

Disclaimer

- “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.”

Analyst Conference
Basel, 26 January 2005

Lonza

Path to Accelerated, Profitable Growth

Stefan Borgas, Chief Executive Officer

Agenda

- 2004 Full Year Results
 - Challenging external environment

- Short-term Outlook favorable
 - Sales growth and solid earnings improvement in 2005

- Strategy Review
 - Extensive strategic review affirmed significant strengths
 - Solid basis for ambitious medium and long-term growth

Path to Accelerated, Profitable Growth

2004 Full Year Results

2004 Financial Highlights

- Ongoing tough business environment in custom manufacturing
- High raw material & energy prices in all other operations
- Group sales decreased by 2.7% to CHF 2 182 million compared to 2003, slightly improved in H2/2004
- Operating income decreased as expected, but overall on a disappointing level to CHF 215 million, down 28.8% against 2003
 - Differences to early year guidance comes from weak niacin pricing in Q4 (CHF 5 million), adverse USD in Q4 (CHF 7 million) and delivery of biopharmaceuticals into 2005 (CHF 7 million)
- Net income after all charges up to CHF 138 million (2003: CHF 91 million)
- Net debt of CHF 1 027 million at previous year's level:
 - Lower results and start-up costs for the large scale mammalian plant in Portsmouth, NH (USA) balanced by lower capital expenditure
- EPS basic after special items increased from CHF 1.92 to CHF 2.91

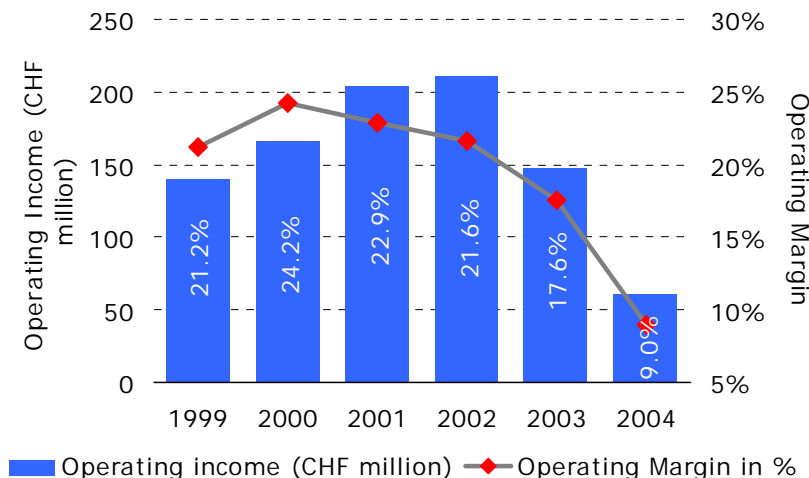
2004 Financial Position

CHF million	2003	2004	Change YoY
Sales	2'242	2'182	(2.7%)
EBITDA before special items	456	383	(16.0%)
<i>EBITDA Margin before special items</i>	20.3%	17.6%	
Operating Income before special items / GW amort	302	215	(28.8%)
<i>Operating Margin before special items / GW amort</i>	13.5%	9.9%	
Special Items net *	(158)	2	
Net Income before special items	198	136	(31.3%)
Net Income	91	138	51.6%
Cash Flow before change in net working capital	264	256	(3.0%)
Investments (incl. Intangibles)	(424)	(249)	(41.3%)
EPS (CHF) basic before special items	4.18	2.87	(31.3%)
EPS (CHF) basic after special items	1.92	2.91	51.6%
Number of employees	5'659	5'668	0.2%

* Assets taken out of production/depreciation, restructuring and other provisions and reversal of impairments and profit/loss from sale

Exclusive Synthesis & Biopharmaceuticals

CHF million	2004 Change YoY	
Sales	676	(19.0%)
Op. Income*	61	(58.5%)
Margin*	9.0%	
EBITDA*	142	(34.6%)
Margin*	21.0%	



- Sales of CHF 676 million, down 19.0%
- Operating margins declined from 17.6% to 9.0%;
- Slightly better situation in H2/04
 - Small molecules: continuously challenging market conditions, balanced by effects of larger R&D pipeline
 - Biopharmaceuticals: utilization rate of 2000L and 5000L unsatisfactorily low with steady increase quarter by quarter

* before special items

Exclusive Synthesis & Biopharmaceuticals

Exclusive Synthesis (Small Molecules)

- Ongoing pressure due to
 - Low rate of new drug approvals
 - Insourcing of existing products and delayed product approvals at customers
 - Continuously existing overcapacity at competitors and customers
- Stabilized capacity utilization throughout 2004 thanks to strong pipeline delivering new projects
- Trend toward short-term supply chain planning at customers
- Margin stabilization due to benefits of cost reduction program
- Strengthening of project pipeline mainly in phase II/III and launched stage with continuous qualitative improvement of portfolio
- Successful start of R&D centre in Guangzhou with 10 scientist and state-of-the-art standard; stepwise expansion planned for 2005
- Confirmed market leadership and best-in-class profitability

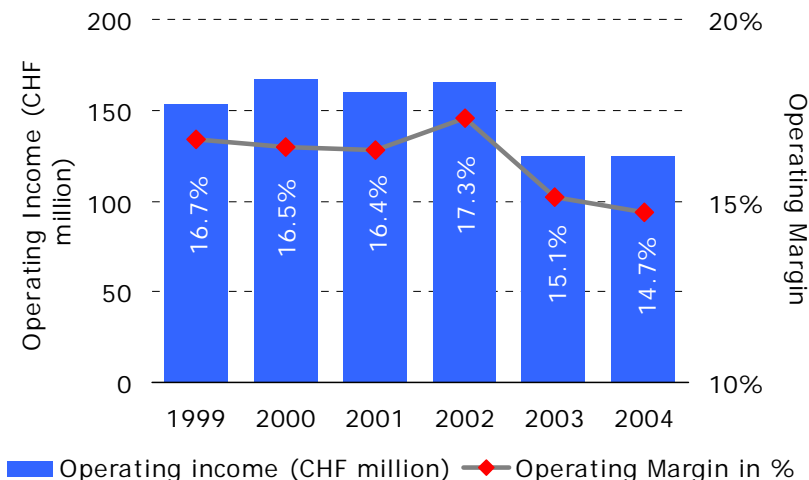
Exclusive Synthesis & Biopharmaceuticals

Biopharmaceuticals (Large Molecules)

- Negative impact on sales by ongoing very low capacity utilization of the mid-size reactors due to product failures at customers in 2003
- First success with new contracts in Q4
- Start-up of the 3 x 20,000L reactors in Portsmouth, NH (USA)
 - Completion of validation and qualification at the end of 2004
 - Long-term supply agreements with Genentech and BMS
 - Based on experience, fast track expansion possible (30 months)
 - Increasing customer interest in future capacity
 - Additional fourth 20,000L reactor in direct response to customer demand; planned start-up in mid 2006
- Strengthening of project pipeline with more preclinical projects
- Improvement of monoclonal antibody yields in excess of 5 g /L
- Start-up of microbial small scale plant in Visp (CH)
- Positioned for strong profit upswing reaping benefits from investments

Organic Fine & Performance Chemicals

CHF million	2004 Change YoY	
Sales	852	3.1%
Op. Income*	125	0.0%
Margin*	14.7%	
EBITDA*	174	0.6%
Margin*	20.4%	



- Sales growing with the market to CHF 852 million (up 5.8% on a currency-adjusted basis)
- Operating income remained on previous year's level mainly due to
 - Unsatisfying nicotinates business, unfavorable USD exchange rate in Q4, short-term margin deterioration due to quickly rising raw material prices
 - Balanced by strong performance from new products
- Operating margin basically maintained (2003:15.1%; 2004: 14.7%) due to successful cost management

* before special items

Organic Fine & Performance Chemicals

Organic Fine Chemicals

- Overall high capacity utilization and stabilization of market shares
- Nicotinates
 - Market demand low due to avian flu
 - Prices under strong competitive pressure resulting in margin decrease
 - Construction of the new 6 000 ton niacinamide plant in Guangzhou (China) according to plan with expected start-up Q3/05
- Metaldehyde
 - Low revenues due to low consumption and de-stocking at customers with recovered volumes in Q4
- Diketene derivatives
 - Shut-down of production plant in Pasadena, TX (USA) and transfer of business to existing plant in Visp (CH)
 - Margin recovery toward year-end due to passing through high raw material cost
- Engineering Polymers Additives
 - Positive impact by good market conditions in the electronics industry

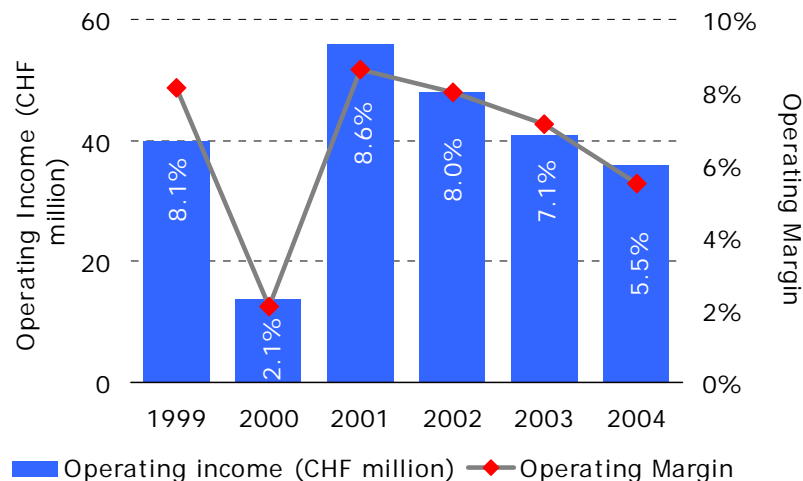
Organic Fine & Performance Chemicals

Performance Chemicals

- Significant increase of sales due to successful introduction of Carboquat™, the first chloride-free wood protection agent
- In combination with the strong performance of Carboquat™, the entire business profited from better utilization rates and subsequently outperformed 2003 results
- Good progress of development activities with 4 launched products:
 - **Natrulon™ OSF (“Dermaspheres”)**
This naturally derived oleosome (“oil body”) is a novel technology providing an entirely new approach to skin care formulating. Natrulon™ OSF does the job of an emollient, emulsifier and moisturizer all in one product and at a lower overall cost to the formulator.
 - **Natrulon™ HT**
This new enzyme based water additive protects and improves the condition of the skin in spas and hot tubs. Natrulon™ HT is a skin softener and moisturizer in one product.
 - **Carboshield™**
Carboshield™ is derived from Lonza’s amines technology with outstanding corrosion inhibition and metal surface cleaning features for a broad range of industrially used metals. Regulatory work is in process to broaden its functionality.
 - **Surfacine®**
Surfacine® is a silver based organometallic biocide with new formulations and applications techniques. The product is unique, in that it not only provides 24 hours of antimicrobial protection to surfaces on which it is applied but its disinfection kill time for many infectious organisms is more rapid than traditional biocides.

Polymer Intermediates

CHF million	2004 Change YoY	
Sales	649	12.3%
Op. Income*	36	(12.2%)
Margin*	5.5%	
EBITDA*	72	(5.3%)
Margin*	11.1%	



- Sales increased by 12.3% to CHF 649 million due to volume recovery in some areas
- Operating income down by 12.2% to CHF 36 million
 - Continually and quickly rising raw material prices at historic heights
 - Significantly reduced exports of higher margin products to USA and Asia due to persistently weak USD versus Euro
- Operating margin declined from 7.1% in 2003 to 5.5%

* before special items

Polymer Intermediates

- Higher demand for chemical commodities, positive impacts of the cost reduction measures and price increases could only partially offset negative impacts in most businesses
- Phthalic anhydrides and plasticizers
 - Improved sales due to recovery of building sector in Southern Europe
- Maleic anhydride and derivatives
 - Volumes at 2003 level
 - Outage of benzene-based MA plant into December 2004; continuous supply from butane-based plant
- Purified isophthalic acid (Singapore)
 - Strong volume development driven by PET applications
 - Margin pressure due to limited acceptance of price increases
 - Successful de-bottlenecking improved production performance
- Compounds & Resins
 - Specialty business strong on volume but suffering on the long period necessary to pass through raw material increases

Consolidated Cash Flow by Operating Activities

CHF million	2003	2004	Change YoY
Result from operating activities (EBIT)	139	212	52.5%
Adjustment for non cash items	232	130	(44.0%)
Income taxes and interests paid	(107)	(86)	(19.6%)
Cash flow before change in net working capital	264	256	(3.0%)
(Increase)/decrease of net working capital	46	(53)	(215.2%)
Increase/(decrease) of other payables net	(19)	(25)	(31.6%)
Net cash (used for) provided by operating activities	291	178	(38.8%)

Net working capital increased due to

- Start-up of large scale plant in Portsmouth
- Overall higher raw material values

Business Outlook

- Expected sales growth and solid earnings improvement in 2005
- Short-term (next two years) operating income targets of CHF 300-400 million
 - Good level of utilization of 20,000L bioreactors delivering 60 to 70% benefit of maximum capacity in 2005
 - Improved utilization of mid-size bioreactors compared to H2/2004
 - Resilience despite ongoing tough market conditions in Exclusive Synthesis
 - Remaining high competition in many product lines in Organic Fine Chemicals and continued strong contribution of Performance Chemicals
 - Satisfying demand of Polymer Intermediates with unchanged raw material prices improving operating margins
- Board of Directors proposing dividend of CHF 1.30

Basel, 26 January 2005

Lonza

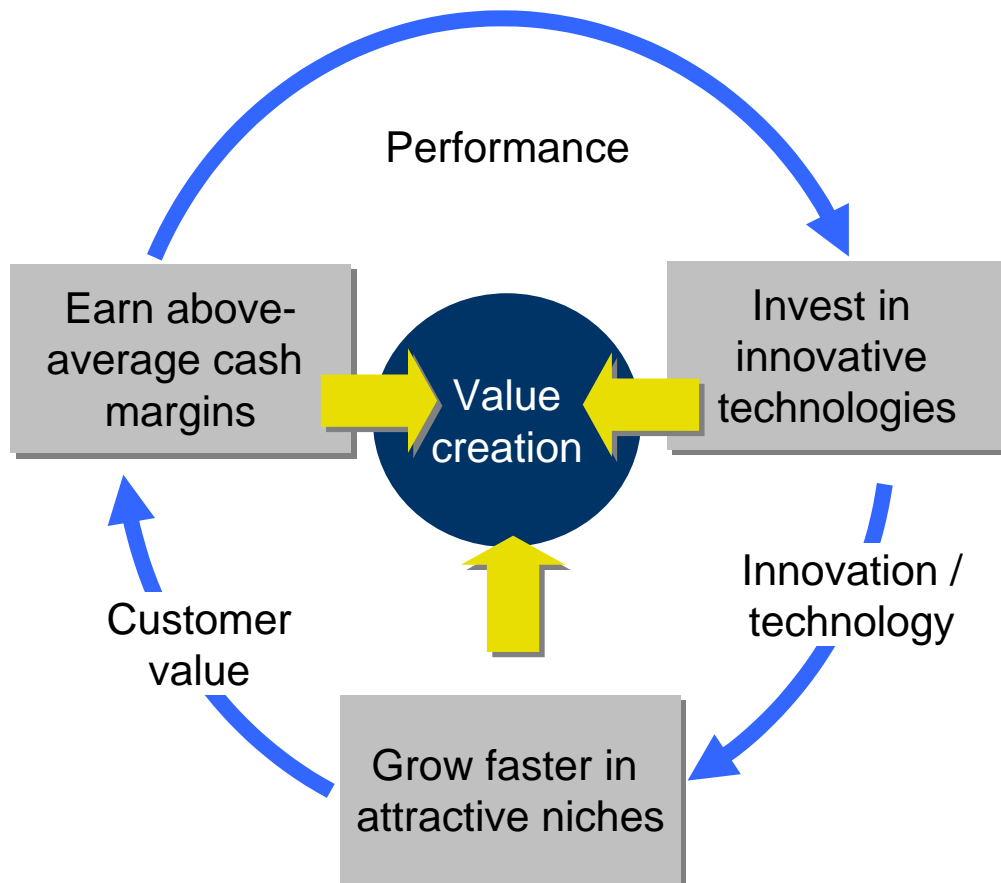
Strategy Review

Path to Accelerated, Profitable Growth

Key Conclusions of Strategic Review

- Business is sound with highly competitive core strengths and competences
 - No fundamental restructuring required
- Strategy revision will energize growth and leverage strengths
 - Exclusive Synthesis & Biopharmaceuticals will be key drivers
 - Organic Fine & Performance Chemicals: growth in selected life science markets
 - Polymer Intermediates to be run for long-term cash
- Short term (next 2 years) operating income to increase well into CHF300-400m range (>20% p.a. growth)
 - Cash generated to be fully reinvested to secure next phase of growth
- Drive to operational excellence and cost containment in all functions will be important pre-requisite

Our Strategy Builds on Lonza's Success Story



Design principles for Lonza's strategy

- High margin business niches
- Growth with leading technology
- Tight link to attractive customers

While aggressively managing the portfolio....

- ...ensuring asset utilisation
- ...balancing industry and geographical risks
- ...driving towards high performing operations


"Big fish in a small pond approach"

Lonza's Vision, Culture and Goals

- Expand Lonza's leading brand image in the life science industries
- Culture of trust and entrepreneurialism
 - Develop, Decide, Drive and Deliver
- Realize ambitious medium term (4-6 years) financial targets:
 - Sales in excess of CHF3bn (~10% p.a. growth)
 - Operating income in excess of CHF500m (average growth of >15% p.a.)
 - Net debt around current levels
- Manage risks
 - Adapt timing to market needs
 - React to competitive environment

Our Life Sciences Markets

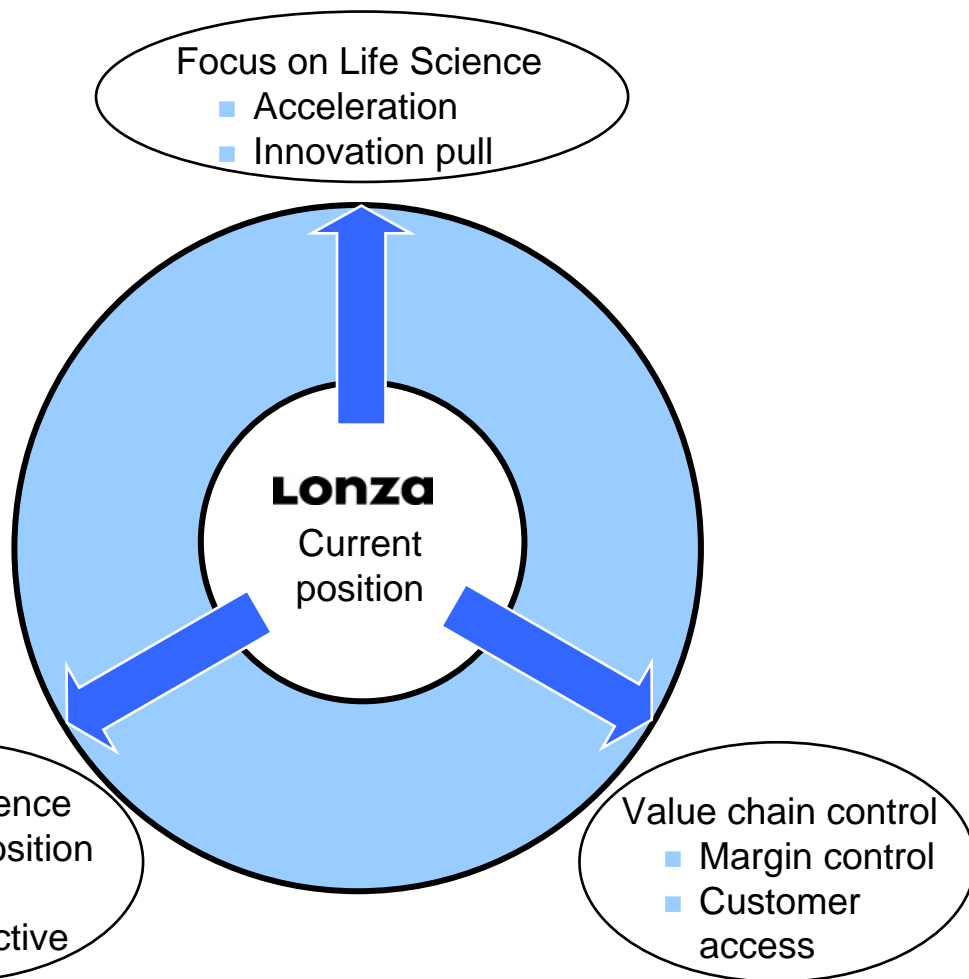
All products that in final usage are consumed by people, internally or externally

- Health Care
 - Traditional Pharmaceuticals
 - Biopharmaceuticals
 - OTC and Prescription
 - Ethical and generic
 - Nutrition
 - Food
 - Feed
 - Personal Care / Cosmetics
 - Hygiene
 - Agriculture
- 

- Today around 60% of Lonza's sales are made in our life science markets
- Lonza can leverage strong product and application innovation capabilities
- Lonza has a long track record of partnerships with leading companies in life science markets
- Lonza's regulatory track record is outstanding

Strategic Orientation – Key Elements:

Life Science Focus; Global Presence; Value Chain Control



Life Science focus

- Commitment to high growth rates
- Focus on additional high margin niches

Value chain control

Move toward:

- Delivery of sustainable, measurable value for customers and
- Better control of Intellectual property

Global presence

- Accelerate cost improvements
- Stick to high growth opportunities

Realign Lonza for Accelerated, Profitable Growth

All businesses support overall growth strategy;
no major restructuring but realignment and continuing change

Biopharmaceuticals & Exclusive Synthesis

- Target Market Growth:
>20% p.a.
(over next 4-6 years)
- Target op. margin:
Mid twenties

Organic Fine & Performance Chemicals

- Target Market Growth:
~5-8% p.a.
(over next 4-6 years)
- Target op. margin:
Mid teens

Polymer Intermediates

- Target Market Growth:
~3-5% p.a.
(over next 4-6 years)
- Target op. margin:
~10% (average over cycle)

- Smaller acquisitions and partnerships will support innovation
- Small divestment outside target markets
- Passionate drive for operational excellence

Reduce Risk Profile and Volatility

- Expand bio-manufacturing to be disciplined and demand driven
 - Use experience from current operations
 - Align expansion with contracted customer commitments
 - Dilute risks through growing business size
- Access Asian market through establishment of chemical synthesis R&D and production in China and/or India
- Expand into growth niches in Organic Fine & Performance Chemicals
- Ensure long term cash generation in Polymer Intermediates (limited investments and partnerships)
- Contain net debt

Exclusive Synthesis & Biopharmaceuticals

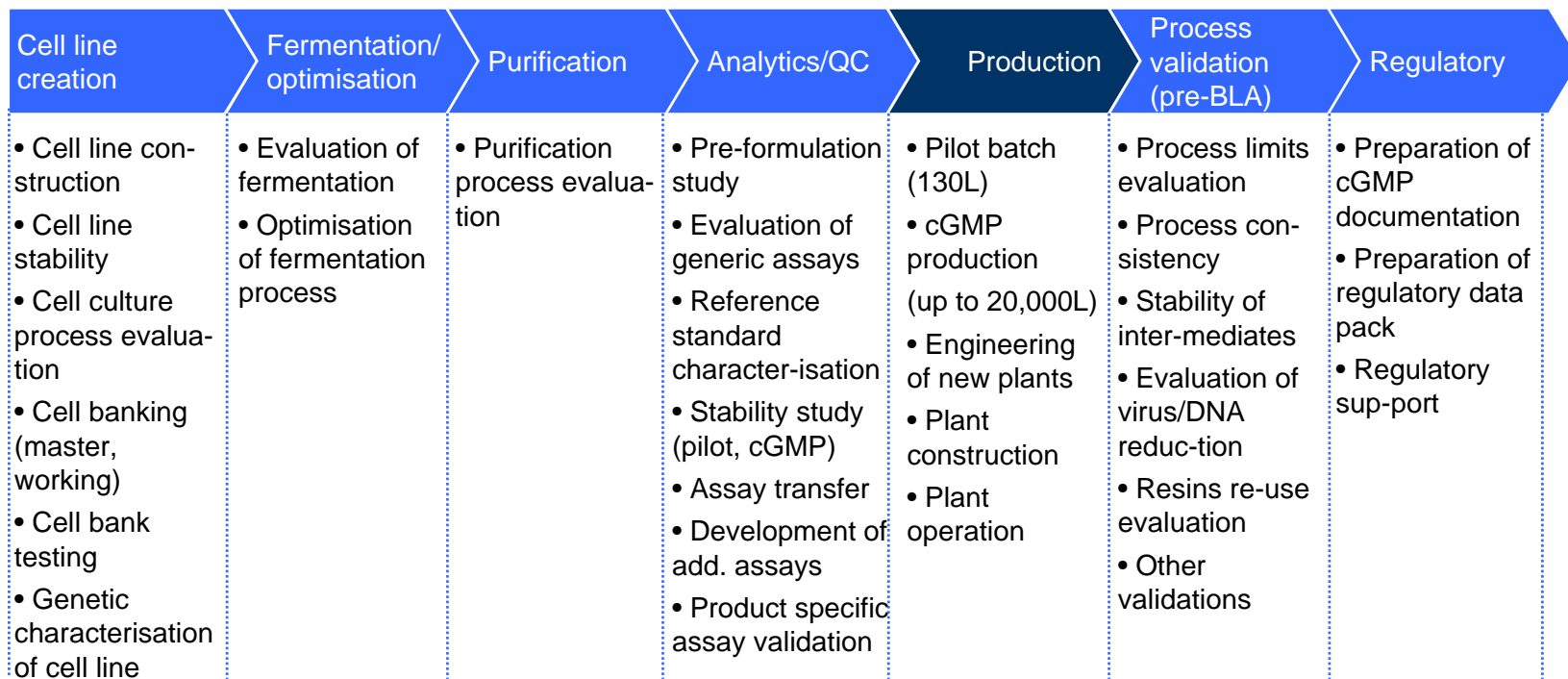
Biopharmaceuticals business is strong growth driver
in short, medium and long term

- Strong market growth at ~20% per annum with balanced supply and demand
- High utilisation of large scale reactors in Portsmouth, NH
- Pursue multiple new contracts to support expansion
- Continue to build the microbial biopharmaceuticals business
- Build up licensing and Biopharma Services business as a profit centre capitalising on leadership in technology and production
- Further growth:
 - Opportunities in recombinant vaccines
 - Regional expansion

Critical success factors are:
track record, innovation, speed, cost, risk sharing, growth

Exclusive Synthesis & Biopharmaceuticals

Biopharma Services business offers attractive additional opportunities. Business model currently being explored with view to establishing stand-alone profit centre



Lonza Biopharma Services is fostering the ever-closer relationships between Lonza and the growing biopharmaceuticals industry

Exclusive Synthesis & Biopharmaceuticals

Exclusive Synthesis (Small Molecules) market outlook still solid but at moderate growth of 5% p.a.

- Market share gains as part of customer's supply chain strategies
- Major scale / breadth advantages create value and control risk
- Further growth:
 - New markets (e.g. peptides)
 - Expanding the value chain (e.g. specialty formulation)
- China R&D and production base:
 - Enhance access to Asian markets
 - Access to lower cost high-tech manufacturing
- Continuous upgrading technology portfolio

Exclusive Synthesis & Biopharmaceuticals

Size/Scale combined with technological leadership are key competitive advantages and drivers of value creation

RISK MITIGATION

- Volatility reduction in portfolio
- Risk-sharing with business partners
- Reduction of single project exposure

REALISING GLOBAL ADVANTAGE

- Participate world wide
- Manage global supply chains
- Leverage low cost resources



SCALE ADVANTAGE – BROADER AMORTISATION BASE

- Marketing & sales
- Technology, R&D infrastructure,
- Upfront investments

LEADERSHIP IN TECHNOLOGY AND SALES

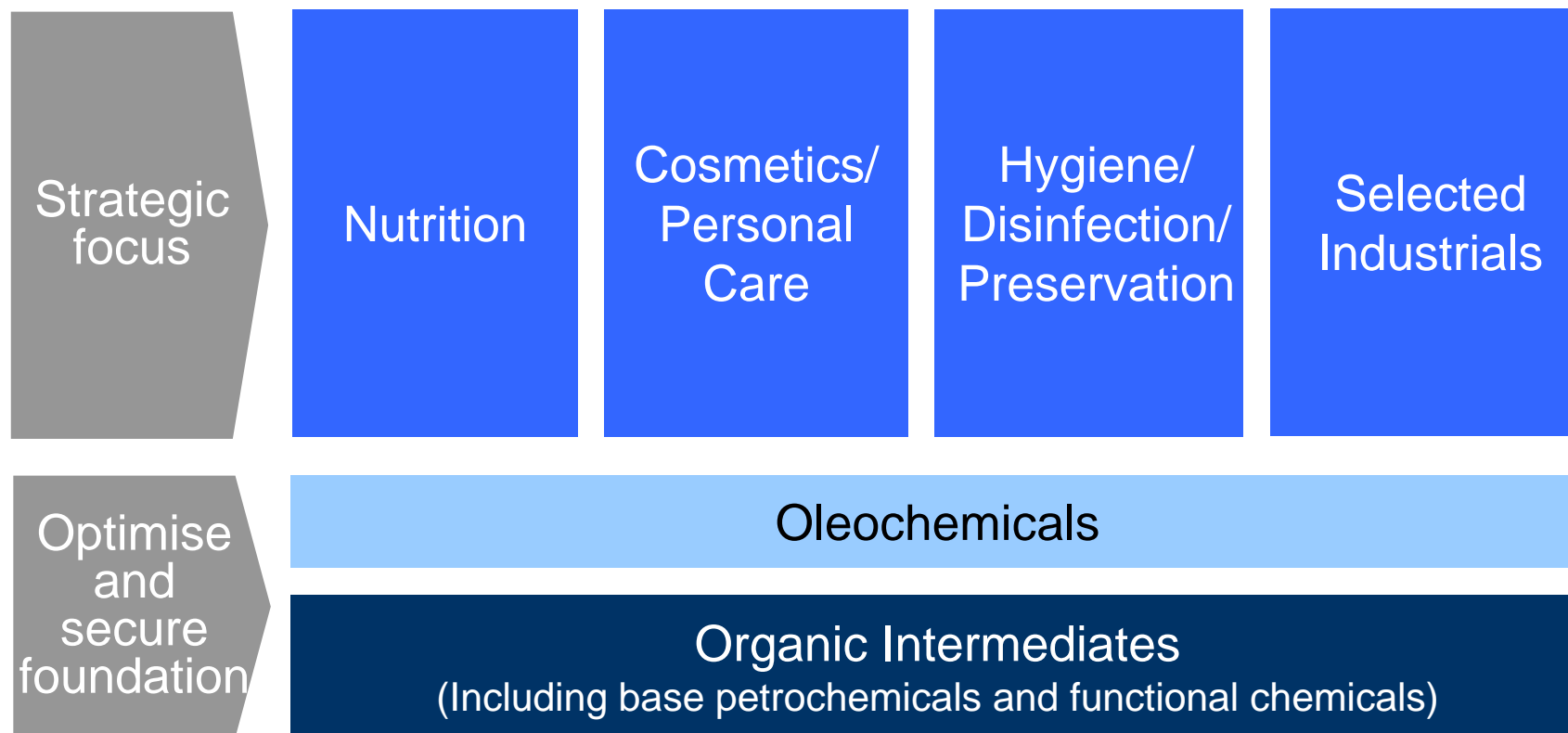
- Versatile technology toolbox
- Business development
- Critical size R&D force

Organic Fine & Performance Chemicals

- Expand core strengths in manufacturing and process development:
 - Product development
 - Applications development
- Growth with attractive margins, sustainable against competitive pressures
- Target niches within nutrition, cosmetics / personal care, hygiene / disinfection / preservation and certain industrial markets
 - Fit to Lonza's established strengths (e.g. highly regulated, innovation driven, sophisticated customer approval requirements)
- Innovation acquisitions will be evaluated actively

Organic Fine & Performance Chemicals

Existing strengths provide platforms for growth that will be accelerated by strategic focus on attractive life science market niches



Organic Fine & Performance Chemicals

Focus on high-end niches

NUTRITION

Growth Areas: Bioactives, cultures, enzymes, feed additives

Market Growth: 8% CAGR

Current Sales: >CHF150m

Current Product Line: Niacin and Niacinamide, Carnipure, Carniking, Carnifeed, Carnipass, Aldo/Glyco emulsifiers for food industry.

COSMETICS/PERSONAL CARE

Growth Areas: Active ingredients

Market Growth: 5-8% CAGR

Current Sales: ~CHF40m

Current Product Line: Natrulon range, Glydant, Geogard preservatives for cosmetics and personal care applications

HYGIENE/ DISINFECTION/PRESERVATION

Growth Areas: Quats, organometallics, blends and packages

Market Growth: >8% CAGR

Current Sales: >CHF100m

Current Product Line: Hydantoin and quat-based biocides and disinfectants like Bardacs, Barquats, Lonzabacs.

SELECTED INDUSTRIALS

Growth Areas: Hardeners and lubricants, electronic and construction chemicals

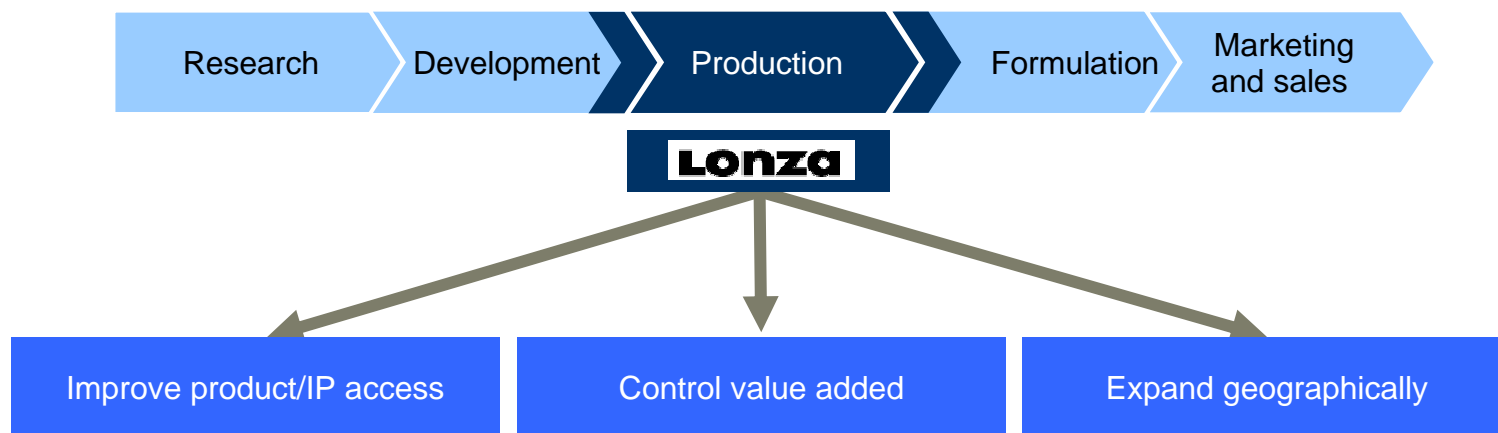
Market Growth: >5% CAGR

Current Sales: >CHF150m

Current Product Line: Primaset cyanate esters, Lonzamon and Lonzacure polymer additives, agro intermediates and actives, Carboshield corrosion inhibitors.

Organic Fine & Performance Chemicals

Continue to build leadership position in high value added niches thereby expanding Lonza's participation in the value chain into development and formulation



Leverage Lonza's process innovation capability to drive growth through product and application innovation and thus balance the business model between technology and functionality

Polymer Intermediates

- Solid business with significant and stable cash flow contribution
- Low level of integration with the other Lonza businesses
- Strategic purpose for Lonza is the continuous, long term delivery of stable cash flow to fund other growth projects
- Value enhancement will be achieved via:
 - Excellent maintenance of large scale plants and continuous operational improvements to keep cost leadership
 - Focused additional funding of specific growth opportunities with above average returns
 - Selected industrial partnerships
- Full control of all assets is no strategic pre-requisite

Polymer Intermediates

Value increase by organic growth and business combination

Value drivers	Organic growth	Business Combination		
Expand geographies/ customer base	Eastern European expansion	European leadership in resins and compounds	European leadership for plasticisers	European leadership and value chain integration
Consolidate market				
Improve operations	Operational improvement			

Path to Accelerated, Profitable Growth

	Strategic Direction	Contribution to Lonza's Value Creation	Financial Targets
Biopharmaceuticals & Exclusive Synthesis	<ul style="list-style-type: none"> Achieve scale and market leadership Extend top-line revenue sources through additional "Low Capex" business and cost leadership investments 	<ul style="list-style-type: none"> Our big move – essential for long term success Improve utilisation of assets and infrastructure New growth with focused committed projects 	<p>Short term (next 2 years):</p> <ul style="list-style-type: none"> Operating income to increase well into CHF300-400m range (>20% p.a. growth) Cash generated to be fully reinvested to secure next phase of growth <p>Medium term (4-6 years):</p> <ul style="list-style-type: none"> Sales above CHF3bn (~10% p.a. growth) Operating income in excess of CHF500m (>15% p.a. growth) With net debt around current levels
Organic Fine & Performance Chemicals	<ul style="list-style-type: none"> Stepwise and "Low Capex" extension of the business beyond the current asset base Secure future through innovation, globalisation and value chain moves 	<ul style="list-style-type: none"> Secure existing business Target growth in selected life science niches Leverage application know-how and technology into other regions 	
Polymer intermediates	<ul style="list-style-type: none"> Move business to winner position in industry consolidation context 	<ul style="list-style-type: none"> Secure cash contribution while enhancing value Prepare for value maximising divestment if cash realisation were required 	

Strategic plan avoids "Single Big Bet" commitment and serves long term goal to deliver sustained above average, profitable growth

Lonza's Vision, Culture and Goals

- Expand Lonza's leading brand image in the life science industries
- Culture of trust and entrepreneurialism
 - Develop, Decide, Drive and Deliver
- Realize ambitious medium term (4-6 years) financial targets:
 - Sales in excess of CHF3bn (~10% p.a. growth)
 - Operating income in excess of CHF500m (average growth of >15% p.a.)
 - Net debt around current levels
- Manage risks
 - Adapt timing to market needs
 - React to competitive environment

Lonza 2005 Investor Relations Events

Calendar of Events/Contacts

■ Important Lonza Group Dates

- | | |
|--------------------------|------------------------------|
| ■ 11 April 2005 | Annual Shareholder's Meeting |
| ■ 12 April 2005 | Q1 / 05 Update |
| ■ 15 April 2005 | Dividend Ex-Date and Payment |
| ■ 27 July 2005 | 2005 Half Year Results |
| ■ 13 / 14 September 2005 | Analyst Event in Visp |
| ■ 18 October 2005 | Q3 / 05 Update |

■ Investor Contacts

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Additional Information

Consolidated Income Statement

CHF million	2003	2004	Change YoY
Net Sales	2'242	2'182	(2.7%)
Operating Expenses	(1'940)	(1'967)	(1.4%)
Operating Income before special items/GW amort.	302	215	(28.8%)
Special items net ¹	(158)	2	101.3%
Goodwill Amortization	(5)	(5)	0.0%
Result from operating activities (EBIT)	139	212	52.5%
Financial Expenses	(24)	(33)	(37.5%)
Pre-tax earnings	115	179	55.7%
Income taxes	(24)	(41)	(70.8%)
Net Income	91	138	51.6%
EPS basic (CHF) before special items	4.18	2.87	(31.3%)
EPS basic (CHF) after special items	1.92	2.91	51.6%

¹ Assets taken out of production/depreciation, restructuring and other provisions and reversal of impairments and profit/loss from sale

Divisional Sales Development

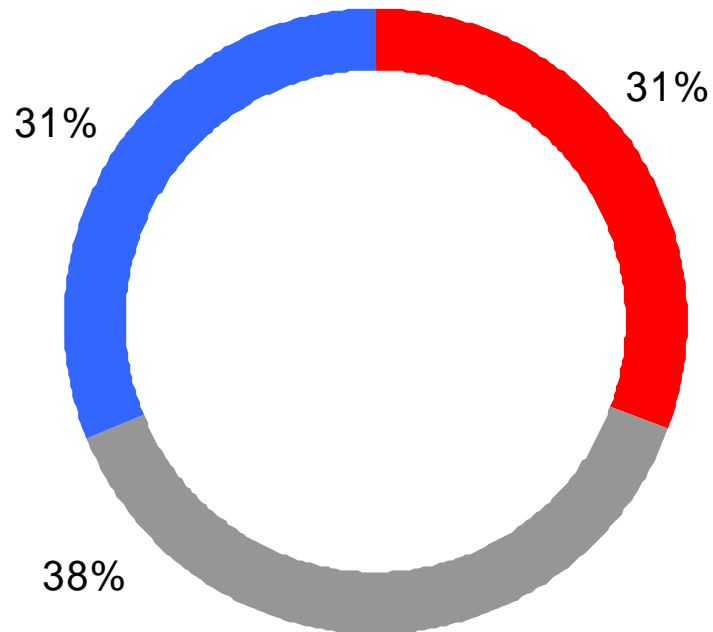
CHF million	2003	2004	Change YoY	Change due to		
				Volume & Prices	Currency	Consolidation
Exclusive Synthesis & Biopharmaceuticals	835	676	(19.0%)	(162)	3	0
Organic Fine & Performance Chemicals	826	852	3.1%	47	(21)	0
Polymer Intermediates	578	649	12.3%	68	3	0
Holding & Others	3	5	n.m.	3	(1)	0
Net Sales	2'242	2'182	(2.7%)	(44)	(16)	0

Divisional Operating Performance

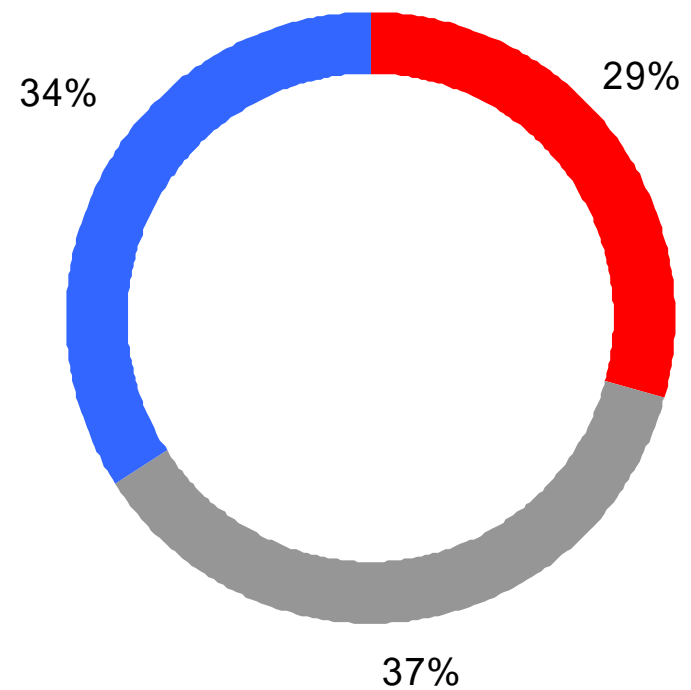
CHF million	Operating Income			Margin	
	2003	2004	Change YoY	2003	2004
Exclusive Synthesis & Biopharmaceuticals	147	61	(58.5%)	17.6%	9.0%
Organic Fine & Performance Chemicals	125	125	0.0%	15.1%	14.7%
Polymer Intermediates	41	36	(12.2%)	7.1%	5.5%
Holding and Others	(11)	(7)	36.4%	n.m.	n.m.
Operating Income	302	215	(28.8%)	13.5%	9.9%

Debt Profile

Dec 31, 2003
CHF 978 million

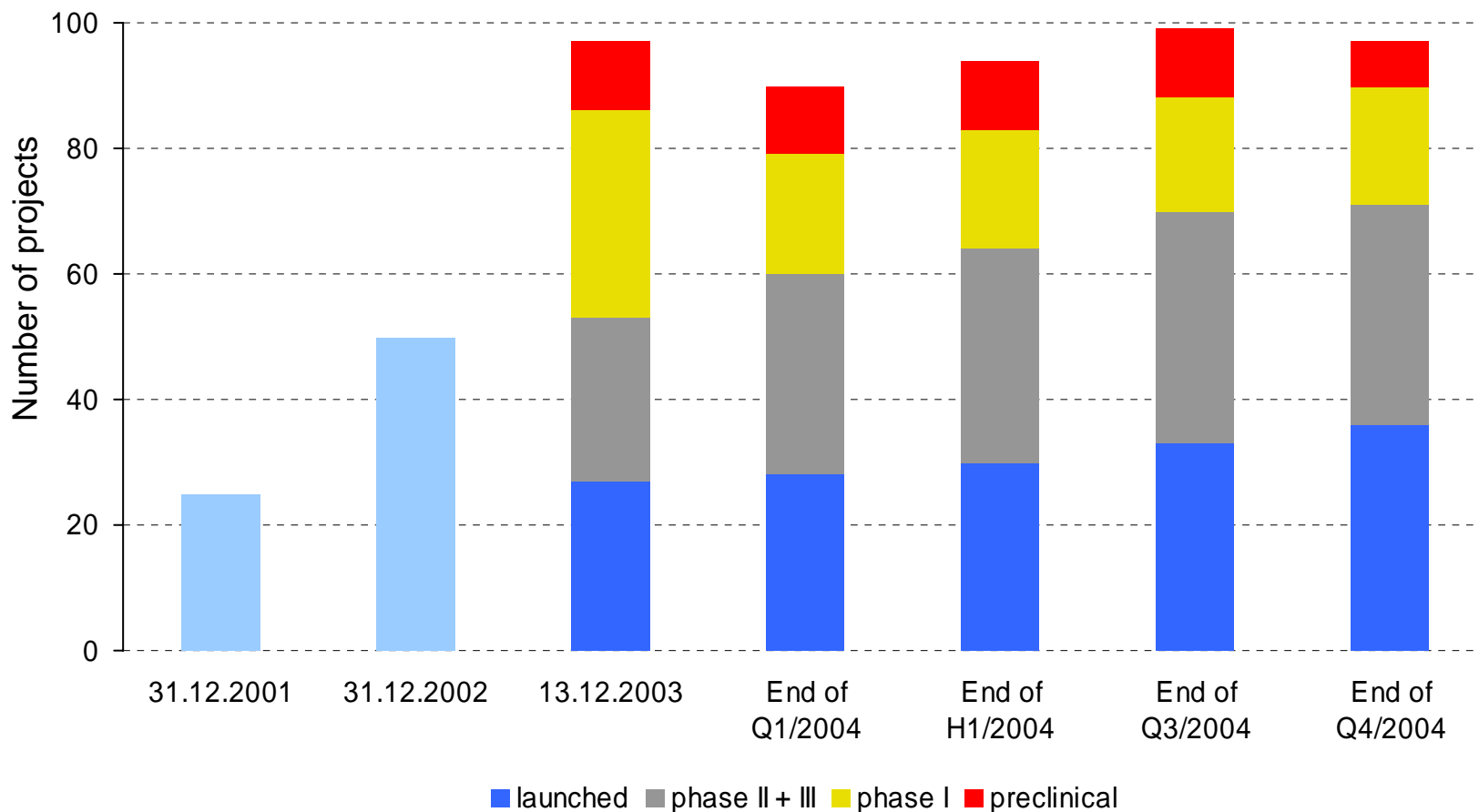


Dec 31, 2004
CHF 1 027 million



- 2006 Convertible
- 2006 Straight Bond
- Short term (net of cash)

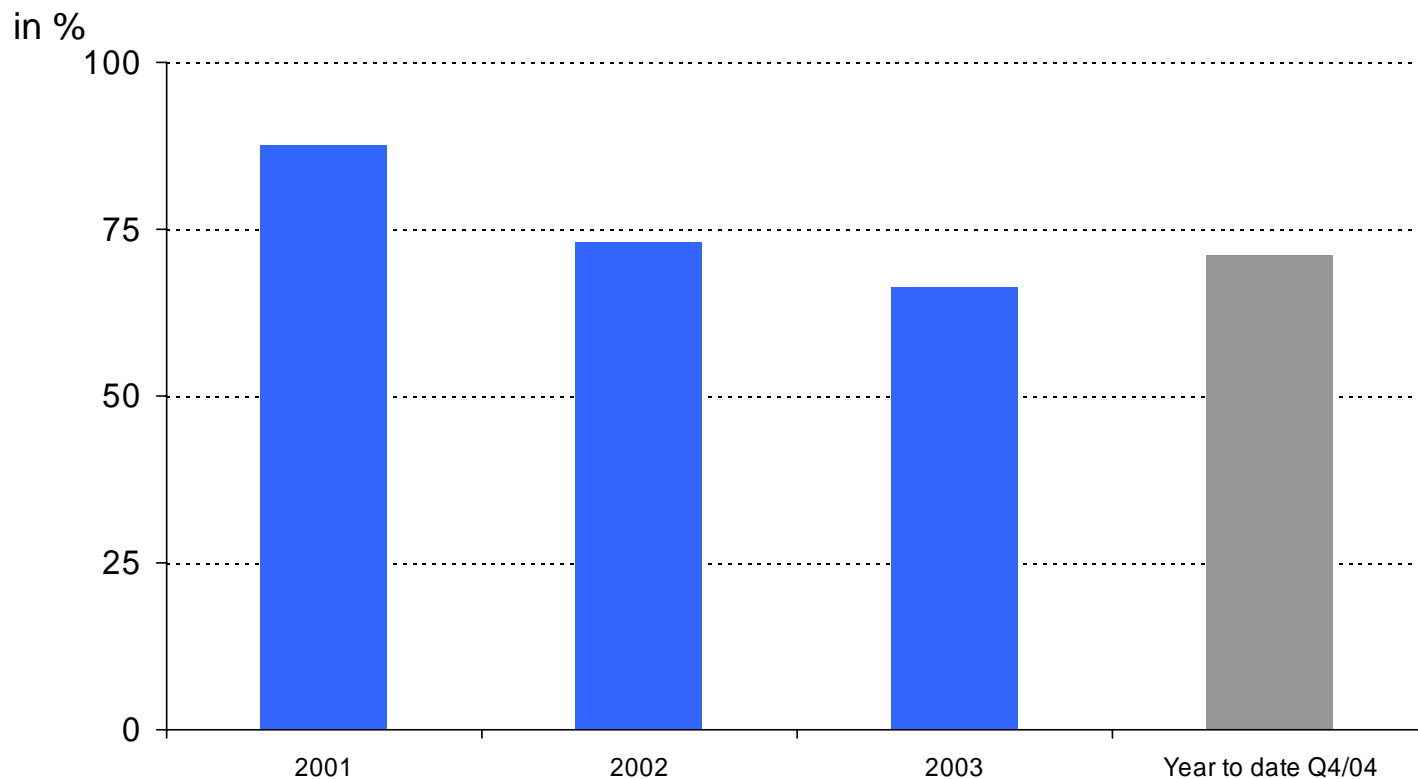
Custom Chemical Synthesis and Biotransformation Project Pipeline Small Molecules I



Capacity Utilization I

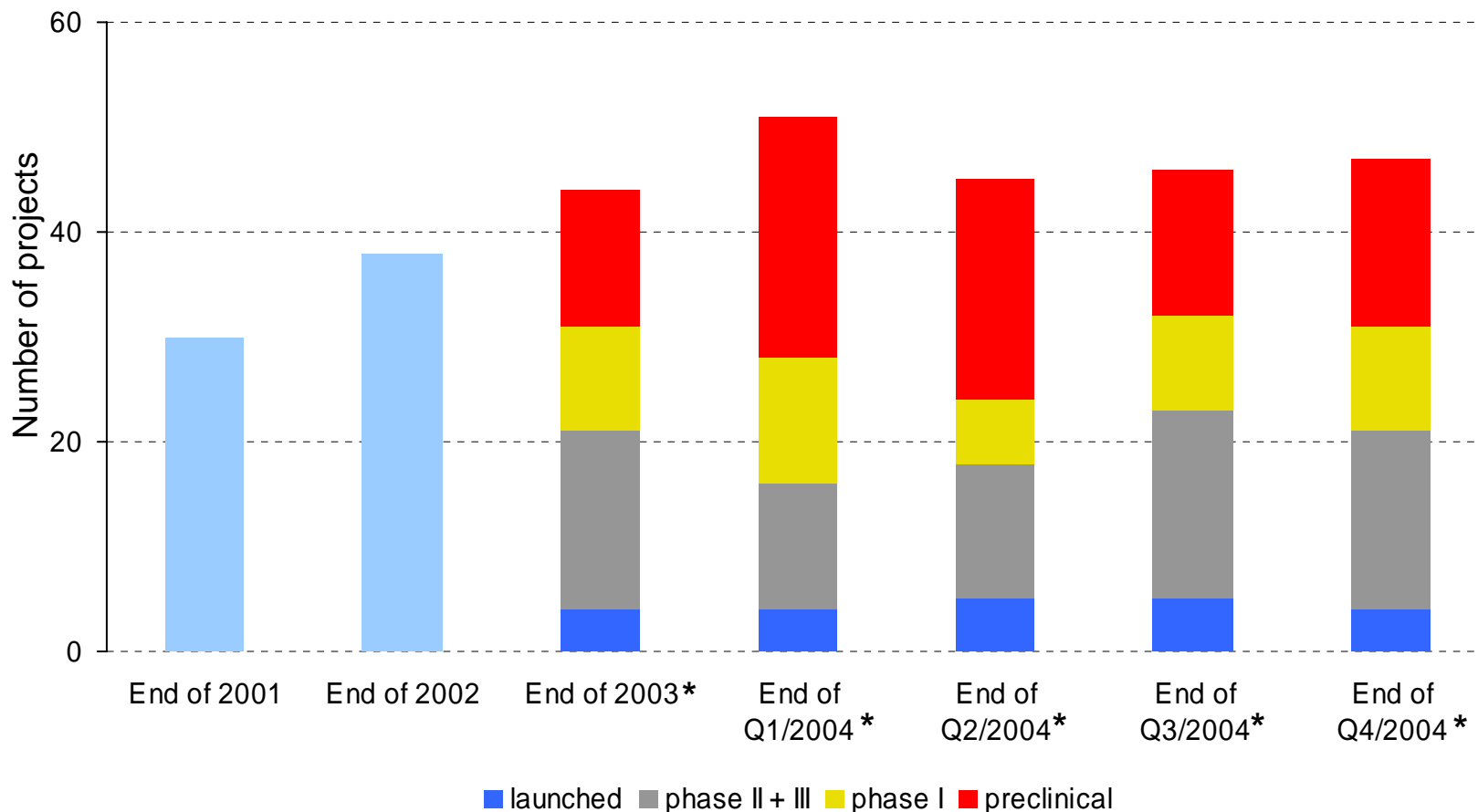
Small Molecules

- Exclusive chemical synthesis (GMP qualified assets)



Biopharmaceuticals

Project Pipeline Large Molecules I

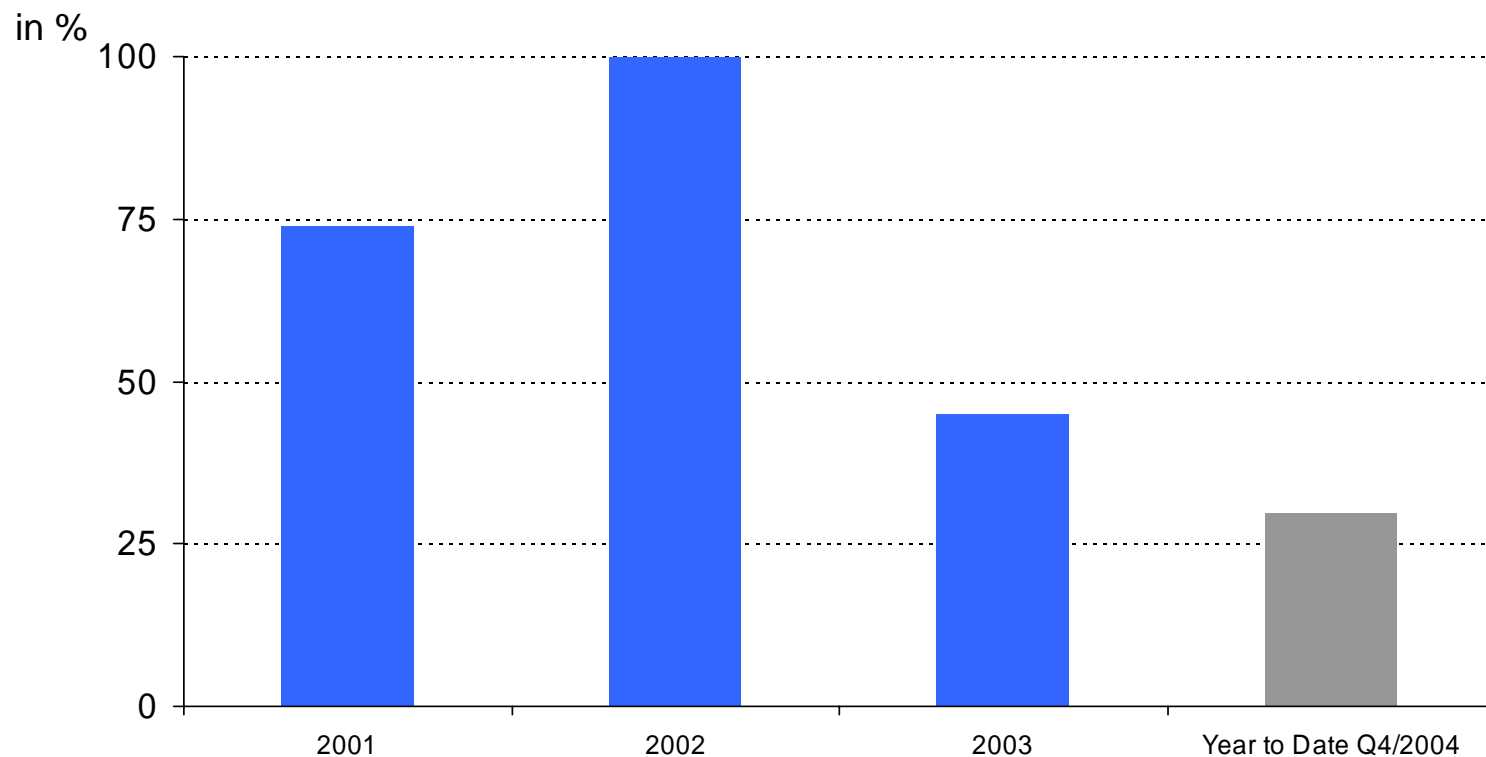


* Data re-defined in accordance to new, more stringent definition standards; H2/2004

Capacity Utilization II

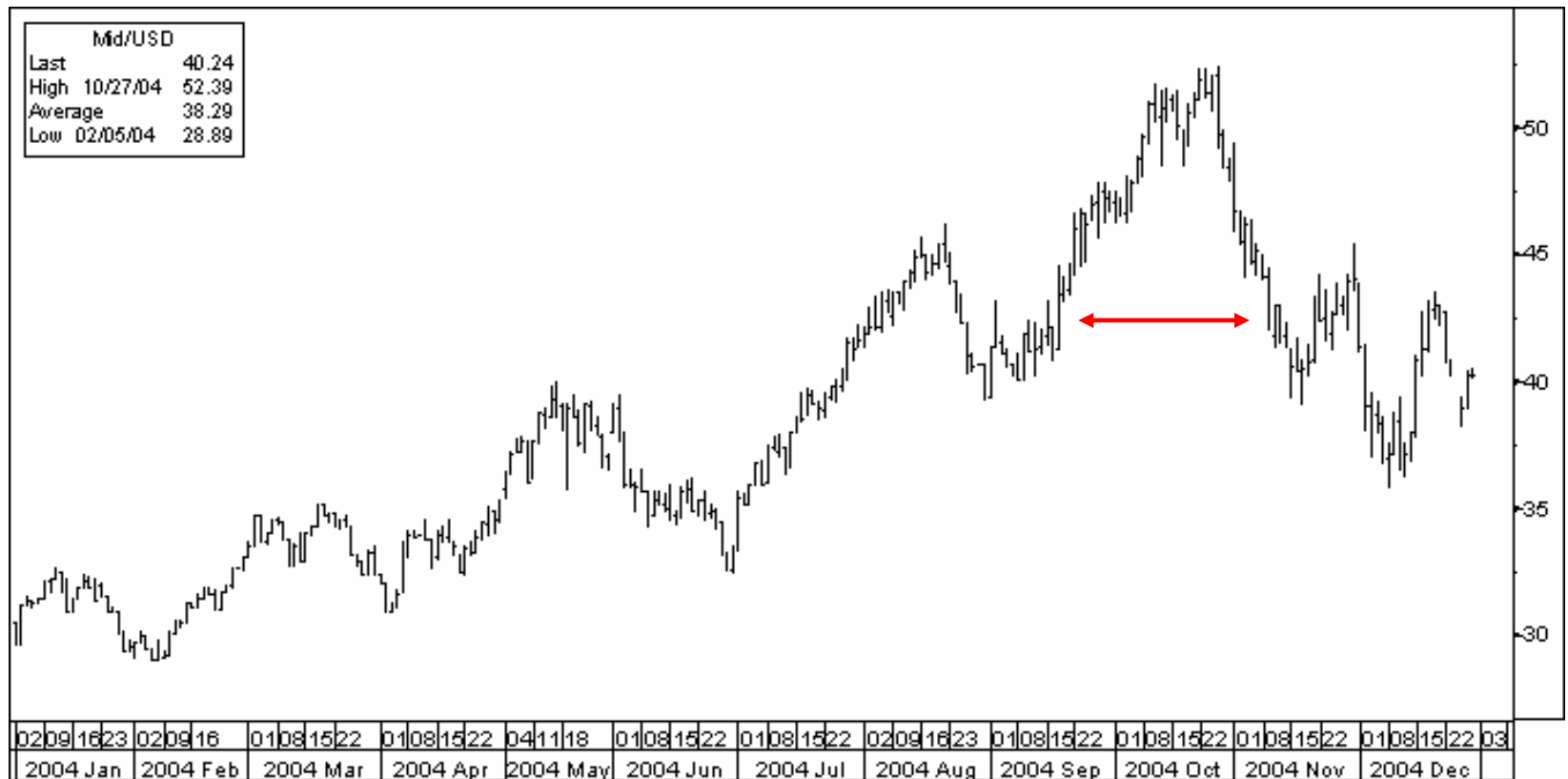
Biopharmaceuticals

- 3 x 2000L and 2 x 5000L bioreactors

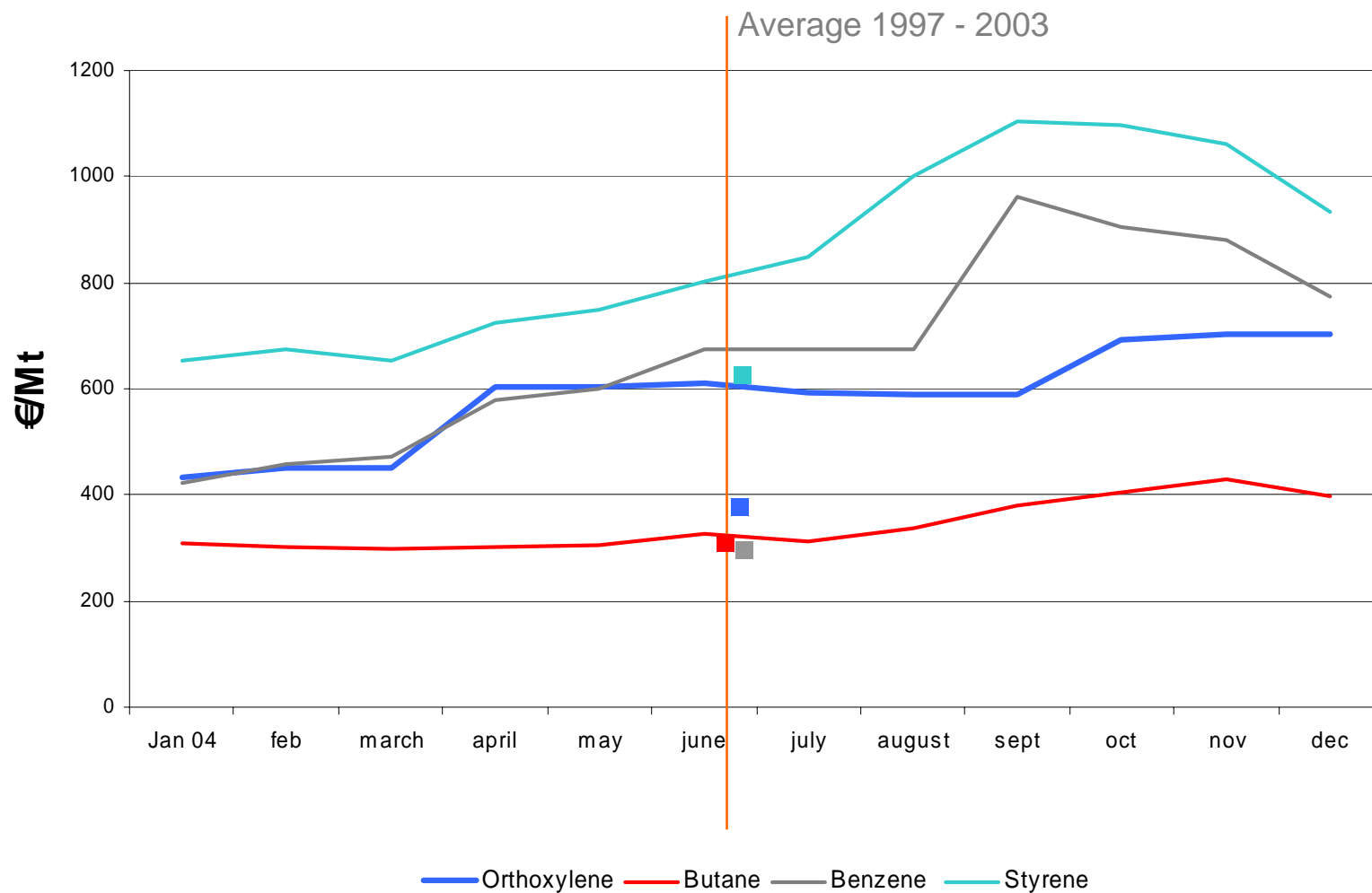


- 2 x 1500 L bioreactors are 100% under long-term contract and not reflected above

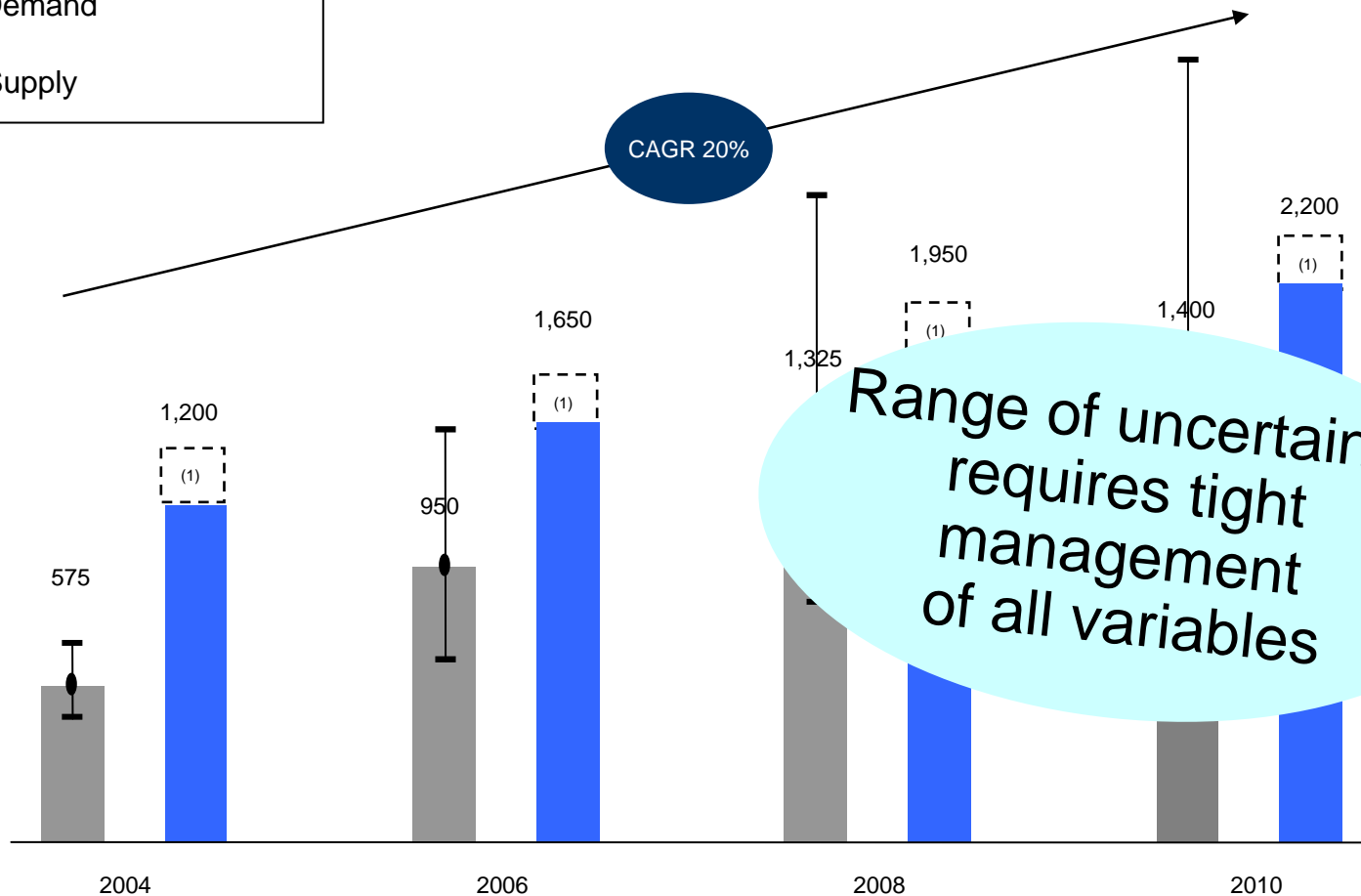
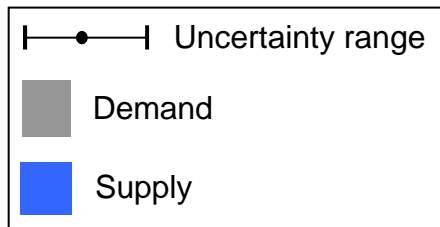
Barrel Price Development (Brent) 2004



Polymer Intermediates –Raw Material Trends 04



Mammalian Supply/Demand for Reactor Capacity (' 000'l)



Polymer Intermediates Value Creation Chain

