or entitlements under Actelion's share- and option-based equity plans), or (iii) the ADSs or ADRs of the Company which are traded on the over-the-counter (OTC) markets in the U.S (provided that the Offer will extend to the underlying Actelion Shares represented by such ADSs).

Accordingly, the Offer relates to a maximum number of 107,339,642 Actelion Shares, calculated as of January 25, 2017 (the last Trading Day prior to the Pre-Announcement) as follows:

| | |
|---|--------------------|
| Issued Actelion Shares* | 107'761'427 |
| Actelion Shares held by J&J or any of its Subsidiaries** | – 0 |
| Actelion Shares held by Actelion or any of its Subsidiaries*** | – 4,565,391 |
| Maximum number of new Actelion Shares to be issued by the end of the Additional Acceptance Period out of Actelion's authorized or conditional capital and/or Actelion's own Actelion Shares to be issued in each case in connection with Actelion's equity plans*** | + 4,143,606 |
| Maximum Number of Actelion Shares to which the Offer extends | 107,339,642 |

* According to the Commercial Register.

** As of January 25, 2017 (the last Trading Day prior to the Pre-Announcement).

*** As of January 25, 2017 (the last Trading Day prior to the Pre-Announcement), according to information provided by Actelion.

Actelion has agreed with the Offeror that Actelion will not, and that it will procure that its Subsidiaries will not, sell from the date of the Transaction Agreement (as described in Section F.4 ("*Agreements Between the Offeror and Actelion, its Directors, Officers and Shareholders*")) until the Settlement Date any of the Actelion Shares held by them.

3. Offer Price

The Offer Price for each Actelion Share is USD 280 net in cash. The Offer Price will be paid regardless of the Stock Dividend as described above (see Section A ("*Background of the Offer*")), and will not be reduced as a result thereof.

Other than as set forth in this paragraph, the Offer Price will be reduced by the gross amount of any dilutive effects caused by the Company or any of its Subsidiaries in respect of the Actelion Shares prior to the Settlement, including dividend payments and other distributions of any kind, stock splits or reverse stock splits, demergers and spin-offs, capital increases and the sale of treasury shares at an issuance or sales price per Actelion Share below the Offer Price, the purchase of Actelion Shares at a purchase price above the Offer Price, the issuance of options or other rights for the acquisition of Actelion Shares and repayments of capital in any form. The Offer Price will not be reduced by the Stock Dividend or in connection with issuances of Actelion Shares arising from the exercise or settlement of awards issued as of January 25, 2017 (the last Trading Day prior to the Pre-Announcement) or issued in compliance with the Transaction Agreement, in each case under the Company's existing equity plans.

The Offer Price implies a premium of 46% to the volume-weighted average price of all on-exchange transactions in Actelion Shares executed on SIX during the sixty (60) SIX trading days (each a **Trading Day**) prior to the publication of the Pre-Announcement, which amounts to CHF 191.20, a premium of 23% to the closing price of the Actelion Shares on SIX on January 25, 2017, the Trading Day immediately prior to the publication of the Pre-Announcement, of CHF 227.40, and a premium of 90% to the closing price of the Actelion Shares on SIX on No-

vember 15, 2016, the Trading Day immediately prior to media reports regarding a potential acquisition of the Company, of CHF 147.80.¹

The Actelion Shares are included in the SLI Swiss Leader Index of the SIX (**SLI**). Accordingly, the Actelion Shares are deemed liquid pursuant to Circular No. 2 (Liquidity in the context of takeover law) of the TOB of February 26, 2010.

Historical price trend of Actelion Shares since 2013:

| | 2013 | 2014 | 2015 | 2016 | 2017** |
|-------|-------|--------|--------|--------|--------|
| High* | 77.30 | 118.60 | 146.20 | 223.90 | 231.40 |
| Low* | 44.57 | 75.55 | 93.50 | 122.50 | 223.00 |

* Daily closing price in CHF

** From January 1 until January 25, 2017 (the last Trading Day prior to the Pre-Announcement)

Source: SIX Swiss Exchange

4. Cooling-off Period

If not extended by the TOB, a cooling-off period of ten (10) Trading Days (the **Cooling-off Period**) will run following publication of this Offer Prospectus, *i.e.*, from February 17, 2017 to March 2, 2017. The Offer may only be accepted after the expiration of the Cooling-off Period.

5. Main Offer Period

If the Cooling-off Period is not extended by the TOB, the initial offer period of twenty (20) Trading Days is expected to commence on March 3, 2017 and to end on March 30, 2017, 4:00 p.m. CEST (the **Main Offer Period**).

Holders of Actelion Shares may tender their Actelion Shares at any time prior to the end of the (possibly extended) Main Offer Period.

The Offeror reserves the right to extend the Main Offer Period once or several times to a maximum of forty (40) Trading Days or, with the approval of the TOB, beyond forty (40) Trading Days. In the event of an extension, the commencement of the Additional Acceptance Period (as defined in Section B.6 ("*Additional Acceptance Period*")) and the Settlement Date (as defined in Section L.4 ("*Payment of the Offer Price; Settlement Date*")) will be deferred accordingly.

6. Additional Acceptance Period

After the expiration of the (possibly extended) Main Offer Period and if the Offer is declared successful (*zustande gekommen*), there will be an additional acceptance period of ten (10) Trading Days for the subsequent acceptance of the Offer (the **Additional Acceptance Period**). If the Cooling-off Period is not extended by the TOB and if the Main Offer Period is not extended, the

¹ USD/CHF exchange rate of 1.0003 as at 17:30 CET on January 25, 2017 (as per Bloomberg).

Additional Acceptance Period is expected to begin on April 6, 2017 and to end on April 21, 2017, 4:00 p.m. CEST.

7. Offer Conditions, Waiver of Offer Conditions and Period for which the Offer Conditions are in Force and in Effect

(1) Offer Conditions

The Offer is subject to the conditions set forth below (the **Offer Conditions**). The period in respect of which each of the Offer Conditions will be in force and in effect is described in subsection B.7(3) below.

- (a) Minimum Acceptance Rate: The Offeror shall have received valid and irrevocable acceptances for such number of Actelion Shares representing, when combined with any Actelion Shares that J&J and its Subsidiaries will own at the end of the (possibly extended) Main Offer Period (but not including Actelion Shares held by the Company or any of its Subsidiaries), at least 67% of all Actelion Shares that are issued and outstanding at the end of the (possibly extended) Main Offer Period.
- (b) Merger Control and Other Approvals: (i) All waiting periods with respect to the Offer and the other transactions contemplated by the Pre-Announcement and the Transaction Agreement under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the **HSR Act**), and any rules promulgated thereunder shall have expired or been terminated; (ii) the European Commission adopting and formally notifying to the parties, or having been deemed under Council Regulation (EC) 139/2004 of the European Union to have adopted, all decisions and approvals necessary to allow consummation of the Offer and other transactions contemplated by the Pre-Announcement and the Transaction Agreement (and, to the extent relevant, all conditions or obligations contained in such decisions and approvals necessary to allow consummation of the Offer and the other transactions contemplated by the Pre-Announcement and the Transaction Agreement having been satisfied or complied with); and (iii) all competent merger control and other authorities and, if applicable, courts, in each case, in each of the following jurisdictions shall have approved or, as the case may be, not prohibited or objected to the consummation of the Offer and other transactions contemplated by the Pre-Announcement and the Transaction Agreement: Japan, Russia, Israel, Taiwan and Turkey. With respect to each of clauses (i), (ii) and (iii) of the preceding sentence, the approval, clearance, decision or expiration or termination of the applicable waiting period shall not be subject to any condition or undertaking on J&J, the Company or any of their respective Subsidiaries that, individually or together with any other such condition or undertaking, in the opinion of an independent accounting firm or investment bank of international reputation to be appointed by the Offeror (the **Independent Expert**) would reasonably be expected to cause a Material Adverse Effect (as defined in condition (d), below) on J&J and its Subsidiaries, taken as a whole, or the Company and its Subsidiaries, taken as a whole.
- (c) No Injunction or Prohibition: No judgment, decision, order or other authoritative measure shall have been issued by any competent court or governmental authority temporarily or permanently preventing, prohibiting or declaring illegal the Offer or the Settlement.
- (d) No Company Material Adverse Effect: From the date of the Pre-Announcement until the end of the (possibly extended) Main Offer Period, no changes in circumstances, events, facts or occurrences shall have been disclosed by the Company or otherwise come to the

Offeror's attention which, individually or together with any other changes in circumstances, events, facts or occurrences that are relevant under this Offer Condition (d), in the opinion of the Independent Expert, would be reasonably expected to have a Material Adverse Effect on the Company and its Subsidiaries, taken as a whole.

A **Material Adverse Effect** means a reduction of:

- (i) the annual consolidated earnings before interest and taxes (**EBIT**) of CHF 98.3 million – which is an amount equal to 15% of the consolidated EBIT of the Company and its Subsidiaries in the financial year 2015 as per the Company's annual report 2015 – or more;
- (ii) the annual consolidated sales of CHF 204.5 million – which is an amount equal to 10% of the consolidated sales of the Company and its Subsidiaries in the financial year 2015 as per the Company's annual report 2015 – or more.

When determining whether a Material Adverse Effect has occurred with respect to the Company and its Subsidiaries, taken as a whole, the following changes in circumstances, events, facts or occurrences shall not be taken into account, individually or together:

- (i) any circumstance, event, fact or occurrence in the industries in which the Company and its Subsidiaries operate or in the economy generally, except to the extent (and only to the extent) that such circumstance, event, fact or occurrence disproportionately affects the Company or any of its Subsidiaries relative to other participants in the industry in which the Company and its Subsidiaries operate; or
 - (ii) any circumstance, event, fact or occurrence that arises from or relates to R&D NewCo, the R&D Business or any of the Transferring Business Assets or Assumed Liabilities, in each case as defined in the Demerger Agreement, except to the extent (and only to the extent) such circumstance, event, fact or occurrence affects any other aspect of the Company or its Subsidiaries; or
 - (iii) any circumstance, event, fact or occurrence that arises from or relates to the commencement of sales of a generic form of Bosentan (marketed by the Company as Tracleer) in the United States.
- (e) Registration in the Share Register of the Company: The board of directors of the Company shall have resolved to register, upon Settlement, the Offeror and/or any other company controlled and designated by J&J in the share register of the Company as shareholder(s) with voting rights with respect to all Actelion Shares that J&J or any of its Subsidiaries have acquired or may acquire (with respect to Actelion Shares to be acquired in the Offer, subject to all other Offer Conditions having been satisfied or waived), and the Offeror and/or any other company controlled and designated by J&J shall have been registered in the share register of the Company as shareholder(s) with voting rights with respect to all Actelion Shares acquired.
- (f) Listing of R&D NewCo: The shares of R&D NewCo (as described in the listing prospectus with respect thereto, which, if required, shall include audited carve-out financial statements with respect to R&D NewCo) shall have been approved for listing by the regulatory board of the SIX.

- (g) Resignation of Members of the Board of Directors of the Company: All members of Actelion's board of directors shall have resigned from their functions on the board of directors of the Company and its Subsidiaries with effect from and subject to the Settlement.
- (h) General Meeting of Shareholders of the Company: A general meeting of the Company's shareholders shall have approved:
- (i) the election of the persons nominated by the Offeror to the Company's board of directors with effect from and subject to the Settlement; and
 - (ii) a distribution of the shares of R&D NewCo to Actelion's shareholders, to be distributed to Actelion's shareholders concurrently with the Settlement, following the completion of the other Demerger Transactions.
- (i) No Adverse Resolutions by the General Meeting of Shareholders of the Company: Other than in connection with the Demerger Transactions, no meeting of shareholders of the Company shall have:
- (i) resolved or approved any dividend, other distribution or capital reduction or any acquisition, spin-off (*Abspaltung*), transfer of assets and liabilities (*Vermögensübertragung*) or other disposal of assets (x) with an aggregate value or for an aggregate consideration of more than CHF 191.5 million (corresponding to 10% of the consolidated total assets of the Company and its Subsidiaries as of December 31, 2015, as per the Company's annual report 2015), or (y) contributing in the aggregate more than CHF 98.3 million to the EBIT (corresponding to 15% of the consolidated EBIT of the Company and its Subsidiaries in the financial year 2015, as per the Company's annual report 2015);
 - (ii) resolved or approved any merger, demerger (*Aufspaltung*) or ordinary, authorized or conditional increase of the share capital of the Company; or
 - (iii) adopted any amendment of the articles of association of the Company to introduce any transfer restrictions (*Vinkulierung*) or voting limitations (*Stimmrechtsbeschränkungen*).
- (j) No Acquisition or Sale of Material Assets or Incurrence or Repayment of Material Indebtedness: With the exception of the obligations that have been made public prior to the date of the Pre-Announcement or that are related to the Offer or the Demerger Transactions or arise from the Settlement, between the date of the Pre-Announcement and the transfer of control to the Offeror, the Company and its Subsidiaries shall not have undertaken to acquire or sell (or have acquired or sold) any assets or have undertaken to incur or repay (or have incurred or repaid) any indebtedness in the aggregate amount or value of more than CHF 191.5 million (corresponding to 10% of the consolidated total assets of the Company and its Subsidiaries as of December 31, 2015, as per the Company's annual report 2015).

(2) Waiver of Offer Conditions

The Offeror reserves the right to waive, in whole or in part, one or more of the Offer Conditions, except for Offer Conditions (a), (f) and (h)(ii), which the Offeror may only waive in accordance with the following sentences. The Offeror may only waive Offer Condition (a) to an acceptance level of 51% of all Actelion Shares that are issued and outstanding at the end of the (possibly

extended) Main Offer Period. The Offeror may only waive Offer Conditions (f) and (h)(ii), in whole or in part, if (x) the board of directors of the Company or any committee thereof notifies the Bidder, in connection with a competing proposal that does not contemplate the Demerger Transactions, and following this notification the Company and the Bidder enter into an agreement in respect of an alternative transaction that does not contemplate the Demerger Transactions or (y) the board of directors of the Company or any committee thereof, in connection with a competing proposal, withdraws (or modifies or qualifies in any manner adverse to the Bidder) its recommendation of the Offer or approves or recommends such competing proposal or the Company enters into an agreement in respect of such competing proposal or announces any of the foregoing.

(3) Period for Which the Offer Conditions are in Force and in Effect

- (a) Offer Conditions (a) and (d) shall be in force and in effect until the expiration of the (possibly extended) Main Offer Period. If any of the Offer Conditions (a) or (d) have not been satisfied or waived by the end of the (possibly extended) Main Offer Period, the Offer will be declared unsuccessful.
- (b) Offer Conditions (b), (c), (f), (g), (i) and (j) shall be in force and effect until the Settlement.
- (c) Offer Conditions (e) and (h) shall be in force and effect until the Settlement or, if earlier, until the date when the applicable corporate body of the Company has taken the required resolution mentioned therein.
- (d) If any of the Offer Conditions, (c), (f), (g), (i) or (j) or, if and to the extent still applicable (see preceding paragraphs), any of the Offer Conditions (e) or (h), have not been satisfied or waived by the anticipated Settlement, the Offeror shall be entitled to declare the Offer unsuccessful or to postpone the Settlement for a period of up to four (4) months after the expiration of the Additional Acceptance Period. If Offer Condition (b) has not been satisfied or waived by the anticipated Settlement, the Offeror shall be obliged to postpone the Settlement for a period of up to four (4) months after the expiration of the Additional Acceptance Period (any such postponement, the **Postponement**).

During the Postponement, the Offer shall continue to be subject to the Offer Conditions (b), (c), (f), (g), (i) and (j) and, if and to the extent still applicable (see preceding paragraphs), Offer Conditions (e) and (h), as long as, and to the extent, such Offer Conditions have not been satisfied or waived. Unless the Offeror applies for, and the TOB approves, an additional postponement of the Settlement, the Offeror will declare the Offer unsuccessful if such Offer Conditions have not been satisfied or waived during the Postponement.

C. Demerger Transactions

Pursuant to the Demerger Agreement, the Demerger Transactions shall be implemented as follows:

- (a) The Company will provide that all assets, liabilities and contracts comprising the R&D Business will be contributed into new entities to be wholly owned by R&D NewCo. After all of the Offer Conditions have been satisfied or waived (other than the Offer Condition relating to the Listing (see Offer Conditions (f)) and those Offer Conditions that by their nature

are to be satisfied at the Settlement), and one business day before the Settlement, the Reorganization will be implemented.

- (b) R&D NewCo will be capitalized in an amount of CHF 1 billion in cash. Of the CHF 1 billion cash injection, part will be paid in the form of an equity contribution by the Company, and part directly through a convertible loan in R&D NewCo subscribed by the Bidder (as further described below).
- (c) The Company will distribute all then outstanding shares of R&D NewCo to the shareholders of the Company as Stock Dividend in the ratio of one share of R&D NewCo per Actelion Share. The ex-dividend date for the Demerger Distribution is expected to be two Trading Days prior to the Settlement Date. The Demerger Distribution will take place on the Settlement Date.
- (d) On the Settlement Date, the shares of R&D NewCo shall be listed on SIX.

The sequence of steps has been discussed with and approved by the Swiss tax authorities as being a tax-neutral transaction.

The Offer and the Demerger Transactions are two processes running in parallel and are generally cross-conditioned. The Settlement as well as the Demerger Distribution and the Listing shall take place on the same date.

In connection with the Offer and the Demerger Transactions, the Bidder has also agreed to make a convertible loan in the amount of CHF 580 million to R&D NewCo with a maturity of ten (10) years, which shall be convertible, in two tranches, up to an aggregate of 32% of the shares of R&D NewCo. One business day following the Settlement and the completion of the Demerger Transactions, the first tranche of the convertible loan will be converted, so that the Bidder will hold 16% of the shares of R&D NewCo, and the former Actelion shareholders will own 84% of the shares of R&D NewCo. The remaining portion of the loan shall be convertible by the Bidder at any time during the term of the convertible loan. At maturity, R&D NewCo may settle the second tranche of the loan (if still outstanding) in cash or in shares of R&D NewCo. The Bidder has committed itself by contract for a period of five (5) years following the Settlement not to acquire any equity securities of R&D NewCo which would result in the Bidder holding more than 32% of R&D NewCo's issued share capital, subject to certain exceptions.

In connection with the Offer and the Demerger Transactions, J&J and/or its applicable Subsidiaries, the Company and R&D NewCo further entered into various other agreements (see Section F.4 ("*Agreements between the Offeror and Actelion, its Directors, Officers and Shareholders*")).

D. Information Regarding the Offeror

1. Name, Registered Seat, Capital, Shareholders and Principal Business Activities of the Offeror

The Offeror is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Switzerland, having its registered seat in Zug, Switzerland. The Offeror was incorporated on January 12, 2017 and its quota capital is CHF 20,000, divided into 200 quotas with a nominal value of CHF 100 each. The Offeror is an indirect Subsidiary of J&J and, as of the date hereof, a direct Subsidiary of the Bidder. The Offeror's business operations comprise, *inter*

alia, to acquire and hold participations in domestic and foreign companies. The Offeror's entire quota capital and voting rights are indirectly, through a chain of wholly-owned companies, held by J&J.

J&J is a corporation organized under the laws of the State of New Jersey, U.S., having its headquarters in New Brunswick, New Jersey, U.S. J&J Group is globally active in the pharmaceutical, medical devices and consumer health industry. In the business year ended January 1, 2017, J&J Group generated worldwide annual turnover of USD 71.9 billion (approximately CHF 71.9 billion). As part of its pharmaceutical business segment, J&J Group offers products and develops treatments in the following five therapeutic areas: cardiovascular and metabolic diseases, immunology, infectious diseases and vaccines, neuroscience, and oncology.

J&J's common stock is listed on NYSE (ticker symbol JNJ). As of February 13, 2017, the following entities have been reported as shareholders holding 5% or more of the voting rights of J&J pursuant to reporting provisions of applicable US securities laws:

- The Vanguard Group, 7.02%;
- BlackRock, Inc., 6.3%;
- State Street Corporation, 5.65%.

2. Persons Acting in Concert with the Offeror

In connection with the Offer, all companies and persons (directly or indirectly) controlled by J&J as well as from January 26, 2017, the date at which the Offeror, the Bidder, J&J and Actelion entered into the Transaction Agreement described in Section F.4 ("*Agreements between the Offeror and Actelion, its Directors, Officers and Shareholders*"), Actelion and all companies and persons (directly or indirectly) controlled by Actelion are deemed to be acting in concert with the Offeror.

On January 26, 2017, Jean-Paul Clozel entered into a tender undertaking (the **Tender Undertaking**) for the benefit of the Bidder and the Offeror as described in Section F.4 ("*Agreements between the Offeror and Actelion, its Directors, Officers and Shareholders*"). Jean-Paul Clozel is the founder and CEO of the Company and a member of the Company's board of directors, and, as of January 25, 2017 (the last Trading Day prior to the Pre-Announcement), (i) he held 3'869'015 Actelion Shares which corresponds to 3.59% of Actelion's share capital (and voting rights) and (ii) has been granted 704,543 equity-based awards under share-based equity plans for directors and eligible employees, representing the right (upon vesting and/or exercise of these awards and further subject to certain conditions) to acquire a total of 719,941 Actelion Shares (see Section I ("*Report of the Board of Directors of Actelion pursuant to Article 132 FMIA*"). Due to his position and his shareholding in the Company, Jean-Paul Clozel has been able to influence the modalities and conditions of the Offer. Against this background and in connection with the Offer, Jean-Paul Clozel is deemed to be acting in concert with the Offeror.

3. Annual Report

As a private company newly established on January 12, 2017 and an indirect wholly-owned Subsidiary of J&J, the Offeror has no financial history and has not published an annual report. The annual report of the J&J Group for the business year ended January 3, 2016 and the finan-

cial results for the business quarters ended July 3, 2016 and October 2, 2016, respectively, are available on the website of J&J at <http://www.investor.jnj.com/sec.cfm>.

4. Participations in Actelion

As of January 25, 2017 (the last Trading Day prior to the Pre-Announcement), the Offeror and the persons acting in concert with it (excluding Actelion and its direct and indirect Subsidiaries as well as Jean-Paul Clozel) held no Actelion Shares and no financial instruments with respect to Actelion Shares. As of the same date, Actelion and its direct and indirect Subsidiaries held, according to Actelion, 4,565,391 Actelion Shares in treasury (corresponding to approximately 4.24% of Actelion's share capital (and voting rights) registered in the commercial register as of such date) and no financial instruments with respect to Actelion Shares. As to the participations of Jean-Paul Clozel see Section D.2 ("*Persons Acting in Concert with the Offeror*").

5. Purchases and Sales of Equity Securities in Actelion

During the 12-month period preceding the date of the Pre-Announcement, the Offeror and the persons acting in concert with it (excluding Actelion and its direct and indirect Subsidiaries as well as Jean-Paul Clozel) did not purchase or sell any Actelion Shares. During the same period, the Offeror and the persons acting in concert with it (excluding Actelion and its direct and indirect Subsidiaries as well as Jean-Paul Clozel) did not purchase or sell any financial instruments with respect to Actelion Shares. Following the date of the Pre-Announcement, the Offeror and the persons acting in concert with it (excluding Actelion and its direct and indirect Subsidiaries as well as Jean-Paul Clozel) did not purchase or sell any Actelion Shares and did not purchase or sell any financial instruments with respect to Actelion Shares.

According to Actelion, since January 26, 2017 – the date on which J&J, the Bidder, the Offeror and Actelion entered into the Transaction Agreement described in Section F.4 ("*Agreements between the Offeror and Actelion, its Directors, Officers and Shareholders*"), before opening of trading on SIX – neither Actelion nor any of its direct or indirect Subsidiaries have purchased or sold any Actelion Shares or financial instruments with respect to Actelion Shares. According to Jean-Paul Clozel, since January 26, 2017 – the date on which Jean-Paul Clozel has entered into the Tender Undertaking for the benefit of the Bidder and the Offeror as described in Section F.4 ("*Agreements between the Offeror and Actelion, its Directors, Officers and Shareholders*"), before opening of trading on SIX – Jean-Paul Clozel has not purchased or sold any Actelion Shares or financial instruments with respect to Actelion Shares.

E. Financing of the Offer

The Offeror will finance or procure the financing of the Offer with J&J Group funds which it owns or which will be made available by any of J&J's Subsidiaries through intra-group loans or otherwise.

F. Information Regarding Actelion

1. Name, Registered Seat, Business Activity and Annual Report

Actelion is a Swiss corporation (*Aktiengesellschaft*), having its registered seat in Allschwil, Switzerland. Pursuant to its articles of association, the Company's main corporate purpose is the participation in companies active in the areas of research, development, manufacturing or mar-

keting of pharmaceutical, biological and diagnostic products. The Company may also provide management services, effect financing transactions as well as acquire, hold and sell real estate.

The business report, the financial report, the corporate sustainability and governance report, and the compensation report of Actelion for the business year ended December 31, 2016 are available at <https://www.actelion.com/en/investors/corporate-reports/index.page>.

2. Share Capital and Outstanding Equity Derivatives

Share Capital of Actelion

According to the online excerpt of the Commercial Register of January 25, 2017 (the last Trading Day prior to the Pre-Announcement), the share capital of Actelion amounts to CHF 53,880,713.50, divided into 107,761,427 registered shares (*Namenaktien*) with a nominal value of CHF 0.50 each. The Actelion Shares are listed pursuant to the International Reporting Standard of SIX under the Swiss securities number 1.053.247 (ISIN: CH0010532478; ticker symbol ATLN).

According to its articles of association in the version of May 4, 2016, Actelion has (1) an authorized share capital of CHF 6,500,000, allowing for the issuance of 13,000,000 additional registered shares, and (2) a conditional share capital of CHF 13,500,000, out of which (a) CHF 4,000,000 allowing for the issuance of 8,000,000 additional registered shares in connection with option rights or similar instruments which may be granted to directors or employees of Actelion and (b) CHF 9,500,000 allowing for the issuance of 19,000,000 additional registered shares through the exercise of conversion rights or options in relation with convertible debt instruments, loans and similar forms of financing of Actelion or its Subsidiaries. In the Transaction Agreement (see Section F.4 ("*Agreements Between the Offeror and Actelion, its Directors, Officers and Shareholders*")), Actelion undertook not to issue any new option rights or similar financial instruments or rights which could result in the issuance of Actelion Shares under its conditional capital, other than in respect of contractual agreements entered into prior to January 26, 2017.

As of January 25, 2017 (the last Trading Day prior to the Pre-Announcement), Actelion and its direct and indirect Subsidiaries held 4,565,391 Actelion Shares as treasury shares (corresponding to 4.24% of Actelion's share capital registered in the Commercial Register).

Outstanding Options and Similar Rights

Actelion has former and outstanding share- and option-based equity plans that grant to the members of its board, the members of its executive committee (*Geschäftsleitung*) and other eligible employees of Actelion option rights on Actelion Shares, or entitle them to receive or purchase Actelion Shares. The Offer extends to Actelion Shares that will be issued by the end of the Additional Acceptance Period (as defined in Section B.6 ("*Additional Acceptance Period*")) as a result of the exercise of awards or entitlements under Actelion's share- and option-based equity plans, in accordance with the relevant plan regulations. It is expected that all such awards will be satisfied by delivery of Actelion treasury shares.

Please refer to Section I ("*Report of the Board of Directors of Actelion pursuant to Article 132 FMIA*") for details on the treatment in connection with the Offer of awards and entitlements granted to the members of the Company's board of directors and executive committee, respectively.

3. Intentions of the Offeror and J&J Group with Respect to Actelion

Through the Offer and the Demerger Transactions, the Offeror intends to obtain full control over Actelion and its Subsidiaries, and, after the Settlement, to add Actelion's complementary in-market medicines and late-stage products to J&J Group's pharmaceutical portfolio. After the Settlement, the Actelion Shares acquired by the Offeror may be transferred to one or several of J&J's wholly owned, direct or indirect Subsidiaries.

The Offeror intends to replace the members of the board of directors of Actelion after the Settlement. In the Transaction Agreement, Actelion agreed to procure that all members of Actelion's board of directors resign from their functions on the board of directors of Actelion and the board of directors (or equivalent corporate body) of its Subsidiaries with effect from the Settlement.

In the event that J&J and/or its Subsidiaries hold more than 98% of the voting rights in Actelion after the Settlement, the Offeror intends to request the cancellation of the remaining publicly held Actelion Shares in accordance with article 137 of the Financial Markets Infrastructure Act (**FMIA**).

In the event that J&J and/or its Subsidiaries hold between 90% and 98% of the voting rights in Actelion after the Settlement, the Offeror intends to merge Actelion with a Swiss company directly or indirectly controlled by J&J in accordance with articles 8 para. 2 and 18 para. 5 of the Swiss Merger Act, whereby the remaining public shareholders of Actelion would be compensated (in cash or otherwise) and not receive any shares in the surviving company. The Swiss tax consequences resulting from a squeeze-out merger with a cash-only consideration are considerably worse for individuals who are resident in Switzerland for tax purposes and who hold the Actelion Shares as their private assets (*Privatvermögen*), potentially also for foreign investors, compared with the tax consequences of an acceptance of the Offer (see below Section L.6 ("*Costs and Taxes; General Tax Consequences for Accepting and Non-Accepting Shareholders*")).

If, after the Settlement, J&J and/or its Subsidiaries hold less than 90% of the voting rights in Actelion, J&J and/or its Subsidiaries may consider, depending on the circumstances, purchasing additional Actelion Shares from remaining shareholders of Actelion and/or combining relevant portions of their relevant businesses with Actelion through a contribution in kind to Actelion assets, businesses or shareholdings in connection with a capital increase, for which the preemptive rights of the remaining public shareholders of Actelion would be withdrawn and new Actelion Shares issued only to the contributing company. Furthermore, the Offeror may consider implementing one or several other transactions under the Swiss Merger Act.

After the Settlement of the Offer, the Offeror intends to have Actelion submit an application to SIX for the de-listing of the Actelion Shares in accordance with the listing rules of SIX and for an exemption from certain disclosure and publicity obligations under the listing rules of SIX until the date of de-listing of the Actelion Shares.

4. Agreements between the Offeror and Actelion, its Directors, Officers and Shareholders

Confidentiality Agreement

On November 29, 2016, J&J and Actelion entered into a confidentiality agreement customary for this type of transaction (the **Confidentiality Agreement**). On December 20, 2016, this confidentiality agreement was amended (the **Amended and Restated Confidentiality Agreement**).

Following the execution of the Confidentiality Agreement and the Amended and Restated Confidentiality Agreement, J&J was allowed to conduct limited due diligence relating to Actelion.

Transaction Agreement

On January 26, 2017, before opening of trading on SIX, the Bidder, the Offeror and J&J on the one hand, and Actelion on the other hand, entered into the Transaction Agreement, which was unanimously approved by J&J's and Actelion's boards of directors. The following is a summary of the main terms of the Transaction Agreement:

- The Bidder agreed to procure that the Offeror shall make the present Offer, and Actelion and its board of directors, respectively, agreed to support the Offer and to recommend to its shareholders the acceptance of the Offer, among other things, by way of its recommendation contained in the board report included in Section I ("*Report of the Board of Directors of Actelion pursuant to Article 132 FMIA*").
- During the term of the Transaction Agreement, Actelion may not solicit any third party proposal or transaction. However, Actelion may, in response to an unsolicited written proposal for all or at least 50% of the shares or a majority of Actelion's consolidated assets that Actelion's board of directors determines in good faith is, or is reasonably likely to lead to terms that are, more favorable to the holders of Actelion Shares than the Offer and the Demerger Transactions (a **Superior Proposal**), furnish such a third party with information and participate in discussions with such a third party. The board of directors of Actelion is not permitted to change its recommendation of the Offer, to recommend a third party transaction or to enter into an agreement related thereto, except in connection with a Superior Proposal that is fully financed or, to the extent the consideration includes shares or other equity securities, is subject only to required shareholder approval and approvals from governmental entities that are required in this context after providing the Bidder at least four (4) Trading Days to submit a binding written offer for an improved Offer such that the Bidder's improved Offer is, in the good faith determination of Actelion's board of directors, as least as favorable to the holders of Actelion Shares as such Superior Proposal.
- Actelion undertook, subject to the following sentences, to pay the Bidder USD 500 million as partial reimbursement of costs (the **Reimbursement Amount**) if the Offer is not successful or does not become unconditional in certain circumstances, including, among others, for a reason attributable to (i) the failure of Actelion's board of directors to recommend the Offer, (ii) the withdrawal or modification by Actelion's board of directors of its recommendation of the Offer, (iii) the entering by Actelion into, or the recommendation by its board of directors of, an alternative transaction, or if (iv)(A) a proposal for alternative transaction for at least 50% of Actelion's Shares or its consolidated assets being publicly announced after January 26, 2017 and prior to the termination of the Transaction Agreement, (B) the Settlement does not occur because of the non-satisfaction of certain specified Offer Conditions and (C) Actelion enters into an alternative transaction agreement or an alternative transaction is consummated within twelve (12) months of the termination of the Transaction Agreement, in each case with the party that made the proposal referred to in clause (iv)(A), above. Actelion and the Bidder have agreed that 50% of the Reimbursement Amount will be due and payable upon or shortly following the occurrence of the applicable triggering event described in the preceding sentence and the remaining 50% of the Reimbursement Amount will only be due and payable if (and when) an alternative transaction has actually been consummated. If an alternative transaction is never con-

summed, the remaining 50% of the Reimbursement Amount will never become due or payable.

- The parties have entered into customary undertakings to pursue the satisfaction of the Offer Conditions.
- Actelion agreed to operate its business in the ordinary course of business and consistent with past practice, and to execute or enter into certain transactions only with the consent of the Bidder.
- Actelion agreed to call a general meeting of Actelion's shareholders to be held within five (5) Trading Days following the expiration of the Main Offer Period, and propose and recommend the nominees proposed by the Bidder and the Offeror for election to Actelion's board of directors as chairman and/or members with effect as of the Settlement.
- Actelion made certain customary representations and warranties, the accuracy of which has no impact on the Bidder's obligation to complete the transactions contemplated by the Transaction Agreement.
- The Transaction Agreement may be terminated in specified circumstances, including (i) by either party if the Offeror publicly declares in accordance with Swiss takeover laws and regulation that the Offer has failed or if the Offeror otherwise withdraws from continuing or settling the Offer, in each case without any violation of the Transaction Agreement and in accordance with Swiss takeover laws and regulation, (ii) by either party if the other party materially breaches its obligations, subject to specified exceptions opportunity to promptly cure breaches, (iii) by the Bidder if Actelion enters into a definitive agreement with a third party regarding an alternative transaction or a competing offer leads to a holding by the competing offeror of more than fifty (50) percent of Actelion Shares and which competing offer is declared unconditional by the competing offeror, (iv) by the Bidder if Actelion's board of directors (A) fails to recommend the Offer to the shareholders of Actelion, (B) withdraws (or modifies or qualifies in any manner adverse to the Bidder) its recommendation of the Offer or makes an announcement to that effect, or (C) approves or recommends an alternative transaction, or enters into an alternative transaction agreement, or makes an announcement to that effect, or (v) by Actelion if (A) its board of directors withdraws (or modifies or qualifies in any manner adverse to the Bidder) its recommendation of the Offer, (B) it concurrently with such termination enters into an alternative transaction and (C) it concurrently pays the Bidder 50% of the Reimbursement Amount.
- Effective as of the execution of the Transaction Agreement, Actelion is required to suspend its share buy-back program and any market making or similar arrangements.
- Actelion agreed to procure that, effective as of (and conditioned upon) the Settlement, all members of the board of directors of Actelion and its Subsidiaries shall resign as members thereof.
- Upon Settlement, Actelion agreed to promptly register the Bidder and any of its affiliates, including the Offeror, in the Company's share register as shareholders with voting rights with respect to all Actelion Shares that the Bidder or any of its affiliates, including the Offeror, have acquired or may acquire in the Offer or otherwise.

Business Relationships

On January 26, 2017, a Subsidiary of J&J entered into the Demerger Agreement with the Company and other Subsidiaries of the Company pursuant to which the parties agreed to consummate the Demerger Transactions (see Section C ("*Demerger Transactions*").

Concurrently with the execution of the Transaction Agreement and the Demerger Agreement, the applicable members of the J&J Group and the Actelion Group entered into the following agreements:

- a royalty rights agreement with respect to ponesimod and cadazolid (the **Royalty Rights Agreement**), as has subsequently been amended and restated into a revenue sharing agreement (the **Revenue Sharing Agreement**);
- a license agreement (the **License Agreement**);
- a collaboration agreement with respect to ACT 132577 (the **Collaboration Agreement**); and
- a shareholders' agreement with respect to R&D NewCo (the **Shareholders Agreement**).

On February 15, 2017, the applicable members of the J&J Group and R&D NewCo entered into a convertible loan agreement (the **Convertible Loan Agreement**). In connection with the Convertible Loan Agreement and prior to the Settlement, a Subsidiary of J&J and R&D NewCo will enter into a bank account pledge agreement (the **Bank Account Pledge Agreement**).

Prior to the Settlement, the applicable members of the J&J Group and R&D NewCo will enter into a credit facility agreement (the **Credit Facility Agreement**).

Prior to the Settlement, the Company and R&D NewCo will enter into a services agreement (the **Services Agreement** and, together with the Revenue Sharing Agreement, the License Agreement, the Collaboration Agreement, the Shareholders Agreement, the Credit Facility Agreement, the Convertible Loan Agreement and the Bank Account Pledge Agreement, the **Ancillary Agreements**).

On January 26, 2017, Jean-Paul Clozel, founder and CEO of the Company and a member of the Company's board of directors, has entered into the Tender Undertaking for the benefit of the Bidder and the Offeror. As of January 25, 2017 (the last Trading Day prior to the Pre-Announcement) Jean-Paul Clozel (i) held 3'869'015 Actelion Shares which corresponds to 3.59% of Actelion's share capital (and voting rights) and (ii) has been granted 704,543 equity-based awards under share-based equity plans for directors and eligible employees, representing the right (upon vesting and/or exercise of these awards and further subject to certain conditions) to acquire a total of 719,941 Actelion Shares (see Section I ("*Report of the Board of Directors of Actelion pursuant to Article 132 FMIA*").

Pursuant to the Tender Undertaking, Jean-Paul Clozel has agreed, *inter alia*, to (i) unconditionally and irrevocably tender his Actelion Shares within the Main Offer Period, (ii) not otherwise dispose of his Actelion Shares and (iii) (A) vote his Actelion Shares in favor of (1) the nominees proposed by the Bidder and the Offeror for election to Actelion's board of directors as chairman and/or members with effect as of the Settlement, (2) the Stock Dividend and (3) any other resolutions in furtherance and support of the Offer or any of the Demerger Transactions and (B) not take any action, agreement or transaction that could frustrate or adversely affect the consumma-

tion of the Offer. The Tender Undertaking will, *inter alia*, automatically terminate if a competing public tender offer has been announced by a third party in accordance with article 50(1) Takeover Ordinance.

No Other Agreements

Except for the agreements summarized above (the Confidentiality Agreement, the Amended and Restated Confidentiality Agreement, the Transaction Agreement, the Demerger Agreement, the Ancillary Agreements and the Tender Undertaking), no agreements in relation to the Offer exist or will exist at the Settlement Date, as the case may be, between the applicable members of the J&J Group on the one hand, and Actelion, its Subsidiaries and their directors, officers and shareholders on the other hand.

5. Confidential Information

The Offeror confirms that neither J&J nor any other company or person under J&J's control has received, directly or indirectly, from Actelion or any of its Subsidiaries, except as publicly disclosed in this Offer Prospectus, the report of the board of directors of Actelion (see below Section I ("*Report of the Board of Directors of Actelion pursuant to Article 132 FMIA*")) or otherwise, any confidential information regarding the course of business of Actelion which could significantly influence the decision of the recipients of the Offer.

G. Publication

This Offer Prospectus as well as all other statutory publications of the Offeror in connection with the Offer will be published on <http://www.investor.jnj.com/publictenderoffer.cfm> and submitted in electronic form to the major Swiss media, the major news agencies active in Switzerland, the major electronic media which distribute stock exchange information and the TOB. The Offer Prospectus will be published on February 16, 2017 before opening of trading on SIX.

This Offer Prospectus may be obtained without delay and free of charge in German, French and English from Bank Vontobel AG, Zurich (e-mail: prospectus@vontobel.ch).

H. Report of the Review Body Pursuant to Article 128 FMIA of February 14, 2017

As a review body recognized according to the FMIA to review public takeover offers, we have reviewed the offer prospectus of Janssen Holding GmbH, Zug ("Offeror"). The report of the board of directors of the target company and the fairness opinion of Alantra AG, Zürich, were not subject to our review.

The preparation of the offer prospectus is the responsibility of the Offeror. Our responsibility is to express an opinion on the offer prospectus based on our review. We confirm that we comply with the independence requirements provided by takeover law and that there are no circumstances incompatible with our independence.

Our review has been conducted in accordance with the Swiss Auditing Standard 880, which requires that a review according to art. 128 FMIA be planned and performed to verify the formal completeness of the offer prospectus according to the FMIA and its ordinances, and to recognize material misstatements as a consequence of violations or errors, although not with the

same assurance for items 4 to 7 as for items 1 to 3 below. We have reviewed the information in the offer prospectus by means of analyses and examinations on a sample basis. Furthermore, we have verified compliance with the FMIA and its ordinances. We believe that our review provides a reasonable basis for our opinion.

In our opinion

1. the Offeror has taken the necessary measures in order that the required funds will be available on the settlement date;
2. the provisions governing mandatory offers, in particular those governing the minimum price, have been observed;
3. the best price rule has been observed until February 13, 2017.

Furthermore, nothing has come to our attention that causes us to believe that:

4. the recipients of the offer are not treated equally;
5. the offer prospectus is not complete and accurate;
6. the offer prospectus is not in accordance with the FMIA and its ordinances; and
7. the provisions regarding the effects of the pre-announcement have not been observed.

This report is neither a recommendation to accept or to reject the offer, nor is it a confirmation (fairness opinion) with regard to the financial adequacy of the offer price.

Zurich, February 14, 2017

KPMG AG

Martin Schaad

Therese Amstutz

I. Report of the Board of Directors of Actelion pursuant to Article 132 FMIA

The Board of Directors of Actelion Ltd (the “**Board of Directors**”) with its registered office at Gewerbestrasse 16, 4123 Allschwil, Switzerland (“**Actelion**”), hereby takes its position pursuant to article 132 para. 1 of the Financial Markets Infrastructure Act (“**FMIA**”) and articles 30-32 of the Takeover Ordinance on the public tender offer (the “**Offer**”) of Janssen Holding GmbH, a company with its registered office in Zug, Switzerland (the “**Offeror**”), for all publicly held shares of Actelion with a nominal value of CHF 0.50 each (each an “**Actelion Share**”).

1. Recommendation

Based on an in-depth review of the Offer and taking into account the fairness opinion of Alantra AG (“**Alantra**”), which fairness opinion forms an integral part of this report (see Section 2.3), the Board of Directors, composed of the members set out in Section 4.1, has unani-

mously resolved to recommend to the shareholders of Actelion to accept the Offer submitted by the Offeror.

2. Rationale

2.1 Offer Price

The price offered by the Offeror in the Offer is U.S. Dollars (“**USD**”) 280 net in cash for each Actelion Share (the “**Offer Price**”). The Offer Price implies a premium of 46% (at then-current exchange rates) to the volume-weighted average price of all on-exchange transactions in Actelion Shares executed on the SIX Swiss Exchange (“**SIX**”) during the sixty (60) SIX trading days (each a “**Trading Day**”) prior to the publication of the pre-announcement of the Offer on January 26, 2017 (the “**Pre-Announcement**”), which was CHF 191.20. The Offer Price also implies a premium of 23% (at then-current exchange rates) to the closing price of the Actelion Shares on SIX on January 25, 2017, the Trading Day immediately prior to the publication of the Pre-Announcement, of CHF 227.40. Further, the Offer Price implies a premium of 90% (at then-current exchange rates) to the closing price of the Actelion Shares on SIX on November 15, 2016, the Trading Day immediately prior to media reports regarding a potential acquisition of Actelion, of CHF 147.80.²

2.2 Offer Structure

In conjunction with the Offer, Actelion and Johnson & Johnson (“**J&J**”) propose to carry out a demerger of part of Actelion’s business (the “**Demerger**”, and together with the Offer, the “**Transactions**”). After the main offer period (the “**Main Offer Period**”), Actelion’s discovery and early clinical pipeline business is expected to be demerged into subsidiaries held by a newly created holding entity (“**R&D NewCo**”) (the “**Reorganization**”). Subject to approval at a general meeting of Actelion’s shareholders (the “**General Meeting**”), which will be held within five Trading Days after expiry of the Main Offer Period, all Actelion shareholders (whether tendering their shares or not) will receive one share in R&D NewCo per Actelion Share held (the “**Demerger Distribution**”). The ex-dividend date and the record date are expected to be two Trading Days and one Trading Day, respectively, prior to the consummation of the Offer (the “**Settlement**”). Following the Demerger Distribution, R&D NewCo will be listed on SIX (the “**Listing**”, and together with the Reorganization and the Demerger Distribution, the “**Demerger Transactions**”). The Settlement is conditional on the approval for the Listing by the regulatory board of the SIX. For further information on the Demerger, see Section 3 below.

2.3 Fairness Opinion

In terms of financial fairness, the Board of Directors has received comfort as to the fairness of the Offer Price from the M&A advisor retained by Actelion, Merrill Lynch International (“**BAML**”). In addition, the Board of Directors mandated Alantra, as independent expert, to prepare and issue a fairness opinion on the financial fairness of the Offer Price (the “**Fairness Opinion**”). Based on and subject to the assumptions set out therein, in the Fairness Opinion dated February 16, 2017, Alantra determined a value range from CHF 206 to CHF 230 and consequently

² USD/CHF exchange rate of 1.0003 as at 17:30 CET on January 25, 2017 (as per Bloomberg).

concluded that the Offer Price offered by the Offeror for the Actelion Shares, taking the effects of the Demerger into account, is financially fair and adequate.

The Fairness Opinion can be ordered in German, French and English at no cost from Actelion Ltd at Gewerbestrasse 16, 4123 Allschwil, Switzerland (phone: +41 61 565 62 62; email: investor.relations@actelion.com) and is also available on: <https://www.actelion.com/en/investors/proposed-transaction/index.page>.

2.4 Background to the Offer

In January 2016, Messrs. Paul Stoffels and Joaquin Duato of J&J contacted Mr. Jean-Paul Clozel, Chief Executive Officer of Actelion, at a conference and suggested that J&J and Actelion explore a potential strategic transaction. Between May and August 2016, Mr. Clozel and Actelion's chairman, Jean-Pierre Garnier, met on a number of occasions with representatives of J&J. During these conversations, Actelion focused on the possibility of entering into a partnership arrangement with J&J in the field of cardiovascular products. In August 2016, the Chairman and Chief Executive Officer of J&J, Alex Gorsky, informed Mr. Garnier that J&J was not interested in a collaboration, but rather in acquiring Actelion in a negotiated transaction.

During a regularly-scheduled meeting of the Board of Directors on September 8 and 9, 2016, with Niederer Kraft & Frey Ltd, legal counsel to Actelion ("**Niederer Kraft & Frey**"), in attendance, the Board of Directors conducted its regular annual review of Actelion's stand-alone business strategy, which also included a review of internal valuation estimates. After the meeting, Mr. Garnier informed Mr. Gorsky of the conclusion of the Board of Directors that the stand-alone business strategy was in the best interests of and the best value proposition for the company and its shareholders.

On September 22, 2016, Mr. Gorsky sent a letter to Actelion's Board of Directors making a non-binding all-cash offer to acquire Actelion.

On October 3, 2016, the Board of Directors, with representatives of Niederer Kraft & Frey in attendance, reviewed the proposal by J&J. The Board of Directors compared (i) the value offered by J&J's proposal to Actelion's shareholders against (ii) the value offered by Actelion's long-term stand-alone business plan. The Board of Directors determined, based on this review, that J&J's proposal fundamentally undervalued Actelion and its future prospects, particularly with respect to Actelion's preclinical discovery and clinical pipeline business. On October 5, 2016, Mr. Garnier sent a letter to Mr. Gorsky, informing him of this determination.

On October 18, 2016, Mr. Gorsky sent a second letter to Mr. Garnier in which J&J proposed to acquire all Actelion Shares at a revised price per share. On October 25, 2016 the Board of Directors, together with representatives of Niederer Kraft & Frey, Wachtell, Lipton, Rosen & Katz ("**Wachtell Lipton**") and Slaughter and May, met to discuss the revised proposal and, after thorough consideration of the revised proposal, determined that the revised offer price did not reflect Actelion's intrinsic value. In particular, the Board of Directors believed that the revised proposal continued to undervalue Actelion's preclinical discovery and clinical pipeline business, and that, while Actelion would be willing to engage in discussions concerning a transaction with J&J, Actelion would require a higher indicative offer price before engaging further. Following the meeting, Mr. Garnier conveyed this decision to Mr. Gorsky.

Mr. Garnier and Mr. Gorsky remained in contact in late October and the first half of November 2016. Mr. Garnier continued to express to Mr. Gorsky the Board of Directors' concern that J&J's

prior proposals failed to provide adequate value for Actelion's preclinical discovery and clinical pipeline business. In order to bridge the valuation gap, Mr. Garnier proposed the Demerger as part of an alternative transaction structure, in which Actelion would spin off its preclinical discovery and clinical pipeline business prior to Actelion's acquisition by J&J. The representatives of J&J expressed their willingness to consider the Demerger structure, but indicated that the complexity of the Demerger, as compared to straight-forward acquisition, would require additional time to negotiate.

On November 25, 2016, in response to media reports, J&J and Actelion each confirmed publicly that J&J had approached Actelion regarding a possible transaction. On November 28, 2016, the Board of Directors, together with representatives from Niederer Kraft & Frey, Wachtell Lipton and BAML, met and authorized Actelion to enter into a confidentiality agreement with J&J in order to allow J&J to commence a limited due diligence investigation. J&J and Actelion executed the confidentiality agreement on November 29, 2016 (the "**Confidentiality Agreement**"). The following day, Actelion and J&J representatives met to discuss the proposed Demerger structure. Following this meeting, J&J confirmed it would be willing to continue negotiations on the basis of the Demerger structure.

In early December 2016, Actelion was approached by Company A, which expressed interest in an acquisition of Actelion. On December 12, 2016, Company A sent a letter to Mr. Garnier proposing a cash offer for Actelion (which offer also contemplated the Demerger) at a higher price than that then being offered by J&J. Mr. Garnier engaged in preliminary discussions with Company A on the basis of this proposal.

On December 13, 2016, the Board of Directors met and, together with representatives of Niederer Kraft & Frey, Wachtell Lipton and BAML, considered Company A's proposal and determined that it merited further exploration. Mr. Garnier communicated this decision to Mr. Gorsky, who indicated that J&J was unwilling to match the price proposed by Company A. As a result, on December 14, 2016, J&J and Actelion each confirmed publicly that they had ended discussions with one another.

On December 19, 2016, Mr. Garnier and Mr. Clozel met with representatives of Company A to discuss the possibility of an acquisition of Actelion by Company A in a transaction that would include the Demerger. Prior to and during the course of this meeting, Company A indicated that it would only be willing to proceed with a transaction on the basis of a price lower than its previously communicated offer price and on different terms, and that Company A had extensive due diligence requests with respect to Actelion and its business. Later that day, the Board of Directors, with representatives of Niederer Kraft & Frey in attendance, considered the nominally higher indicative price proposed by Company A, as well as the tenor and content of management's meetings with Company A. After discussing the significant uncertainty presented by a potential transaction with Company A and the likelihood that a transaction could ultimately be reached with J&J at a desirable price, the Board of Directors authorized Mr. Garnier to re-engage with J&J because the Board of Directors considered that this path was more likely to result in a transaction that would maximize value for Actelion and its shareholders.

Following this meeting, Mr. Garnier contacted Mr. Gorsky to inform him that Actelion was willing to re-engage with J&J on the basis of J&J's prior proposal. Mr. Garnier further confirmed to Mr. Gorsky that the Board of Directors considered the Demerger fundamental to obtaining fair value in the proposed transaction and that Actelion would be willing to grant J&J the period of exclusivity they had previously requested to permit the parties to negotiate the terms of the Demerger and the related transactions.

On December 20, 2016, Actelion and J&J amended and restated the Confidentiality Agreement to provide that they would negotiate on an exclusive basis until January 31, 2017. The amended and restated Confidentiality Agreement permitted Actelion to terminate exclusivity in the event that J&J failed, following Actelion's request, to confirm its commitment to negotiating a transaction on the basis of an agreed term sheet that contemplated the Demerger. The amended and restated Confidentiality Agreement also included a 9-month standstill provision, subject to customary exceptions. On December 21, 2016, Actelion and J&J announced that they had entered into exclusive discussions.

On December 21, 2016, Company A sent an unsolicited letter to Mr. Garnier setting forth Company A's revised offer based on the Demerger structure. Actelion shared a copy of this letter with J&J, as required by the Confidentiality Agreement with J&J.

During late December 2016 and throughout January 2017, J&J, Actelion and their respective legal representatives negotiated the terms and conditions of the agreements that would govern the proposed acquisition and the Demerger. On January 20, 2017, in response to conversations with Mr. Garnier regarding the price at which Actelion would be willing to enter into an agreement, Mr. Gorsky indicated to Mr. Garnier that J&J would be willing to pay USD 278 per share, which represented approximately CHF 280 based on the then-current exchange rate.

Also on January 20, 2017, Company A sent a further letter to Mr. Garnier, in which it reaffirmed its willingness to agree to the Demerger and acquire Actelion. The letter also attached confirmations as evidence of Company A's financial capacity to fund the proposed transaction. Actelion shared a copy of this letter with J&J, as required by the Confidentiality Agreement with J&J.

On January 23, 2017, the Board of Directors, together with representatives of Niederer Kraft & Frey, discussed the status of negotiations with J&J and the competing proposal from Company A. Mr. Garnier explained that negotiations with J&J had been productive and that the transaction documentation was nearly complete. The Board of Directors also reviewed the financial terms of J&J's proposal at USD 278 per share (or approximately CHF 280 per share based on the then-current exchange rate) as compared to the financial terms of Company A's proposal. The Board of Directors discussed the relative advantages and disadvantages of the competing proposals, and after extensive deliberations determined that the financial terms of the two competing proposals would deliver approximately equivalent value to Actelion's shareholders, but that J&J's proposal offered significantly greater transaction certainty because the transaction documentation was nearly final and because J&J had already completed the required due diligence. The Board of Directors instructed Mr. Garnier and Mr. Clozel to finalize negotiations with J&J, subject to the approval of the final transaction terms.

On January 25, 2017, representatives of J&J and Actelion and their respective financial and legal advisors met to finalize the terms and conditions of the proposed transaction. J&J agreed to increase the offer price to USD 280 per share, which represented approximately CHF 280 per share based on the then-current exchange rate, thereby compensating for the change in the exchange rate since J&J's most recent prior proposal. The Board of Directors reviewed the proposed terms of the negotiated transaction, including the proposed price, the proposed expense reimbursement, and the other material terms and conditions of the proposed transaction. After a thorough review and discussion of the negotiated terms, the Board of Directors determined that the terms of the proposed transaction were in the interest of Actelion and its shareholders and authorized Mr. Garnier and Mr. Clozel to execute the transaction documents.

On January 26, 2017 (the “**Pre-Announcement Date**”), prior to the opening of trading on the SIX, Actelion and J&J executed the Transaction Agreement and the Demerger Agreement (each as defined below) and other related transaction documents. J&J also submitted the Pre-Announcement to the Swiss Takeover Board for publication and the parties issued press releases announcing the transaction.

2.5 Continuation of the Business

The Offeror has indicated that it intends to add Actelion’s marketed and late-stage products to J&J’s pharmaceutical portfolio. The Board of Directors has determined that in becoming part of the J&J Group, Actelion will be able to further develop its positioning as a global biopharmaceutical enterprise by benefitting from the breadth of experience that J&J has in developing and commercialising successful pharmaceutical products. Mr. Otto Schwarz (Chief Operating Officer) and Mr. Nicholas Franco (Chief Business Development Officer), both of whom are members of the Actelion Core Executive Committee, will remain with Actelion to ensure continuity within the company.

Furthermore, by demerging its discovery and early clinical pipeline business to R&D NewCo, Actelion will be better able to focus on the commercialisation of its core marketed products and the development and commercialisation of ponesimod and cadazolid and their respective line extensions.

2.6 Squeeze-out and Delisting of Actelion

In the event that the Offeror holds more than 98% of the voting rights of Actelion after the Settlement, the Offeror intends to request the cancellation of the remaining publicly held Actelion Shares in accordance with article 137 FMIA. In the event that the Offeror holds between 90% and 98% of the voting rights of Actelion after the Settlement, the Offeror intends to implement a squeeze-out merger pursuant to article 8 para. 2 and article 18 para. 5 of the Swiss Merger Act.

Following the Settlement, the Offeror intends to have Actelion submit a request for the delisting of the Actelion Shares from the SIX. The delisting will significantly impair the ability to trade Actelion Shares.

2.7 Conclusion

Based on the considerations summarized above, the Board of Directors has come to the unanimous conclusion that the Offer is in the best interests of Actelion and its shareholders and that the Offer Price is fair and adequate. The Board of Directors therefore recommends to the shareholders of Actelion to accept the Offer.

3. Information about the Demerger

3.1 Overview of the Demerger

The Demerger is intended to take place by way of three steps: the Reorganization, the Demerger Distribution and the Listing.

3.1.1 The Reorganization

Under the proposed Reorganization, Actelion's current business will be internally separated into two parts. The business and operations of Actelion relating to its marketed products, as well as two late-stage pipeline product candidates (ponesimod and cadazolid) and an additional compound (ACT 333679), will remain with Actelion. Actelion will also retain the rights to any products that are developed as line extensions to currently marketed products. The remainder of Actelion's drug discovery and development business and operations, including all of its other pipeline product candidates (together, the "**R&D Business**"), will be transferred to two subsidiaries to be held by R&D NewCo. Both subsidiaries as well as R&D NewCo will be incorporated prior to the Demerger Distribution. Upon incorporation and at the time of transfer of the R&D Business, R&D NewCo will be 100% owned by Actelion. The Reorganization is expected to be completed shortly before Settlement.

3.1.2 The Demerger Distribution

At the General Meeting anticipated to be held on April 5, 2017 (and in any case, within five Trading Days after expiry of the Main Offer Period), Actelion's shareholders will, inter alia, be asked to vote to approve the Demerger Distribution, which will effect the distribution of the shares in R&D NewCo to Actelion's shareholders by way of a dividend in kind. A separate shareholder information brochure (the "**Shareholder Information Brochure**") will be published in advance of the General Meeting. If the Demerger Distribution is approved, each Actelion shareholder will receive one share in R&D NewCo for each Actelion Share. The ex-dividend date and the record date are expected to be two Trading Days and one Trading Day, respectively prior to Settlement. The Demerger Distribution is scheduled to complete on the same day as the Settlement.

3.1.3 The Listing

On the same day as the Settlement, it is expected that the shares of R&D NewCo will be admitted to listing on SIX.

3.2 Financing of R&D NewCo

R&D NewCo will be financed by:

- (i) cash on hand of CHF 420 million, provided by Actelion as part of the Reorganization;
- (ii) a convertible loan in the amount of CHF 580 million (the "**Convertible Loan**") to be provided by Cilag Holding AG (the "**Bidder**"), an indirect subsidiary of J&J, to R&D NewCo; and
- (iii) a credit facility of the CHF equivalent of USD 250 million to be provided by the Bidder to R&D NewCo.

3.3 Ongoing relationship between J&J and R&D NewCo

Following the Transactions, the parties to the Transactions will have an ongoing relationship under the following arrangements:

J&J share ownership in R&D NewCo

The Convertible Loan of CHF 580 million to be provided by the Bidder to R&D NewCo is convertible in two tranches into shares of R&D NewCo. The first tranche of approximately CHF 235 million will automatically convert on the first Trading Day following the Settlement into shares representing 16% of the share capital of R&D NewCo. Upon conversion of the first tranche, the aggregate shareholding of all other R&D NewCo shareholders will be diluted from 100% to 84%. The Bidder may convert the second tranche of approximately CHF 345 million into shares representing a further 16% of the share capital of R&D NewCo at any time during the ten-year term of the Convertible Loan. At maturity, if the second tranche has not yet been converted, R&D NewCo may request settlement of the second tranche in cash or in shares representing 16% of R&D NewCo. The shares to be issued under the Convertible Loan will be created from the conditional capital and/or the authorized capital of R&D NewCo.

A shareholders' agreement governing the terms of the Bidder's participation in R&D NewCo (the "**Shareholders Agreement**") was entered into on the Pre-Announcement Date, prior to the opening of trading on the SIX. If and whenever the aggregate shareholding of the Bidder or of any of its affiliates equals or exceeds 20% of R&D NewCo's then-issued share capital (i.e., upon conversion of the second tranche of the Convertible Loan), the Shareholders Agreement provides the Bidder with the right to have one representative on R&D NewCo's board of directors and to have appropriate committee representation, and, in the event that R&D NewCo's board of directors has more than six directors, the Bidder will be entitled to a second representative. Subject to certain exceptions, it also imposes a prohibition on the Bidder from acquiring more than 32% of R&D NewCo's share capital for a period of five years (standstill) and from selling its shares in R&D NewCo for a period of two years (lock-up).

Collaboration between J&J and R&D NewCo in respect of ACT 132577

J&J, Janssen Biotech, Inc. ("**Janssen**", a subsidiary of J&J) and Actelion have entered into a collaboration agreement (the "**Collaboration Agreement**") in respect of the development and commercialization of ACT 132577 and any of its derivative compounds or products. R&D NewCo will accede to the Collaboration Agreement upon incorporation.

ACT 132577 is a metabolite of macitentan which is being investigated for use in resistant hypertension and is currently in a phase II study for essential hypertension. Following completion of the ongoing phase II study, Janssen may opt in to the collaboration by paying R&D NewCo a milestone payment of USD 230 million. If Janssen opts in, the parties will have joint development rights over ACT 132577, while Janssen will have the sole manufacturing and commercialization rights. A cost-sharing arrangement is in place in relation to development costs.

Under the terms of the Collaboration Agreement, Janssen will pay R&D NewCo royalties on products containing ACT 132577. Royalty payments will amount to 20% of annual net sales up to USD 500 million, 30% of annual net sales between USD 500 million and USD 2 billion, and 35% of annual net sales over USD 2 billion. Royalty payments will be made until the later of 25 years following the launch of an ACT 132577 product in a given country and, if a patent is held by R&D NewCo in such country, the expiry of the last valid patent claim in such country, and may be reduced, depending on the circumstances, by 50% or 100% if a generic equivalent is introduced or by up to 5% if no relevant patent is held by R&D NewCo.

Revenue sharing in respect of ponesimod and cadazolid

On the Pre-Announcement Date, prior to the opening of the trading on SIX, J&J and Actelion entered into a royalty rights agreement, as subsequently amended and restated into a revenue sharing agreement (the “**Revenue Sharing Agreement**”) in respect of ponesimod and cadazolid, two late-stage pipeline products which will remain with Actelion following the Demerger. A subsidiary of R&D NewCo will accede to the agreement upon incorporation. Under the terms of the Revenue Sharing Agreement, the subsidiary of R&D NewCo is entitled to receive payments of 8% of the aggregate net sales of ponesimod and cadazolid products. For each of ponesimod and cadazolid, payments will be made under the Revenue Sharing Agreement for 15 years from the latest launch of a product containing ponesimod or cadazolid in (i) the United States, (ii) Canada, or (iii) any one of the United Kingdom, France, Germany, Italy and Spain.

IP cross-licence

On the Pre-Announcement Date, prior to the opening of trading on SIX, Actelion entered into an intellectual property (“**IP**”) cross-licence agreement (the “**IP Cross-Licence Agreement**”) and agreed to procure that, upon incorporation, R&D NewCo will enter into the same agreement to provide access to shared IP. Under the IP Cross-Licence Agreement, Actelion and R&D NewCo agree to give each other a licence to the IP owned or licensed by it to the other party at the date of the Reorganization to carry out its respective business with effect from the date of the Reorganization. The licence from R&D NewCo to Actelion is exclusive for the business of Actelion and the field of pulmonary hypertension. Under the Demerger Agreement (as defined below), R&D NewCo will for the next ten years assign or exclusively licence to Actelion any new IP relating to pulmonary hypertension. Rights outside pulmonary hypertension remain with R&D NewCo.

Provision of services

Prior to the Settlement, Actelion and R&D NewCo will enter into a services agreement (the “**Services Agreement**”). Under the Services Agreement, both parties will agree to provide services to one another.

4. Additional Information Required by Swiss Takeover Law

4.1 Board of Directors and Actelion Core Executive Committee

The Board of Directors of Actelion is currently composed of Jean-Pierre Garnier (Chairman), Juhani Anttila, Robert J. Bertolini, Jean-Paul Clozel, John J. Greisch, Peter Gruss, Michael Jacobi, Jean Malo, David Stout and Herna Verhagen.

The Actelion Core Executive Committee is currently composed of Jean-Paul Clozel (Chief Executive Officer), Otto Schwarz (Chief Operating Officer), André C. Muller (Chief Financial Officer), Guy Braunstein (Head of Global Clinical Development) and Nicholas Franco (Chief Business Development Officer).

4.2 Potential Conflicts of Interest of the Members of the Board of Directors and the Actelion Core Executive Committee

(a) Board of Directors

On the Pre-Announcement Date, prior to the opening of trading on SIX, Jean-Paul Clozel, Chief Executive Officer of Actelion and a member of its Board of Directors, entered into a tender undertaking (the “**Tender Undertaking**”) for the benefit of the Bidder and the Offeror whereby he agreed to tender his Actelion Shares within the Main Offer Period. The Tender Undertaking was entered into after the Board of Directors approved the Transactions. The Board of Directors does not consider Mr. Clozel to be under a conflict of interest.

After the Offer has been declared successful (*zustandegekommen*), all members of the Board of Directors will resign from their functions at Actelion with effect from and subject to the Settlement. Other than Mr. Clozel, no member of the Board of Directors has entered into a contractual or other relationship with J&J or its affiliates. No member of the Board of Directors has been elected at the request of J&J or is exercising his/her mandate following instructions from J&J. The members of the Board of Directors are neither employees nor members of any corporate bodies of J&J or companies having significant business relations with J&J.

(b) Actelion Core Executive Committee

Mr. Otto Schwarz and Mr. Nicholas Franco will remain in Actelion’s employment following the Settlement. The terms on which Mr. Schwarz and Mr. Franco will be employed are not yet known. Mr. Clozel, Mr. Guy Braunstein and Mr. André C. Muller will be employed as part of the management of R&D NewCo. For an interim period, R&D NewCo will also make Mr. Braunstein available to Actelion.

Other than in relation to the Tender Undertaking given by Mr. Clozel, no member of the Actelion Core Executive Committee has entered into any contractual or other relationship with J&J or its affiliates. The members of the Actelion Core Executive Committee are neither employees nor members of any corporate bodies of J&J or companies having significant business relations with J&J.

4.3 Possible Financial Consequences of the Offer for Members of the Board of Directors and the Actelion Core Executive Committee

(a) Treatment of equity awards under the Offer

Actelion has the following types of equity awards for employees and members of the Board of Directors, which are granted under the following equity plans:

- (i) performance stock units, including phantom performance stock units, (“**PSUs**”) granted under the performance share plans;
- (ii) restricted stock units, including phantom restricted stock units, (“**RSP RSUs**”) granted under the restricted stock plans;
- (iii) restricted stock units, including phantom restricted stock units, (“**GRISP RSUs**”) granted under the group retention incentive plans;

- (iv) restricted stock units, including phantom restricted stock units, (“**DEB RSUs**”) granted under the deferred equity bonus plans (the RSP RSUs, the GRISP RSUs and the DEB RSUs, collectively the **RSUs**);
- (v) Share options (“**ESOP II Options**”) granted under the employee share option plan;
- (vi) Share options (“**ESOP III Options**”) granted under the employee share option plan;
- (vii) Share options (“**DSOP Options**”) granted under the director’s share option plan; and
- (viii) Share options (“**Challenge Award Options**”) granted under the special one-time incentive plan (the ESOP II Options, the ESOP III Options, the DSOP Options and the Challenge Award Options, collectively the “**Share Options**”).

Below are the maximum number of equity awards outstanding and the maximum Actelion Share entitlement under those awards as of January 25, 2017 (one day prior to the Pre-Announcement Date):

| | |
|--|------------------------|
| Maximum total equity awards incl. phantom units..... | 4,000,532 ¹ |
| Maximum total Actelion Share entitlement under equity awards excl. phantom units | 4,143,606 |

¹ Number of maximum total phantom units of equity awards is 10,534.

After the Offeror has declared the Offer unconditional as to acceptances (*zustandekommen*) the following will apply to the equity awards:

- (i) Each Share Option which has not been fully exercised will be deemed to be automatically exercised in full and Actelion will deliver Actelion Shares corresponding to such Share Option.
- (ii) Any applicable vesting or blocking periods for PSUs and RSUs will be waived and each such PSU and RSU will immediately vest and be converted into the corresponding number of Actelion Shares, which, in case of PSUs, will be determined by the Board of Directors of Actelion, up to the maximum number of Actelion Shares covered by the PSUs.
- (iii) Actelion Shares delivered pursuant to (i) and (ii) above will be delivered to Actelion employees prior to the start of the additional acceptance period of the Offer and shall be tendered into the Offer, unless a respective employee gives notice to the contrary.
- (iv) Any Share Options, PSUs or RSUs which would be settled in cash in accordance with their terms will be settled in cash based on the Offer Price plus an amount equal to the closing price of a share in R&D NewCo as reported on the SIX on the first date of trading of such shares.

(b) Actelion Shares and equity awards held by members of the Board of Directors and the Actelion Core Executive Committee

Members of the Board of Directors, other than Mr. Clozel, hold the following Actelion Shares and Share Options as of February 13, 2017:

| | <u>Actelion Shares</u> | <u>Outstanding Share Options</u> |
|---------------------|------------------------|----------------------------------|
| Jean-Pierre Garnier | 21,225 | - |
| Juhani Anttila | 2,000 | - |
| Robert J. Bertolini | 7,012 | 12,696 |
| John J. Greisch | 6,118 | - |
| Peter Gruss | 5,095 | 2,654 |
| Michael Jacobi | 5,948 | - |
| Jean Malo | 40,198 | - |
| David Stout | 1,377 | - |
| Herna Verhagen | 1,279 | - |
| Total | 90,252 | 15,350 |

Members of Actelion's Core Executive Committee, including Mr. Clozel, hold the following Actelion Shares, Share Options, RSUs and PSUs as of February 13, 2017:

| | <u>Actelion Shares</u> | <u>Outstanding Share Options</u> | <u>Outstanding RSUs and PSUs</u> | <u>Actelion Share entitlement under equity awards</u> |
|------------------|------------------------|----------------------------------|----------------------------------|---|
| Jean-Paul Clozel | 3,869,015 | 598,822 | 105,721 | 719,941 |
| Otto Schwarz | 47,000 | - | 38,251 | 40,465 |
| André C. Muller | 4,658 | - | 35,589 | 37,803 |
| Guy Braunstein | 14,694 | - | 44,943 | 48,263 |
| Nicholas Franco | 19,837 | - | 29,386 | 30,830 |
| Total | 3,955,204 | 598,822 | 253,890 | 877,302 |

The Share Options held by members of the Board of Directors, and the Share Options, RSUs and PSUs held by members of the Actelion Core Executive Committee will be treated in accordance with the procedure described in Section 4.3(a) above.

(c) Intentions to Tender

All members of the Board of Directors and of the Actelion Core Executive Committee intend to tender their Actelion Shares into the Offer.

(d) Benefits of the members of the Board of Directors and the Actelion Core Executive Committee

Under the terms of the Transaction Agreement (as hereinafter defined), the Bidder has agreed to provide all members of the Board of Directors and the Actelion Core Executive Committee who resign or are dismissed from Actelion with a directors' and officers' "tail" insurance policy for a period of at least 36 months following the end of their respective terms of office. The insurance policy will provide at least the same coverage as the policy in existence prior to the Settlement, but will be provided up to a capped premium amount.

Except for the benefits described above, the members of the Board of Directors and the Actelion Core Executive Committee will not receive any additional benefits in connection with the Offer.

(e) Conclusions

The members of the Board of Directors and the Actelion Core Executive Committee are not affected by any potential conflicts of interest and will not receive any benefits in connection with the Offer except as described above. The resolution to approve the Offer was unanimously passed by the entire Board of Directors.

In addition, and as a basis for its resolution, the Board of Directors mandated Alantra to provide the Fairness Opinion which concluded that the Offer price is fair and adequate from a financial perspective (see Section 2.3).

5. Agreements between the Parties Relevant for the Decision of the Board of Directors

Actelion and J&J, and various subsidiaries of Actelion and J&J, have entered into several agreements in order to effect the Transactions. To the extent not described above, below is a summary of such agreements.

5.1 Agreements related to the Offer**5.1.1 Transaction Agreement**

On the Pre-Announcement Date, prior to the opening of trading on SIX, Actelion, the Bidder, the Offeror and J&J entered into a transaction agreement ("**Transaction Agreement**"). The Transaction Agreement contained provisions regarding the Offer process, the Demerger, and the terms and conditions of the Transactions. For a description of the main terms of the Transaction Agreement, see Section F.4 of the Offer Prospectus.

5.1.2 Confidentiality Agreements

See Section 2.4.

5.1.3 Tender Undertaking

See Section 4.2.

5.2 Agreements related to the Demerger

5.2.1 Demerger Agreement

On the Pre-Announcement Date, prior to the opening of trading on SIX, Actelion, the Bidder and certain Actelion subsidiaries entered into a demerger agreement (the “**Demerger Agreement**”). The Demerger Agreement provides in particular for the following main terms (the following is a summary of the main terms):

- Demerger Transactions: the Demerger Agreement sets out the procedure for carrying out the Demerger Transactions.
- Split of Assets and Patent Allocation: under the Demerger Agreement, Actelion retains assets relating to Actelion’s current marketed products, all line extensions relating to those products, and ponesimod, cadazolid and ACT 333679. R&D NewCo acquires assets relating to pipeline product candidates other than ponesimod, cadazolid and ACT 333679, as well as the entire drug discovery business and certain properties at Actelion’s Allschwil campus. The process for splitting and allocating assets and agreeing on patent allocation is currently ongoing. Actelion also acquires rights in certain IP generated by R&D NewCo in the future to the extent it relates to pulmonary hypertension (see Section 3.3 in relation to IP Cross-Licence).
- Financing of R&D NewCo: the Demerger Agreement provides for the financing of R&D NewCo as described in Section 3.2.
- Costs: All out of pocket transaction costs and expenses incurred prior to completion of the Demerger will be borne by Actelion, subject in certain instances to a cap. All such costs and expenses incurred after completion of the Demerger will be borne by the party who incurs such costs.
- Non-compete and non-solicitation: R&D NewCo has agreed not to engage in any pulmonary hypertension activities that compete with the business retained by Actelion for a period of five years, and both parties have agreed to a non-solicitation of employees for a period of three years.
- Cross-conditioning: the Demerger is generally cross-conditioned on the Settlement.

5.2.2 IP Cross-Licence Agreement

See Section 3.3.

5.2.3 Services Agreement

See Section 3.3.

5.2.4 Collaboration Agreement

See Section 3.3.

5.2.5 Revenue Sharing Agreement

See Section 3.3.

5.2.6 Shareholders Agreement

See Section 3.3.

5.3 Agreements relating to the financing of R&D NewCo

5.3.1 Convertible Loan Agreement

See Section 3.3.

5.3.2 Credit Facility Agreement

See Section 3.2.

5.3.3 Bank Account Pledge Agreement

In connection with the Convertible Loan Agreement, the Bidder and R&D NewCo will enter into a pledge agreement regarding a bank account of R&D NewCo.

6. Intentions of Significant Shareholders of Actelion

To the knowledge of the Board of Directors, on February 13, 2017 the following shareholders hold more than 3% of the share capital and voting rights of Actelion:

| Shareholder | Number of Actelion Shares | Percentage |
|--|---------------------------|----------------------|
| Norges Bank (the Central Bank of Norway), Oslo, Norway | 3,333,050 | 3.09% ⁽¹⁾ |
| BlackRock, Inc. | 4,398,087 | 4.08% ⁽²⁾ |
| Rudolf Maag | 4,801,000 | 4.46% ⁽³⁾ |
| Jean-Paul Clozel | 3,869,015 | 3.59% ⁽⁴⁾ |

⁽¹⁾ Pursuant to the disclosure notice dated February 4, 2017, as disclosed on the SIX's website as of February 13, 2017.

⁽²⁾ Pursuant to the disclosure notice dated December 15, 2016, as disclosed on the SIX's website as of February 13, 2017.

⁽³⁾ Based on information contained in Actelion's 2016 Annual Report.

⁽⁴⁾ Based on information contained in Actelion's 2016 Annual Report. J&J, Jean-Paul Clozel and Actelion were disclosed to the SIX as a group in accordance with Article 120 FMIA.

Mr. Clozel has agreed to tender his shares into the Offer. The Board of Directors is not aware of the intentions of the other shareholders.

7. Defensive Measures

The Board of Directors of Actelion has no knowledge of defensive measures which were taken against the Offer nor does it intend to take such defensive measures against the Offer, and nor does it intend to propose such measures to the general meeting of Actelion's shareholders.

The Demerger element of the Transactions was negotiated and agreed between Actelion and J&J. Furthermore, the Demerger Distribution is subject to approval by the shareholders of Actelion. The Board of Directors does not consider the Demerger to constitute a defensive measure.

8. Financial Reports; Disclosure of Material Changes in the Assets and Liabilities, Financial Condition, Profits and Losses and Business Perspectives

The audited and consolidated financial report of Actelion for the year ending 31 December 2016 can be consulted on Actelion's website (www.actelion.com/annual-report). The Shareholder Information Brochure is expected to be published along with the invitation to the General Meeting on or about March 15, 2017 (see Section 3.1.2). A Listing Prospectus is expected to be made available between the expiry of the Main Offer Period and the Settlement.

Save for the Transaction to which this report relates, the Board of Directors is not aware of significant changes in the assets, financial condition and revenues of Actelion since January 1, 2017 which could influence the decision of the shareholders of Actelion regarding the Offer.

Allschwil, February 14, 2017

For the Board of Directors of Actelion Ltd:

Jean-Pierre Garnier (Chairman)

J. Fairness Opinion

The fairness opinion issued by Alantra AG, Zurich, Switzerland, to the board of directors of Actelion, which confirms that the Offer Price is fair from a financial perspective, is available at <https://www.actelion.com/en/investors/proposed-transaction/index.page> and may be obtained without delay and free of charge from Actelion, Allschwil, Switzerland (tel.: +41 61 565 62 62; e-mail: investor.relations@actelion.com).

K. Decision of the Swiss Takeover Board

On February 14, 2017, the TOB issued the following decision (*Verfügung*) (unofficial translation from the German original):

1. The public tender offer of Janssen Holding GmbH to the shareholders of Actelion Ltd complies with the statutory provisions on public tender offers.
2. It is declared that the offer price may be in USD.
3. It is declared that the intended treatment of the *Equity Awards* of the employees and members of the board of directors of Actelion Ltd does not violate the *Best Price Rule* according to article 10 of the Swiss Takeover Ordinance and it does not result in an increase of the offer price.
4. Johnson & Johnson is granted an exemption such that the identity of the shareholders or groups of shareholders and the percentage of their participation must be disclosed only once the threshold of 5% of the voting rights has been exceeded.
5. This decision will be published on the date of the publication of the offer prospectus on the website of the Swiss Takeover Board.
6. The fee chargeable to Johnson & Johnson and Janssen Holding GmbH is CHF 300,000, under joint and several liability.

L. Implementation of the Offer

1. Information | Registration

Actelion shareholders will be informed of the procedure for accepting the Offer by their broker or custodian bank, and will have to act in accordance with such instructions.

2. Offer Manager

The Offeror has mandated Bank Vontobel AG, Zurich, with the execution of the Offer, including the USD/CHF Conversion Facility (see Section L.5 ("*USD/CHF Conversion Facility for Eligible Private Investors*")). Bank Vontobel AG also acts as the tender agent for the Offer.

3. Tendered Actelion Shares

Tendered Actelion Shares (other than the Actelion Shares referred to in the following paragraph) will be booked to the separate Swiss securities number 35 579 402 (ticker symbol ATLNEE). The Offer Manager will apply on behalf of the Company for the opening of a second trading line for the tendered Actelion Shares as of March 3, 2017. It is expected that the trading on the second trading line will be terminated upon the expiration of the Additional Acceptance Period or, in the event of a Postponement in accordance with Section B.7 ("*Offer Conditions*"), upon the second (2nd) Trading Day prior to the Settlement Date.

Actelion Shares tendered by Eligible Private Investors, who have validly elected to participate in the USD/CHF Conversion Facility (see Section L.5 ("*USD/CHF Conversion Facility for Eligible Private Investors*")), will be booked to the separate Swiss securities number 35 579 403. These

tendered Actelion Shares will not be tradeable on SIX, whether they are tendered during the (possibly extended) Main Offer Period or during the Additional Acceptance Period. Until the expiration of the Additional Acceptance Period or, in the event of a Postponement in accordance with Section B.7 ("Offer Conditions"), until the fourth (4th) Trading Day prior to the Settlement Date, if Eligible Private Investors having already tendered Actelion Shares booked to the separate Swiss securities number 35 579 403 wish to sell such Actelion Shares, these Eligible Private Investors may instruct their custodian bank to exchange such Actelion Shares for Actelion Shares booked to the separate Swiss securities number 35 579 402 (ticker symbol ATLNEE) and to sell them on the second trading line.

4. Payment of the Offer Price; Settlement Date

The Offer Price for the Actelion Shares which will have been validly tendered during the Main Offer Period and the Additional Acceptance Period is expected to be paid on May 5, 2017 (the **Settlement Date**). In the event of an extension of the Cooling-off Period by the TOB, an extension of the Main Offer Period pursuant to Section B.5 ("*Main Offer Period*") or a Postponement of the Settlement in accordance with Section B.7 ("*Offer Conditions*"), the Settlement will be deferred accordingly, in particular if merger control and other approvals (see Offer Condition (b) ("*Merger Control and Other Approvals*")) are outstanding or waiting periods have not yet lapsed by the end of the Additional Acceptance Period.

5. USD/CHF Conversion Facility for Eligible Private Investors

Private investors who both (i) hold their Actelion Shares on a securities account with a custodian bank in Switzerland and (ii) hold a maximum number of 1,000 Actelion Shares at the time they tender their Actelion Shares (each an **Eligible Private Investor**), will be eligible to a USD/CHF conversion facility as follows (the **USD/CHF Conversion Facility**):

- Each Eligible Private Investor may elect in the declaration of acceptance and transfer to receive the USD Offer Price for his|her up to 1,000 Actelion Shares in CHF, exchanged at the exchange rate applied in, and at the exchange conditions under, the USD/CHF Conversion Facility.
- In order to determine the exchange rate to be applied in the USD/CHF Conversion Facility, the Offer Manager will within four (4) Trading Days prior to, or on, the Settlement Date, exchange the respective USD amount for Actelion Shares that have been validly tendered by Eligible Private Investors who have elected to participate in the USD/CHF Conversion Facility, in one or several tranches for CHF (see "*Offer Restrictions – Notice Regarding Currency Exchange Rate Risks*").

6. Costs and Taxes; General Tax Consequences for Accepting and Non-Accepting Shareholders

Costs and Taxes

During the (possibly extended) Main Offer Period and the Additional Acceptance Period, Actelion Shares deposited with banks in Switzerland may be tendered free of costs and fiscal charges. Any Swiss transfer stamp duty as well as stock exchange fees, if applicable, imposed on the sale will be borne by the Offeror.

Tax Consequences for Shareholders who tender their Actelion Shares in the Offer

No Swiss withholding tax will be levied on the sale of Actelion Shares pursuant to this Offer.

The following Swiss individual and corporate income tax consequences will likely result for Actelion shareholders who are resident in Switzerland for tax purposes and tender their Actelion Shares in the Offer:

- Pursuant to general principles of Swiss income taxation, shareholders holding their Actelion Shares as private assets (*Privatvermögen*) and who tender their Actelion Shares in the Offer realize either a tax-free private capital gain or suffer a non-tax-deductible capital loss, unless the shareholder classifies as a professional securities dealer (*gewerbsmässiger Wertschriftenhändler*).
- Shareholders holding their Actelion Shares as business assets (*Geschäftsvermögen*) or classifying as a professional securities dealer (*gewerbsmässiger Wertschriftenhändler*) who tender their Actelion Shares into the Offer realize either a taxable capital gain or a tax-deductible capital loss depending on the relevant income tax value of their Actelion Shares pursuant to general principles of Swiss individual and corporate income taxation.

Shareholders who are not tax residents of Switzerland are not subject to Swiss individual and corporate income taxes, except if their Actelion Shares are attributed to a permanent establishment (*Betriebsstätte*) or a fixed place of business in Switzerland.

Tax Consequences for Shareholders who do not tender their Actelion Shares in the Offer

If J&J or one or several of its direct or indirect Subsidiaries hold more than 98% of the voting rights in Actelion after the Settlement, the Offeror intends to request the cancellation of the outstanding publicly held Actelion Shares in accordance with article 137 FMIA. In such a case, the tax consequences for the holders of Actelion Shares will in general be the same as if they had tendered their Actelion Shares in the Offer (see above).

If J&J or one or several of its direct or indirect Subsidiaries hold between 90% and 98% of the voting rights in Actelion after the Settlement, it is intended to merge Actelion with a Swiss company directly or indirectly controlled by J&J in accordance with articles 8 para. 2 and 18 para. 5 of the Swiss Merger Act, whereby the remaining minority shareholders would be compensated (in cash or otherwise). The consideration paid to remaining Actelion minority shareholders (irrespective of their tax residence) in the squeeze-out merger may, depending on the structuring of the squeeze-out merger, be subject to Swiss withholding tax of 35% on the difference between (i) the amount of the consideration and (ii) the sum of the nominal value of the Actelion Shares concerned and of the proportionate part of Actelion's reserves from capital contributions (*Reserven aus Kapitaleinlagen*) attributable to the respective Actelion Shares. Upon request, the Swiss withholding tax, if any, will generally be refunded to shareholders of Actelion who have their tax residence in Switzerland, provided that those shareholders duly declare the consideration in the tax return or, in the case of legal entities, in the profit and loss statement. Actelion shareholders who are not tax residents of Switzerland may be entitled to a full or partial refund of the Swiss withholding tax if the country of residence for tax purposes has entered into a bilateral treaty for the avoidance of double taxation with Switzerland and the conditions of such treaty are met.

Furthermore, the following individual and corporate income tax consequences may result for Actelion shareholders who are resident in Switzerland for tax purposes depending on the structure of the squeeze-out merger:

- Shareholders holding their Actelion Shares as private assets (*Privatvermögen*) realize a taxable income on the difference between (i) the amount of the consideration and (ii) the sum of the nominal value of the Actelion Shares concerned and of the proportionate part of Actelion's reserves from capital contributions (*Reserven aus Kapitaleinlagen*) attributable to the respective Actelion Shares.
- Shareholders holding their Actelion Shares as business assets (*Geschäftsvermögen*) or classifying as professional securities dealer (*gewerbsmässiger Wertschriftenhändler*) have the same tax consequences as if they tender their Actelion Shares in the Offer (see above).

Shareholders who are not tax residents of Switzerland are not subject to Swiss individual or corporate income taxes, except if their Actelion Shares are attributed to a permanent establishment (*Betriebsstätte*) or a fixed place of business in Switzerland.

General Remark

All shareholders of Actelion and beneficial owners of Actelion Shares are expressly advised to consult their own tax advisors with respect to the Swiss and foreign tax consequences of the Offer and its acceptance or non-acceptance, respectively.

7. Squeeze-out and De-listing

After the Settlement, as set out in Section F.3 ("*Intentions of the Offeror With Respect to Actelion*"), the Offeror intends to request the cancellation of the outstanding publicly held Actelion Shares, or to merge Actelion with a Swiss company directly or indirectly controlled by J&J whereby the remaining public shareholders of Actelion will receive a compensation, but no shares of the surviving company, if permitted by law. Furthermore, after the Settlement the Offeror intends to have Actelion apply with SIX for the de-listing of the Actelion Shares in accordance with the listing rules of SIX and for an exemption from certain disclosure and publicity obligations under the listing rules of SIX until the date of de-listing of the Actelion Shares.

M. Applicable Law and Jurisdiction

The Offer, and all rights and obligations arising under or in connection with the Offer, shall be governed by, and construed in accordance with, **Swiss law**. The exclusive place of jurisdiction for all disputes arising out or in connection with the Offer shall be the city of **Zurich**.

N. Indicative Timetable*

| | |
|-------------------|--|
| February 16, 2017 | Publication of Offer Prospectus |
| February 17, 2017 | Start of Cooling-off Period |
| March 2, 2017 | End of Cooling-off Period |
| March 3, 2017 | Start of Main Offer Period Opening of the second trading line on SIX for tendered Actelion Shares |
| March 30, 2017 | End of Main Offer Period* |
| March 31, 2017 | Provisional notice of the interim results of the Offer* |
| April 5, 2017 | Definitive notice of the interim results of the Offer* |
| April 6, 2017 | Start of the Additional Acceptance Period* |
| April 21, 2017 | End of the Additional Acceptance Period* Closing of the second trading line on SIX for tendered Actelion Shares** |
| April 24, 2017 | Provisional notice of the end results of the Offer* |
| April 27, 2017 | Definitive notice of the end results of the Offer* |
| May 5, 2017 | Earliest date for Settlement of the Offer* |

* The Offeror reserves the right to extend the Main Offer Period pursuant to Section B.5 ("*Main Offer Period*"), once or several times, in which case the above dates will be deferred accordingly. In addition, the Offeror reserves the right to postpone the Settlement pursuant to Section B.7 ("*Offer Conditions*"), in particular if merger control and other approvals are outstanding or waiting periods have not yet lapsed.

** It is expected that the trading on the second trading line will be terminated upon the expiration of the Additional Acceptance Period or, in the event of a Postponement in accordance with Section B.7 ("*Offer Conditions*"), upon the second (2nd) Trading Day prior to the Settlement Date.

O. Security Numbers

| Actelion | Swiss securities number | ISIN | Ticker symbol |
|---|-------------------------|-----------------|---------------|
| Registered shares not tendered (first trading line) | 1 053 247 | CH001 053 247 8 | ATLN |
| Registered shares tendered during the Main Offer Period and Additional Acceptance Period (second trading line) | 35 579 402 | CH035 579 402 2 | ATLNEE |
| Registered shares tendered during the Main Offer Period and during the Additional Acceptance Period (third line, not open for trading, for USD/CHF Conversion Facility) | 35 579 403 | CH035 579 403 0 | - |

P. Offer Documentation

This Offer Prospectus may be obtained free of charge (in German, French and English) from Bank Vontobel AG, Zurich (email: prospectus@vontobel.ch).

This Offer Prospectus and other information concerning the Offer are also available at <http://www.investor.jnj.com/publictenderoffer.cfm>.

Lead Financial Advisor

LAZARD

Financial Advisor



Offer Manager

