

Proforma (Pf) balance sheet at 30 June in million CHF	<u>Assets</u>	1999	<u>Adj.</u>	1999 Pf
	<u>Fixed assets</u>			
	Property, plant and equipment	3 575	<u>20</u>	<u>3 595</u>
	Accumulated depreciation	(1 760)	<u>(14)</u>	<u>(1 774)</u>
	<u>Subtotal</u>	1 815	<u>6</u>	<u>1 821</u>
	<u>Intangible assets</u>	38	<u>0</u>	<u>38</u>
	Goodwill	79	<u>0</u>	<u>79</u>
	Other noncurrent assets and deferred items	58	<u>0</u>	<u>58</u>
	Unconsolidated investments	61	<u>0</u>	<u>61</u>
	<u>Total fixed assets</u>	2 051	<u>6</u>	<u>2 057</u>
	<u>Current assets</u>			
	Inventories, net	464	<u>0</u>	<u>464</u>
	Trade receivables, net	349	<u>0</u>	<u>349</u>
	Other receivables, prepaid expenses and accrued income	98	<u>0</u>	<u>98</u>
	Cash and marketable securities*	0	<u>0</u>	<u>0</u>
	<u>Total current assets</u>	911	<u>0</u>	<u>911</u>
	<u>Total assets</u>	2 962	<u>6</u>	<u>2 968</u>

* See "Basis of preparation of the historical combined financial statements" page 140 and following

<u>Liabilities and shareholders' equity</u>	1999	Adj.	1999 Pf
<u>Total shareholders' equity</u>	1 912	6	1 918
<u>Minority interests</u>	19	0	19
<u>Liabilities</u>			
Long-term provisions	389	0	389
Long-term debts	0	0	0
Total long-term liabilities and provisions	389	0	389
Other liabilities and deferred items	427	0	427
Current liabilities:			
Trade payables	182	0	182
Short-term debts:			
Due to bank and other financial institutions	33	0	33
<u>Total current liabilities and deferred items</u>	642	0	642
<u>Total liabilities</u>	1 031	0	1 031
<u>Total liabilities and shareholders' equity</u>	2 962	6	2 968

Proforma (Pf) income statement in million CHF	1999	Adj.	1999 Pf
<u>Net sales</u>	1 082	<u>0</u>	<u>1 082</u>
Changes in inventory of work-in-progress and finished goods	(1)	<u>0</u>	<u>(1)</u>
Other operating income	38	<u>0</u>	<u>38</u>
<u>Income from production</u>	1 119	<u>0</u>	<u>1 119</u>
Material costs	(376)	<u>0</u>	<u>(376)</u>
Energy costs	(61)	<u>0</u>	<u>(61)</u>
Personnel expenses	(272)	<u>0</u>	<u>(272)</u>
Other operating expenses	(130)	<u>(6)</u>	<u>(136)</u>
Depreciation and amortization	(107)	<u>0</u>	<u>(107)</u>
<u>Subtotal</u>	(946)	<u>(6)</u>	<u>(952)</u>
<u>Operating income</u>	173	<u>(6)</u>	<u>167</u>
Amortization of goodwill	(3)	<u>0</u>	<u>(3)</u>
<u>EBIT – earnings before interest and taxes</u>	170	<u>(6)</u>	<u>164</u>
Other financial income and expenses	(1)	<u>0</u>	<u>(1)</u>
Income from unconsolidated investments	2	<u>0</u>	<u>2</u>
<u>Income before income taxes</u>	171	<u>(6)</u>	<u>165</u>
Income taxes	(48)	<u>1</u>	<u>(47)</u>
<u>Net income before minorities</u>	123	<u>(5)</u>	<u>118</u>
Loss attributable to minorities	1	<u>0</u>	<u>1</u>
<u>Net income</u>	124	<u>(5)</u>	<u>119</u>

Proforma (Pf)	1999	Adj.	1999 Pf
cash flow			
statement			
in million CHF			
Consolidated net income for the year	124	(5)	119
Depreciation of property, plant and equipment	103	0	103
Amortization of intangibles	4	0	4
Amortization of goodwill	3	0	3
Increase (decrease) in long-term provisions	(7)	0	(7)
(Income) from application of the equity method	(1)	0	(1)
Cash flow	226	(5)	221
(Increase) in net working capital	(46)	0	(46)
Net cash provided by operating activities	180	(5)	175
Purchase of property, plant and equipment	(94)	0	(94)
Purchase of intangibles net	(3)	0	(3)
Goodwill from purchase of operations	0	0	0
Sale of unconsolidated investments	3	0	3
Purchase of consolidated companies (less cash acquired)	0	0	0
Sale of consolidated companies (less cash disposed)	0	0	0
Sale of property, plant and equipment	4	0	4
Sale of other assets	4	0	4
(Purchase) sale of marketable securities	0	0	0
Decrease in other long-term liabilities	12	0	12
Decrease in loans and advances	1	0	1
Net cash used in investing activities	(73)	0	(73)
Increase (decrease) of capital	(110)	5	(105)
Increase (decrease) in debts	5	0	5
Dividend payout	0	0	0
Contribution from minority interests	(2)	0	(2)
Net cash provided by (used for) financing activities	(107)	5	(102)
Translation adjustments	0	0	0
Net increase (decrease) in cash	0	0	0
Cash on hand at 1 January	0	0	0
Cash on hand at 30 June	0	0	0

Description of proforma combined financial information The objective of the proforma combined financial information is to show what the significant effects on the proforma financial information might have been had the transaction as described on page 24 and following occurred at an earlier date. However, these proforma combined financial statements are not necessarily indicative of the actual results of that would have been achieved nor are they necessarily indicative of the future results. The proforma information include estimates related to the headquarter costs. The actual costs of the corporate infrastructure could differ from those estimates.

Basis of preparation of the proforma combined financial statements at June 30, 1999 The proforma combined financial statements reflect the accounting principles and the basis of preparation of the historical combined financial statements with the exception of point 7, adjustments, as reported below. The basis of preparation are described as follows:

1. The accompanying historical combined financial statements of the Lonza Group Ltd. (the "Group") and its subsidiaries include the balance sheets, operating results and cash flows of those algroup activities that are intended for spin-off as described more fully under page 24 and following in this "Right Offering Circular". The businesses have been included in these combined financial statements as if they have been part of the Group throughout the three year period ended December 1998 and the first half year of 1999 and up the date of disposal.
2. The balance sheets, profit and loss and cash flow statement of the individual Lonza Group operations have been combined on the basis that they will operate under the control of the Group commencing July 1, 1999.
3. Financing activities within algroup have historically been centralized and managed at corporate level by on a country by country basis and not by division. These historical combined financial statements have been prepared on the assumption that the Group was free of debt at the end of each fiscal year. This has been accomplished by an assumed increase (decrease) of capital equal to the amount necessary to extinguish the Net Debt of each operating subsidiary, with the exception of Net Debt attributable to minority interests which continues to be shown. Thus, the historical combined income statements do not reflect any interest income or expense, other than interest expense in relation to the Group's pension obligation of its German subsidiaries. As a result, the Net Debt position in each of the balance sheets of the Group for the years ended December 31, 1996, 1997, 1998 and at the end of June 1999 has resulted in a nil balance.
4. The foreign currency exposure for the Lonza Group has been managed at corporate level by hedging activities, therefore no costs related to financial transactions have been recognized. The impact of the gain and losses resulting from hedging transactions related to operational activities has been allocated to the single operational units.
5. Tax has been calculated on income before income taxes. Statutory tax rates have been applied on a country specific basis to income before income taxes for each subsidiary with the exception of those in the United States. Based on preliminary estimates, sufficient tax loss carryforwards would be available to shelter the US Chemical operations from full current US federal taxes. US taxes have therefore been provided at the required minimum annual federal tax rate plus full statutory state tax rates.

Thirty percent of the above calculated tax expense is presented as deferred tax expense, based on historical experience.