



Press 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

# Divisional Sales Development

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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
<b>Net Sales</b>	<b>2'521</b>	<b>2'536</b>	<b>0.6%</b>	<b>3.7%</b>	<b>91</b>	<b>(75)</b>	<b>0</b>

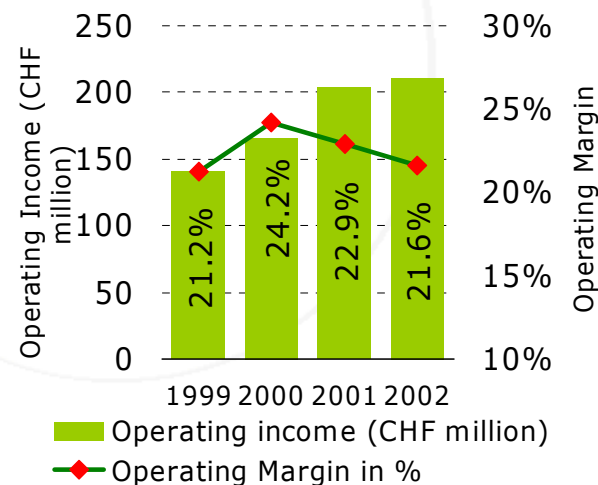
# Divisional Operating Performance

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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%

# 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%	



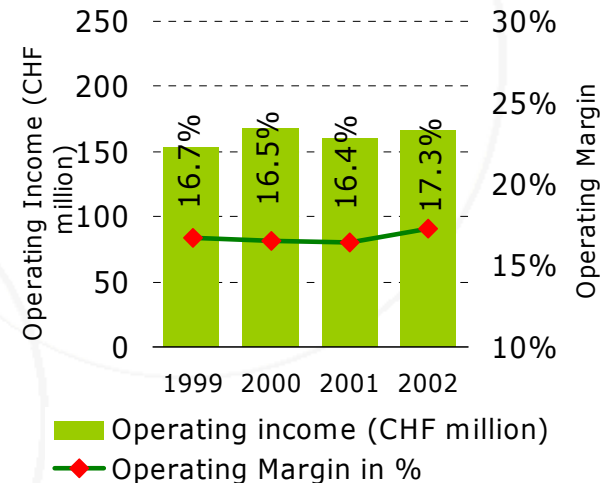
- Sales of CHF 978 million, up 9.8 % and 12.5% on a currency adjusted basis
  - Strong growth of Biotechnology activities
  - Challenging business environment for the Exclusive Synthesis business
- Operating income of CHF 211 million at record levels, up 3.4%
  - Lower margin because of hiring and training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

## Exclusive Synthesis

### 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

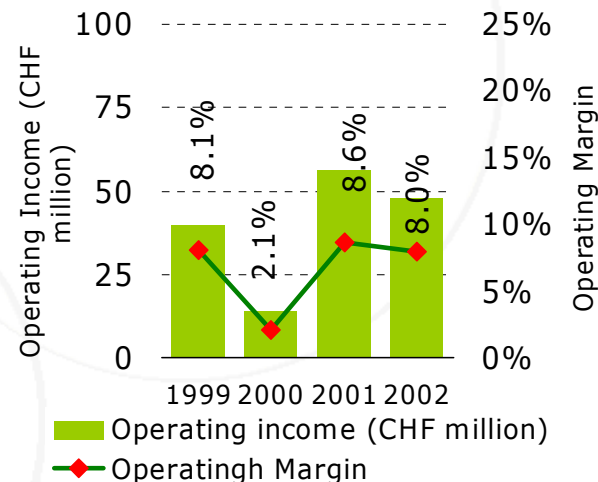
CHF million	2002	Change YoY
Sales	957	(1.6%)
Op. Income	166	3.8%
<i>Margin</i>	17.3%	
EBITDA	216	0.9%
<i>Margin</i>	22.6%	



- 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



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

# Consolidated Income Statement

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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%)
<b>Non recurring items</b>	<b>101</b>	<b>(112)</b>	
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%)

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- A decorative banner is located at the top of the slide, below the title. It features a horizontal strip of various images related to chemistry and industry, including laboratory glassware, chemical structures, and industrial equipment.
- **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**

# Targets 2005

## 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

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## Financial Year 2002 Results

## ■ 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

## ■ Investor Contacts

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