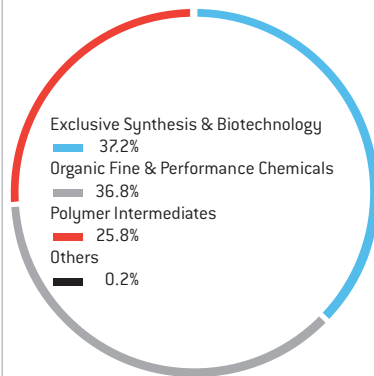


## Results 2003

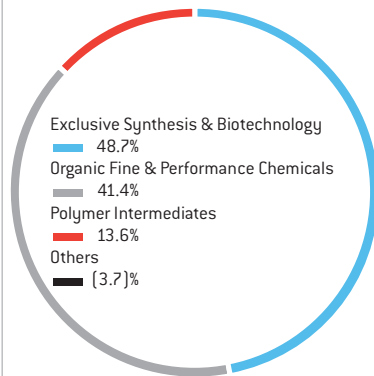
### Financial highlights

million CHF	2002	2003	
<b>Net sales</b>	2 536	2 242	<p>In 2003 Lonza experienced a significant setback in performance. The recovery expected in the second half did not materialize. Group operating income (exclusive of non-recurring costs) decreased by 27.9% to CHF 302 million. The Group has decommissioned a number of fine chemicals assets yielding a non-recurring non-cash pre-tax charge of CHF 100 million (totalling CHF 158 million of non-recurring charges for the full year). Net income after all charges declined to CHF 91 million (58.8% lower than 2002). The Board of Directors will propose a dividend of CHF 1.30 per share.</p> <p><b>Overview</b> – Sales decreased in 2003 to CHF 2 242 million, down 9.0% in local currency terms (11.6% reported) on the prior year. Operating income (before non-recurring items) of CHF 302 million was 27.9% below the previous year's level of CHF 419 million. Operating margins decreased to 13.5% from 16.5% in 2002.</p> <p>Our custom manufacturing facilities remained at low levels of activity for most of the year. Divisional sales were down by 14.6% to CHF 835 million and operating margins dropped from 21.6% to 17.6%. Exclusive Synthesis was negatively impacted by a low rate of new drug approvals, continuing de-stocking at customers and overcapacities at both custom manufacturers and the pharmaceutical industry itself. The expected improvement in the product mix, new orders and call-offs did not materialize in the second half of 2003. Cost improvement programs were executed as planned, and offered only a partial offset against the deterioration of contribution margins. Our mammalian cell culture fermentation business in the 2 000L and 5 000L fermenters was negatively impacted by failures of customer products in late clinical development as already announced in the early part of the year. Take-or-pay contractual payments by customers offset only some of the profit shortfall in 2003. Business performance thus dropped compared to the previous year.</p> <p>Organic Fine and Performance Chemicals were negatively impacted by high prices for raw materials and energy and reduced demand for some of its major products. Sales of the division reached CHF 826 million, down 13.7% and operating margins decreased from 17.3% to 15.1%.</p> <p>Polymer Intermediates achieved sales of CHF 578 million, 3.3% below the previous year. Operating margin dropped from 8.0% to 7.1%. The business suffered from high raw material and energy prices, slow demand and unfavorable currency impacts. Nonetheless, a significant improvement was registered in the second half.</p> <p>Group net income excluding non-recurring items was CHF 198 million compared with CHF 297 million in 2002. Net income, including the non-recurring pre-tax items of CHF 158 million, amounted to CHF 91 million, down 58.8% on the previous year's level. Capital expenditure in 2003 increased to CHF 424 million compared with CHF 350 million in the prior year, due to the near completion of the investment cycle in the biotechnology area.</p> <p><b>Decommissioning of fine chemical production assets</b> – Due to overcapacities and continuing difficult market conditions, Lonza has decided to decommission fine chemicals production assets both in the US and in Europe to rebase and realign its capabilities to the current business environment. As a result, Lonza recorded a non-cash, pre-tax charge of CHF</p>
Change in %		(11.6)	
<b>EBITDA</b>	575	456	
Change in %		(20.7)	
<b>EBITDA margin in %</b>	22.7	20.3	
<b>Operating income</b>	419	302	
Change in %		(27.9)	
<b>Operating margin in %</b>	16.5	13.5	
<b>Non-recurring items</b>	(112)	(158)	
<b>EBIT</b>	302	139	
Change in %		(54.0)	
<b>Net income (before non-recurring items)</b>	297	198	
<b>Net income</b>	221	91	
Change in %		(58.8)	
<b>Cash flow before change in net working capital</b>	368	264	
Change in %		(28.3)	
<b>Net debt</b>	869	978	
<b>Debt-equity ratio</b>	0.70	0.79	
Change in %		12.9	
<b>EPS basic (CHF) before non-recurring items</b>	6.12	4.18	
Change in %		(31.7)	
<b>EPS basic (CHF) after non-recurring items</b>	4.55	1.92	
Change in %		(57.8)	
<b>Number of employees</b>	6 216	5 659	
Change in %		(9.0)	

### Industrial sales by division



### Operating income by division



Lonza Group Ltd  
Investor Relations  
Roland Waibel  
Tel +41 61 316 84 55  
Fax +41 61 316 94 55  
investor.relations@lonza.com

### Contacts

Corporate Communications  
Walter Eschenmoser  
Tel +41 61 316 83 63  
Fax +41 61 316 82 20  
media@lonza.com

Lonza Group Ltd  
Muncheinsteinerstrasse 38  
CH-4002 Basel, Switzerland  
www.lonza.com

100 million in 2003. This streamlining of the capacity will allow Lonza to compete with its newest and best production assets in what is now a highly competitive market.

**Efficiency Improvement and Overhead Cost Reduction** – As announced in May 2003, Lonza has started a company-wide restructuring initiative to improve efficiency and reduce overhead costs in all business sectors and service functions. Coupled with the 2002 initiative to restructure the Exclusive Synthesis business, these efforts yielded a reduction of the global headcount of 9.0% compared with the prior year, down to 5 659 at year end 2003. The May 2003 restructuring and related initiatives will improve our cost position by CHF 100 million by the end of the first half 2004 at a pretax cost, recorded in 2003, of CHF 58 million.

**Net Debt and Taxation** – In February 2003, Lonza issued a 2% bond in the amount of CHF 375 million due 14 February 2006.

Due to the lower results and the high capital expenditure program, the Group's net debt position increased to CHF 978 million compared with CHF 869 million at the end of 2002. Net financial expenses rose accordingly to CHF 24 million. The tax rate of 21% is at the low end of the Group's expected range.

**Shareholder Structure** – Lonza has been informed by EMS-Chemie Holding AG (EMS) that it holds 11 359 047 nominal shares representing 22.52% of the voting rights as of December 31, 2003. Lonza is not aware of any other shareholder owning more than 5% of its share capital as of the end of the year.

**Outlook** – 2004 will be a rebasing year for our businesses.

The market conditions in Exclusive Synthesis are expected to remain tough throughout the year. The Biologics assets will begin to see a good level of utilization in the second half of 2004, as the three 20,000L bioreactors come on stream on the back of strong customer commitments. Indications for the utilization of the 5 000L reactors are good and work continues to find suitable products for the smaller size reactors. Organic Fine and Performance Chemicals are seeing better market conditions, although the impact of a weak dollar and high oil prices will continue to dampen the recovery. Polymer Intermediates are impacted by similar issues although demand is expected to recover to normal levels during 2004. Given the cash and earnings dilutive impact of divestitures and the efforts required during this rebasing period the Board has decided not to divest the Polymer Intermediates business.

The combination of all the negative factors which have come to bear on the performance of Lonza for 2003 require that the company take a conservative and cautious view of its earnings guidance. As a result, the Board of Directors feels comfortable setting minimum levels of expected returns, with operating income of CHF 225 million and EPS of CHF 3.00 for 2004. No further non-recurring charges related to restructuring are expected.

Sergio Marchionne  
Chairman of the Board

Markus Gemuend  
Chief Executive Officer

**Consolidated income statement**

million CHF	2002	2003
<b>Net sales</b>	2 536	2 242
Operating expenses	(2 117)	(1 940)
<b>Operating income</b>	419	302
Non-recurring items	(112)	(158)
Goodwill amortization	(5)	(5)
<b>EBIT</b>	302	139
Financial expenses	(19)	(24)
<b>Pre-tax earnings</b>	283	115
Income taxes	(62)	(24)
<b>Net income incl. minorities</b>	221	91
Minorities	0	0
<b>Net income</b>	221	91

**Consolidated cash flow statement**

<b>EBIT</b>	302	139
Adjustment for non cash items	198	232
Income taxes and interests paid	(132)	(107)
<b>Cash flow before change in net working capital</b>	368	264
(Increase)/decrease of net working capital	38	46
Increase/(decrease) of financial payables net	(92)	(19)
<b>Net cash (used for) provided by operating activities</b>	314	291
Purchase of fixed assets	(350)	(424)
Net purchase of other assets and disposals	25	9
Interests and dividend received	40	23
<b>Net cash (used for) provided by investing activities</b>	(285)	(392)
(Decrease)/increase of capital	(485)	1
(Decrease)/increase in debt	49	181
Changes in minority interests	(2)	0
Dividends paid	(95)	(90)
<b>Net cash (used for) provided by financing activities</b>	(533)	92
Effect of currency translation on cash	(6)	(1)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(510)	(10)
Cash and Cash equivalents at 1 January	565	55
Cash and Cash equivalents at 31 December	55	45

**Consolidated balance sheet at 31 December**

Fixed assets	2 054	2 171
Cash and cash equivalents	55	45
Advances and loans	28	43
Other current assets	1 135	1 053
<b>Total assets</b>	3 272	3 312
Shareholders' equity	1 235	1 235
Minority interests	0	0
Long-term debts	317	687
Short-term debts	635	379
Provisions and other liabilities	1 085	1 011
<b>Total liabilities and shareholders' equity</b>	3 272	3 312

**Changes in shareholders' equity**

	2002	2003
<b>Beginning of year</b>	1 586	1 235
Dividend	(95)	(90)
Buy-back of own shares	(538)	0
Other comprehensive income	61	(1)
Net income	221	91
<b>End of year</b>	1 235	1 235

**Accounting principles** – These condensed consolidated financial statements are based on the accounts of the individual subsidiaries at 31 December 2003, which have been drawn up according to uniform Group accounting principles consistent with those adopted by Lonza Group in its consolidated financial statements for the year ended 31 December 2002.

The condensed consolidated accounts are rendered in conformity with the existing International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Exchange rates	Balance sheet		Income statement	
	31 12 02	31 12 03	2002	2003
	rate CHF		average rate CHF	
US Dollar	1.39	1.24	1.56	1.34
Pound				
Sterling	2.23	2.20	2.34	2.20
Euro	1.45	1.56	1.47	1.52

## Exclusive Synthesis & Biotechnology

million CHF	2002	2003	
<b>Net sales</b>	978	835	<p><b>Our custom manufacturing activities both in Exclusive Synthesis and Biotechnology were negatively impacted in 2003. Exclusive Synthesis suffered from continued difficult market conditions. Biotechnology was hit by failures and delays of customer products in late clinical development. Consequently, the division's sales of CHF 835 million were 14.6% (11.8% on a currency-adjusted basis) below the previous year's level of CHF 978 million. Operating income decreased from CHF 211 million to CHF 147 million, with operating margins declining from 21.6% to 17.6%.</b></p> <p><b>Exclusive Synthesis</b> – Our chemical custom manufacturing for the pharmaceutical industry continued to be adversely affected by the low rate of new drug approvals, continuing destocking at customers and delayed product approvals. Overcapacity continued and yielded additional competitive pressures. The demand for our major established products, particularly in the HIV and cardiovascular indications, remained stable, but new product introductions at our commercial plants were well below expectations. The recovery expected in the second half did not materialize. The R&amp;D portfolio for small molecules, including peptides and oligonucleotides, was strengthened in all clinical phases, resulting in a healthy mix of R&amp;D projects and a broadening of the customer base. The Small Scale Plant (SSP) in Visp (CH) went on stream as planned in mid-2003 and is now almost fully occupied.</p> <p>Our agrochemicals business performed as expected, mainly due to good take-up of established products, despite the continuing stagnation of the global crop protection market.</p> <p><b>Biotechnology</b> – The mammalian cell culture technology business (Lonza Biologics) was negatively impacted in sales and capacity utilization of the 2 000L and 5 000L reactors as a result of failures and delays of customer products in late clinical development. Take-or-pay contractual payments by customers offset only part of the profit shortfall in 2003. As a result of our strong marketing initiatives, the project pipeline continued to grow. We are confident of refilling the capacity during 2004, but positive impacts on capacity utilization are not expected until the second half of the year. The investment project in Portsmouth, NH (USA) will go on stream in July 2004 as planned. The customer base for the new 60,000L of capacity was further strengthened by concluding two long-term supply agreements, one with a top ten pharma company and the other with Genentech for its blockbuster Rituxan. As a result, the new capacity will be nearly fully utilized in 2005.</p> <p>The performance of our microbial fermentation activities (Lonza Biotec) was characterized by lower sales compared with the previous year. Our L-Carnitine sales remained at the 2002 level despite increased competition from Asian countries. L-Carnitine received approval in Japan in 2003, thus opening new market opportunities. In the custom manufacturing business, demand for existing pharmaceutical products suffered from lower call-offs and project delays. Strong marketing efforts are underway to further strengthen the pipeline. Construction of the microbial biopharmaceuticals plant in Visp (CH) is ongoing but the scope of the investment has been reduced. The small scale plant will come on stream in the second quarter of 2004.</p>
Change in %		(14.6)	
<b>Change due to</b>			
Volume and prices		(111)	
Currency translation		(32)	
Scope of consolidation			
<b>Operating income</b>	211	147	
Change in %		(30.3)	
<b>Operating margin in %</b>	21.6	17.6	
<b>EBITDA</b>	293	217	
Change in %		(25.9)	
<b>EBITDA as % of sales</b>	30.0	26.0	

## Organic Fine & Performance Chemicals

million CHF	2002	2003	
<b>Net sales</b>	957	826	<p><b>Sales reached CHF 826 million, down 13.7% on 2002 and 8.7% on a currency-adjusted basis. The businesses were exposed to higher raw material and energy prices and a weakening US dollar. As a result, operating income declined to CHF 125 million, 24.7% down on last year. Operating margins decreased from 17.3% in 2002 to 15.1%.</b></p> <p><b>Organic Fine Chemicals</b> – Tough conditions for metaldehyde and niacin, combined with the high price of raw materials, high energy costs and unfavorable US dollar exchange rates, had a negative impact on the division's performance. Nonetheless overall production capacity utilization was high and market shares were defended.</p> <p>Demand for vitamin intermediates was high. The nicotinates (vitamin B3) business was negatively affected by SARS in Asia and the outbreak of poultry disease in northern Europe in the first half of the year. Market demand slowed down and prices came under pressure. Good demand is now back and is the basis for the decision to build a second niacinamide production plant with a capacity of 6 000 metric tons per annum (expandable to 9 000 tons) in China, which will start-up in the second half of 2005.</p> <p>The diketene derivatives business faced strong competitive pressure from producers in low-cost countries. Sales of engineering polymers for high performance applications exceeded last year's, with volumes to the electronics industry up in the second half of 2003.</p> <p>Revenues from metaldehyde – a molluscicide – suffered from dry weather conditions in major markets in Europe.</p> <p><b>Performance Chemicals</b> – Sales in this predominantly US-based business decreased by 18.4%. In local currencies and adjusted for the reduced sales resulting from the divestment of the glycerine plant in Painesville, OH (USA) at the end of 2002, sales slightly exceeded last year's level. Our strong marketing efforts for products for wood protection and water treatment resulted in a good performance. Competitive price pressure, mainly in the functional chemical segments of plastic lubricants and technical esters, combined with substantially higher raw material and energy costs, led to a slight decline in operating income for the full year. At the end of 2003, a new production facility for Carboquat – a wood protection fungicide meeting the requirements of the new EPA (Environmental Protection Agency) regulations – came on stream. Lonza has secured firm commitments from two major wood treaters which will ensure high utilization of the new facility.</p>
Change in %		(13.7)	
<b>Change due to</b>			
Volume and prices		(45)	
Currency translation		(52)	
Scope of consolidation		(34)	
<b>Operating income</b>	166	125	
Change in %		(24.7)	
<b>Operating margin in %</b>	17.3	15.1	
<b>EBITDA</b>	216	173	
Change in %		(19.9)	
<b>EBITDA as % of sales</b>	22.6	20.9	

## Polymer Intermediates

million CHF	2002	2003	
<b>Net sales</b>	598	578	<p>The division's sales of CHF 578 million declined by 3.3% compared with the previous year's level and were 5.1% down on a currency-adjusted basis. Practically all the business units were affected by the strong Euro, higher raw material and energy costs and soft demand in the first half. Operating income in 2003 decreased by 14.6% to CHF 41 million and margins fell to 7.1%, compared with 8.0% in the same period of last year. The second half showed a market improvement with margins at 7.9%.</p> <p>Sales of phthalic anhydride and plasticizers were adversely affected by the weak demand of some end markets, especially the construction sector and the Italian automotive industry, as well as by a lack of orders from Asia, particularly during the second and third quarters. Sales of maleic anhydride and derivatives in Europe were satisfactory thanks to a balanced demand and supply situation. Low demand from China affected the overall result. Sales of catalysts were impacted by the lack of investments in phthalic and maleic anhydride production units. New catalysts were developed and successfully introduced into the European market. Performance of trimellitic anhydride, mainly utilized in coating and cables, suffered from the downturn in the automotive sector. Sales of special plasticizers grew from the substitution of old general-purpose phthalates. Resins and compounds performed in line with expectations. The newly launched DCPD (dicyclopentadiene) resins have a proven low styrene emission and were well-accepted by the market. Pure isophthalic acid production in Singapore reached the highest output since the plant came on stream in December 1998. Prices were stable but negatively impacted by high raw material prices.</p>
Change in %		(3.3)	
<b>Change due to</b>			
Volume and prices		(31)	
Currency translation		11	
Scope of consolidation			
<b>Operating income</b>	48	41	
Change in %		(14.6)	
<b>Operating margin in %</b>	8.0	7.1	
<b>EBITDA</b>	72	77	
Change in %		6.9	
<b>EBITDA as % of sales</b>	12.0	13.3	