


Analyst Conference
Basel, 22 January 2003


Lonza



Financial Year 2002 Results



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- A decorative banner is located below the title bar, featuring a horizontal strip of various scientific and industrial images, including laboratory equipment and chemical structures.
- Operating Income (exclusive of one-off gains/costs in 2001 and 2002) of CHF 419 million higher than last year's record level of CHF 413 million
 - operating margin of 16.5% (16.4% in 2001)
 - Earnings per share increased
 - exclusive of non-recurring items from CHF 5.80 to CHF 6.12 (up 5.5% over 2001)
 - sale of energy business been EPS dilutive but strategically necessary
 - Strong sales increase in the Biotechnology activities in line with our strategy
 - Successful realignment of the Exclusive Synthesis business to extend our leadership position

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- Re-integration of the Polymer Intermediates Activities into Lonza Group Business Structure
 - Cancellation of 4 810 070 shares or 8.7% of the outstanding capital
 - 1:10 share split; new nominal value of CHF 1
 - Successful launch of CHF 300 million 2% Convertible Bond to optimize balance sheet
 - Effective placing of ~26% of the outstanding shares with over 200 investors in the fourth quarter of 2002
 - Unchanged dividend of CHF 1.90 proposed
 - Business targets 2005 confirmed

Financial Highlights

Lonza

CHF million

	2001	2002	Change YoY
Sales	2'521	2'536	0.6%
EBITDA	570	575	0.9%
<i>EBITDA Margin</i>	22.6%	22.7%	0.1
Operating Income	413	419	1.5%
<i>Operating Margin</i>	16.4%	16.5%	0.1
Operating Income from Divestiture*	33	0	n.m.
Operating Income Group	446	419	(6.1%)
<i>Operating Margin Group</i>	17.7%	16.5%	(1.2)
Non-recurring Items	101	(112)	n.m.
Net Income	402	221	(45.0%)
Cash Flow	611	450	(26.4%)
Investments (incl. Intangibles)	(271)	(350)	(29.2%)
Earnings per Share before non recurring items	5.80	6.12	5.5%
Earnings per Share after non recurring items	7.43	4.55	(38.8%)
Employees	6'210	6'216	0.1%

*included in discontinuing operations in 2001

Life Sciences Operations

CHF million	2001	2002	Change YoY
Sales	1'868	1'938	3.7%
EBITDA	480	503	4.8%
<i>EBITDA Margin</i>	25.7%	26.0%	0.3
Operating Income	357	371	3.9%
<i>Operating Margin</i>	19.1%	19.1%	0.0

Consolidated Income Statement

Lonza

CHF million	2001	2002	Change YoY
Net Sales	2'521	2'536	0.6%
Operating Expenses	(2'108)	(2'117)	0.4%
Operating Income	413	419	1.5%
Operating Income from divestiture	33	0	n.m.
Operating Income Group	446	419	(6.1%)
Non recurring items	101	(112)	
Goodwill Amortization	(5)	(5)	0.0%
EBIT	542	302	(44.3%)
Financial Charges	(29)	(19)	n.m.
Income before Taxes	513	283	(44.8%)
Taxes	(110)	(62)	43.6%
Minorities	(1)	0	n.m.
Net Income	402	221	(45.0%)
EPS before non-recurring items	5.80	6.12	5.5%
EPS after non-recurring items	7.43	4.55	(38.8%)

Divisional Sales Development

Lonza

CHF million	2001	2002	Change YoY	Currency adjusted YoY	Change due to		
					Volume & Prices	Currency	Consolidation
Exclusive Synthesis & Biotechnology	891	978	9.8%	12.5%	109	(22)	0
Organic Fine & Performance Chemicals	973	957	(1.6%)	1.6%	15	(31)	0
Polymer Intermediates	653	598	(8.4%)	(5.1%)	(33)	(22)	0
Holding & Others	4	3	n.m.	n.m.	0	0	0
Net Sales	2'521	2'536	0.6%	3.7%	91	(75)	0

Divisional Operating Performance

Lonza

CHF million	Operating Income			Margin	
	2001	2002	Change YoY	2001	2002
Exclusive Synthesis & Biotechnology	204	211	3.4%	22.9%	21.6%
Organic Fine & Performance Chemicals	160	166	3.8%	16.4%	17.3%
Polymer Intermediates	56	48	(14.3%)	8.6%	8.0%
Holding and Others	(7)	(6)	n.m.	n.m.	n.m.
Operating Income	413	419	1.5%	16.4%	16.5%
Operating Income from divestiture	33	0	(100.0%)	n.a.	n.a.
Operating Income Group	446	419	(6.1%)	17.7%	16.5%

Consolidated Cash Flow Statement

Lonza

CHF millions	2001	2002	Change YoY
Net Income	402	221	(45.0%)
Depreciation	169	233	37.9%
Change in Long Term Provisions	44	(2)	n.m.
Expenses (Income) from Equity Method	(4)	(2)	n.m.
Cash Flow	611	450	(26.4%)
Investments	(271)	(350)	(29.2%)

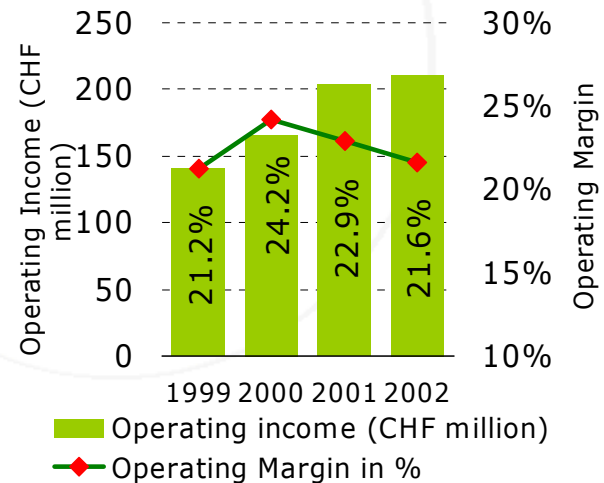


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Sector Results

Exclusive Synthesis & Biotechnology

CHF million	2002	Change YoY
Sales	978	9.8%
Op. Income	211	3.4%
Margin	21.6%	
EBITDA	293	7.3%
Margin	30.0%	



- Sales of CHF 978 million, up 9.8 % and 12.5% on a currency adjusted basis
 - Strong growth of Biotechnology activities
 - Challenging business environment for the Exclusive Synthesis business
- Operating income of CHF 211 million at record levels, up 3.4%
 - Lower margin because of hiring and training of personnel for new Biologics facilities and competition in Exclusive Synthesis
 - Margin recovery in second semester

Exclusive Synthesis

Pharmaceutical Activities

- Challenging business environment due to
 - Delayed product approvals and de-stocking at customers
 - Increased competition for remaining business from other custom manufacturing organizations and pharma in-house capacities
- Loss of margin due to temporary shift in product mix
- Strong sales of established products in HIV and cardiovascular
- Market growth in large volume peptides
- R&D portfolio
 - Substantial number of new projects acquired in the second semester of 2002
 - Customer base successfully diversified with small and midsize pharma companies
- Excellent supplier rating from big Pharma customer
 - e.g. "Supplier of the year"-Award from Lilly

Agrochemical Activities

- Above expectations despite flat market

Exclusive Synthesis

Restructuring Efforts

- Closure of Los Angeles facility by end of 2002
 - Exit from early stage, high volume non-GMP intermediates production
- Additional reorganization in Visp and Riverside to gain efficiencies
- Job reduction of ~220 positions at all three sites nearly completed
- Restructuring costs of CHF 112 million incurred in 2002
 - Cash portion of CHF 25 million required
- Expected cost savings of at least CHF 40 million per year
- Realignment of remaining asset portfolio completed to drive future growth and to extend leadership position



Biotechnology

Mammalian Fermentation (Lonza Biologics)

- Significant growth in sales and operating income
 - Strong product pipeline
 - Full service approach
- Margins affected by ramp up in personnel for Large Scale Build Out (LSBO) in Portsmouth (NH), USA
- LSBO investment of CHF 330 million well on schedule
 - First cGMP production from second half of 2004 expected
- Total capacity already under option to contract with long term agreement for 1/3 of capacity signed with Alexion
- 12 successful regulatory inspection over last 18 months
- Proprietary GS Expression System further developed
 - New standard in expression rates achieved
 - Up to 2.8g/L with CHO cell lines in a protein free medium
- Expansion of development Labs in Slough (UK) to further increase project pipeline



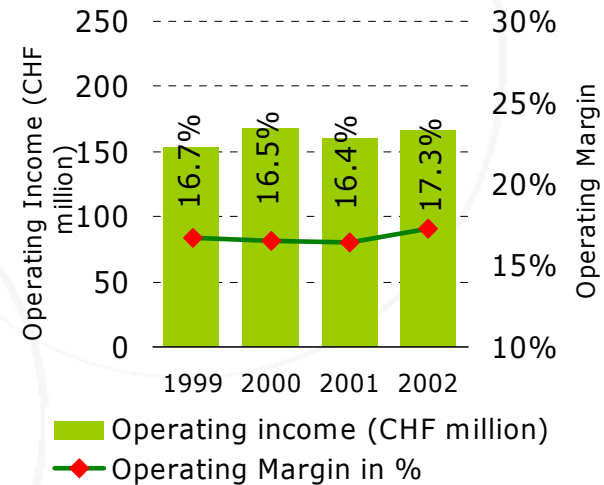
Biotechnology

Microbial Fermentation (Lonza Biotec)

- Sales and operating income growth driven by custom manufacturing activities
- Strong demand for L-Carnitine products
 - New offerings in functional food products; achievement of GRAS status (Generally Recognized as Safe) in the US
 - Market leadership strengthened based on proprietary technology
- Investments
 - New cGMP facility at Visp (CH) approved (March 02)
 - Investment size over CHF 100 million
 - Anticipation of expected increase in demand for microbially produced biopharmaceuticals
 - Microbial fermentation production unit for highly potent active ingredients approved
 - Investment size of CHF 12 million
 - Operational in second semester of 2003

Organic Fine & Performance Chemicals

CHF million	2002	Change YoY
Sales	957	(1.6%)
Op. Income	166	3.8%
<i>Margin</i>	17.3%	
EBITDA	216	0.9%
<i>Margin</i>	22.6%	



- Sales up 1.6% on a currency equivalent basis to CHF 957 million, down by 1.6% on actual currencies
- Operating income up 3.8% to CHF 166 million
 - Operating margin up to 17.3% due to efficiency improvements and favorable product mix

Organic Fine Chemicals

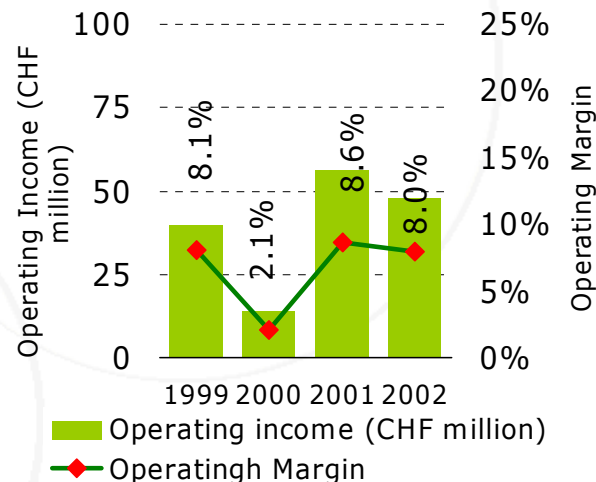
- Good overall sales volumes
 - Strong demand for pharma and agro intermediates, vitamins
 - Slowdown in US, Europe and Far East in intermediates for industrial applications
- Higher margins due to
 - stringent cost controls and price recovery
- Nicotinates (a vitamin of the B complex)
 - Prices recovered from last year
 - High capacity utilization in Visp and Guangzhou
- Metaldehyde
 - Good market demand
 - Prices in line with expectations
- Hydrocyanic Acid based intermediates
 - New malononitrile reactor on stream; performing as expected

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Performance Chemicals

- Sales Growth in local currencies in NAFTA, Europe and Asia-Pacific
- Operating income margins exceeded expectations
- Good performance in our key market segments
- Biocides
 - Successful market introduction of new biocides (personal care, hygiene)
 - Good sales volumes of QUATS into wood-protection area
- Conclusion of sale of Painesville facility by year-end
 - exit out of non profitable oleochemicals business

CHF million	2002	Change YoY
Sales	598	(8.4%)
Op. Income	48	(14.3%)
Margin	8.0%	
EBITDA	72	(20.0%)
Margin	12.0%	



- Sales at CHF 598 million, down 8.4% (down 5.1% on comparable exchange rates)
 - Driven by weakness in our end markets
 - Positive development in some niche products
- Slight decrease of operating margin from 8.6% in the previous year to 8.0%
 - Negative impact of raw material price increase
 - Competitive pressure in isophthalic acid

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- Phthalic anhydride & General purpose plasticizers
 - Stable market environment in Europe and a high spot demand from China during first five months
 - Pronounced downturn in the automotive sector, lack of demand from Far East in second half
 - Maleic anhydride & Derivatives
 - Higher demand for Maleic derivatives offsets the poor sales of Maleic anhydride
 - Margins suffer from raw material price increase
 - 15 kt/year production line shut down
 - Trimellitic anhydride & Special Plasticizers
 - Weak Trimellitic performance offset by strong sales in Special Plasticizers
 - Resins and Compounds
 - Lower sales and margins due to weak end markets and raw materials
 - Isophthalic Acid
 - Full capacity utilization; unsatisfactory pricing environment

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Lonza

Outlook 2003

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- A decorative banner at the top of the slide features a horizontal strip of various scientific and industrial images, including laboratory glassware, chemical structures, and industrial machinery, set against a background of overlapping circles.
- **Exclusive Synthesis**
 - Positive impact from strengthened R&D portfolio and wider customer base
 - Savings from 2002 restructuring efforts
 - focus on high value adding projects to leverage our highly competitive technology base
 - **Biotechnology**
 - Transition year, growth driven by ongoing efficiency gains
 - **Organic Fine and Performance Chemicals**
 - Good performance expected with the exception of diketene and engineering polymers
 - Capture growth opportunities in biocides
 - **Polymer Intermediates**
 - Business recovery expected in second half of 2003
 - Profitability improvement measures
 - **Overall operating results expected to exceed 2002**

Life Sciences Activities

Targets 2005

Sales (organic growth only)

> CHF 2.7 bn

Average Annual EPS Growth

15%

Operating Margin

22%

EBITDA Margin

30%

Target Gearing Level

0.67 : 1

Dividend Payout Ratio

25 - 33%

Note: These targets do NOT include any contribution from Polymer Intermediates activities

■ Important Lonza Group Dates

- 26 March 2003 Annual Shareholder's Meeting
- 1 April 2003 Dividend Ex-Date and Payment
- 17 July 2003 Release of Half Year Results

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