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ALTEON INC /DE
Form DEF 14A
April 22, 2003

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.____)

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

[] Preliminary Proxy Statement [] Confidential, For Use of the Commission
Only (as permitted by Rule 14a-6(e)(2))

[X] Definitive Proxy Statement

[] Definitive Additional Materials

[] Soliciting Material Under Rule 14a-12

ALTEON INC.

Name of Registrant as Specified in Its Charter

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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[] Fee paid previously with preliminary materials.

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

ALTEON INC.
170 WILLIAMS DRIVE
RAMSEY, NEW JERSEY 07446

To Our Stockholders:

You are most cordially invited to attend the 2003 Annual Meeting of Stockholders of Alteon Inc. at 9:00 A.M., local time, on June 4, 2003, at the Sheraton Crossroads Hotel, One International Boulevard, Mahwah, New Jersey 07430.

The Notice of Meeting and Proxy Statement on the following pages describe the matters to be presented at the meeting.

It is important that your shares be represented at this meeting to assure the presence of a quorum. Whether or not you plan to attend the meeting, we hope that you will have your stock represented by signing, dating and returning your proxy as soon as possible in the enclosed envelope, which requires no postage if mailed in the United States. Your stock will be voted in accordance with the instructions you have given in your proxy.

Thank you for your continued support.

Sincerely,

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KENNETH I. MOCH
Chairman of the Board
President and Chief Executive Officer

ALTEON INC.
170 WILLIAMS DRIVE
RAMSEY, NEW JERSEY 07446

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD JUNE 4, 2003

The Annual Meeting of Stockholders of Alteon Inc., a Delaware corporation, will be held at the Sheraton Crossroads Hotel, One International Boulevard, Mahwah, New Jersey 07430, on June 4, 2003, at 9:00 A.M., local time, for the following purposes:

- (1) To elect two directors to serve until the Annual Meeting to be held in 2006 and until their successors have been duly elected and qualify;
- (2) To ratify the appointment of KPMG LLP as our independent accountants for the fiscal year ending December 31, 2003; and
- (3) To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Only stockholders of record at the close of business on April 8, 2003, are entitled to vote at the meeting, or at any adjournment of the meeting. A complete list of those stockholders will be open to the examination of any stockholder at our principal executive offices at 170 Williams Drive, Ramsey, New Jersey 07446, for a period of 10 days prior to the meeting. The meeting may be adjourned from time to time without notice other than by announcement at the meeting.

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED REGARDLESS OF THE NUMBER OF SHARES YOU HOLD. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED RETURN ENVELOPE. THE PROMPT RETURN OF PROXIES WILL INSURE A QUORUM AND SAVE ALTEON THE EXPENSE OF FURTHER SOLICITATION. EACH PROXY GRANTED MAY BE REVOKED BY THE STOCKHOLDER APPOINTING SUCH PROXY AT ANY TIME BEFORE IT IS VOTED. IF YOU RECEIVE MORE THAN ONE PROXY CARD BECAUSE YOUR SHARES ARE REGISTERED IN DIFFERENT NAMES OR ADDRESSES, EACH SUCH PROXY CARD SHOULD BE SIGNED AND RETURNED TO ASSURE THAT ALL OF YOUR SHARES WILL BE VOTED.

By Order of the Board of Directors

ELIZABETH A. O'DELL
Secretary

Ramsey, New Jersey
April 23, 2003

ALTEON'S 2002 ANNUAL REPORT ACCOMPANIES THE PROXY STATEMENT.

ALTEON INC.
170 WILLIAMS DRIVE
RAMSEY, NEW JERSEY 07446

PROXY STATEMENT

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We are furnishing this Proxy Statement in connection with our Annual Meeting of Stockholders to be held on June 4, 2003, at the Sheraton Crossroads Hotel, One International Boulevard, Mahwah, New Jersey 07430, at 9:00 A.M., local time, and at any adjournment or adjournments thereof. Stockholders of record at the close of business on April 8, 2003, will be entitled to vote at the meeting and at any adjournment of the meeting. As of April 8, 2003, there were 35,900,841 shares of common stock issued and outstanding and entitled to vote. Each share of common stock is entitled to one vote on any matter presented at the meeting.

You may vote in person at the meeting or by proxy. We recommend you vote by proxy even if you plan to attend the meeting. You can always change your vote at the meeting.

Alteon's Board of Directors is asking for your proxy. Giving us your proxy by properly signing and returning the accompanying proxy card means you authorize us to vote your shares at the meeting in the manner you direct. You may vote for both, one or neither of our director candidates. We will vote as you direct.

If you properly sign and return the enclosed proxy card but do not specify how to vote, we will vote your shares (i) FOR the election of the nominees named below as directors; (ii) FOR the ratification of the appointment of KPMG LLP to serve as our independent accountants for the fiscal year ending December 31, 2003; and (iii) in the discretion of the persons named in the enclosed form of proxy, on any other proposals which may properly come before the meeting or any adjournment of the meeting.

You may receive more than one proxy or voting card depending on how you hold your shares. Shares registered in your name are covered by one card. However, if you hold shares through someone else, such as a stockbroker, you may receive material from them asking how you want to vote. Each proxy card should be signed and returned to assure that all of your shares are voted.

You may revoke your proxy any time before it is voted by submitting a new proxy with a later date, by voting in person at the meeting or by notifying Alteon's Secretary in writing. However, your mere presence at the meeting does not revoke the proxy.

In order to carry on the business of the meeting, we must have a quorum. This means the holders of at least a majority of our common stock must be represented at the meeting, either by proxy or in person. Votes that are withheld and broker non-votes will be counted for purposes of determining the presence or absence of a quorum.

Directors are elected by a plurality vote, which means that the two nominees receiving the most votes will be elected to fill the seats on the Board. All other actions considered at the meeting, including an adjournment, may be taken upon the favorable vote of a majority of the votes present in person or represented by proxy at the meeting. Only votes cast "for" a matter will constitute affirmatives votes. Votes withheld or abstentions, because they are not cast "for" a particular proposal, will have the same effect as negative votes or votes cast "against" such proposal. Proxies submitted by brokers that do not indicate a vote for some of the proposals because such brokers do not have discretionary voting authority on those proposals and have not received instructions from their customers on those proposals (i.e., broker non-votes) are not considered to be shares present for the purpose of calculating the vote on such proposals and will not affect the outcome of such proposals.

This Proxy Statement, together with the related proxy card, is being mailed to you on or about April 23, 2003. Our Annual Report to Stockholders for the

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year ended December 31, 2002, including financial statements, is being mailed concurrently with this Proxy Statement to all stockholders of record as of April 8, 2003. In addition, we have provided brokers, dealers, banks, voting trustees and their nominees, at our expense, with additional copies of the Annual Report so that they may supply the material to beneficial owners as of April 8, 2003.

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ELECTION OF DIRECTORS

At the meeting, two directors are to be elected to hold office until the Annual Meeting of Stockholders to be held in 2006 and until their successors are elected and qualify. The nominees for election to the Board of Directors are David McCurdy and Mark Novitch, M.D. Their biographies appear below.

Pursuant to our Restated Certificate of Incorporation, the Board of Directors is divided into three classes, each of which serves a term of three years. Class A consists of Ms. Breslow, Mr. Dalby and Mr. Moore, whose terms will expire at the Annual Meeting of Stockholders in 2004. Class B consists of Mr. Moch, Dr. Bransome and Dr. Naimark, whose terms will expire at the Annual Meeting of Stockholders in 2005. Class C consists of Mr. McCurdy and Dr. Novitch, whose terms will expire at the meeting.

Proxies solicited by the Board will be voted for the election of the nominees named above, unless otherwise specified in the proxy. All of the persons whose names and biographies appear below are at present directors of Alteon. In the event a nominee should become unavailable or unable to serve as a director, it is intended that votes will be cast for a substitute nominee designated by the Board of Directors. The Board of Directors has no reason to believe that the nominees named will be unable to serve if elected. The nominees have consented to being named in this Proxy Statement and to serve if elected.

The current Board of Directors, including the nominees, is comprised of the following persons:

NAME ----	AGE ---	SERVED AS A DIRECTOR SINCE -----	POSITIONS WITH ALTEON -----
Kenneth I. Moch.....	48	1998	Chairman of the Board, President and Chief Executive Officer
Edwin D. Bransome, Jr., M.D.	69	1999	Director
Marilyn G. Breslow.....	59	1988	Director
Alan J. Dalby.....	66	1994	Director
David McCurdy(1).....	53	1997	Director
Thomas A. Moore.....	52	2001	Director
George M. Naimark, Ph.D.	78	1999	Director
Mark Novitch, M.D.(1).....	71	1994	Director

(1) A nominee for election to the Board of Directors.

The principal occupations and business experience, for at least the past five years, of each director are as follows:

Kenneth I. Moch, our Chairman of the Board, President and Chief Executive Officer, joined Alteon in February 1995, as Senior Vice President, Finance and Business Development and Chief Financial Officer. Mr. Moch became President,

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Chief Executive Officer and a director of Alteon in December 1998. In June 2001, he was named Chairman of the Board. From 1990 to 1995, Mr. Moch served as President and Chief Executive Officer of Biocyte Corporation, a cellular therapy company that pioneered the use of cord blood stem cells in transplantation therapy. Mr. Moch was a founder and the Managing General Partner of Catalyst Ventures, a seed venture capital partnership, and was a founder of The Liposome Company, Inc. in Princeton, New Jersey, where he served as Vice President from 1982 to 1988. Previously, he was a management consultant with McKinsey & Company, Inc. and a biomedical technology consultant with Channing, Weinberg & Company, Inc. Mr. Moch received an A.B. in Biochemistry from Princeton University, and an M.B.A. with emphasis in Finance and Marketing from the Stanford Graduate School of Business.

Edwin D. Bransome, Jr., M.D., has been a Director of Alteon since July 1999. He is a Professor of Medicine and Physiology Emeritus at the Medical College of Georgia. He retired as Chief of the Section of Endocrinology and Metabolism in 2000, and is the Past President of the United States Pharmacopoeial Convention and has been a member of the USP Board of Trustees since 1990. He served on the Georgia Department of Medical Assistance (Medicaid) Drug Utilization Board from 1992 to 2000 and was its first Chairman. Currently, Dr. Bransome is in medical practice as a consultant in Endocrinology and is Medical

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Director of the Diabetes Treatment Center at the Aiken, South Carolina Regional Medical Center. He is a member of the editorial board of the journal, Diabetes Care. Dr. Bransome has had faculty positions at the Scripps Clinic and Research Foundation, MIT and the Harvard University School of Medicine. He received his A.B. in 1954 from Yale University and received his M.D. from Columbia University College of Physicians and Surgeons in 1958. His post-graduate training in Internal Medicine and Clinical Endocrinology fellowship was at the Peter Bent Brigham Hospital in Boston and in Biochemistry at Columbia University College of Physicians and Surgeons.

Marilyn G. Breslow has been a Director of Alteon since June 1988. She has been a Portfolio Manager/ Analyst for W.P. Stewart & Co., Inc., the research subsidiary of W.P. Stewart & Co., Ltd., an investment advisory firm, since 1990, and is President of the New York office of WPS, Inc. She was a General Partner of Concord Partners and a Vice President of Dillon, Read & Co., Inc. from 1984 to 1990. Prior to Dillon, Read & Co., she worked at Polaroid Corporation from 1973 to 1984 and was with Peat, Marwick, Mitchell and Company from 1970 to 1972. Ms. Breslow holds a B.S. degree from Barnard College and an M.B.A. from the Harvard Graduate School of Business Administration.

Alan J. Dalby has been a Director of Alteon since December 1994. He is the former Chairman of Reckitt Benckiser plc, a household products company, and former Chairman, Chief Executive Officer and a founder of Cambridge NeuroScience, Inc. He was Executive Vice President and member of the Board of Directors for SmithKline Beckman Corporation, retiring in 1987. Mr. Dalby is a Director of Acambis plc.

Dave McCurdy has been a Director of Alteon since June 1997. He is currently the President of EIA (Electronic Industries Alliance), the premier trade organization representing more than 2,100 of the world's leading electronics manufacturers. Before becoming President of EIA in November 1998, Mr. McCurdy was Chairman and Chief Executive Officer of the McCurdy Group L.L.C., a business consulting and investment firm focused on high-growth companies in the fields of healthcare, high technology and international business, which he formed in 1995. Prior to forming the McCurdy Group, Mr. McCurdy served for 14 years in the U.S. House of Representatives from the fourth district of Oklahoma. He held a

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commission in the United States Air Force Reserve attaining the rank of major and serving as a Judge Advocate General (JAG). A 1972 graduate of the University of Oklahoma, Mr. McCurdy received his J.D. in 1975 from Oklahoma's Law School. He also studied international economics at the University of Edinburgh, Scotland, as a Rotary International Graduate Fellow.

Thomas A. Moore has been a Director of Alteon since October 2001. He is President and Chief Executive Officer of Biopure Corporation, a leading developer, manufacturer and marketer of oxygen therapeutics for the treatment of anemia and other applications. Prior to joining Biopure in 2002, Mr. Moore was President and Chief Executive Officer of Nelson Communications Worldwide, one of the largest providers of healthcare marketing services globally. Mr. Moore was President of Procter & Gamble's worldwide prescription and over-the-counter healthcare products business, and Group Vice President of the Procter & Gamble Company. He is Chairman of the Institute for Cancer Prevention, a non-profit organization that researches the nutritional and environmental factors in cancer and other diseases. Mr. Moore holds a B.A. in History from Princeton University.

George M. Naimark, Ph.D., has been a Director of Alteon since July 1999. He is President of Naimark & Barba, Inc., a management consultancy, since September 1966, and Naimark & Associates, Inc., a private healthcare consulting organization, since February 1994. Dr. Naimark has more than 30 years of experience in the pharmaceutical, diagnostic and medical device industries. His experience includes management positions in research and development, new product development and quality control. In addition, Dr. Naimark has authored books on patent law, communications and business, as well as many articles that appeared in general business, marketing, scientific and medical journals and was the editor of a medical journal. He received his Ph.D. from the University of Delaware in 1951, and received a B.S. and M.S. from Bucknell University in 1947 and 1948, respectively.

Mark Novitch, M.D., has been a Director of Alteon since June 1994. He retired as Vice Chairman and Chief Compliance Officer of the Upjohn Company in December 1993. Prior to joining Upjohn in 1985, he was Deputy Commissioner of the U.S. Food and Drug Administration. Dr. Novitch is a Director of Guidant

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Corporation, a supplier of cardiology and minimally invasive surgery products; Neurogen Corporation, a biopharmaceutical firm focused on central nervous system disorders; Calypte Biomedical, a developer of urine-based diagnostics; and Kos Pharmaceuticals, Inc., a developer of pharmaceutical products for cardiovascular and respiratory conditions. He graduated from Yale University and received his M.D. from New York Medical College.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE NOMINEES FOR THE BOARD OF DIRECTORS.

COMMITTEES AND MEETINGS OF THE BOARD

The Board of Directors has a Compensation Committee, which reviews salaries and incentive compensation for employees of and consultants to Alteon, a Nominating Committee, which reviews the qualifications of candidates and proposes nominees to serve as directors on our Board of Directors and nominees for membership on Board committees, and an Audit Committee, which reviews the results and scope of the audit and other services provided by our independent accountants. The Nominating Committee does not consider nominees recommended by stockholders. In 2002, the Audit, Nominating and Compensation Committees were comprised of Marilyn G. Breslow, Alan J. Dalby, Edwin D. Bransome, Jr., M.D., David McCurdy, Thomas A. Moore, George M. Naimark, Ph.D., and Mark Novitch, M.D. All of the members of the Audit Committee are independent, as such term is defined by Section 121A of the American Stock Exchange listing standards. The

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Audit Committee, Nominating Committee and Compensation Committee each held two meetings during the year ended December 31, 2002. There were six meetings of the Board of Directors in 2002. With the exception of Marilyn Breslow, each of the incumbent directors attended at least 75% of the aggregate of (1) the total number of meetings of the Board of Directors (held during the period for which he or she was a director) and (2) the total number of meetings held by all committees of the Board on which he or she served during the periods that he or she served. We have adopted a written charter for the Audit Committee.

COMPENSATION OF DIRECTORS

All of the directors are reimbursed for their expenses for each Board and committee meeting attended. Directors who are not compensated as Alteon employees receive \$1,500 per meeting attended in person and \$1,000 for each meeting attended by telephone for their service to the Board. Non-compensated directors also receive, upon the date of their election or re-election to the Board and on the dates of the next two Annual Meetings of Stockholders (subject to their continued service on the Board of Directors), a stock option to purchase 20,000 shares of common stock (subject to adjustment if they received stock options upon appointment to the Board between Annual Meetings of Stockholders to fill a vacancy or newly created directorship) at an exercise price equal to the fair market value of the common stock on the date of grant. Each of these options will vest and become exercisable on the date of Alteon's first Annual Meeting of Stockholders following the date of grant, subject to the director's continued service on the Board.

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EXECUTIVE OFFICERS

The following table identifies our current executive officers:

NAME -----	AGE ---	CAPACITIES IN WHICH SERVED -----	IN CURRENT POSITIONS SINCE -----
Kenneth I. Moch.....	48	Chairman of the Board President and Chief Executive Officer	June 2001 December 1998
Robert C. deGroof, Ph.D.(1)...	58	Senior Vice President Scientific Affairs	March 2000
Judith S. Hedstrom(2).....	46	Senior Vice President Corporate Development	February 2002
Elizabeth A. O'Dell(3).....	42	Vice President, Finance, Secretary and Treasurer	October 1993

 (1) Robert C. deGroof, Ph.D., joined Alteon as Senior Vice President, Scientific Affairs, in March 2000. From April 1990 to February 2000, he was the President of Keystone Scientific Management. Dr. deGroof previously served as Director of Regulatory Affairs, World Wide Development Operations, for Bristol-Myers Squibb from July 1987 to March 1990. From October 1984 to July 1987, he was the Assistant Director of Regulatory Affairs at McNeil Consumer Products. Prior to joining the industry, Dr. deGroof was an Assistant Professor of Pharmacology at Jefferson Medical College, Thomas Jefferson University, was the recipient of a National Institutes of Health postdoctoral fellowship at the University of Pennsylvania and was a Grass Fellow in

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Neurophysiology at the Marine Biological Laboratory, Woods Hole. Dr. DeGroof received his B.S. at the University of Florida in 1967 and his Ph.D. in Physiology and Pharmacology from Duke University in 1973.

- (2) Judith S. Hedstrom joined Alteon as Senior Vice President, Corporate Development, in February 2002. From January 1996 to February 2002, she was a leader of the Pharmaceuticals and Medical Products Practice at McKinsey & Company, a global consulting firm, where she provided strategic advice on R&D, marketing, sales and business development matters to many biotechnology and pharmaceutical clients. Prior to that, she was Vice President of Business Development at APACHE Medical Systems from April 1993 to January 1996. From June 1988 to April 1993, she was a Senior Consultant with The Wilkerson Group, formerly a leading healthcare consulting firm. Ms. Hedstrom received her B.A. and M.B.A. degrees from the University of Chicago.
- (3) Elizabeth A. O'Dell has been Vice President, Finance, Secretary and Treasurer since October 1993. She served as Alteon's Director of Finance from February 1993 to September 1993 and as Controller of Alteon from February 1992 to February 1993. Ms. O'Dell was the Controller of Radiodetection Corporation from November 1991 to January 1992. From March 1987 to November 1991, she held various positions at Kratos Analytical, Inc. Prior to that, she served for five years in public accounting at PricewaterhouseCoopers LLP and Deloitte & Touche LLP. Ms. O'Dell received her B.B.A. and M.B.A. from Pace University. She is also a CPA in New Jersey.

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EXECUTIVE COMPENSATION

The following table sets forth certain information concerning the annual and long-term compensation for the fiscal years ended December 31, 2002, 2001 and 2000, of our Chief Executive Officer and three other highly compensated executive officers of Alteon who were serving as executive officers at December 31, 2002, or who served as executive officers during the fiscal year ended December 31, 2002 (collectively, the "Named Officers"):

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION			LONG-TERM COMPENSATION STOCK	ALL OTHER COMPENSATION
	YEAR	SALARY	BONUS	OPTION AWARDS (NUMBER OF SHARES)	
Kenneth I. Moch..... President and Chief Executive Officer	2002	\$340,000	--	100,000	\$ 2,750
	2001	326,025	\$100,000 (1)	500,000	2,625
	2000	310,500	100,000 (1)	325,000	2,625
Robert C. deGroof, Ph.D. (3)..... Senior Vice President Scientific Affairs	2002	\$225,750	--	175,000	\$43,514
	2001	215,000	\$ 50,000 (1)	75,000	35,253
	2000	166,666	--	325,000	25,125
Judith S. Hedstrom (7)..... Senior Vice President Corporate Development	2002	\$188,125	\$ 15,000 (1)	275,000	\$ 2,750
	2001	150,800	\$ 15,000 (1)	11,667	2,625
	2000	145,000	--	127,500	2,625

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- (1) Represents a deferred performance bonus.
 - (2) Represents matching 401(k) contributions we paid on behalf of the executive officer.
 - (3) Dr. deGroof began serving as Senior Vice President, Scientific Affairs, in March 2000.
 - (4) Includes a housing allowance of \$30,000, medical premiums of \$10,514 and matching 401(k) contributions of \$3,000.
 - (5) Includes a housing allowance of \$30,000, medical premiums of \$2,628 and matching 401(k) contributions of \$2,625.
 - (6) Includes a housing allowance of \$22,500 and matching 401(k) contributions of \$2,625.
 - (7) Ms. Hedstrom began serving as Senior Vice President, Corporate Development, in February 2002.

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The following table sets forth certain information concerning grants of stock options during the fiscal year ended December 31, 2002, to the Named Officers:

OPTION GRANTS IN LAST FISCAL YEAR

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENTAGE OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL 2002	EXERCISE OR BASE PRICE PER SHARE	EXPIRATION DATE	POTENTIAL REAL
					AT ASSUMED A OF STOCK PRICE FOR OPTION
-----	-----	-----	-----	-----	----- 5% -----
Kenneth I. Moch.....	100,000	13.5%	\$1.95	12/18/12	\$109,603
Robert C. deGroof, Ph.D. ...	75,000	10.2%	\$1.95	12/18/12	\$ 82,202
	100,000	13.5	1.87	12/18/12	117,603
Judith S. Hedstrom.....	200,000	27.1%	\$4.38	02/13/12	\$550,912
	75,000	10.2	1.95	12/18/12	82,202
Elizabeth A. O'Dell.....	30,000	4.1%	\$1.95	12/18/12	\$ 36,790

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- (1) The dollar amounts under these columns are the result of calculations assuming that the price of common stock on the date of the grant of the option increases at the hypothetical 5% and 10% rates set by the Securities and Exchange Commission ("SEC") and therefore are not intended to forecast possible future appreciation, if any, of our stock price over the option term of 10 years.

AGGREGATED OPTION EXERCISES IN LAST
FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

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NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 2002		VALUE IN-THE- AT DEC
			EXERCISABLE	UNEXERCISABLE	
Kenneth I. Moch.....	--	--	403,641	568,334	\$392,11
Robert C. deGroof, Ph.D.....	--	--	178,750	396,250	\$ 2,50
Judith S. Hedstrom.....	--	--	25,000	250,000	\$ 2,50
Elizabeth A. O'Dell.....	--	--	325,833	63,334	\$213,49

(1) Based on the closing price on the American Stock Exchange at December 31, 2002 (\$2.05).

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The persons who served as members of the Compensation Committee of the Board of Directors during 2002 were Alan J. Dalby, Edwin D. Bransome, Jr., M.D., Marilyn G. Breslow, David McCurdy, Thomas A. Moore, George M. Naimark, Ph.D., and Mark Novitch, M.D. None of the members of the Compensation Committee was an officer, former officer or employee of Alteon.

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COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

General Policies

The Compensation Committee (the "Committee") of the Board of Directors is responsible for establishing and monitoring the general compensation policies and compensation plans of Alteon, as well as the specific compensation levels for executive officers. The Committee also acts as the Administrator under Alteon's Amended and Restated 1987 Stock Option Plan and Amended 1995 Stock Option Plan, and, from time to time, grants options under such Plans.

Under the supervision of the Committee, Alteon has developed and implemented compensation policies, plans and programs which (1) provide a total compensation package which is intended to be competitive within the industry so as to enable Alteon to attract and retain high-caliber executive personnel, and (2) seek to align the financial interests of Alteon's employees with those of its stockholders by relying heavily on long-term incentive compensation that is tied to performance.

The primary components of executive compensation include base salary and long-term equity incentives in the form of stock options. Alteon relies on long-term incentive compensation (i.e., stock options) to motivate the executive officers and other employees. This allows Alteon to retain cash for research and development projects. In determining the size of stock option grants to individual executives, the Committee considers a number of factors, including the following: the level of an executive's job responsibilities; the executive's past performance; the size and frequency of grants by comparable companies; the executive's salary level; the need to provide incentive for the purpose of retaining qualified personnel in light of our current conditions and prospects;

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the size of any prior grants; and the achievement of designated milestones by the executive. The Committee assigns no specific weight to any of the foregoing (other than achievement of designated milestones by the executive in cases where the executive's employment agreement provides for a grant of a specific size upon achievement of the milestone) when making determinations as to the size of stock option grants.

Executive officers are also eligible to earn an annual cash incentive award, the amount of which is based upon (1) the position level of the executive officer, and (2) the attainment of specific individual non-financial performance objectives. The Committee sets the performance objectives at the beginning of the fiscal year.

The Chief Executive Officer is responsible for the development of the annual salary plan for executive officers other than himself. The plan is based on industry and peer group comparisons and national surveys and on performance judgments as to the past and expected future contributions of the individuals. To maintain a competitive level of compensation, Alteon targets base salary at the upper percentiles of a comparative group composed of other biotechnology companies. Base salary may exceed this level as a result of individual performance. The Committee reviews the annual plan and makes recommendations to the Board of Directors, with any modifications it deems appropriate. The Committee believes it has established executive compensation levels which are competitive with companies in the industry, taking into account individual experience, performance of both Alteon and the individual, company size, location and stage of development.

Compensation of the Chief Executive Officer

Mr. Moch's compensation was determined on the basis of his expertise and experience, which include over 20 years of experience in the biotechnology and venture capital fields. Mr. Moch received a base salary of \$340,000 in 2002. In 2001, in connection with the extension of his employment agreement to December 2004, Mr. Moch received options to purchase 500,000 shares of Alteon's common stock at an exercise price of \$2.60 per share, which was the fair market value of Alteon's common stock on the date of grant. Of the total number of shares underlying this option, 300,000 vest in equal monthly installments over a thirty-six month period, and 200,000 vest in a lump sum in December 2006, subject to accelerated vesting on December 14, 2004 in the event that the average fair market value for Alteon's common stock reaches certain specified target prices. The Committee believes that Mr. Moch's compensation arrangements reflect the compensation package necessary to retain his services for Alteon in light of Alteon's current condition and prospects and is commensurate with his expertise and experience as well as with compensation offered by comparable biotechnology companies.

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Effective January 1, 1994, the Internal Revenue Code does not permit corporations to deduct payment of certain compensation in excess of \$1,000,000 to the chief executive officer and the four other most highly paid executive officers. All compensation paid to our executive officers for 2002 will be fully deductible, and the Committee anticipates that amounts paid as cash compensation will continue to be fully deductible because the amounts are expected to be less than the \$1,000,000 threshold. Under certain circumstances, the executive officers may realize compensation upon the exercise of stock options granted under our stock option plans which would not be deductible by Alteon. Alteon expects to take such action as is necessary to qualify its stock option plans as "performance-based compensation," which is not subject to the limitation, if and when the Committee determines that the effect of the limitation on deductibility warrants such action.

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COMPENSATION COMMITTEE

Alan J. Dalby
Edwin D. Bransome, Jr., M.D.
Marilyn G. Breslow
David McCurdy
Thomas A. Moore
George M. Naimark, Ph.D.
Mark Novitch, M.D.

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AUDIT COMMITTEE REPORT

The Audit Committee's powers and responsibilities and the qualifications required of each of its members, are set forth in the Audit Committee Charter.

RESPONSIBILITIES

The Audit Committee is responsible for reviewing the results and scope of the audit and other services provided by Alteon's independent accountants. Management is solely responsible for the financial statements and the financial reporting process, including the system of internal controls, and has represented to the Audit Committee and the Board of Directors that the financial statements discussed below were prepared in accordance with accounting principles generally accepted in the United States of America appropriate in the circumstances and necessarily include some amounts based on management's estimates and judgments. Alteon's independent accountants are responsible for auditing these financial statements and expressing an opinion on the conformity of these financial statements, in all material respects, with accounting principles generally accepted in the United States of America.

INDEPENDENCE

As part of its responsibilities, the Audit Committee reviews the fees paid to the independent accountants for non-audit services, if any, and considers the effect of such services and the related fees on the independent accountants' independence. As required by Independence Standards Board Standard No. 1, as currently in effect, Alteon's independent accountants, KPMG LLP ("KPMG"), have disclosed to the Audit Committee any relationships between it (and its related entities) and Alteon (and its related entities), which, in its professional judgment, may reasonably be thought to affect its ability to be independent. In addition, KPMG has discussed its independence with the Audit Committee and confirmed in a letter to the Audit Committee that, in its professional judgment, it is independent of Alteon within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934.

RECOMMENDATION

Acting pursuant to its Charter, the Audit Committee has reviewed Alteon's audited annual financial statements for the year ended December 31, 2002, and the related report by KPMG, and has discussed the audited financial statements and report with management and with the independent accountants. The Audit Committee has also discussed with management and the independent accountants the matters required to be discussed by Statement on Auditing Standards 61, as currently in effect. These matters include significant accounting policies, management judgments and accounting estimates, management's consultation with other accountants, and any difficulties encountered in performing the audit, significant audit adjustment or disagreements with management. Based on the review and discussions described above, the Audit Committee recommended to Alteon's Board of Directors that the audited financial statements be included in

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Alteon's annual report on Form 10-K for the fiscal year ended December 31, 2002, for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE
Marilyn G. Breslow
Edwin D. Bransome, Jr., M.D.
Alan J. Dalby
David McCurdy
Thomas A. Moore
George M. Naimark, Ph.D.
Mark Novitch, M.D.

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STOCKHOLDER RETURN PERFORMANCE PRESENTATION

The following graph compares the cumulative total stockholder return on our common stock over the five-year period ending December 31, 2002, with the cumulative total return of the NASDAQ CRSP Total Return Index for the NASDAQ Stock Market (U.S. Companies) (the "NASDAQ-US"), NASDAQ Pharmaceutical Stocks Index (the "NASDAQ-Pharm"), the American Stock Exchange U.S. Index ("Amex US") and the American Stock Exchange Health Products & Services Index ("Amex HP&S"). The graph assumes (i) an investment of \$100 in our common stock and in each of the indices, and (ii) reinvestment of all dividends. No cash dividends have been declared on our common stock as of December 31, 2002. The stock performance set forth below is not necessarily indicative of future price performance.

ALTEON INC. RELATIVE STOCK PERFORMANCE

	ALTEON INC. -----	NASDAQ US -----	NASDAQ PHARM -----
31-Dec-97	100.00	100.00	100.00
31-Dec-98	10.68	141.09	126.93
31-Dec-99	11.96	261.67	239.33
31-Dec-00	47.01	157.53	298.54
29-Dec-01	62.22	124.97	254.43
31-Dec-02	28.03	86.40	164.38

The preceding performance graph, the Compensation Committee report and the Audit Committee report contained in this Proxy Statement are not to be incorporated by reference into filings we have made or may make under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that incorporate other filings we have made or may make under those statutes.

EMPLOYMENT AGREEMENTS AND TERMINATION OF EMPLOYMENT ARRANGEMENTS WITH EXECUTIVE OFFICERS

Kenneth I. Moch entered into a three-year amended and restated employment agreement with Alteon as of December 15, 1998. By letter agreement dated December 3, 2001, the term of Mr. Moch's amended and restated employment agreement was extended for an additional three years to December 15, 2004. Pursuant to

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this letter agreement, Mr. Moch received stock options to purchase an aggregate of 500,000 shares of our common stock. Under the amended and restated employment agreement, Mr. Moch serves as our Chief Executive Officer and is entitled to an annual salary of \$300,000 (subject to annual review by the Board of Directors) plus an annual bonus awarded at the discretion of the Board of Directors. Based on the provisions of his agreement, in December 2001 the Board of Directors approved an increase in Mr. Moch's base salary to \$340,000.

Robert C. deGroof, Ph.D., entered into a three-year employment agreement with Alteon as of March 14, 2000. Under the employment agreement, Dr. deGroof received stock options to purchase an aggregate of 250,000 shares of our common stock. In addition, Dr. deGroof is entitled to an annual salary of \$200,000 (subject to annual review by the Board of Directors) plus an annual bonus awarded at the discretion of the Board of Directors. Pursuant to the agreement, in December 2001, the Board of Directors approved an increase in Dr. deGroof's base salary to \$225,750.

Judith S. Hedstrom entered into a three-year employment agreement with Alteon as of February 11, 2002. Under the employment agreement, Ms. Hedstrom is entitled to an annual salary of \$215,000 (subject to annual review by the Board of Directors) plus an annual bonus awarded at the discretion of the Board of Directors. Pursuant to the agreement, Ms. Hedstrom received stock options to purchase 200,000 shares of our common stock.

Elizabeth A. O'Dell entered into a new employment agreement with Alteon as of October 21, 2000. Under the terms of this agreement, which is due to expire on December 31, 2003, Ms. O'Dell's salary is subject to annual review by the Board of Directors. Ms. O'Dell is also eligible, at the discretion of the Board of Directors, to receive an annual cash bonus. Based on the provisions of her agreement, Ms. O'Dell received an annual salary of \$170,000 for the calendar year 2002.

In addition to provisions in the above-described agreements requiring each individual to maintain the confidentiality of our information and assign inventions to us, such executive officers have agreed that during the terms of their agreements and for one year thereafter, they will not compete with Alteon by engaging in any capacity in any business which is competitive with our business. The employment agreements of Mr. Moch, Dr. deGroof, Ms. Hedstrom and Ms. O'Dell provide that either party may terminate the agreement upon 30 days' prior written notice, subject to a salary continuation obligation of Alteon if it terminates the agreements without cause. Mr. Moch will receive a 12-month salary continuation and Dr. deGroof, Ms. Hedstrom and Ms. O'Dell will receive a six-month salary continuation under such circumstances.

All employment agreements between Alteon and its Vice Presidents provide that all unvested stock options held by such Vice Presidents will vest and become exercisable immediately in the event of a change in control of Alteon.

CHANGE IN CONTROL SEVERANCE BENEFITS PLAN

In February 1996, we adopted the Alteon Inc. Change in Control Severance Benefits Plan to protect and retain qualified employees and to encourage their full attention, free from distractions caused by personal uncertainties and risks in the event of a pending or threatened change in control of Alteon. The Severance Plan provides for severance benefits to employees upon certain terminations of employment after or in connection with a change in control of Alteon as defined in the Severance Plan. Following a qualifying termination that occurs as a result of a change in control, officers of Alteon will be entitled to continuation of (i) their base salary for a period of 24 months, and (ii) all benefit programs and plans providing for health and insurance benefits for a period of up to 18 months. In addition, upon a change in control of Alteon, all outstanding unexercisable stock options held by employees will become

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exercisable.

401(k) PLAN

We have a tax-qualified employee savings and retirement plan (the "401(k) Plan") covering all of our employees. Pursuant to the 401(k) Plan, employees may elect to reduce their current compensation by up to

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the statutorily prescribed annual limit (\$12,000 in 2003) and have the amount of such reduction contributed to the 401(k) Plan. The 401(k) Plan does not require that we make additional matching contributions to the 401(k) Plan on behalf of participants in the 401(k) Plan. However, in 1998, we began making discretionary contributions at a rate of 25% of employee contributions up to a maximum of 5% of their base salary. Contributions by employees to the 401(k) Plan and income earned on such contributions are not taxable to employees until withdrawn from the 401(k) Plan. The Trustees under the 401(k) Plan, at the direction of each participant, invest the assets of the 401(k) Plan.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of our common stock as of March 7, 2003, except as otherwise set forth below, by each (i) person who is known to Alteon to own beneficially more than 5% of the common stock, and (ii) current director and Named Officer, including the nominees, and by all current directors and officers as a group:

NAME OF BENEFICIAL OWNER(1)	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP(1)	PERCENT CLASS(2)
Franklin Resources, Inc. One Franklin Parkway San Mateo, CA 94403	2,098,350 (3)	6.2%
Charles L. Grimes P.O. Box 136 Mendenhall, PA 19357	2,000,000 (4)	6.0%
S.A.C. Capital Associates, LLC 72 Cummings Point Road Stamford, CT 06902	1,905,584 (5)	5.6%
Kenneth I. Moch	447,430 (6)	1.3%
Edwin D. Bransome, Jr., M.D.	52,500 (7)	*
Marilyn G. Breslow	142,067 (8)	*
Alan J. Dalby	114,998 (9)	*
David McCurdy**	86,067 (10)	*
Thomas A. Moore	39,000 (11)	*
George M. Naimark, Ph.D.	62,337 (12)	*
Mark Novitch, M.D.**	374,667 (13)	1.1%
Robert C. deGroof, Ph.D.	193,333 (14)	*
Judith S. Hedstrom	56,250 (15)	*
Elizabeth A. O'Dell	351,166 (16)	1.0%
All current directors and officers as a group (11 persons)	1,919,815 (17)	5.4%

* Less than one percent.

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** Nominee for election to the Board of Directors.

- (1) Beneficial ownership is determined in accordance with the rules of the SEC, and generally includes voting or investment power with respect to securities. Shares of common stock subject to stock options and warrants currently exercisable or exercisable within 60 days are deemed outstanding for computing the percentage ownership of the person holding such options and the percentage ownership of any group of which the holder is a member, but are not deemed outstanding for computing the percentage ownership of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.
- (2) Applicable percentage of ownership is based on 33,600,841 shares of common stock outstanding.
- (3) As set forth in a Schedule 13G, dated December 31, 2002, filed by Franklin Resources, Inc. ("FRI"), Charles B. Johnson, Rupert H. Johnson, Jr. and Fiduciary Trust Company International ("FTCI").

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Includes 2,094,850 shares held by FTCI and 3,500 shares held by Franklin Advisers, Inc. The shares are beneficially owned by one or more open or closed-end investment companies or other managed accounts which are advised by direct or indirect subsidiaries of FRI. Messrs. Johnson each own in excess of 10% of the outstanding common stock of FRI and are the principal shareholders of FRI.

- (4) As set forth in Schedule 13D/A, dated July 31, 2002, filed by Mr. Grimes with the SEC.
- (5) As set forth in a Schedule 13G/A, dated December 31, 2002, filed by S.A.C. Capital Advisors, LLC, S.A.C. Capital Management, LLC, S.A.C. Capital Associates, LLC and Steven A. Cohen. Includes 1,332,846 shares of common stock and 572,738 shares of common stock underlying warrants. The shares are held by S.A.C. Capital Associates, LLC. Pursuant to investment agreements, each of S.A.C. Capital Advisors and S.A.C. Capital Management share all investment and voting power over the shares. Steven A. Cohen controls both S.A.C. Capital Advisors and S.A.C. Capital Management. Each of S.A.C. Capital Advisors, S.A.C. Capital Management and Mr. Cohen disclaim beneficial ownership of the securities.
- (6) Includes 2,023 shares of common stock and 445,307 shares of common stock subject to options which were exercisable as of March 7, 2003, or which will become exercisable within 60 days after March 7, 2003, and 100 shares held by Mr. Moch's sons. Does not include options to purchase 526,668 shares of common stock which will become exercisable more than 60 days after March 7, 2003, nor options to purchase 1,150,025 shares of common stock held in trust for Mr. Moch's minor children, for which Mr. Moch's wife is the trustee and Mr. Moch disclaims beneficial ownership.
- (7) Includes 10,000 shares of common stock held directly by Dr. Bransome, 2,500 shares held by his wife and 40,000 shares of common stock subject to options that were exercisable as of March 7, 2003, or which will become exercisable within 60 days after March 7, 2003. Does not include an option to purchase 20,000 shares of common stock which will become exercisable more than 60 days after March 7, 2003.
- (8) Includes 142,067 shares of common stock subject to options that were

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exercisable as of March 7, 2003, or which will become exercisable within 60 days after March 7, 2003. Does not include an option to purchase 20,000 shares of common stock which will become exercisable more than 60 days after March 7, 2003.

- (9) Includes 12,467 shares of common stock and 102,531 shares of common stock subject to options which were exercisable as of March 7, 2003, or which will become exercisable within 60 days after March 7, 2003. Does not include an option to purchase 20,000 shares of common stock which will become exercisable more than 60 days after March 7, 2003.
- (10) Includes 86,067 shares of common stock subject to options which were exercisable as of March 7, 2003, or which will become exercisable within 60 days after March 7, 2003. Does not include an option to purchase 20,000 shares of common stock which will become exercisable more than 60 days after March 7, 2003.
- (11) Includes 24,000 shares of common stock held directly by Mr. Moore and 15,000 shares of common stock subject to options which were exercisable as of March 7, 2003, or which will become exercisable within 60 days after March 7, 2003. Does not include an option to purchase 20,000 shares of common stock which will become exercisable more than 60 days after March 7, 2003.
- (12) Includes 5,000 shares of common stock held directly by Dr. Naimark, 4,000 shares held jointly by Dr. Naimark and his wife and 53,337 shares of common stock subject to options which were exercisable as of March 7, 2003, or which will become exercisable within 60 days after March 7, 2003. Does not include an option to purchase 20,000 shares of common stock which will become exercisable more than 60 days after March 7, 2003.
- (13) Includes 5,000 shares of common stock held jointly by Dr. Novitch and his wife and 369,667 shares of common stock subject to options that were exercisable as of March 7, 2003, or which will become exercisable within 60 days after March 7, 2003. Does not include an option to purchase 20,000 shares of common stock which will become exercisable more than 60 days after March 7, 2003.

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- (14) Includes 193,333 shares of common stock subject to options which were exercisable as of March 7, 2003, or which will become exercisable within 60 days after March 7, 2003. Does not include options to purchase 381,667 shares of common stock which will become exercisable more than 60 days after March 7, 2003.
- (15) Includes 56,250 shares of common stock subject to options that were exercisable as of March 7, 2003, or which will become exercisable within 60 days after March 7, 2003. Does not include options to purchase 218,750 shares of common stock which will become exercisable more than 60 days after March 7, 2003.
- (16) Includes 20,000 shares of common stock held directly by Ms. O'Dell, 2,000 shares of common stock held by Ms. O'Dell's husband and 329,166 shares of common stock subject to options which were exercisable as of March 7, 2003, or which will become exercisable within 60 days after March 7, 2003. Does not include options to purchase 60,001 shares of common stock which will become exercisable more than 60 days after March 7, 2003.
- (17) Includes 1,832,725 shares of common stock subject to options which were exercisable as of March 7, 2003, or which will become exercisable within 60

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days after March 7, 2003.

RATIFICATION OF THE APPOINTMENT OF INDEPENDENT ACCOUNTANTS

The Board has appointed, subject to stockholder ratification, KPMG LLP ("KPMG") to serve as our independent accountants for the fiscal year ending December 31, 2003.

KPMG served as our independent accountants for the fiscal year ended December 31, 2002.

If the stockholders do not ratify the Board's decision to appoint KPMG, we may reconsider our selection. The affirmative vote of a majority of the shares voted at the Annual Meeting is required for ratification.

Representatives of KPMG are expected to be present at the Annual Meeting to respond to appropriate questions from our stockholders. They will be given the opportunity to make a statement if they wish to do so.

AUDIT FEES

We were billed aggregate fees of \$53,500 with respect to professional services rendered by KPMG for (i) the audit of our annual financial statements included in our annual report on Form 10-K for the year ended December 31, 2002, and (ii) the review of the financial statements included in our quarterly reports on Form 10-Q for the quarters ended March 31, June 30 and September 30, 2002.

FINANCIAL INFORMATION SYSTEMS DESIGN AND IMPLEMENTATION FEES

KPMG did not perform any financial information systems design, implementation or related services for us during the year ended December 31, 2002.

ALL OTHER FEES

There were no fees billed for any other services rendered to us by KPMG during the fiscal year ended December 31, 2002.

CHANGE IN ACCOUNTANTS

On May 30, 2002, we dismissed Arthur Andersen LLP ("Andersen") as our principal independent accountants and engaged KPMG to serve as Alteon's principal independent accountants for the fiscal year ended December 31, 2002. The Board of Directors reviewed whether Alteon should continue the retention of Andersen in light of then recent events involving Andersen, and following its review, authorized the engagement of KPMG in lieu of Andersen. Andersen's reports on Alteon's financial statements for the years ended December 31, 2001 and 2000, did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. During the years ended December 31, 2001 and 2000, and the period from December 31, 2001 to the date of dismissal of Andersen,

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(i) there were no disagreements with Andersen on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure which disagreements, if not resolved to Andersen's satisfaction, would have caused Andersen to make reference to the subject matter of the disagreement(s) in connection with its report, and (ii) there were no "reportable events" within the meaning of the applicable rules of the SEC.

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During the years ended December 31, 2001 and 2000, and the period from December 31, 2001 to the date of engagement of KPMG, neither Alteon nor anyone acting on its behalf consulted with KPMG with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on Alteon's financial statements or any matter that was either the subject of disagreement or a reportable event. Andersen's letter to the SEC stating its agreement with the statements made herein is filed as an exhibit to our current report on Form 8-K filed with the SEC on May 30, 2002.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT ACCOUNTANTS.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the SEC. Officers, directors and greater than 10% stockholders are required by SEC regulation to furnish Alteon with copies of all Forms 3, 4 and 5 they file.

Based solely on our review of the copies of such forms we have received and written representations from certain reporting persons that they were not required to file Forms 5 for specified fiscal years, we believe that all our officers, directors, and greater than 10% beneficial owners complied with all filing requirements applicable to them with respect to transactions during fiscal 2002.

STOCKHOLDERS' PROPOSALS

Stockholders deciding to submit proposals for inclusion in our proxy statement and form of proxy relating to our 2004 annual stockholders' meeting must advise Alteon's Secretary of such proposals in writing by December 25, 2003. In addition, the proxy solicited by the Board of Directors for the 2004 annual stockholders' meeting will confer discretionary authority to vote on any stockholder proposal presented at that meeting of which notice was untimely. In accordance with our bylaws, notice of a proposal will be considered untimely, unless Alteon's Secretary receives written notice of such proposal by March 6, 2004 (but not earlier than February 4, 2004).

OTHER MATTERS

The Board of Directors is not aware of any matter to be presented for action at the meeting other than the matters referred to above and does not intend to bring any other matters before the meeting. However, if other matters should properly come before the meeting, it is intended that holders of the proxies will vote thereon in their discretion.

GENERAL

The accompanying proxy is solicited by and on behalf of the Board of Directors of Alteon, whose notice of meeting is attached to this Proxy Statement, and the entire cost of such solicitation will be borne by Alteon.

In addition to the use of the mails, proxies may be solicited by personal interview, telephone and telegram by directors, officers and other employees of Alteon who will not be specially compensated for these services. Alteon has retained the services of American Stock Transfer & Trust Company to assist in the proxy solicitation at a fee estimated to be \$15,000. We will also request that brokers, nominees, custodians and other

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fiduciaries forward soliciting materials to the beneficial owners of shares held of record by such brokers, nominees, custodians and other fiduciaries. We will reimburse such persons for their reasonable expenses in connection therewith.

Certain information contained in this Proxy Statement relating to the occupations and security holdings of directors and officers of Alteon is based upon information received from the individual directors and officers.

ALTEON HAS FURNISHED, WITHOUT CHARGE, A COPY OF ITS REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2002, INCLUDING FINANCIAL STATEMENTS AND SCHEDULES THERETO BUT NOT INCLUDING EXHIBITS, TO EACH OF ITS STOCKHOLDERS OF RECORD ON APRIL 8, 2003, AND WILL FURNISH TO EACH BENEFICIAL STOCKHOLDER SUCH REPORT UPON WRITTEN REQUEST MADE TO THE SECRETARY OF ALTEON. A REASONABLE FEE WILL BE CHARGED FOR COPIES OF REQUESTED EXHIBITS.

PLEASE DATE, SIGN AND RETURN THE PROXY CARD AT YOUR EARLIEST CONVENIENCE IN THE ENCLOSED RETURN ENVELOPE. A PROMPT RETURN OF YOUR PROXY CARD WILL BE APPRECIATED, AS IT WILL SAVE THE EXPENSE OF FURTHER MAILINGS.

By Order of the Board of Directors

ELIZABETH A. O'DELL
Secretary

Ramsey, New Jersey
April 23, 2003

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ANNUAL MEETING OF STOCKHOLDERS OF

ALTEON INC.

JUNE 4, 2003

Please date, sign and mail
your proxy card in the
envelope provided as soon
as possible.

- Please detach and mail in the envelope provided. -

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF DIRECTORS AND
"FOR" PROPOSAL 2.

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.
PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE [x]

1. ELECTION OF DIRECTORS

NOMINEES

[] FOR ALL NOMINEES

() Mark Novitch, M.D.
() David McCurdy

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[] WITHHOLD AUTHORITY
FOR ALL NOMINEES

[] FOR ALL EXCEPT
(See instructions below)

INSTRUCTION: To withhold authority to vote for either individual nominee, mark "FOR ALL EXCEPT" and fill in the circle next to the nominee you wish to withhold, as shown here: (-)

To change the address on your account, please check the box at right and [] indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

2. Approval of the proposal to ratify the appointment of KPMG LLP as Alteon's independent public accountants for the fiscal year ending December 31, 2003.

FOR	AGAINST	ABSTAIN
[]	[]	[]

3. In their discretion, the proxies are authorized to vote upon other matters as may properly come before the Meeting.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSALS 1 AND 2.

Please check here if you plan to attend the meeting. []

Signature of Stockholder _____ Date: _____

Signature of Stockholder _____ Date: _____

NOTE: This proxy must be signed exactly as the name appears hereon. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

REVOCABLE PROXY
ALTEON INC.

PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF
THE CORPORATION FOR THE ANNUAL MEETING OF STOCKHOLDERS

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The undersigned hereby constitutes and appoints Kenneth I. Moch and Elizabeth A. O'Dell and each of them, his or her true and lawful agents and proxies with full power of substitution in each, to represent and to vote on behalf of the undersigned all of the shares of Alteon Inc. (the "Company") which the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Company to be held at the Sheraton Crossroads Hotel, One International Boulevard, Mahwah, New Jersey at 9:00 A.M., local time, on Wednesday June 4, 2003, and at any adjournment or adjournments thereof, upon the following proposals more fully described in the Notice of Annual Meeting of Stockholders and Proxy Statement for the Meeting (receipt of which is hereby acknowledged).

(CONTINUED AND TO BE SIGNED ON THE REVERSE SIDE)

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IV style="margin-left:0px; text-indent:-0px"> La Ferte Bernard (1),(3)

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France (cont.)	Les Ulis (1),(4)
	Paris (1),(4)
	Rosny-sur-Seine (1)
	Rouen
	Sable-sur-Sarthe (2),(3)
	Sainte-Florine (2),(3)
	Schweighouse-sur-Moder (3)
	Strasbourg (3)
Germany	Boblingen (1)
	Bochum (1),(3)
	Bremen (1),(3)
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	Wuppertal (2),(3)
	Zwickau (3)
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	Pune (2),(3)
Italy	Melfi (1),(3)
	Milan (1),(3)
	Potenza (1),(4)
	Rocca D Evandro (1)
	Salerno (2),(3)
	Turin (1),(3)
Japan	Ayase (3)
	Fukuoka (3)
	Hamakita (3)

	Mouka
	Nagoya (1),(4)
	Yokosuka (2)
Korea	Ansan (1),(4)
	Asan (3)
	Dangjin
	Hwaseong (3)
	Jungeup (1)
	Yongin (2)
Malaysia	Johor Bahru
	Pekan (1)
Malaysia (cont.)	Shah Alam (3)
Mexico	Celaya (3)
	Cienega de Flores
	Ciudad Juarez (3)
	Escobedo
	Monclova
	Monterrey (2),(3)
	Naucalpan de Juarez (1)
	Puebla (2),(3)
	Ramos Arizpe (2),(3)
	Saltillo
	Tlaxcala
	Tlaxala (1)
	Torreon
Netherlands	Rotterdam (1),(4)
	Sittard (1),(3)
Poland	Bierun (3)
	Katowice (1),(4)
Portugal	Nelas (3)
	Portalegre (3)
Romania	Mioveni (1),(3)
	Ploiesti (3)
Singapore	Singapore (1),(4)
Slovak Republic	Bratislava (1),(3)
	Kostany nad Turcom (3)
	Trnava (1),(4)
South Africa	East London (1),(3)
	Port Elizabeth (1)
	Pretoria (1),(3)
	Uitenhage (1),(3)
Spain	Alagon (3)
	Barcelona (3)
	Burgos (2),(3)
	Guadalajara (1),(4)
	Guadamar del Segura
	Madrid (1),(3)
	Valencia (2),(3)
	Valladolid (3)
	Zaragoza (3)

Sweden	Goteborg (1),(4) Hultsfred (2),(4) Stockholm (1),(4)
Switzerland	Regensdorf (1),(4)
Thailand	Rayong
Tunisia	Bir el Bay
United Kingdom	Burton-Upon-Trent (2) Chelmsford (1),(3) Denham (1),(4) Leamington Spa (1) Liverpool (2),(3) Redditch (1) Sunderland Telford (2),(3) Wednesbury

Table of Contents**Controls Group**

Alabama	Huntsville (1),(4)
California	Ft. Irwin (4)
	Los Angeles (1),(4)
Florida	Cape Canaveral (4)
	Panama City (1),(4)
Indiana	Goshen (1),(3)
Kentucky	Erlanger (1),(4)
Maryland	Bowie (1),(4)
	Gaithersburg (1),(4)
	Loveville (1)
New Mexico	Espanola (4)
Pennsylvania	Philadelphia (1),(4)
Texas	Pharr (1),(4)
	Wichita Falls (3)
Washington D.C. (1),(4)	
Washington	Silverdale (4)
Wisconsin	Milwaukee (2),(4)
	Watertown (1),(3)
Australia	Sydney (1),(4)
Austria	Vienna (1),(4)
Belgium	Brussels (1),(4)
	Diegem (1),(4)
Brazil	Brasilia (1),(4)
Canada	Kamloops (1),(4)
	Markham (1),(4)
	Victoria (1),(4)
China	Beijing (1),(4)
	Hong Kong (1),(4)
	Shanghai (1),(3)
	Shenzhen (1),(4)
	Tianjin (1),(4)
Czech Republic	Prague (1),(4)
France	Colombes (1),(4)
Germany	Essen (2),(3)
	Hannover (1),(4)
Hungary	Budapest (1),(4)
India	Mumbai (1),(4)
Italy	Lomagna (3)
	Milan (1),(4)
Japan	Chiba (1),(4)
	Hiroshima (1),(4)
	Hokkaido (1),(4)
	Koga (3)
	Kyushu (1),(4)
	Nagoya (1),(4)
	Osaka (1),(4)

	Saitama (1),(4)
	Tokyo (1),(4)
	Yokohama (1),(4)
Korea	Seoul (1),(4)
Malaysia	Kuala Lumpur (1),(4)
Mexico	Cuidad Juarez (1),(3)
	Irapuato (1),(4)
	Reynosa (3)
Netherlands	Gorinchem (1),(4)
	Leeuwarden (3)
Norway	Oslo (1),(4)
Philippines	Mandaluyong (1),(4)
Poland	Poznan (1),(4)
	Warsaw (1),(4)
Russia	Moscow (1),(4)
	St. Petersburg (1),(4)
Singapore	Singapore (1),(4)
Slovak Republic	Bratislava (1),(4)
South Africa	Randburg (1),(4)
Spain	Madrid (1),(4)
Sweden	Danderyd (1),(4)
Switzerland	Basel (1),(3)
	Eschenbach (1),(3)
	Zurich (1),(4)
Thailand	Bangkok (1),(4)
United Kingdom	Birmingham (1),(4)
	Cumbernauld (1),(4)
	Leatherhead (1),(4)
	London (1),(4)
	Reading (1),(4)
	Stockport (1),(4)
	Swindon (1),(4)
	Waterlooville (1),(4)

Corporate

Wisconsin	Milwaukee (4)
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- (1) Leased facilities
- (2) Includes both leased and owned facilities
- (3) Includes both administrative and manufacturing facilities
- (4) Administrative facilities only

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ITEM 3 LEGAL PROCEEDINGS

Environmental Litigation and Proceedings and Other Matters

As noted previously, liabilities potentially arise globally under various Environmental Laws and Worker Safety Laws for activities that are not in compliance with such laws and for the cleanup of sites where Company-related substances have been released into the environment.

Currently, the Company is responding to allegations that it is responsible for performing environmental remediation, or for the repayment of costs spent by governmental entities or others performing remediation, at approximately 50 sites in the United States. Many of these sites are landfills used by the Company in the past for the disposal of waste materials; others are secondary lead smelters and lead recycling sites where the Company returned lead-containing materials for recycling; a few involve the cleanup of Company manufacturing facilities; and the remaining fall into miscellaneous categories. The Company may face similar claims of liability at additional sites in the future. Where potential liabilities are alleged, the Company pursues a course of action intended to mitigate them.

The Company accrues for potential environmental losses consistent with generally accepted accounting principles; that is, when it is probable a loss has been incurred and the amount of the loss is reasonably estimable. Its reserves for environmental costs totaled \$61 million and \$62 million at September 30, 2004 and 2003, respectively. The Company reviews the status of the sites on a quarterly basis and adjusts its reserves accordingly. Such potential liabilities accrued by the Company do not take into consideration possible recoveries of future insurance proceeds. They do, however, take into account the likely share other parties will bear at remediation sites. It is difficult to estimate the Company's ultimate level of liability at many remediation sites due to the large number of other parties that may be involved, the complexity of determining the relative liability among those parties, the uncertainty as to the nature and scope of the investigations and remediation to be conducted, the uncertainty in the application of law and risk assessment, the various choices and costs associated with diverse technologies that may be used in corrective actions at the sites, and the often quite lengthy periods over which eventual remediation may occur. Nevertheless, the Company has no reason to believe at the present time that any claims, penalties or costs in connection with known environmental matters will have a material adverse effect on the Company's financial position, results of operations or cash flows.

Typically, site remediation matters are addressed at the administrative agency level of the government. Occasionally, however, litigation is involved. The most significant of such matters where litigation has been commenced by the government or by private parties and remains pending against the Company is the following:

United States v. NL Industries, Inc., Case No. 91-CV-00578-WDS (United States District Court for the Southern District of Illinois), filed July 31, 1991. The EPA sought to enforce an administrative order issued on November 27, 1990 against Johnson Controls and other defendants requiring performance of a cleanup at a secondary smelter facility in Granite City, Illinois. The Company executed a consent decree in 1999 settling the matter, which the court entered in 2003. Most of the work and payments required by the consent decree have been completed or made, and accrued liabilities relating to environmental matters include an amount attributable to the remaining costs.

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Additionally, the Company is involved in a number of product liability and various other suits incident to the operation of its businesses. Insurance coverages are maintained and estimated costs are recorded for claims and suits of this nature. It is management's opinion that none of these will have a materially adverse effect on the Company's financial position, results of operations or cash flows.

In 1989, Johnson Controls initiated an action in the Milwaukee County, Wisconsin Circuit Court, *Johnson Controls, Inc. v. Employers Insurance of Wausau*, which sought reimbursement under comprehensive general liability insurance policies dating from 1954 through 1985 for costs relating to certain environmental matters. In 1995, the Circuit Court dismissed the action based on the Wisconsin Supreme Court's decision in *City of Edgerton v. General Casualty Co. of Wisconsin*. The Company twice appealed the case to the Court of Appeals and then petitioned the Wisconsin Supreme Court to review the lower courts' judgments. The Supreme Court granted the petition and on July 11, 2003 overruled its decision in the *Edgerton* case and found that the comprehensive general liability insurance policies may provide coverage for environmental damages, subject to other available defenses. The Supreme Court's decision remands the case to the Circuit Court for further consideration, where the merits of Johnson Controls' various environmental claims will be determined.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

EXECUTIVE OFFICERS OF THE REGISTRANT

Pursuant to General Instruction G(3) of Form 10-K, the following list is included as an unnumbered Item in Part I of this report in lieu of being included in the Company's fiscal year 2004 Proxy Statement.

John M. Barth, 58, became Chairman on January 1, 2004. He was elected President in 1998 and Chief Executive Officer on October 1, 2002. He was elected a member of the Board of Directors in 1997. Previously, Mr. Barth served as Chief Operating Officer and an Executive Vice President with responsibility for the Automotive Group. Mr. Barth joined the Company in 1969.

James H. Keyes, 64, retired as Chairman on December 31, 2003 and retired as a member of the Board of Directors at the close of business on November 17, 2004. Mr. Keyes served as Johnson Controls Chairman between 1993 and 2002 and as its Chief Executive Officer from 1988 to 2002.

Stephen A. Roell, 54, was elected a member of the Board of Directors and Executive Vice President in 2004 and has served as Chief Financial Officer since 1991. Previously, he served as Senior Vice President. He was a Vice President from 1991 to 1998 and earlier served as Corporate Controller and Treasurer. Mr. Roell joined the Company in 1982.

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Giovanni John Fiori, 61, was elected an Executive Vice President in 2002 and serves as President of Johnson Controls International. Previously, he served as President of automotive operations in Europe, Africa, South America and Asia and Vice President of automotive seating operations in Europe. Mr. Fiori joined the Company in 1987.

John P. Kennedy, 61, was appointed President of the Controls Group in 2004 and has been Senior Vice President since 2002. He served as Secretary from 1987 to 2004 and as General Counsel from 1984 to 2004. He previously served as a Vice President. Mr. Kennedy joined the Company in 1984.

Keith E. Wandell, 55, was appointed a member of the Office of the CEO in 2004 and has served as President of the Automotive Group since October 1, 2003. He was elected a Corporate Vice President in 1997. Previously, he served in a number of management positions, most recently as President of battery operations for the Automotive Group and Vice President and General Manager of the Automotive Group's Starting, Lighting and Ignition Battery Division. Mr. Wandell joined the Company in 1988.

Jeffrey S. Edwards, 41, was elected a Corporate Vice President in 2004 and serves as Group Vice President and General Manager for Japan and Asia Pacific for the Automotive Group's interiors business. Mr. Edwards has served Johnson Controls for 20 years in a variety of automotive sales, manufacturing and engineering positions. Mr. Edwards joined the Company 1984.

Sean Major, 40, was elected Assistant Secretary and appointed Assistant General Counsel in 2004. He formerly served as group Vice President and General Counsel International. Mr. Major joined the Company in 1998.

Susan F. Davis, 51, was elected Corporate Vice President, Human Resources in 1994. Previously, she served as Vice President of Organizational Development for the Automotive Group and the former Plastics Technology Group. Ms. Davis joined the Company in 1983.

R. Bruce McDonald, 44, was elected Assistant Chief Financial Officer in 2004 and has served as a Corporate Vice President since 2002. He previously served as Corporate Controller since November 2001 when he joined the Company. Prior to that time, Mr. McDonald was Vice President of Finance for the automotive business of TRW Inc. and previously held various financial positions with LucasVaryity plc.

Alex A. Molinaroli, 44, was elected a Corporate Vice President in 2004 and serves as Vice President and General Manager for the Americas for the Controls Group. Mr. Molinaroli has worked for Johnson Controls for 21 years and has held increasing levels of responsibility for controls systems and services sales and operations. Mr. Molinaroli joined the Company 1983.

Jerome D. Okarma, 52, was named Vice President, Secretary and General Counsel in November 2004. He was elected a Corporate Vice President in September 2003 and served as Assistant Secretary from 1990 to 2004. He served as Deputy General Counsel from 2000 to 2004. Prior to that he served as Assistant General Counsel from 1989 to 2000, and

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previously as Group Vice President and General Counsel of the Controls Group and the Battery Group. Mr. Okarma joined the Company in 1989.

Darlene Rose, 59, was elected Senior Vice President in 2004 and will support the Company's diversity initiatives. She served as Vice President Corporate Development and Strategy from 1999 to 2004. She previously served as Director of Corporate Benefits and Payroll, and earlier held management positions in audit, financial planning and information technology. Ms. Rose was elected a corporate officer in 1999 and joined the Company in 1969.

Gregg M. Sherrill, 51, was elected a Corporate Vice President in 2004 and serves as Group Vice President and General Manager for the Automotive Group's battery business. Since joining Johnson Controls five years ago, he has also served in key interiors management positions in North America and Europe. Mr. Sherrill joined the Company 1998.

Michael D. Su, 45, was elected a Corporate Vice President in 2004 and serves as Vice President and Managing Director of the Asia Pacific region for the Controls Group. Mr. Su has been with Johnson Controls for 20 years, serving in various controls management positions in Asia and North America. Mr. Su joined the Company 1984.

Brian J. Stark, 55, will retire December 31, 2004; he most recently served as Controls Group President. He served as a Corporate Vice President since 1995 and as President of the Controls Group since 1998. Mr. Stark held a number of senior management positions within the Controls Group from the time he joined the Company in 1972.

Subhash Sam Valanju, 61, was elected a Corporate Vice President in 1999 and has served as Chief Information Officer since joining the Company in 1996.

Bogoljub Bob Velanovich, 67 was elected a Corporate Vice President in 2000. He also serves as Group Vice President Six Sigma for the Automotive Group. He previously served as Group Vice President Manufacturing and Engineering Quality and Product Launch Assurance for the Automotive Group. Mr. Velanovich served in several senior management positions within the Automotive Group since joining the Company in 1991.

Frank A. Voltolina, 44, was elected a Corporate Vice President and Corporate Treasurer in July 2003 when he joined the Company. Prior to that time, Mr. Voltolina was Vice President and Treasurer at ArvinMeritor, Inc.

Denise M. Zutz, 53, was appointed Vice President of Strategy, Investor Relations and Communication in 2004. She had formerly served as Vice President, Corporate Communication from 1991 to 2004. Ms. Zutz was elected a corporate officer in 1991. She has served as Director of Corporate Communication and in other communication positions since joining the Company in 1973.

There are no family relationships, as defined by the instructions to this item, between the above executive officers.

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All officers are elected for terms that expire on the date of the meeting of the Board of Directors following the Annual Meeting of Shareholders or until their successors are elected and qualified.

PART II

The information required by Part II, Items 5, 6, 7, 7A and 8, are incorporated herein by reference to the Company's 2004 Annual Report to Shareholders as follows:

ITEM 5 MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS See price range and dividend information on page 28 of the 2004 Annual Report to Shareholders. The shares are traded on the New York Stock Exchange.

Title of Class	Number of Record Holders as of October 31, 2004
Common Stock, \$.04-1/6 par value	54,991

On November 19, 2003, the Company's Board of Directors declared a two-for-one stock split of the common stock payable January 2, 2004 to shareholders of record on December 12, 2003. This stock split resulted in the issuance of approximately 90.5 million additional shares of common stock and was accounted for by the transfer of approximately \$7.5 million from common stock to capital in excess of par value. All share or per share data in this Form 10-K have been restated to reflect the two-for-one stock split.

The Company has entered into an Equity Swap Agreement, dated as of March 18, 2004 (the Swap Agreement), with Citibank, N.A. (Citibank). Citibank has advised the Company that in connection with the Swap Agreement it has purchased shares of the Company's stock in the market or in privately negotiated transactions. The Company disclaims that Citibank is an affiliated purchaser of the Company as such term is defined in Rule 10b-18(a)(3) under the Securities Exchange Act or that Citibank is purchasing any shares on behalf of the Company. The expiration date of the Swap Agreement is not currently determinable. There were no purchases by the Company or by Citibank in the quarter ended September 30, 2004.

ITEM 6 SELECTED FINANCIAL DATA See Five Year Summary on page 51 of the 2004 Annual Report to Shareholders.

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS See pages 18 through 28 of the 2004 Annual Report to Shareholders.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK See Risk Management on pages 26 and 27 of Management's Discussion and Analysis section of the 2004 Annual Report to Shareholders.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA See pages 29 through 50 of the 2004 Annual Report to Shareholders.

ITEM 9

DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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ITEM 9A CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the Company's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that such disclosure controls and procedures were effective in alerting them on a timely basis to material information relating to the Company required to be included in the Company's reports filed under the Exchange Act.

There have been no significant changes in the Company's internal controls over financial reporting, or in factors that could significantly affect internal controls over financial reporting, subsequent to the date of the evaluation.

ITEM 9B OTHER INFORMATION

None.

PART III

The information required by Part III, Items 10, 11, 12 and 14, are incorporated herein by reference to the Company's Proxy Statement for its 2005 Annual Meeting of Shareholders (fiscal year 2004 Proxy Statement), dated and to be filed with the SEC on December 3, 2004, as follows:

ITEM 10 DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT Incorporated by reference to sections entitled Election of Directors, Board Information, Board Compensation, Section 16(a) Beneficial Ownership Reporting Compliance, Q: Where can I find Corporate Governance materials for Johnson Controls and Audit Committee Report of the fiscal year 2004 Proxy Statement. Required information on executive officers of the Company appears on pages 15-18 of Part I of this report.

ITEM 11 EXECUTIVE COMPENSATION Incorporated by reference to sections entitled Executive Compensation, Compensation Committee Report, Performance Graph, Board Information and Employment Agreements of the fiscal year 2004 Proxy Statement.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT Incorporated by reference to the section entitled Johnson Controls Share Ownership and Equity Compensation Plan Information of the fiscal year 2004 Proxy Statement.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS None.

ITEM 14 PRINCIPAL ACCOUNTANT FEES AND SERVICES Incorporated by reference to the section entitled Audit Committee Report of the fiscal year 2004 Proxy Statement.

Table of Contents**PART IV****ITEM 15** **EXHIBITS AND FINANCIAL STATEMENT SCHEDULE**

	Page in Annual Report*
	<hr/>
(a) The following documents are filed as part of this report:	
(1) Financial Statements	
Consolidated Statement of Income for the years ended September 30, 2004, 2003 and 2002	29
Consolidated Statement of Financial Position at September 30, 2004 and 2003	30
Consolidated Statement of Cash Flows for the years ended September 30, 2004, 2003 and 2002	31
Consolidated Statement of Shareholders' Equity for the years ended September 30, 2004, 2003 and 2002	32
Notes to Consolidated Financial Statements	33-49
Report of Independent Registered Public Accounting Firm	50

*Incorporated by reference from the indicated pages of the 2004 Annual Report to Shareholders.

	Page in Form 10-K
	<hr/>
(2) Financial Statement Schedule	
Report of Independent Registered Public Accounting Firm on Financial Statement Schedule	22
For the years ended September 30, 2004, 2003 and 2002:	
Schedule II Valuation and Qualifying Accounts	24

All other schedules are omitted because they are not applicable, or the required information is shown in the financial statements or notes thereto.

Financial statements of 50 percent or less-owned companies have been omitted because the proportionate share of their profit before income taxes and total assets are less than 20 percent of the respective consolidated amounts, and

investments in such companies are less than 20 percent of consolidated total assets.

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(3) Exhibits

Reference is made to the separate exhibit index contained on pages 25 through 28 filed herewith.

Other Matters

For the purposes of complying with the amendments to the rules governing Form S-8 under the Securities Act of 1933, the undersigned registrant hereby undertakes as follows, which undertaking shall be incorporated by reference into registrant's Registration Statements on Form S-8 Nos. 33-30309, 33-31271, 33-58092, 33-58094, 33-49862, 333-10707, 333-36311, 333-66073, 333-41564, and 333-117898.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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**Report of Independent Registered Public Accounting Firm on
Financial Statement Schedule**

To the Board of Directors
of Johnson Controls, Inc.

Our audits of the consolidated financial statements referred to in our report dated November 12, 2004 appearing in the 2004 Annual Report to Shareholders of Johnson Controls, Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Milwaukee, Wisconsin
November 12, 2004

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JOHNSON CONTROLS, INC.

By: */s/ Stephen A. Roell*
Stephen A. Roell
Executive Vice President and
Chief Financial Officer

Date: November 30, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below as of November 30, 2004, by the following persons on behalf of the registrant and in the capacities indicated:

/s/ John M. Barth
John M. Barth
President, Chief Executive Officer
and Director (Chairman)

/s/ R. Bruce McDonald
R. Bruce McDonald
Vice President and
Assistant Chief Financial Officer

/s/ Dennis W. Archer
Dennis W. Archer
Director

/s/ Robert L. Barnett
Robert L. Barnett
Director

/s/ Natalie A. Black
Natalie A. Black
Director

/s/ Stephen A. Roell
Stephen A. Roell
Executive Vice President and
Chief Financial Officer

/s/ Paul A. Brunner
Paul A. Brunner
Director

/s/ Robert A. Cornog
Robert A. Cornog
Director

/s/ Willie D. Davis
Willie D. Davis
Director

/s/ Jeffrey A. Joerres
Jeffrey A. Joerres
Director

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(in millions)

Year Ended September 30,	2004	2003	2002
<u>Accounts Receivable Allowance for Doubtful Accounts</u>			
Balance at beginning of period	\$ 48.5	\$ 44.8	\$ 28.1
Provision charged to costs and expenses	23.4	17.1	20.4
Reserve adjustments	(11.2)	(9.2)	(7.8)
Accounts charged off	(17.7)	(13.7)	(4.2)
Acquisition of businesses	2.4	4.4	10.6
Currency translation	2.5	4.4	0.9
Other		0.7	(3.2)
Balance at end of period	<u>\$ 47.9</u>	<u>\$ 48.5</u>	<u>\$ 44.8</u>
<u>Deferred Tax Assets Valuation Allowance</u>			
Balance at beginning of period	\$472.1	\$352.2	\$ 88.7
Allowance established for new operating and other loss carryforwards	112.8	128.8	277.3
Allowance reversed for loss carryforwards utilized	(13.2)	(8.9)	(13.8)
Balance at end of period	<u>\$571.7</u>	<u>\$472.1</u>	<u>\$352.2</u>

Table of ContentsJOHNSON CONTROLS, INC.
INDEX TO EXHIBITS

EXHIBITS	TITLE	PAGE
3.(i)A	Articles of Amendment to Restated Articles of Incorporation of Johnson Controls, Inc., filed and effective December 12, 2003 (incorporated by reference to Exhibit 3.(i) to Johnson Controls, Inc. Quarterly Report on Form 10-Q for the quarter ended December 31, 2003).	
3.(i)B	Composite of Restated Articles of Incorporation of Johnson Controls, Inc., as amended through December 12, 2003 (incorporated by reference to Exhibit 3.(ii) to Johnson Controls, Inc. Quarterly Report on Form 10-Q for the quarter ended December 31, 2003).	
3.(ii)	By-laws of Johnson Controls, Inc., as amended March 27, 2002 (incorporated by reference to Exhibit 3 (ii) to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2002).	
4.A	Miscellaneous long-term debt agreements and financing leases with banks and other creditors and debenture indentures.*	
4.B	Miscellaneous industrial development bond long-term debt issues and related loan agreements and leases.*	
4.C	Letter of agreement dated December 6, 1990 between Johnson Controls, Inc., LaSalle National Trust, N.A. and Fidelity Management Trust Company which replaces LaSalle National Trust, N.A. as Trustee of the Johnson Controls, Inc. Employee Stock Ownership Plan Trust with Fidelity Management Trust Company as Successor Trustee, effective January 1, 1991 (incorporated by reference to Exhibit 4.F to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 1991).	
4.D	Indenture for debt securities dated February 22, 1995 between Johnson Controls, Inc. and Chemical Bank Delaware (now known as Chase Bank), trustee (incorporated by reference to Johnson Controls, Inc. Registration Statement on Form S-3, [Reg. No. 33-57685]).	
10.A	Johnson Controls, Inc., 1992 Stock Option Plan as amended through January 24, 1996 (incorporated by reference to Exhibit 10.A to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 1996).	

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JOHNSON CONTROLS, INC.
INDEX TO EXHIBITS

EXHIBITS	TITLE	PAGE
10.B	Johnson Controls, Inc., Common Stock Purchase Plan for Executives as amended November 17, 2004 and effective December 1, 2004, filed herewith.	29-32
10.C	Johnson Controls, Inc., 1992 Stock Option Plan for Outside Directors (incorporated by reference to Exhibit 10.D to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 1992).	
10.D	Johnson Controls, Inc., Deferred Compensation Plan for Certain Directors as amended through October 1, 2003 (incorporated by reference to Exhibit 10.D to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2003).	
10.E	Johnson Controls, Inc., Executive Incentive Compensation Plan as amended through October 1, 2001 (incorporated by reference to Exhibit 10.F to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2001).	
10.F	Johnson Controls, Inc., Executive Incentive Compensation Plan, Deferred Option, Qualified Plan as amended and restated effective October 1, 2003, (incorporated by reference to Exhibit C of the Definitive Proxy Statement of Johnson Controls, Inc. filed on Schedule 14A on December 4, 2003) (Commission File No. 1-5097).	
10.G	Johnson Controls, Inc., Long-Term Performance Plan, as amended and restated effective October 1, 2003 (incorporated by reference to Exhibit B of the Definitive Proxy Statement of Johnson Controls, Inc. filed on Schedule 14A on December 4, 2003) (Commission File No. 1-5097).	
10.H	Johnson Controls, Inc., Executive Survivor Benefits Plan amended through October 1, 2001 (incorporated by reference to Exhibit 10.I to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2001).	

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JOHNSON CONTROLS, INC.
INDEX TO EXHIBITS

EXHIBITS	TITLE	PAGE
10.I	Johnson Controls, Inc., Equalization Benefit Plan, as amended through October 1, 2003, filed herewith.	33-48
10.J	Johnson Controls, Inc., PERT Equalization Benefit Plan, as amended through October 1, 2003 (incorporated by reference to Exhibit 10.J to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2003).	
10.K	Form of employment agreement, as amended through September 26, 2001, between Johnson Controls, Inc. and all elected officers and key executives (incorporated by reference to Exhibit 10.K to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2001).	
10.L	Form of indemnity agreement, as amended, between Johnson Controls, Inc. and all elected officers (incorporated by reference to Exhibit 10.K to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 1991).	
10.M	Johnson Controls, Inc., Director Share Unit Plan, as amended through October 1, 2003 (incorporated by reference to Exhibit 10.M to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2003).	
10.N	Johnson Controls, Inc., 2000 Stock Option Plan, as amended through October 1, 2001 (incorporated by reference to Exhibit 10.N to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2001).	
10.O	Johnson Controls, Inc., 2001 Restricted Stock Plan, as amended and restated effective October 1, 2003 (incorporated by reference to Exhibit E of the Definitive Proxy Statement of Johnson Controls, Inc. filed on Schedule 14A on December 4, 2003) (Commission File No. 1-5097).	
10.P	Johnson Controls, Inc., Executive Deferred Compensation Plan, as amended through October 1, 2003, filed herewith.	49-67

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INDEX TO EXHIBITS

EXHIBITS	TITLE	PAGE
10.Q	Johnson Controls, Inc., 2003 Stock Plan for Outside Directors, effective October 1, 2003 (incorporated by reference to Exhibit D of the Definitive Proxy Statement of Johnson Controls, Inc. filed on Schedule 14A on December 4, 2003) (Commission File No. 1-5097).	
10.R	Letter agreement relating to James H. Keyes' retirement (incorporated by reference to an exhibit to the Form 8-K dated July 23, 2003).	
10.S	Letter agreement dated November 21, 2002 amending Giovanni Fiori's Executive Employment Agreement (incorporated by reference to Exhibit 10.R to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2003), relating to the Johnson Controls, Inc. Executive Survivor Benefits Plan (incorporated by reference to Exhibit 10.I to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2001).	
12	Statement regarding computation of ratio of earnings to fixed charges for the year ended September 30, 2004, filed herewith.	68
13	2004 Annual Report to Shareholders (incorporated sections only in electronic filing), filed herewith.	69-102
21	Subsidiaries of the Registrant, filed herewith.	103-106
23	Consent of Independent Registered Public Accounting Firm dated November 30, 2004, filed herewith.	107
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.	108
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.	109
32	Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	110

*These instruments are not being filed as exhibits herewith because none of the long-term debt instruments authorizes the issuance of debt in excess of ten percent of the total assets of Johnson Controls, Inc. and its subsidiaries on a consolidated basis. Johnson Controls, Inc. agrees to furnish a copy of each such agreement to the Securities and Exchange Commission upon request.