

# Half Year 2000 Results Presentation

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August 21, 2000

# Agenda

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- Group Financial Highlights
- Divisional Results
  - Fine Chemicals
  - Performance Chemicals & Polymer Intermediates
  - Energy
- Outlook 2000

## Highlights

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- Advanced net income of CHF 141 million up 6% on an exceptionally strong prior year
- Group operating margin slightly down to 17.2% from 17.8%
- Tax rate for first half dropped to 22% from 28%, full year rate expected to be below 25%
- Decision made on divestiture of Purified Isophthalic acid operations in Singapore
- Repayment of USD 167 million to algroup in accordance with demerger agreement
- New segment information to clearly segregate fine chemicals operations in line with strategic importance of this business sector

# Financial Highlights

chf million	First Half 1999 combined proforma	First Half 2000	Change YoY	Second Half 1999	Change First Half 00 over Second Half 99
<b>Sales<sup>1</sup></b>	1,080	1,148	6%	1,095	5%
<b>Operating Income<sup>1</sup></b>	192	198	3%	182	9%
<i>Operating Margin</i>	17.8%	17.2%	(3%)	16.6%	4%
<b>EBITDA<sup>1</sup></b>	267	271	1%	225	20%
<i>EBITDA Margin</i>	24.7%	23.6%	(5%)	20.5%	15%
<b>Operating Income Group</b>	187	186	(1%)	171	9%
<i>Operating Margin Group</i>	17.3%	16.2%	(6%)	15.6%	4%
<b>Net Income</b>	133	141	6%	140	1%
<i>Net Income Margin</i>	12.3%	12.3%	(0%)	12.8%	(4%)
<b>Cash Flow</b>	209	225	8%	224	0%
<b>Investments</b>	94	85	(10%)	184	(54%)
<b>Earnings per Share</b>	21.6	22.1	2%	20.7	7%
<b>Employees</b>	5,673	5,684	0%		

<sup>1</sup> Sales of discontinuing operations of CHF 20 million (1999: CHF 2 million) and operating income of CHF -12 million (1999: CHF -5 million) are excluded from Net Sales and Operating income. All other data, including Net income, include the impact of discontinuing operations

# Consolidated Income Statement

CHF Millions	First Half 1999 combined proforma	First Half 2000	Change YoY	Second Half 1999	Change First Half 00 over Second Half 99
Net Sales	1,080	1,148	6%	1,095	5%
Operating Income	192	198	3%	182	9%
Operating Income discount. ops.	(5)	(12)	(140%)	(11)	(9%)
Operating Income Group	187	186	(1%)	171	9%
Goodwill Amortization	(3)	(3)	0%	(2)	50%
EBIT	184	183	(1%)	169	8%
Financial Charges	1	(3)	n.m.	1	n.m.
Income before Taxes	185	180	(3%)	170	6%
Taxes	(53)	(39)	(26%)	(31)	26%
Minorities	1	0	n.m.	1	n.m.
Net Income	133	141	6%	140	1%

# Consolidated Cash Flow Statement

CHF Millions	First Half 1999 combined proforma	First Half 2000	Change YoY
<b>Net Income</b>	133	141	6%
<b>Depreciation</b>	78	80	3%
<b>Change in Long Term Provisions</b>	(1)	5	n.m.
<b>Expenses (Income) from Equity Method</b>	(1)	(1)	0%
<b>Cash Flow</b>	209	225	8%
<b>Investments</b>	(94)	(85)	(10%)



# Divisional Operating Performance

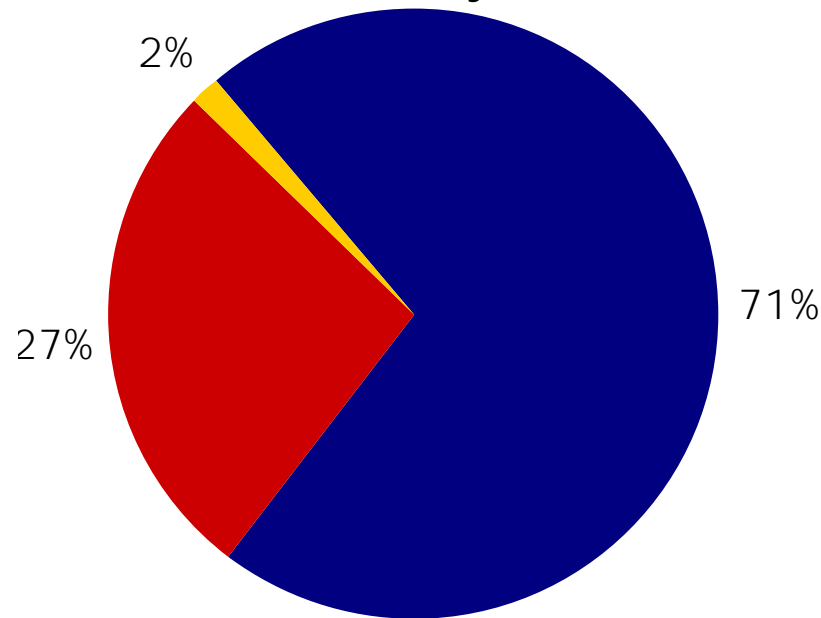
CHF Millions

	Operating Income					Oper	
	First Half 1999 combined proforma	First Half 2000	Change YoY	Second Half 1999	Change First Half 00 over Second Half 99	First Half 1999 combined proforma	First Half 2000
Fine Chemicals	136	132	(3%)	105	26%	23.1%	23.4%
Performance Chemicals & Polymer Intermediates	53	55	4%	59	(7%)	11.8%	10.2%
Energy	10	15	50%	17	(12%)	25.0%	33.3%
Holding and Other	(7)	(4)	(43%)	0	n.m.		
Operating Income Continuing Operations	192	198	3%	182	9%	17.8%	17.2%
Operating Income Discontinuing Operations	(5)	(12)	(140%)	(11)	(9%)		
Operating Income Group	187	186	(1%)	171	9%	17.3%	16.2%

# Capital Expenditure

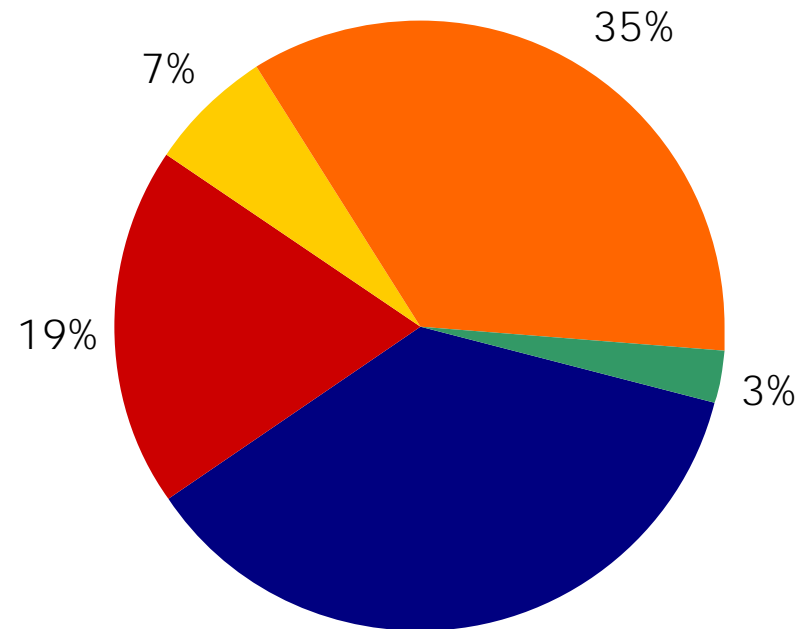
CHF 85 million in HY 2000 vs. CHF 94 million in HY 1999

Distribution by Division



- Fine Chemicals
- Performance Chemicals & Polymer Intermediates
- Energy

Distribution by Geography



- Switzerland
- EU
- Other Europe
- North America
- Asia & Australia

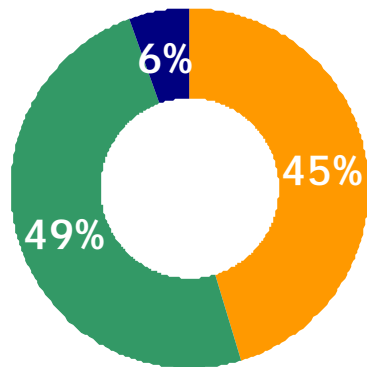
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Divisional Results

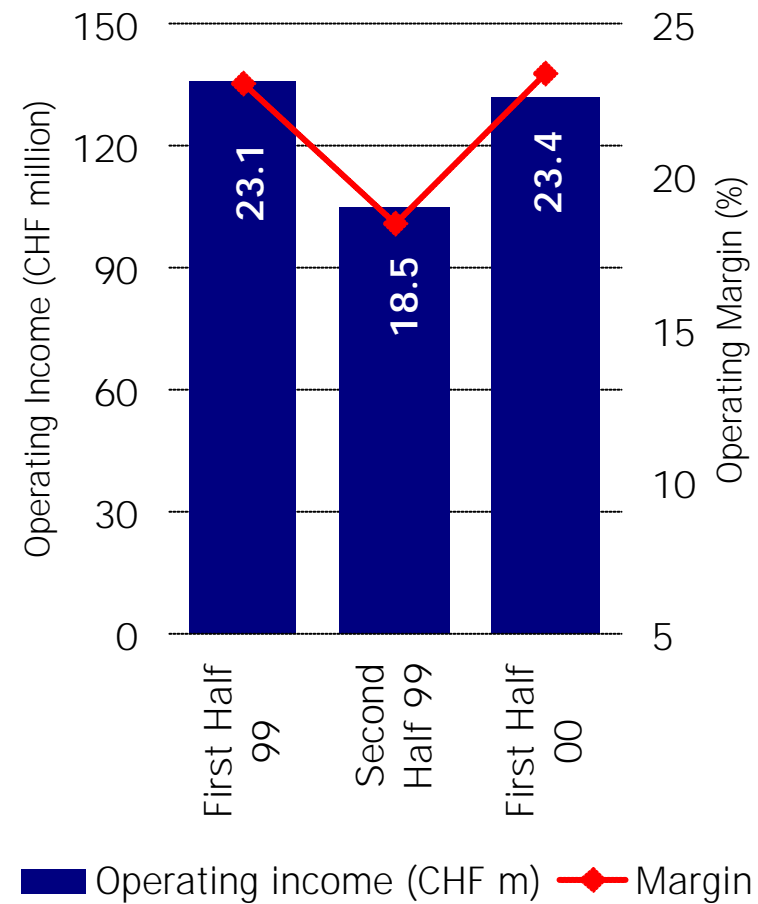
# Fine Chemicals - I

CHF million	First Half 2000	Change YoY
<b>Sales</b>	563	(5%)
<b>Op. Income</b>	132	(3%)

Sales by Market



- Exclusive Fine Chemicals & Biotechnology
- Fine Organic Chemicals
- Others



## **Fine Chemicals - II**

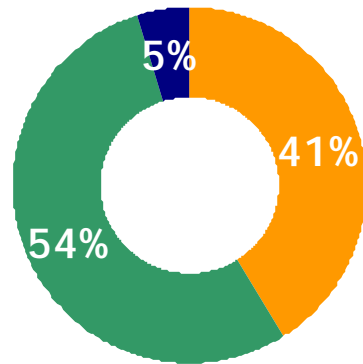
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- **Operating performance in excess of expectations**
  - 5% lower sales due to heavy customer call-off's for custom manufacturing expected in second half
  - Partially offset by
    - ◆ Strong Organic fine chemical sales
    - ◆ Good volumes in biotechnology products
- **Operating margins of 23.4% versus 23.1%**
- **Exclusive Fine Chemicals & Biotechnology**
  - Business development in line with projected ordering pattern
  - Steady increase in plant loadings expected in second half as call-off speed increases
  - New technologies (large scale low-temperature reactions, peptides and ozonolyses) introduced successfully to further broaden tool box
  - Strong market demand for mammalian cell derived proteins
  - New products such as Eli Lilly's Zovant™ advance successfully through research pipeline; faster FDA approval
  - L-Carnitine sales continue to show solid growth pattern
- **Fine Organic Chemicals**
  - Strong demand for all our intermediates coupled with increased operational effectiveness

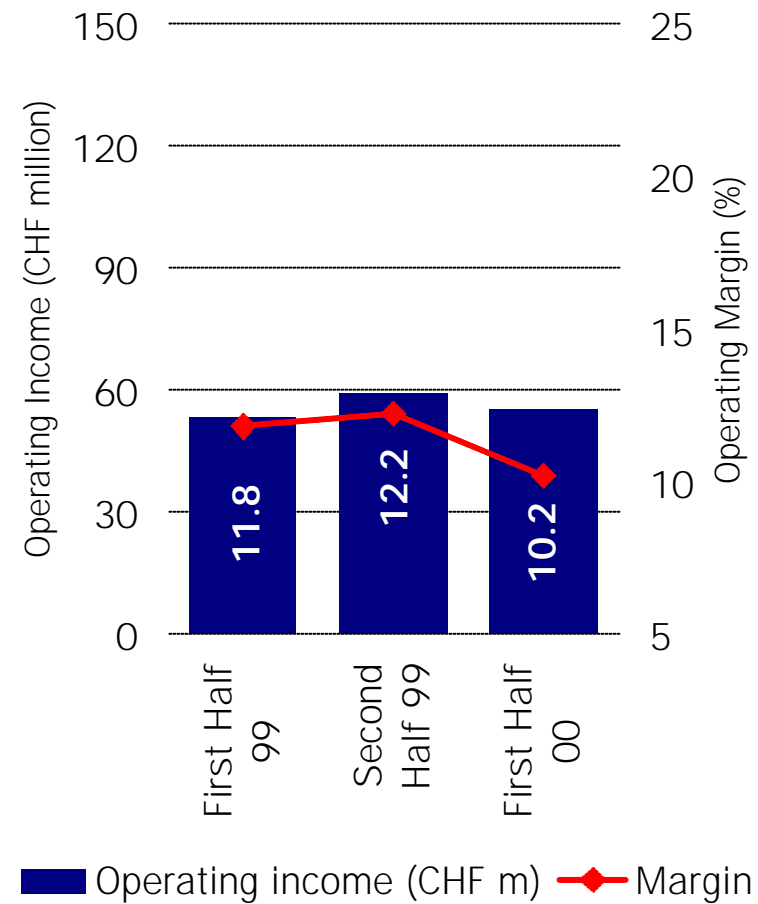
# Performance Chemicals & Polymer Intermediates - I

CHF million	First Half 2000 Change YoY	
<b>Sales</b>	537	20%
<b>Op. Income</b>	55	4%

Sales by Market



- Performance Chemicals
- Polymer Intermediates
- Others



# Performance Chemicals & Polymer Intermediates - II

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- Sales growth of 20% to CHF 537 driven only by large material price increases
- Operating margins down to 10.2% on basically unchanged operating income of CHF 55 million
- Second quarter recovery in margins expected to continue in second semester
- **Performance Chemicals**
  - Biocides business with satisfactory performance on a global basis
  - General price pressure and raw material price increases with negative impact on margins
  - New products approved by regulatory authorities for future market introduction
- **Polymer intermediates**
  - Phthalic anhydride margins show recovery on good market demand
  - Trimmelic Anhydride continues to grow steadily on good demand
  - Plasticizers with mixed picture as specialty plasticizers continued the positive trend whilst general purpose plasticizers remained volatile
  - Rearrangement of competitive arena to yield in balanced supply/demand

# Performance Chemicals & Polymer Intermediates - III

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## ■ Polymer Intermediates (cont)

- Malic Anhydride price increase more than offset by higher raw material prices; recovery started towards end of first semester
- Compounds for electric and automotive applications improve market penetration

## ■ Discontinuing Operations

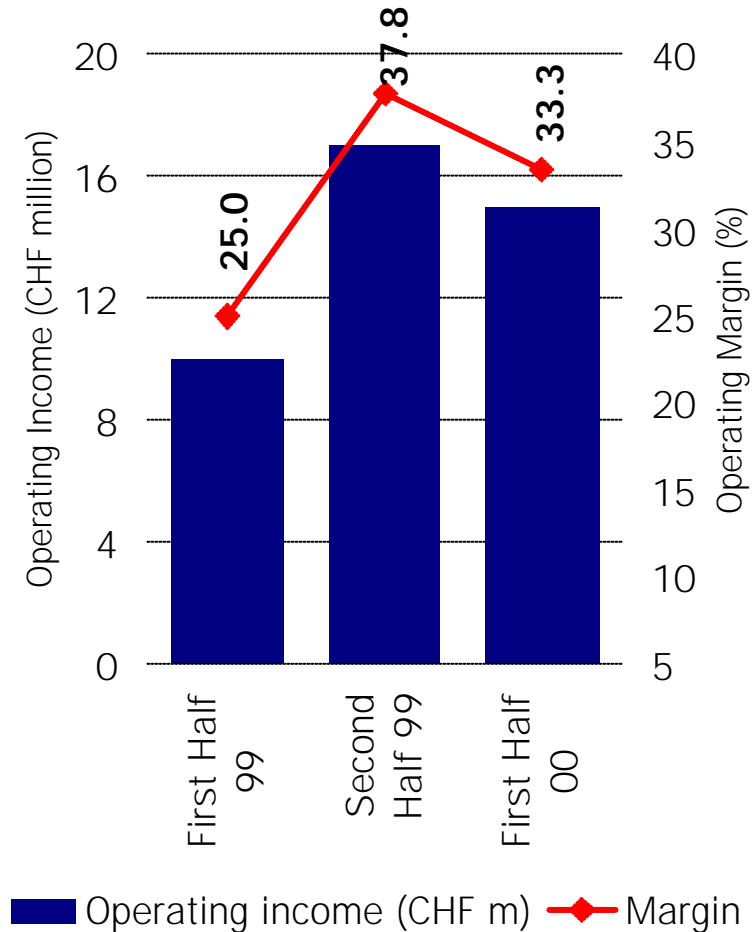
- Purified Isophthalic Acid (PIA) plant in Singapore reached uninterrupted operation during second quarter
- Satisfactory volumes but prices show no signs of recovery; margins further squeezed by raw material price increases
- Overall market growth for PIA confirmed at 9% p.a. but supply/demand imbalance to persist for time being
- PIA supplier market increasingly connected to production of PET precursors, putting Lonza in a competitive disadvantage
- Divestiture of plant was decided to find more suitable owner for business

# Energy

CHF million	First Half 2000	Change YoY
<b>Sales</b>	45	13%
<b>Op. Income</b>	15	50%

## ■ Energy

- Favorable hydrologic conditions
- Above-average energy generations and systematic optimization of production
- Exceptionally high level of operating income not expected to double for full year



**Lonza**group

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Outlook 2000

## Outlook 2000

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- Second half of 2000 is expected to be stronger than the first semester
  - A steady increase of plant loadings and call-off's in the exclusive fine chemicals area
  - Continued growth of our Biotechnology business
  - Improving margin conditions in Polymer Intermediates
  - A lower result from the Energy activities compared to the first six months
- Overall results expected to exceed those of 1999 and within target of 15% improvement per annum