

Analyst Conference
Basel, 21 July 2004

Lonza

2004 First Half Year Results Presentations

Stefan Borgas, Chief Executive Officer

Highlights

- On-going rebasing activities as planned till end of 2004
- Results broadly in line with our guidance for 2004
- Sales decreased by 6.0% to CHF 1 088 million compared to H1/03
- Operating income decreased by 37.1% to CHF 110 million due to
 - Time lag of passing on high raw material and energy costs
 - Continuing competitive pressures and weak US Dollar
 - Low capacity utilization in custom manufacturing plants
 - Unsatisfactory utilization of 2000L and 5000L reactors in mammalian
- New CEO Stefan Borgas joined Lonza in June
- Sergio Marchionne will stay on as Chairman but will not seek re-election at next AGM

Financial Highlights

CHF million	1. Half 2003	1. Half 2004	Change YoY
Sales	1'157	1'088	(6.0%)
EBITDA	254	188	(26.0%)
EBITDA Margin	22.0%	17.3%	n.m.
Operating Income	175	110	(37.1%)
Operating Margin	15.1%	10.1%	n.m.
Non-recurring items	(52)	0	n.m.
Net Income	83	70	(15.7%)
Net Income before non-recurring items	120	70	(41.7%)
Cash Flow before change in net working capital	202	106	(47.5%)
Investments (incl. Intangibles)	(220)	(136)	(38.2%)
EPS basic before non-recurring items	2.54	1.48	(41.7%)
EPS basic after non-recurring items	1.75	1.48	(15.4%)
Employees	5'818	5'669	(2.6%)

Divisional Sales Development

CHF million	1. Half 2003	1. Half 2004	Change YoY	Change due to		
				Volume & Prices	Currency	Consoli- dation
Exclusive Synthesis & Biotechnology	420	323	(23.1%)	(104)	7	0
Organic Fine & Performance Chemicals	438	444	1.4%	14	(8)	0
Polymer Intermediates	298	320	7.4%	14	8	0
Holding & Others	1	1	n.m.	(1)	1	0
Net Sales	1'157	1'088	(6.0%)	(77)	8	0

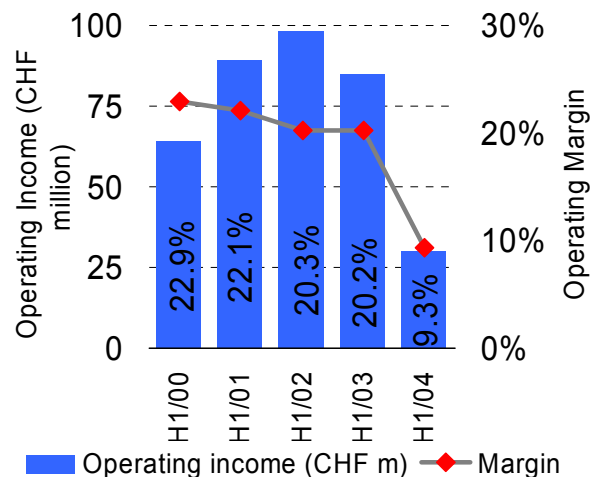
Divisional Operating Performance

CHF million	Operating Income			Margin	
	1. Half 2003	1. Half 2004	Change YoY	1. Half 2003	1. Half 2004
Exclusive Synthesis & Biotechnology	85	30	(64.7%)	20.2%	9.3%
Organic Fine & Performance Chemicals	76	65	(14.5%)	17.4%	14.6%
Polymer Intermediates	19	20	5.3%	6.4%	6.3%
Holding and Others	(5)	(5)	n.m.	n.m.	n.m.
Operating Income	175	110	(37.1%)	15.1%	10.1%

Sector Results

Exclusive Synthesis & Biotechnology

CHF million	1. Half 2004 Change YoY	
Sales	323	(23.1%)
Op. Income	30	(64.7%)
Margin	9.3%	
EBITDA	66	(56.0%)
Margin	20.4%	



- Sales of CHF 323 million, down 24.4% on a currency adjusted basis
- Sales in custom manufacturing stabilized at H2/03 level
 - Small molecules
 - On-going highly competitive market environment and product mix
 - Biopharmaceuticals
 - Very poor utilization of 2000L and 5000L reactors
- Operating income declined from CHF 85 million to CHF 30 million
- Operating margins decreased from 20.2% to 9.3%
 - Exclusive of one-off cancellation payment (CHF 20 million), mammalian cell activities at a negative operating margin level

Exclusive Synthesis & Biotechnology

Small Molecules – Chemical Synthesis

- Similar to H2/03, negative impact on sales by
 - Destocking and insourcing of existing products by pharma customers
 - Sales value decrease due to continuing overcapacity in industry
- Compared to H2/03, margin increase due to successful implementation of cost reduction program and product mix improvement
- R&D portfolio strengthened with new projects mainly in phase III
- Small scale plant at high capacity level with extended service offering
- Peptide lab and production activities expanded with strengthened pipeline and two licensing contracts for new technologies

Exclusive Synthesis & Biotechnology

Small Molecules – Biotransformation

- Sales were down compared to H1/03 due to a delayed product introduction
- Margin were squeezed as a result of increased competition and shifting product mix
- L-Carnitine business remained strong; successful product launch in Japan will support substantial future growth
- State-of-the-art microbial facility (2 x 75 m³) for active pharmaceutical ingredients or cGMP products in Kourim (Czech Republic) went on stream
 - Production of a lower margin food grade enzyme as first product
 - Microbial pipeline not yet at satisfactory level

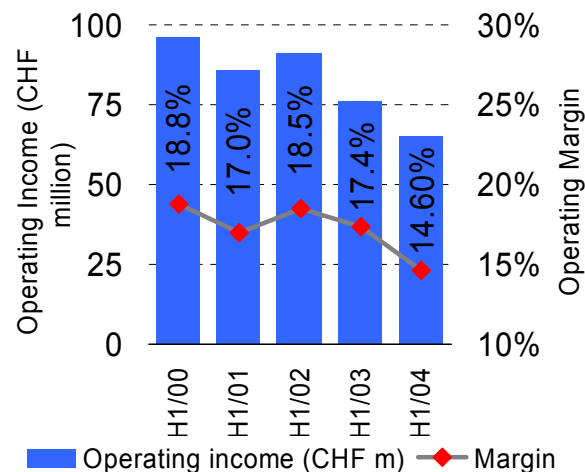
Exclusive Synthesis & Biotechnology

Large Molecules / Biopharmaceuticals

- Sales impacted by ongoing low capacity utilization of the 2000L and 5000L systems
- Construction and commissioning of the 20,000L bioreactors in Portsmouth, NH are on schedule
 - Validation and qualification until end of 2004
 - Utilization in 2005 and later years above initial expectations
 - Based on construction and start up experience of the 20,000L facility, fast track capacity expansion possible
 - Strong customer demand for additional large scale capacity
- R&D: Monoclonal antibody yields in excess of 4 grams per liter achieved
- Small scale plant for microbial production in Visp (CH) remains on schedule and will come on stream in H2/04

Organic Fine & Performance Chemicals

CHF million	1. Half 2004 Change YoY	
Sales	444	1.4%
Op. Income	65	(14.5%)
Margin	14.6%	
EBITDA	90	(10.0%)
Margin	20.3%	



- Sales increased slightly to CHF 444 million (3.2% ahead of the previous year's level on a currency adjusted basis)
- Operating income declined by 14.5%, primarily impacted due to Nicotinales and Meta[®] business, high raw material costs and weakness of US currency
- Operating margin slipped from 17.4 % in 2003 to 14.6%

Organic Fine & Performance Chemicals

Organic Fine Chemicals

- High capacity utilization and increased market shares despite ongoing competitive pressure
- Nicotines (vitamin B3)
 - Increased price pressure due to temporary lower demand caused by global outbreak of avian flu
 - Rumors on supply side restructuring create insecurity
 - Construction of 6000 t/a niacinamide plant in Guangzhou (China) is on track with expected start-up mid 2005
- Diketene derivatives
 - New plant for continuous production of Acetoacetanilide in Visp (CH) runs at full capacity with improved cost structure
- Meta[®] (for snail and slug control)
 - Weak demand due to high stocks of end products caused by last year's dry summer
- Cyanate Esters (used for Engineering Polymers)
 - Strong sales reflecting good conditions of the electronics and aerospace industries

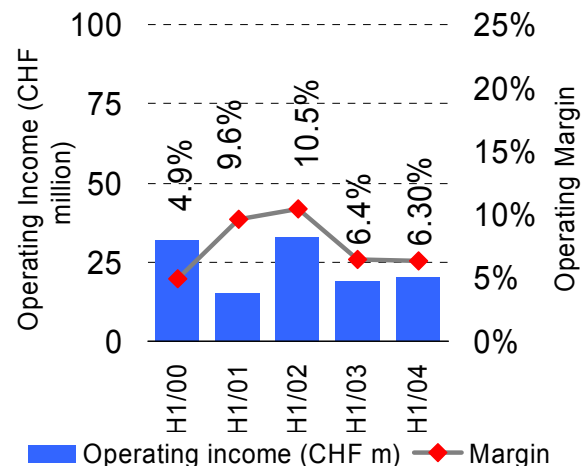
Organic Fine & Performance Chemicals

Performance Chemicals

- Significant expansion of Carboquat business after introduction of the first chloride-free wood protection agent
 - New production facility in Mapleton, IL (US) at high capacity level; debottlenecking already underway
- Price increases for food additives, functional chemicals and quaternary ammonium biocides offset higher raw material cost

Polymer Intermediates

CHF million	1. Half 2004 Change YoY	
Sales	320	7.4%
Op. Income	20	5.3%
Margin	6.3%	
EBITDA	38	2.7%
Margin	11.9%	



- Sales recovered to CHF 320 million (4.6% on a currency adjusted basis)
 - Continuously rising cost of raw materials and subsequent adaptation of sales prices with a time lag
- Operating income above previous year's level
- Operating margins nearly constant at 6.3% (6.4% in H1/03)

Polymer Intermediates

- Positive impacts of restructuring measures, sales price increases and higher demand in H1/04 were adversely impacted by
 - Ongoing increases of raw material prices
 - Significantly reduced exports of higher margin products to Asia mainly to a persistent weakness of the US currency versus the Euro
 - Additional cost due to temporary shut-down of plants in Italy and Singapore
- Phthalic anhydrides and plastizisers
 - Sales improved due to the recovery of the automotive and the building sectors in most of Europe
- Maleic anhydride and derivatives
 - Exports to the US and the Far East suffered as a result of the strong Euro
- Purified isophthalic acid
 - Plant operates at good utilization rates, but still with unsatisfactory margins (abnormally high raw material prices)

Custom Manufacturing Business Update

Custom Manufacturing: Small and Large Molecules

Pipeline Information

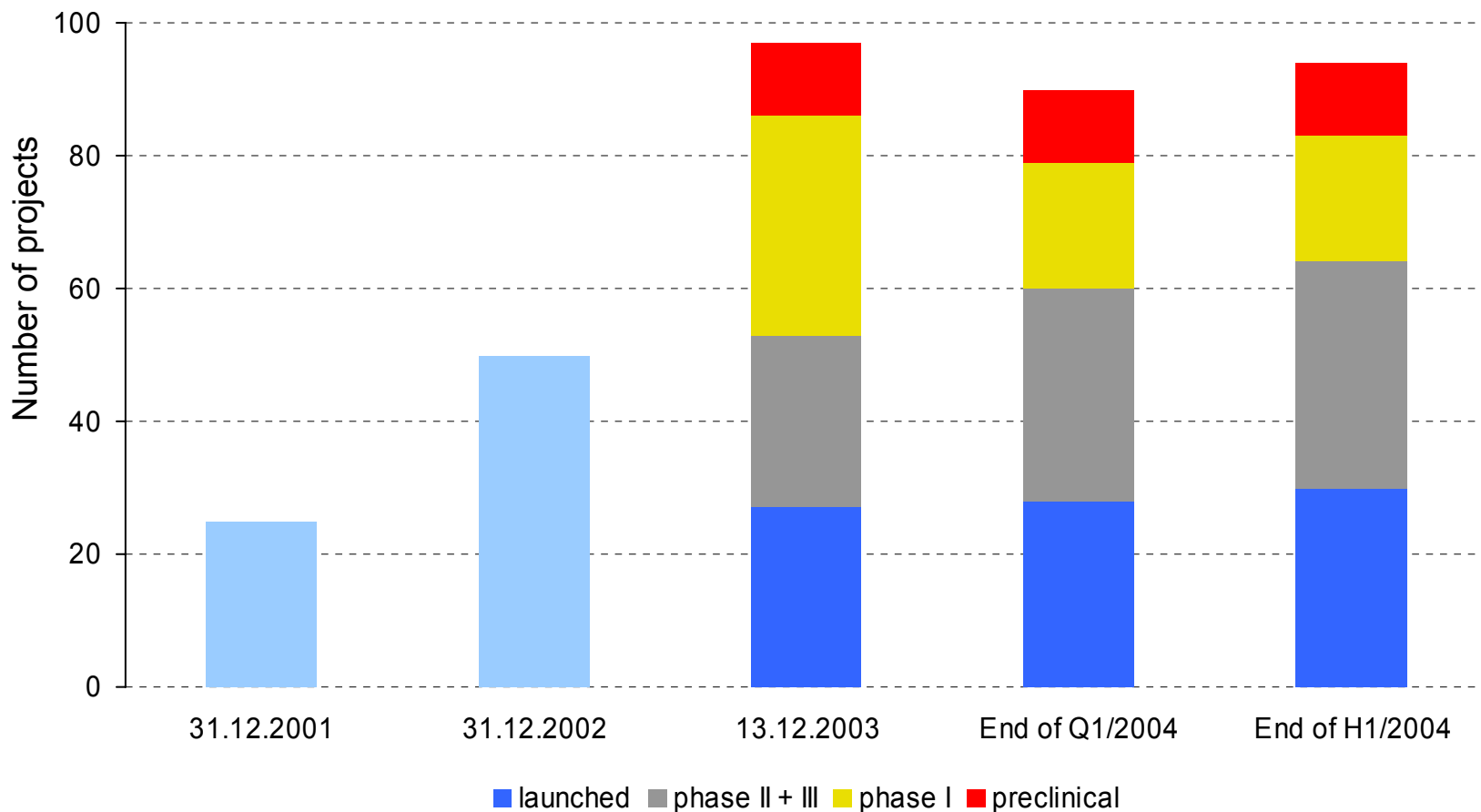
Approximate time to launch

- pre-clinical: 7 – 10 years
- phase I: 6 – 8 years
- phase II + III: 2 – 6 years
- launched: 1 – 3 years

Pipeline Information

- Projects at peak sales are typically in a range between CHF 5 – 20 million in both small and large molecules
- Pipelines include potential peak sales projects in excess of CHF 50 million
- Number of projects alone offers limited information value

Custom Chemical Synthesis and Biotransformation Project Pipeline Small Molecules I

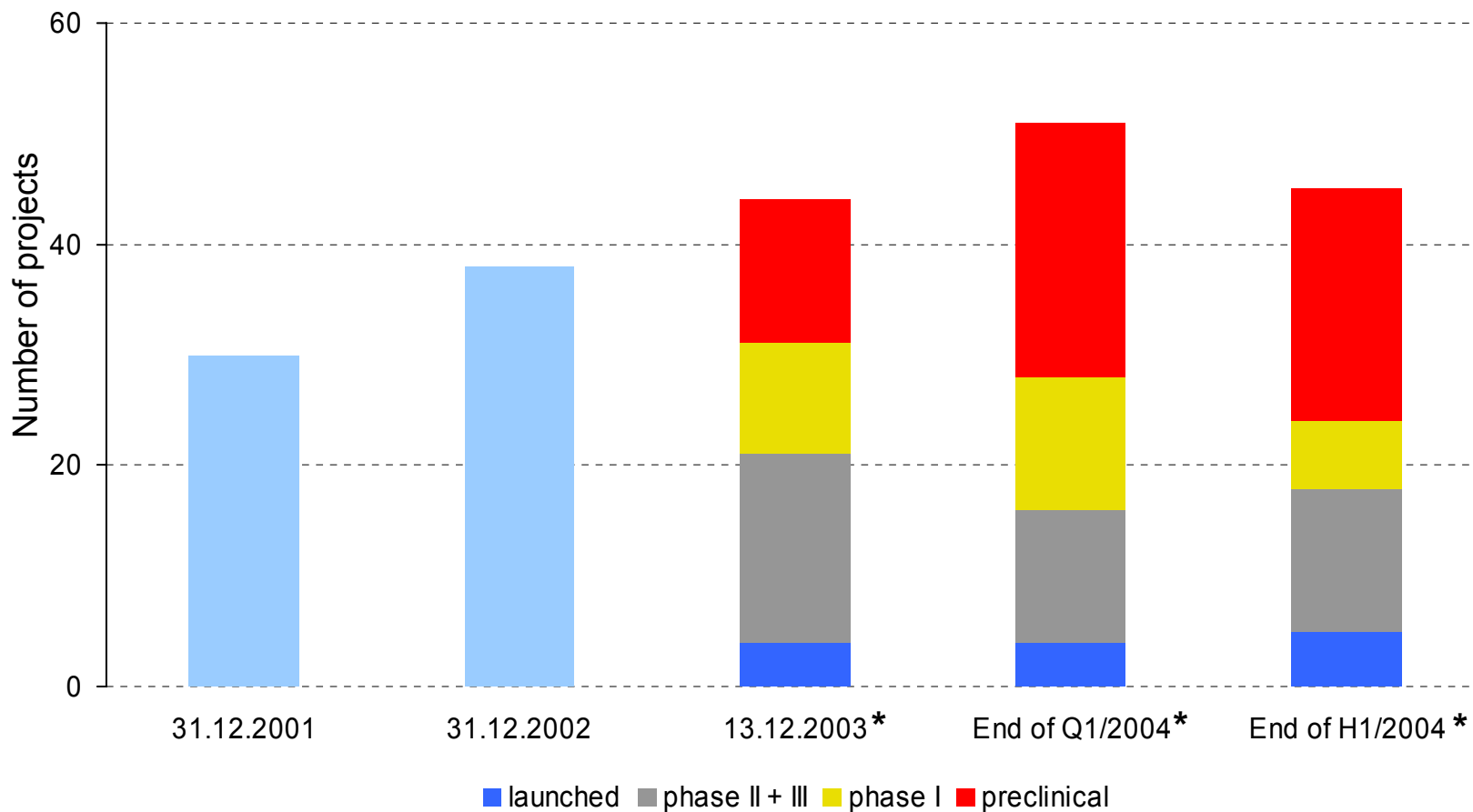


Custom Chemical Synthesis and Biotransformation Project Pipeline Small Molecules II

- Number of projects at high level
- R&D capacities at high utilization level
- Pipeline filling activities de-emphasized in favor of pipeline management activities focusing on qualitative improvements and late phase projects
- Improvement of portfolio based on further increase of phase II/III and launched projects, also in the peptide business

Biopharmaceuticals

Project Pipeline Large Molecules I



* Data re-defined in accordance to new, more stringent definition standards

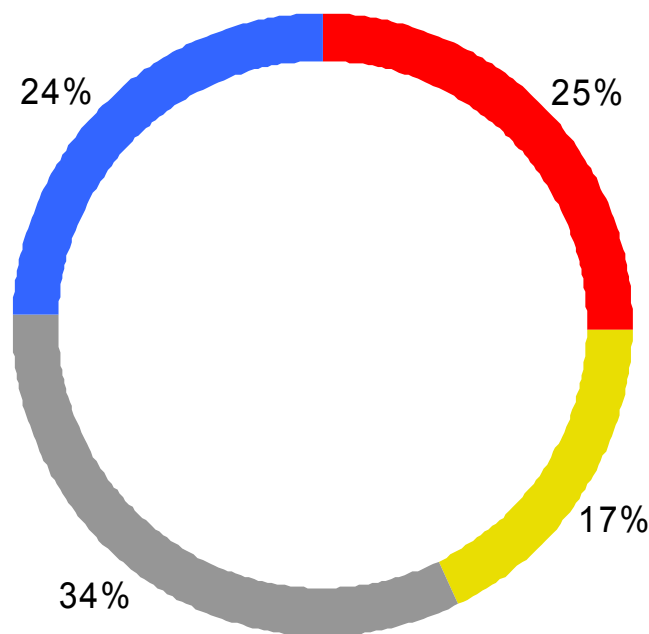
Biopharmaceuticals

Project Pipeline Large Molecules II

- Increased stringency of R&D management: only fully funded activities are to be included in the project pipeline, excluding project proposals
- Pipeline structure improving but not on satisfactory level
- Due to Lonza's technology base of process development and yield improvement, project pipeline focuses more on early phase activities
- Number of projects decreased due to projects delays by customers
- Large number of proposals currently under discussions for refilling small volume bioreactors
 - As expected, no improvement in H1/04
 - High level of interest in 5000L
 - Increased competition for small volume business

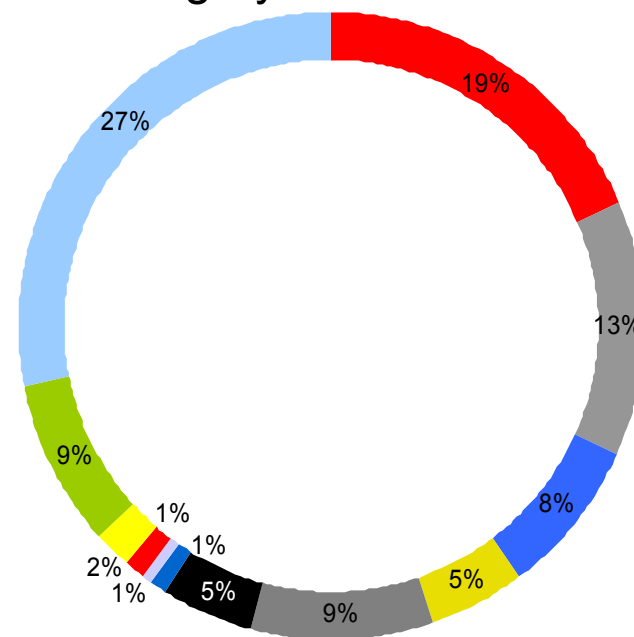
Small Molecules and Biopharmaceuticals Custom Manufacturing Pipeline

Project pipeline by clinical phase end of H1/04



■ preclinical ■ phase I ■ phase II + III ■ launched

Project pipeline by therapeutic category end of H1/04

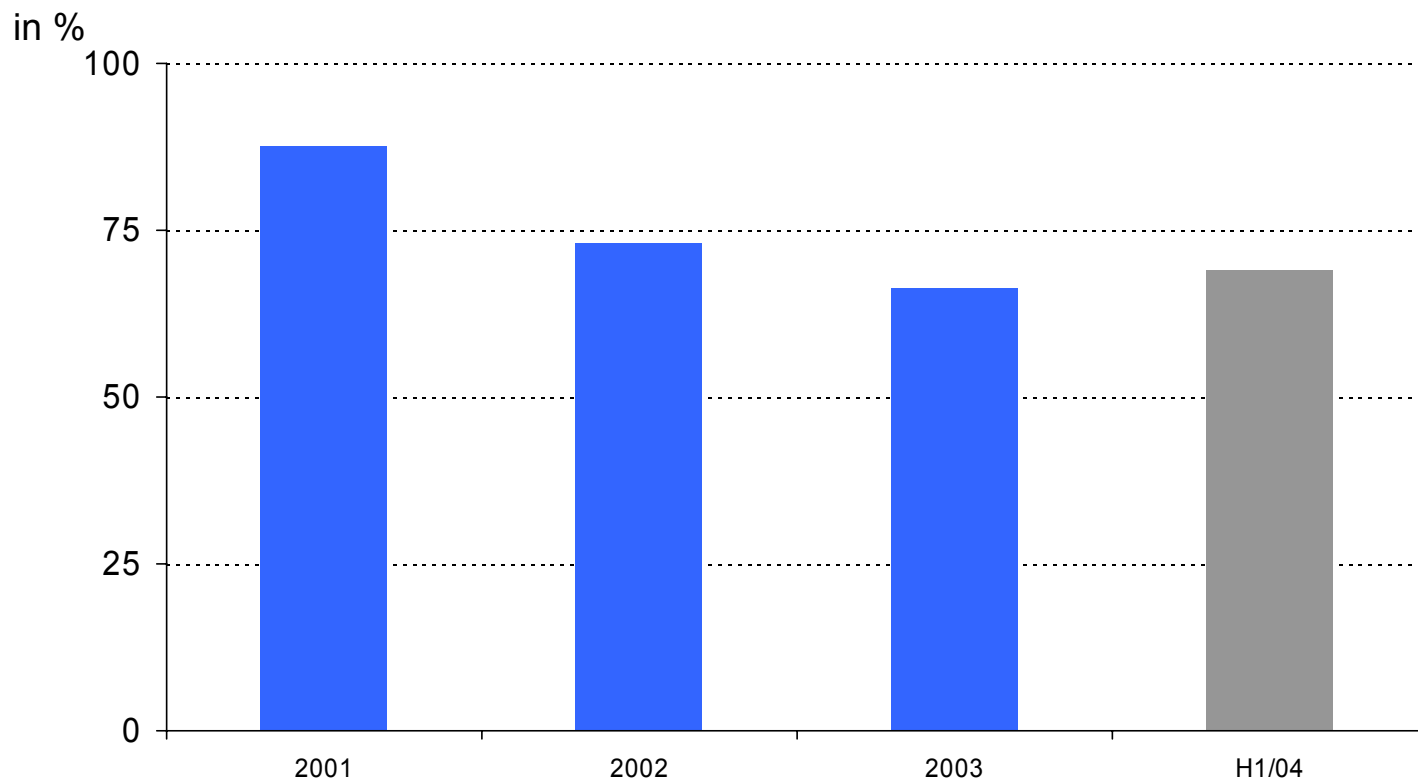


■ Oncology ■ Cardiovascular ■ Anti-Infection
 ■ Endocrinology ■ Neurology ■ Anti-Inflammation
 ■ Respiratory ■ Dermatology ■ Auto-Immune
 ■ Veterinary ■ Other ■ Undisclosed

Capacity Utilization I

Small Molecules

- Exclusive chemical synthesis (GMP qualified assets)

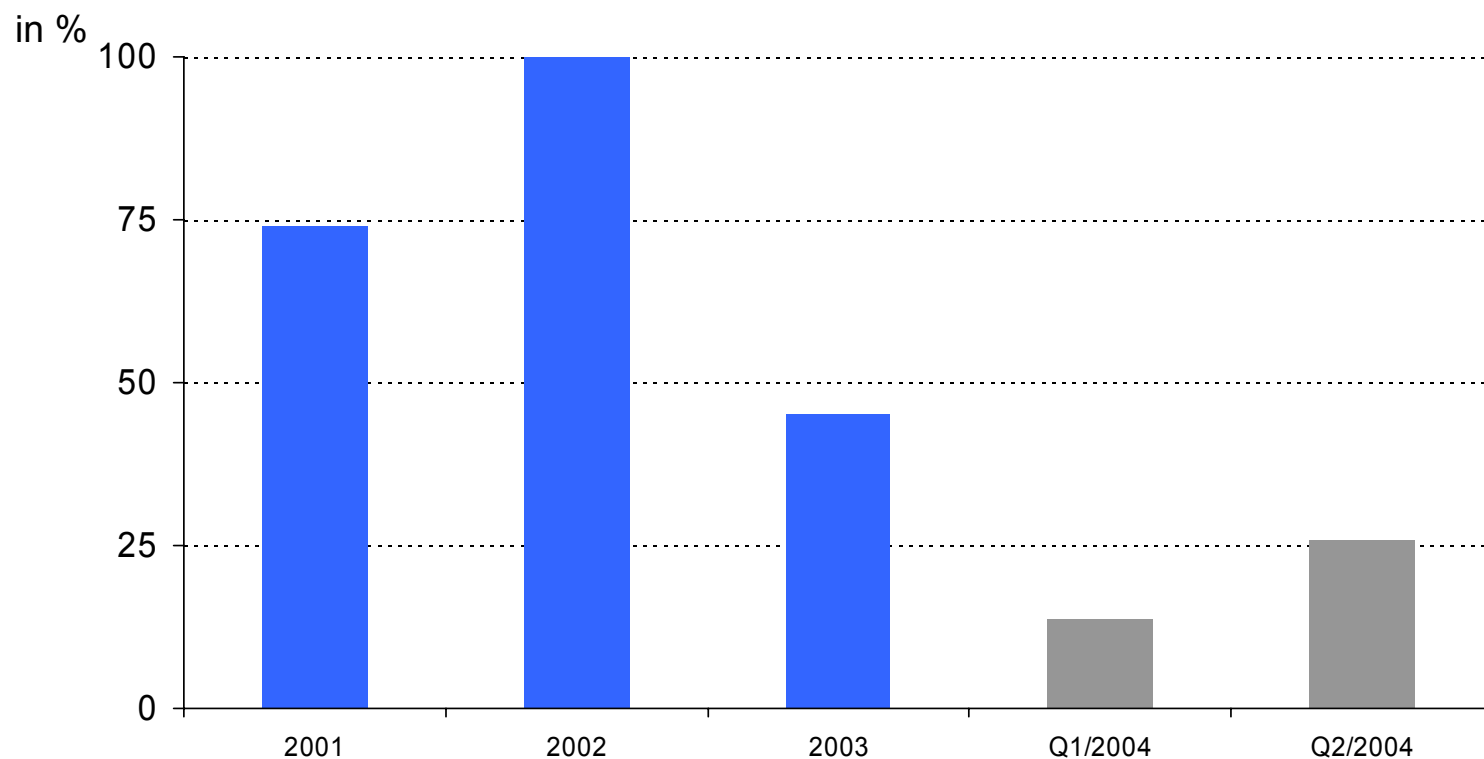


- Capacity utilization in the microbial biotransformation plant in Kourim (CZ) run at high level

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

Large Scale Built Out in Portsmouth on Track

- Construction and commissioning of the new 20,000L mammalian cell bioreactor lines on time according to schedule
- Technology transfer with two major customers (among which Genentech's Rituxan) finalized
- Successful production of development batches
- Final validation on track
- Customers highly satisfied with Lonza performance:
 - Status of expansion project
 - Technology transfer
 - Related service offerings
- Fast track capacity expansion capability in line with new project requests by customers

Confirmed Group Earnings Guidance 2004*

- Rebasing the business to market conditions
- Custom manufacturing impacted by continuing tough business environment in Exclusive Synthesis and low capacity utilization in Biologics as refilling of 2000L/5000L continues
- High raw material and energy prices continue to negatively impact the chemical activities (pass through expected in H2 2004)
- No non-recurring items in 2004
- Minimum operating income: CHF 225 million
- Minimum EPS: CHF 3.00

Strategic review project for all businesses ongoing until December 2004

* disclosed at 2003 Full Year Presentation on 22 January 2004

■ Important Lonza Group Dates

- 21 July 2004 Release of 2004 Half Year Results
- 16 + 17 Nov 2004 Portsmouth, Analyst Event
Quarterly Project Pipeline and Capacity
Utilization Update
- 26 Jan 2005 Release of 2004 Full Year Results

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