

**Our passion is to deliver  
sustainable value to our customers.**

**Lonza**

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**2005 First Half Results – 27 July 2005**

Stefan Borgas

## Disclaimer

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- “Certain matters discussed in this presentation may constitute forward-looking statements. These statements are based on current expectations and estimates of Lonza Group Ltd, although Lonza Group Ltd can give no assurance that these expectations and estimates will be achieved. The actual results may differ materially in the future from the forward-looking statements included in this presentation due to various factors. Furthermore, Lonza Group Ltd has no obligation to update the statements contained in this presentation.”

## 2005 First Half Results – Highlights

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- Lonza is fully on track
- Bottom line increased by 55% (considering CHF 20 million customer cancellation payment in 2004)
- EBIT increased by 26.2% up to CHF 135 million mainly due to significant improvement in Biopharmaceuticals
- Sales increased from CHF 1 088 to CHF 1 225 million (+12.6%)
- Net income of CHF 87 million versus CHF 70 million in 2004 (+24.3%)
- Successful refinancing of long-term debts of CHF 675 million
- All businesses at or above 2004 performance and at or above expectations

# Implementation of Growth Strategy on track

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Successful implementation of key elements of strategy towards sustainable, above-average, profitable growth

- Entered large-scale microbial biopharmaceuticals business with new plant in Visp (CH) based on alliance with UCB
- Biopharma Services strengthened with expansions of Slough (UK) infrastructure focused on customers' process development and clinical support
- Started construction of a large-scale peptide plant in Visp (CH) to achieve market leadership
- Very positive customer feedback on newly introduced products for Hygiene / Personal Care and Industrial Specialties markets
- Strengthened product development pipeline for new applications in Polymer Intermediates
- Unsatisfactory net working capital performance counterbalanced by lower Capex stabilized net debt

# Management Changes

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## Management Changes

- Toralf Haag will join Lonza in August as CFO
- Roland Waibel becomes Head of Corporate Development
- Stephan Kutzer takes over as Head of Biopharmaceuticals
- Gerhard Klement fills new role as Chief Technology Officer
- Jeanne Thoma, Head of Global Human Resources, appointed into Management Committee

# 2005 First Half Results

CHF million	1.Half 2004	1.Half 2005	Change YoY
Sales	1'088	1'225	12.6%
EBITDA	188	228	21.3%
<i>EBITDA Margin</i>	17.3%	18.6%	
Operating Income *	109	135	23.9%
<i>Operating Margin *</i>	10.0%	11.0%	
EBIT	107	135	26.2%
EBIT Margin	9.8%	11.0%	
Net Income	70	87	24.3%
Cash Flow before change in net working capital	106	168	58.5%
Investments (incl. Intangibles)	(136)	(89)	(34.6%)
EPS (CHF) basic	1.48	1.84	24.3%
Number of employees	5'669	5'755	1.5%

\* The prior year 2004 has been restated for the impact of share-based compensation.

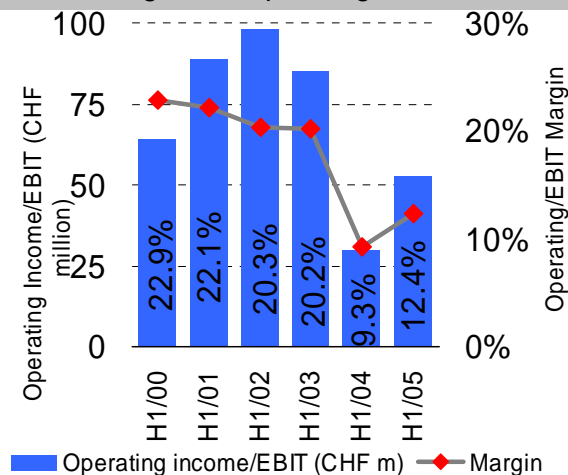
# Consolidated Cash Flow Statement

CHF million	1.Half 2004	1.Half 2005	Change YoY
<b>Profit for the period</b>	<b>70</b>	<b>87</b>	<b>24.3%</b>
Adjustment for non cash items	82	124	
Income taxes and interests paid	(46)	(43)	
<b>Cash flow before change in net working capital</b>	<b>106</b>	<b>168</b>	<b>58.5%</b>
(Increase)/decrease of net working capital	(33)	(77)	
Increase/(decrease) of other payables net	21	49	
<b>Net cash (used for) provided by operating activities</b>	<b>94</b>	<b>140</b>	<b>48.9%</b>

# Exclusive Synthesis & Biopharmaceuticals

CHF million	1.Half 2005 Change YoY	
Sales	429	32.8%
EBIT	53	76.7%
Margin	12.4%	
EBITDA	101	55.4%
Margin	23.5%	

In 2005: Change from operating income to EBIT



- Sales rose to CHF 429 million (2004: CHF 323 million)
- EBIT substantially increased by 82.8% to CHF 53 million from CHF 29 million (CHF 9 million excluding a CHF 20 million customer cancellation payment)
- Improved EBIT margin from 9.3% up to 12.4%
- Recovery of profitability in line with expectations and mainly the result of Biopharmaceuticals business

# Exclusive Synthesis & Biopharmaceuticals

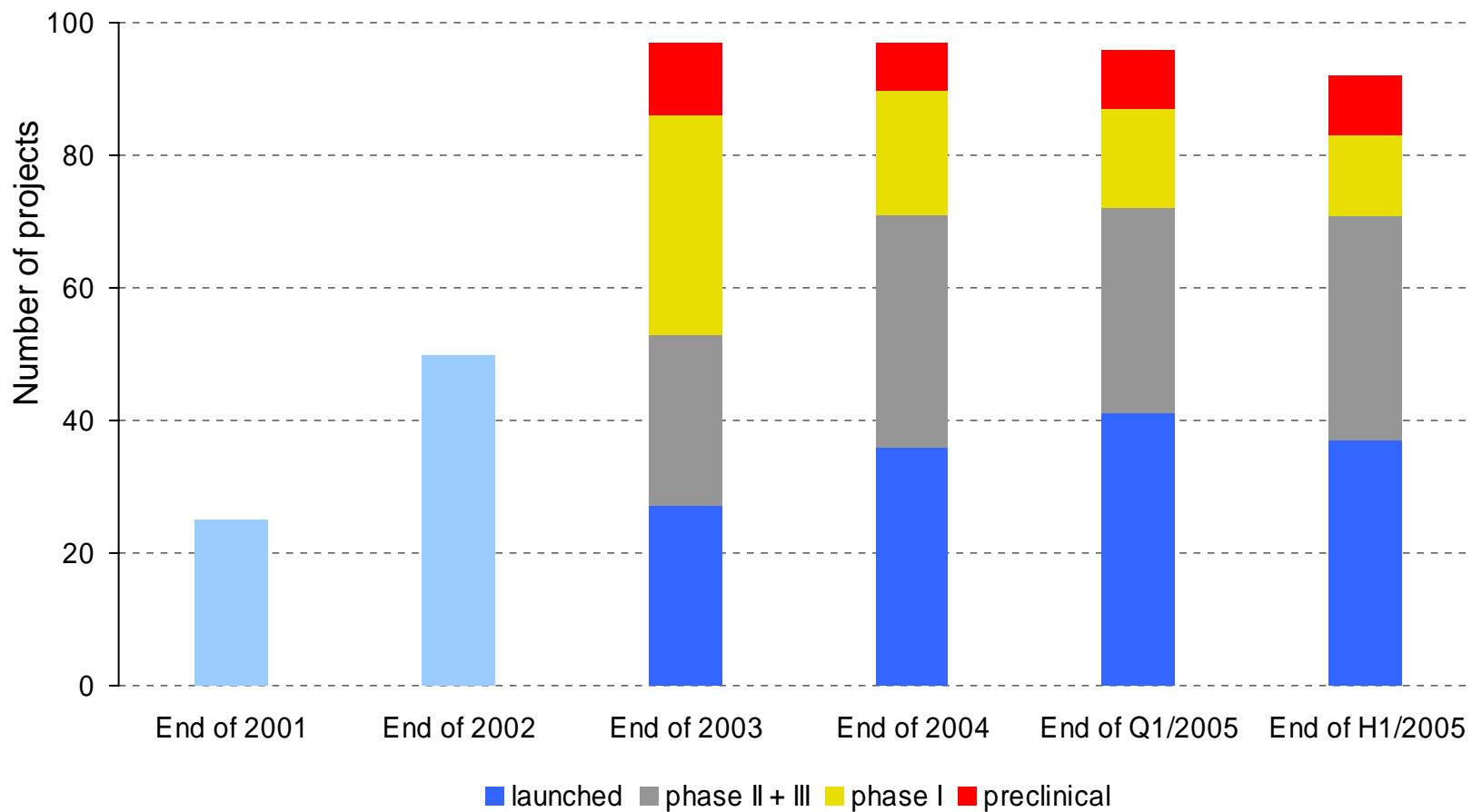
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## Exclusive Synthesis

- Continuous recovery despite ongoing difficult market environment – market pressure and overcapacity
- Stabilized margin despite product portfolio changes
- Higher level of capacity utilization in Q2/2005
  - New product launches driven by pipeline projects
  - Positive volume development in the existing business
- Construction start of a large-scale peptide plant demonstrates Lonza's expansion toward market leadership
- Intensive R&D activities on an ongoing high level with very satisfying performance in Guangzhou

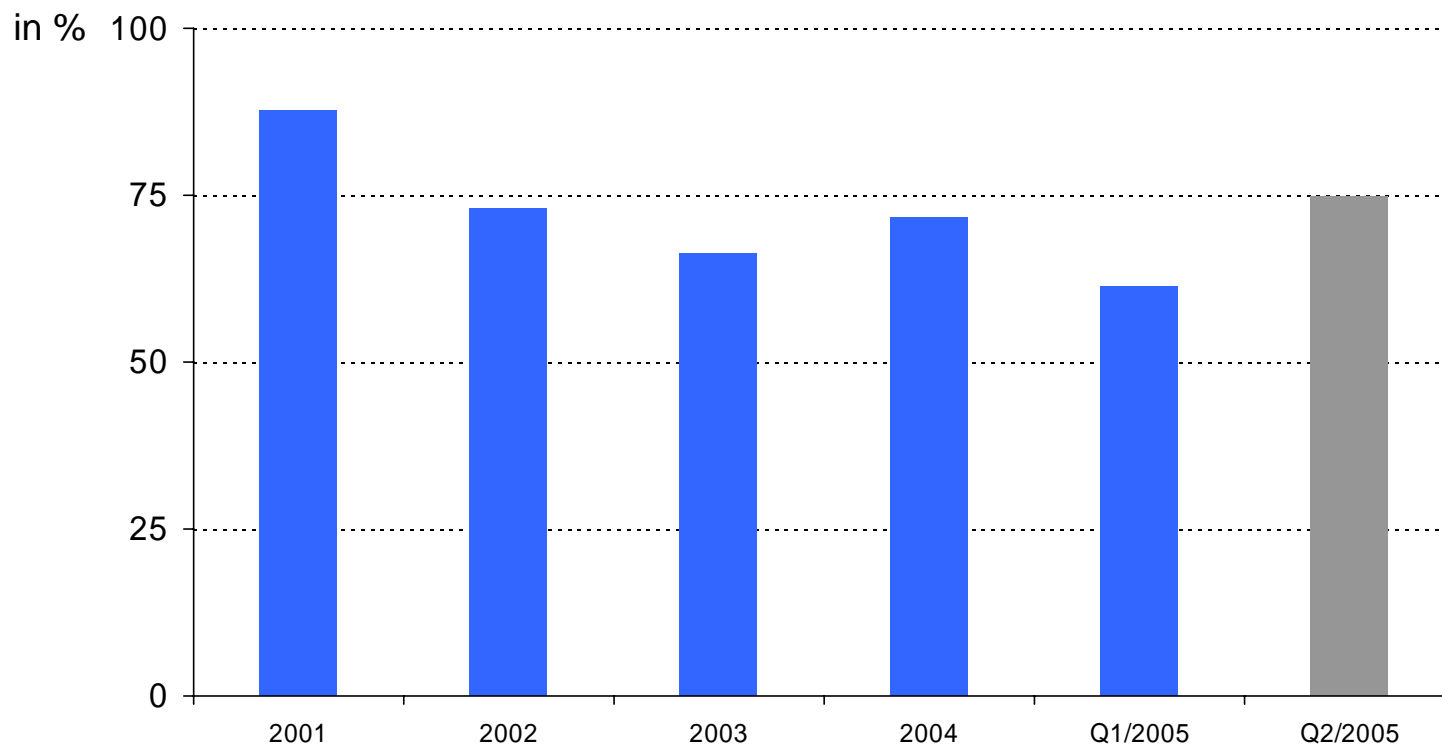
# Exclusive Synthesis – Project Pipeline

## Chemical Synthesis and Biotransformation



# Exclusive Synthesis – Capacity Utilization

■ Exclusive chemical synthesis (GMP qualified assets)



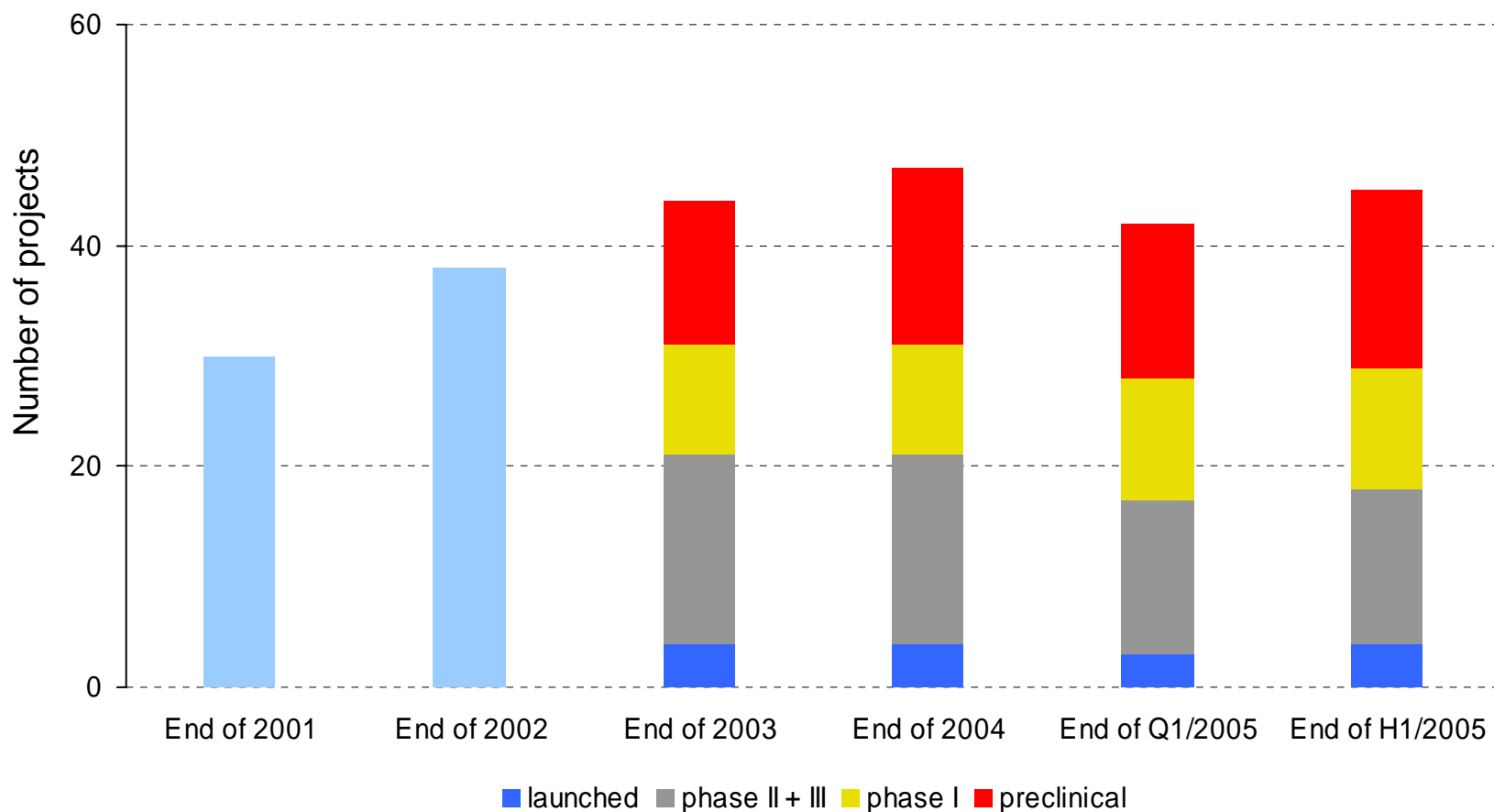
# Exclusive Synthesis & Biopharmaceuticals

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## Biopharmaceuticals

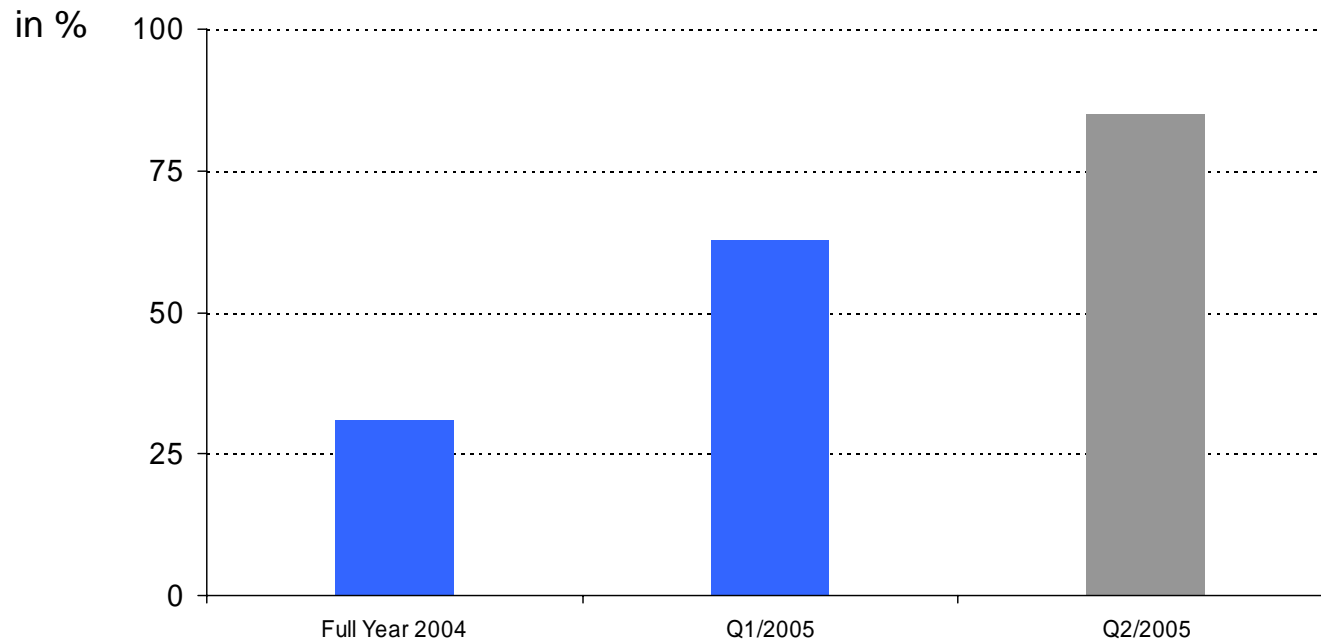
- Realized first full quarter of sales and profits in the large scale plant in Portsmouth, NH
- Satisfactory pipeline improvement for new projects in the large scale
- Capacity utilization of mid-size bioreactors ahead of expectations will lead to P&L effects in future quarters
  - Expansion is under evaluation
- Strengthening of Biopharma Services based on strong customer demand
  - Construction of a 500L reactor and additional purification capacities in Slough (UK)
  - Successful translation of R&D titers into customer's industrial cell lines
  - Further increase of our R&D expert group
- Entered the large-scale microbial biopharmaceuticals business with long-term alliance with UCB
  - Co-financed 2 x 15 000L plant will come on stream H2/2006

# Biopharmaceuticals – Project Pipeline



# Biopharmaceuticals – Capacity Utilization

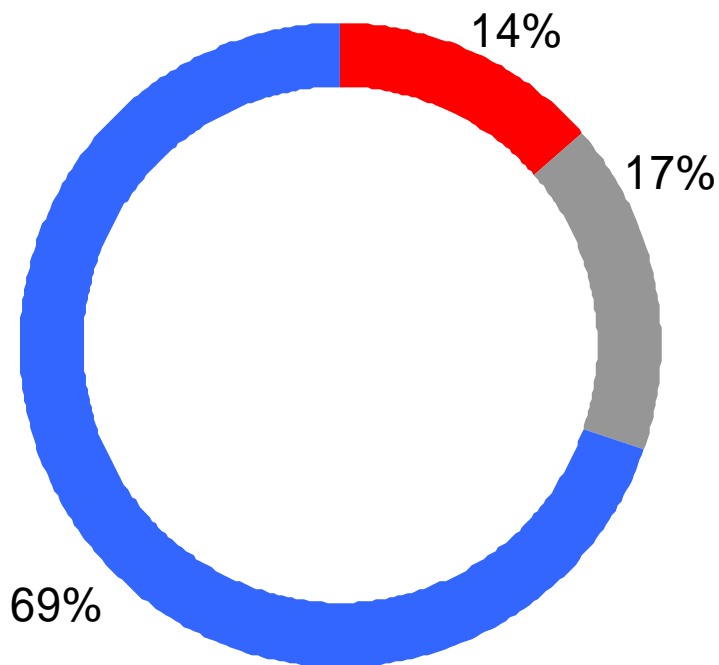
- Utilization rate based on fermenter time – number of actual days in relation to available days (3 x 2000L, 2 x 5000L + 3 x 20,000L)



2 x 1500 L bioreactors are 100% under long-term contract and not reflected above

# Global Biopharmaceuticals Pipeline\*

>650 Products under Development



- Big Pharma Companies (> \$10bio)
- Mid Size Companies (< \$10 bio, > \$1bio)
- Emerging Companies (< \$1bio)

Lonza's pipeline images the global profile.

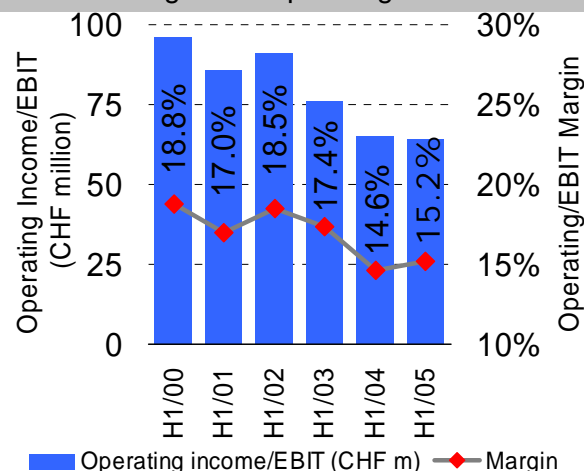
- 2/3 of the products under development come from emerging companies
- 2/3 of the products under development are based on mammalian cell culture technology
- 10% of the products under development will require manufacturing capacity within the next 3 years

\*Biopharmaceuticals based on mammalian cell culture technology and microbial fermentation

# Organic Fine & Performance Chemicals

CHF million	1. Half 2005 Change YoY	
Sales	434	(2.3%)
EBIT	66	3.1%
Margin	15.2%	
EBITDA	91	1.1%
Margin	21.0%	

In 2005: Change from operating income to EBIT



- Sales at CHF 444 million compared to CHF 434 million in 2004 (same level on a currency adjusted basis)
- Stable EBIT (2004: CHF 64 million; 2005: CHF 66 million) and margins (2004: 14.4%; 2005: 15.2%) on the back of good cost control and new products
- Increased volumes with higher capacity utilization counterbalanced high raw material and energy costs as well as unfavorable US-dollar

# Organic Fine & Performance Chemicals

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## ■ Nutrition

- High sales of vitamin intermediates
- Solid demand for Nicotines with successfully implemented price increases; unsatisfactory margin level requires further improvements
- Introduction of new low-cost L-Carnitine feed grade stopped market expansion of Chinese competitors
- Sales of Meta<sup>®</sup> at very low level due to high sales in Q4/2004 and unfavorable weather conditions

## ■ Hygiene / Personal Care

- Good demand for the new Natrulon<sup>®</sup> series for personal care
- Strong market interest for recently launched DermaSphere<sup>®</sup> line, an award-winning natural emulsifier system
- Successful introduction of Surfaccine<sup>®</sup> (silver-based hard-surface disinfectant)

# Organic Fine & Performance Chemicals

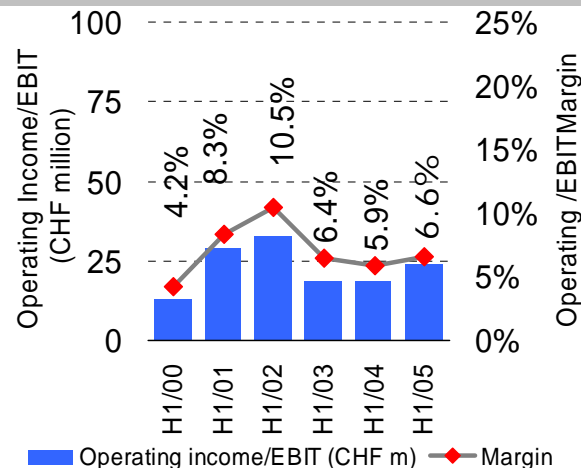
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- Preservation / Wood / Water
  - Significant high demand for Carboquat<sup>®</sup> slowed towards mid-year due to inventory adjustments at customers
- Industrial Specialties
  - Higher Sales and margins for diketene derivatives due to worldwide buoyant demand
  - Engineering Polymer additives benefited from good market conditions in the electronics and aerospace industries
  - CarboShield<sup>®</sup> (novel corrosion inhibitor) well received by industry

# Polymer Intermediates

CHF million	1.Half 2005 Change YoY	
Sales	361	12.8%
EBIT	24	26.3%
Margin	6.6%	
EBITDA	43	13.2%
Margin	11.9%	

In 2005: Change from operating income to EBIT



- Healthy improvement of sales from CHF 320 million up to CHF 361 million (12.8%)
  - Increased volumes and prices counterbalanced high raw material costs
  - Unfavorable euro/dollar exchange rate continued to affect export business
- EBIT increased by 26.3% to CHF 24 million (2004: CHF 19 million)
- Strong sales in the Mediterranean region compensated for the weaker demand in Central Europe

# Polymer Intermediates

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- Phthalic anhydrides and plasticizer
  - High volumes, but margin under pressure as price increases were unsuccessful in the automotive and electrical sector
- Maleic anhydride and derivatives
  - Favorable market conditions with strong sales and margins
- Trimellitic anhydride
  - Temporarily shut-down of production to reduce high level of inventories and implement technical measures for cost improvement
- Compounds and Resins
  - Good volumes and margins of resins based on strong demand from construction sector in Southern Europe
  - Compounds performance on last year's level
- Purified isophthalic acid (Singapore)
  - Improved volume, sales and margin

# Lonza's Vision, Culture and Goals\*

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## Vision

- Our passion is to deliver sustainable value to our customers.

## Culture

- Our culture is centered on trust and our people's entrepreneurship.

## Competencies

- Drive, develop, decide and deliver
- Realize ambitious financial targets:
  - 2006: EBIT targets of CHF 300-400 million
  - Medium term (4-6year): Sales increase to CHF3bn (~10% p.a. growth) and EBIT up to CHF500m (average growth of >15% p.a.)
  - Net debt around current levels

\* communicated together with 2004 Full Year Results and Growth Strategy on 26 Jan 2005

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**Lonza**

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**2005 First Half Results – 27 July 2005**

Stefan Borgas

# Calendar of Events + Contacts

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## ■ Important Lonza Group Dates

- 18 October 2005
- 25 January 2006

Q3 / 05 Business Update  
2005 Full Year Results

## ■ Media Contact

Christine Menz

Media Relations

T +41 61 316 82 53

F +41 61 316 92 53

[christine.menz@lonza.com](mailto:christine.menz@lonza.com)

Back-up Slides

# Divisional Sales Development

CHF million	1.Half 2004	1.Half 2005	Change YoY	Change due to	
				Volume & Prices	Currency
Exclusive Synthesis & Biopharmaceuticals	323	429	32.8%	109	(3)
Organic Fine & Performance Chemicals	444	434	(2.3%)	(2)	(8)
Polymer Intermediates	320	361	12.8%	43	(2)
Holding & Others	1	1	n.m.	0	0
<b>Net Sales</b>	<b>1'088</b>	<b>1'225</b>	<b>12.6%</b>	<b>150</b>	<b>(13)</b>

# Divisional EBIT Performance

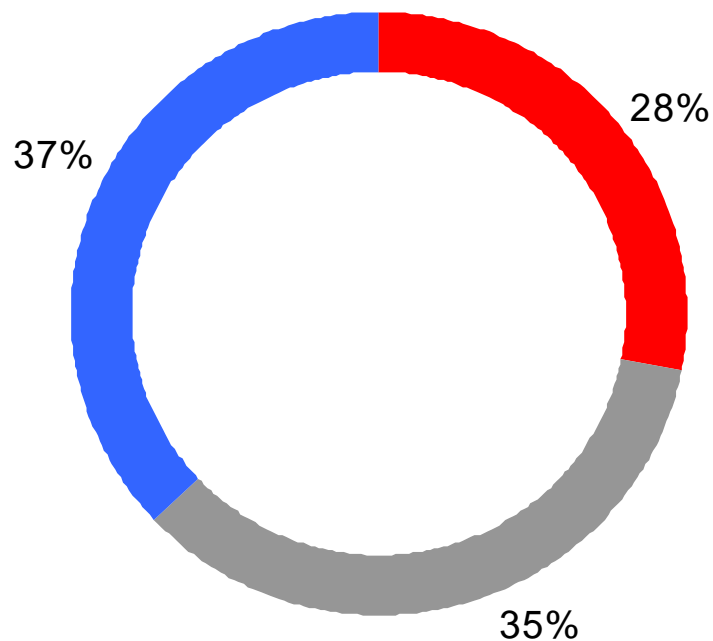
CHF million	Ebit			Margin	
	1.Half 2004	1.Half 2005	Change YoY	1.Half 2004	1.Half 2005
Exclusive Synthesis & Biopharmaceuticals	29	53	82.8%	9.0%	12.4%
Organic Fine & Performance Chemicals	64	66	3.1%	14.4%	15.2%
Polymer Intermediates	19	24	26.3%	5.9%	6.6%
Holding and Others	(5)	(8)	(60.0%)	n.m.	n.m.
Operating Income	107	135	26.2%	9.8%	11.0%

# Consolidated Income Statement

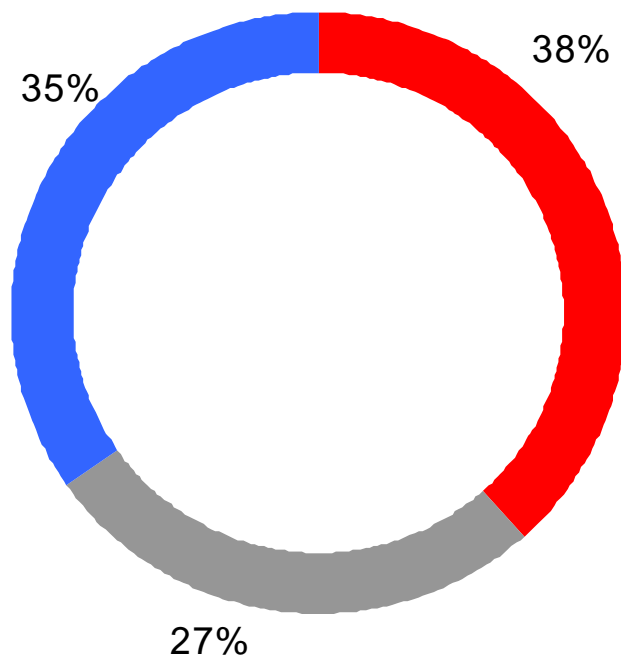
CHF million	1.Half 2004	1.Half 2005	Change YoY
Net Sales	1'088	1'225	12.6%
Operating Expenses	(979)	(1'090)	11.3%
Operating Income before special items/GW amort.	109	135	23.9%
Goodwill Amortization	(2)	0	
Result from operating activities (EBIT)	107	135	26.2%
Financial Expenses	(14)	(19)	35.7%
Pre-tax earnings	93	116	24.7%
Income taxes	(23)	(29)	26.1%
Net Income	70	87	24.3%
EPS basic (CHF)	1.48	1.84	24.3%

# Net Debt Profile

June 30, 2004  
Total Net Debt  
CHF 1 071 million



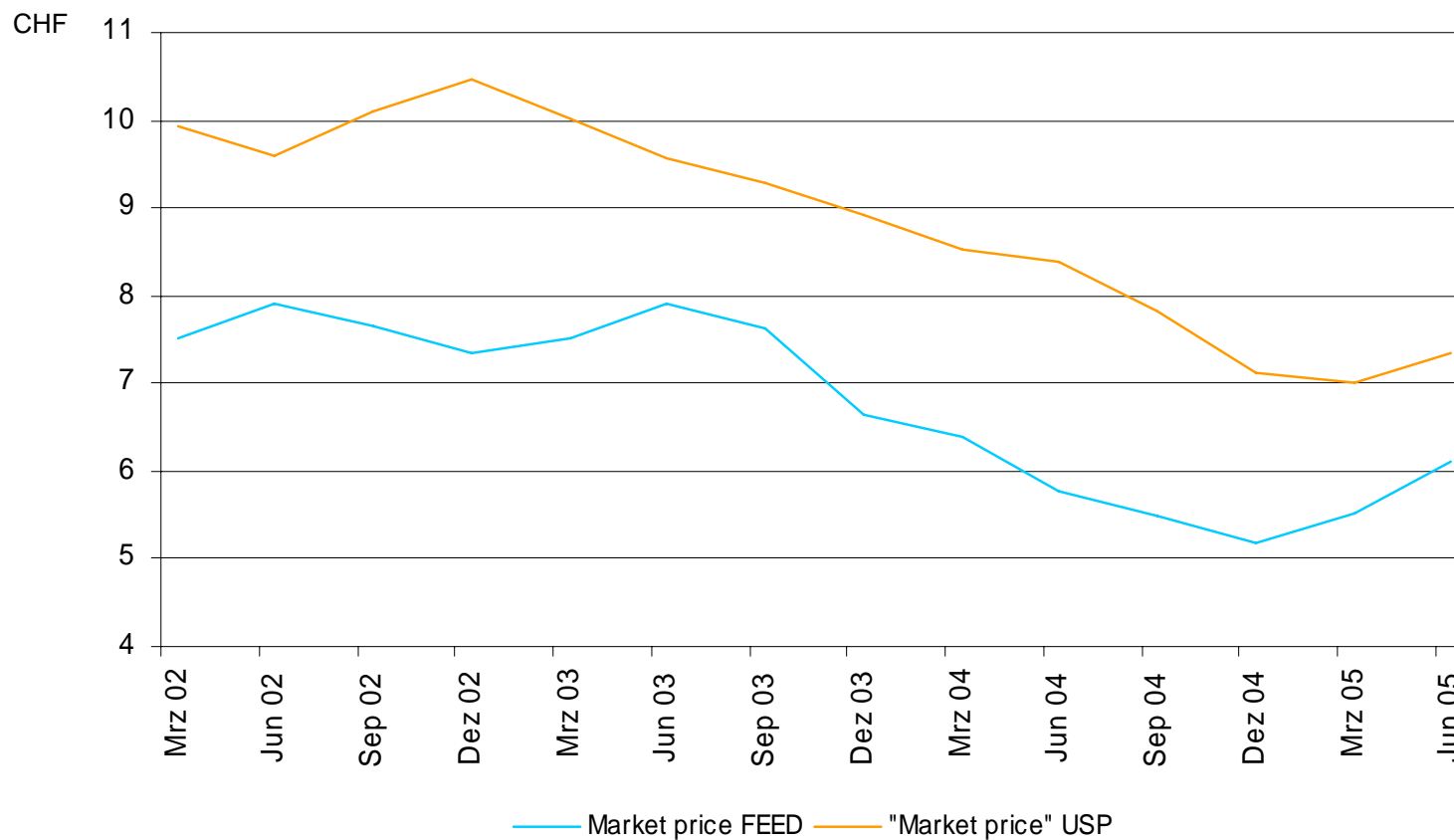
June 30, 2005  
Total Net Debt  
CHF 1120 million



- 2006 Convertible Bond
- 2006 Straight Bond
- Short term (net of cash) and advances/loans

# Organic Fine & Performance Chemicals

## Price Development of Nicotinates



# Polymer Intermediates

## Raw Material Trends 04/05

