

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

Basel  
25 January 2006

**Lonza**

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**2005 Full Year Results Presentation**

Stefan Borgas, CEO

## 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.”

## Results 2005

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- Operating income up by 39% compared with 2004: CHF 297 mio in 2005
- Results exceeding capital cost; all three divisions strongly contributing
- Custom manufacturing (Exclusive Synthesis & Biopharmaceuticals) as key driver, more than doubling their 2004 results
- Successful delivery of planned strategic milestones with good probability for future upside
- Free cash flow significantly increased (2004: CHF 80 million; 2005: CHF 264 million)
- Gearing level (65%) remains well below mid-term thresholds (100%)

# 2005 Financials

CHF million	2004	2005	Change YoY
Sales	2'182	2'521	15.5%
EBITDA before special items( restated)	382	484	26.7%
<i>EBITDA Margin before special items (restated)</i>	17.5%	19.2%	
Operating Income before special items / GW amort (restated)	214	297	38.8%
<i>Operating Margin before special items / GW amort (restated)</i>	9.8%	11.8%	
Net Income	138	188	36.2%
Capex	(249)	(272)	9.2%
EPS (CHF) basic	2.91	3.97	36.4%
Number of employees	5'668	5'984	5.6%

# Divisional Sales Development

CHF million	2004*	2005	Change YoY	Change due to		
				Volume & Prices	Currency	Consolidation
Exclusive Synthesis & Biopharmaceuticals	599	879	46.7%	281	(1)	0
Organic Fine & Performance Chemicals	852	892	4.7%	39	1	0
Polymer Intermediates	649	719	10.8%	68	2	0
Holding & Others	82	31	(62.2%)	(52)	1	0
Net Sales	2'182	2'521	15.5%	336	3	0

\* 2004 was restated due to reclassification of LOFO High Tech Film GmbH from the Exclusive Synthesis & Biopharmaceuticals segment to "Other" segment as a result of the change in Management structure.

# Major Strategic Milestones Achieved in 2005 – I

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## ■ Biopharmaceuticals

- Expansion for large-scale mammalian business in Singapore initiated
- Entering large-scale microbial biopharmaceuticals business in Visp (CH) based on long-term alliance with UCB: 2 x 15'000L committed
- Strengthening Biopharma Services with additional 500L line in Slough (UK) and employment of 60 new scientists
- Successful FDA approval for the production of Rituxan® in Portsmouth, NH (USA) in Sept 05

## ■ Exclusive Synthesis

- Strengthening portfolio by market share gains
  - Expansion of API capacities in Visp (CH)
  - New R&D Center in Nansha (China) under expansion
- Expansion in peptides business ahead of plan
  - Investment into mid-scale peptide plant in Visp (CH)
  - Acquisition of UCB peptide business complementing Lonza's broad peptide portfolio

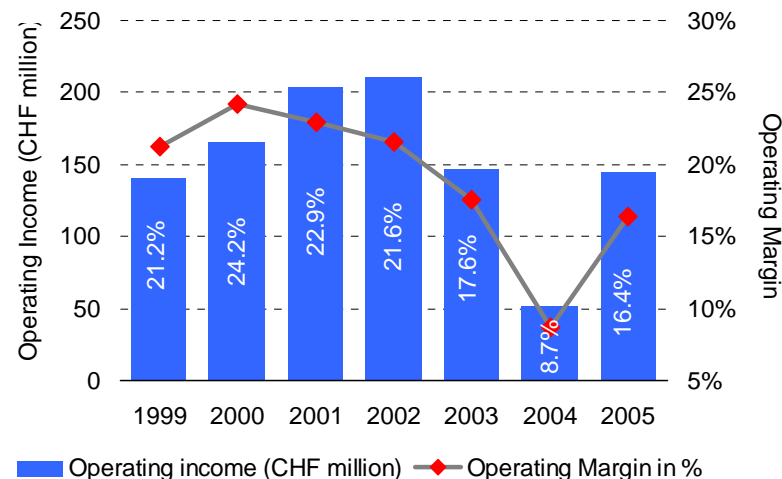
## Major Strategic Milestones Achieved in 2005 – II

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- Organic Fine & Performance Chemicals
  - Acquisition of DHA (Docoashexaenoic) as first portfolio addition in Nutrition
  - Technology Award 2005 received with in-house innovation in cosmetics formulation technology
  - Successful start-up of Niacinamide plant in Nansha (China)
  
- Polymer Intermediates
  - Expansion of Malic Acid production capacity in Italy
  - Implementation of new highly efficient catalyst generation for Maleic anhydride production
  - Build-out of new compounds plant in Poland
  
- Others
  - Successful launch of straight and convertible bonds delivers financial basis to secure long-term growth

# Exclusive Synthesis & Biopharmaceuticals

CHF million	2005	Change YoY
Sales	879	46.7%
Op. Income	144	176.9%
Margin	16.4%	
EBITDA	243	92.9%
Margin	27.6%	



- Sales significantly increased by 47% of CHF 879 million with sales of
  - Exclusive Synthesis CHF 521 million
  - Biopharmaceuticals CHF 358 million
- Operating income more than doubled from CHF 52 million to CHF 144 million
- Operating margin increased from 8.7% to 16.4%



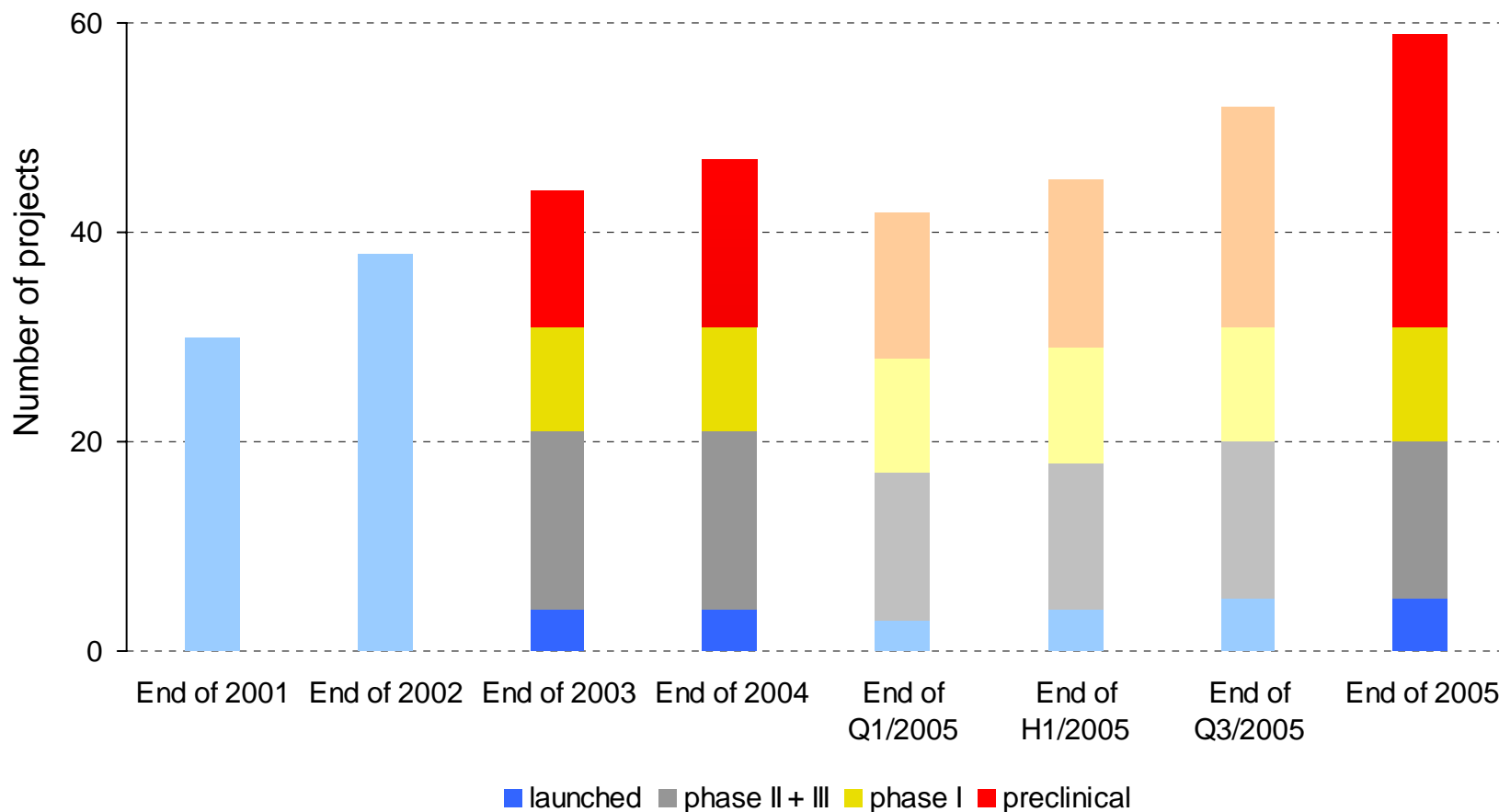
# Exclusive Synthesis & Biopharmaceuticals

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## Biopharmaceuticals

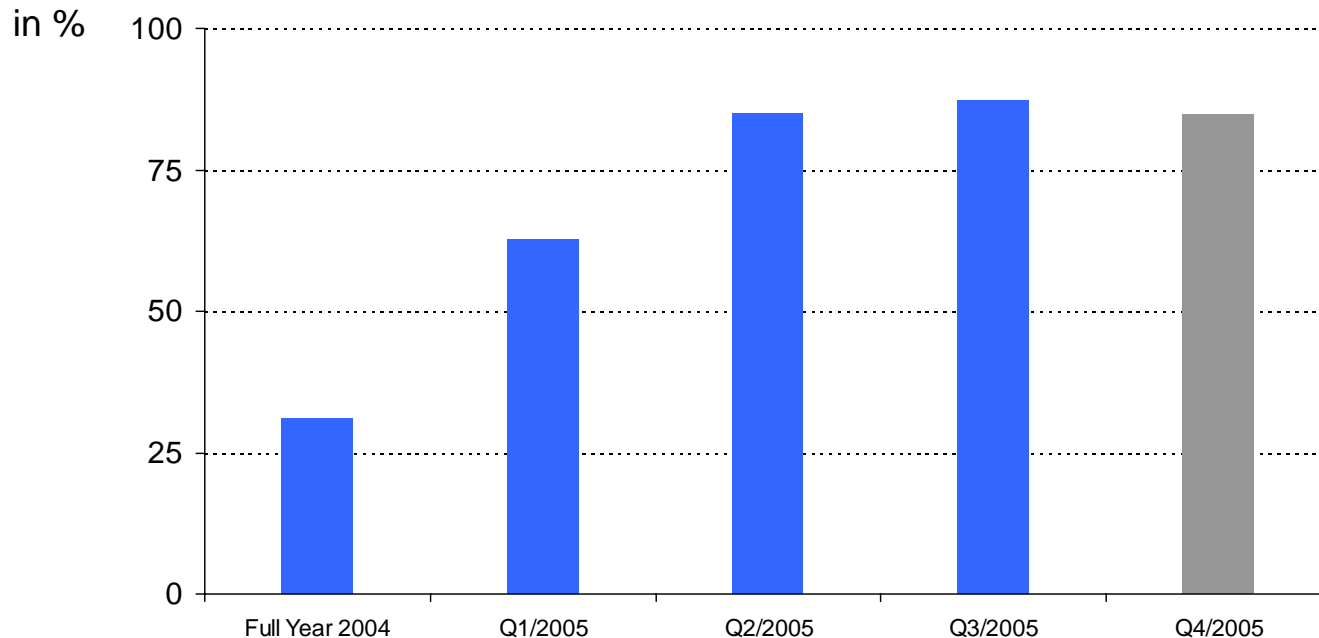
- Substantial improvement, mainly due to high capacity utilization of large scale bioreactors and a strong project pipeline for mid- and small-scale fermenters
- Successful FDA approval for production of Genentech's Rituxan® in Portsmouth, NH (USA) in September 2005
  - Start-up of fourth 20,000L reactor in mid-2006
- Expansion projects initiated on the back of growing demand
  - Construction of large scale plant in Singapore: full build-out will start after customer commitment probably without interruption after the shell
  - Re-activation in Q2/2006 of mothballed 2000L reactor in Portsmouth
  - Approval to build new mid-scale plant in Portsmouth (4-6 x 5000 l)
- Construction of 2 x 15,000L lines in Visp (CH) based on long-term alliance with UCB with planned start-up at end-2006
- Due to strong project pipeline in Biopharma Services, the construction of a 500L bioreactor for clinical material in Slough (UK) was started

# 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

# Exclusive Synthesis & Biopharmaceuticals

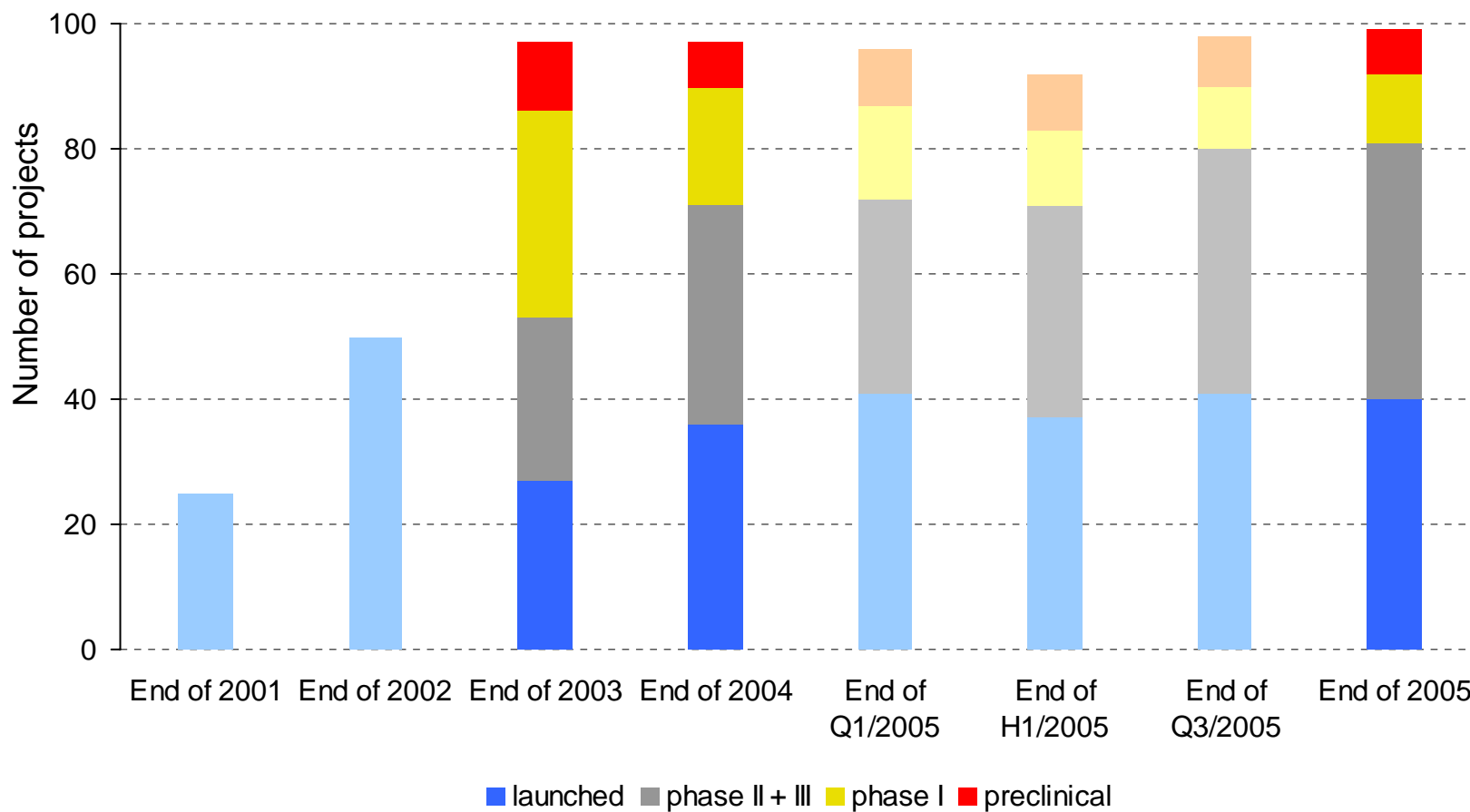
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## Exclusive Synthesis

- Continuous difficult market conditions due to overcapacities and strong Asian competition
- Increase of sales thanks improvement of capacity utilization triggered by project pipeline and contracted products
- Construction of a new API plant in Visp (CH) initiated in 2005 well on track
- Continuous strong R&D performance:
  - Pipeline structure further improved
  - Extension of the state-of-the-art R&D center in Nansha (China) for up to 60 scientists to be completed at end of Q1/2006
- Further strengthening of peptide business
  - Acquisition of UCB peptides division ■
  - Construction of mid-scale peptide plant in Visp (CH)

# Exclusive Synthesis – Project Pipeline

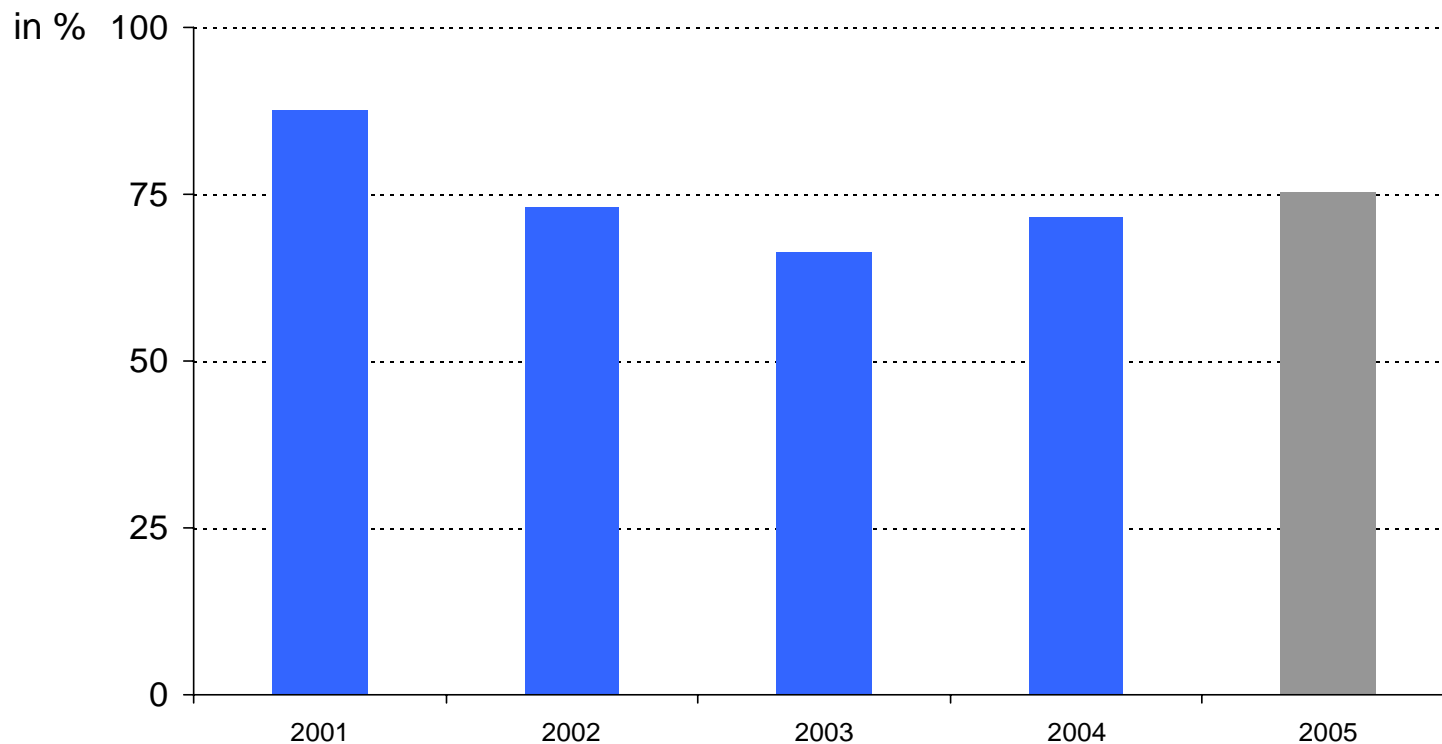
## Chemical Synthesis and Biotransformation



# Exclusive Synthesis – Capacity Utilization

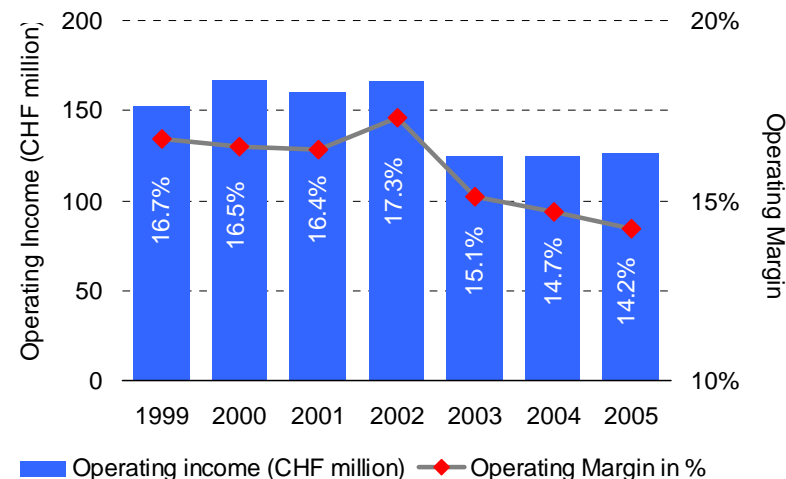
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- Exclusive chemical synthesis (GMP qualified assets)



# Organic Fine & Performance Chemicals

CHF million	2005	Change YoY
Sales	892	4.7%
Op. Income	127	2.4%
Margin	14.2%	
EBITDA	179	3.5%
Margin	20.1%	



- Sales increased by 4.7% to CHF 892 million
- Operating income amounted to CHF 127 million, 2.4% higher than in 2004
- Development of operating margin impacted by high raw material and energy prices, while EBIT margin remained at 14.2%

# Organic Fine & Performance Chemicals

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## Nutrition

- Strong demand for nicotines, but unsatisfactory margin level due to high raw material and energy cost
- Successful start-up of 6000-t niacinamide plant in Nansha (China) in Q3/2005
- Good sales of intermediates for the manufacture of vitamins
- Strong demand for Carnipure<sup>®</sup> with high capacity utilization, while moderate price decline continued
- Demand for Meta<sup>®</sup> metaldehyde (molluscicide) on an unsatisfactory level due to dry weather conditions in major markets, but pick-up at end-2005

## Hygiene / Personal Care

- Brisk demand for new Natrulon<sup>®</sup> personal care products
- Successful market introduction of a skin-repair system utilizing L-Carnitine and a skin-lightening product
- Strong market interest for the recently launched DermaSphere<sup>®</sup> line, an award winning natural emulsifier system



# Organic Fine & Performance Chemicals

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## Preservation / Wood / Water

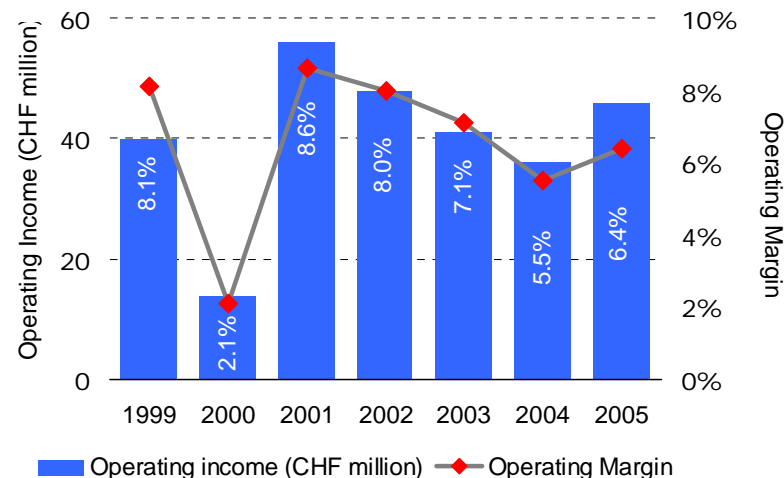
- Water treatment business developed according to expectations
- Demand for Carboquat<sup>®</sup>, a product for pressure treatment of wood, overall satisfactory

## Industrial Specialties

- Good demand and strong pricing for Diketene derivatives
- Markets for high-performance materials in growth mode
- Sales for electronics and aerospace applications above expectations with high capacity utilization rate
- Very positive customer feedback for CarboShield<sup>®</sup>, a new and highly effective corrosion inhibitor

# Polymer Intermediates

CHF million	2005	Change YoY
Sales	719	10.8%
Op. Income	46	27.8%
Margin	6.4%	
EBITDA	82	13.9%
Margin	11.4%	



- Sales increased by 10.8% to CHF 719 million, supported by high volumes, high raw material costs and prices ■
- Negative effect due to low US-exports (exchange rate), weak economic growth in North and Central Europe offset by a good balance of supply and demand as well as strong sales in the Mediterranean region
- Operating income amounted CHF 46 million, 27.8% higher than in 2004
- Operating margin reached 6.4% (2004: 5.5%)

# Polymer Intermediates

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- Maleic anhydride and derivatives
  - Results well above expectations in terms of sales and margins
  - Expansion of Maleic acid capacity in Scanzorosciate (IT) from 8000 t/a to 12,000 t/a under construction (start-up end-2006)
  - Successful installation of a new high-performance catalyst for the butane-based plant in Ravenna with expected very positive results
- Phthalic anhydrides and general-purpose plasticizers
  - Good volumes while margin shrank because of high raw material cost not fully passed on to end-customers
  - Closure of a competitor's plant further balanced supply/demand ratio at year-end

# Polymer Intermediates

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- Trimellitic anhydride
  - Weak business led to shutdown of our plant for nine months to reduce inventories and implement technical measures to improve cost position for 2006
- Special plasticizer
  - Results negatively impacted by lower demand for automotive applications and weak pricing
  - Newly developed lubricant application performed above expectations
- Resins
  - Volumes and margins reached historical highs, supported by very high sales of building application in Southern Europe
- Purified isophthalic acid
  - Performance in line with previous year's improvements with increased EBITDA margins

## Other

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- Restructuring measures at LOFO (custom manufacture of high-tech films) were started in H1/2005 and will be completed in mid-2006
- Slightly increased corporate cost in line with plan
- Net working capital
  - Performance continues to be unsatisfactory, despite slight improvements (2004: 33.2% of sales; 2005: 30.7% of sales); further improvement is targeted for 2006 and 2007
- New long-term incentive for senior management (stock program instead of option program) linked to:
  - Total Shareholder Return
  - Earnings per Share performance

# Outlook

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- All the major growth opportunities communicated in 2005 are fully on track
- Expected 2006 EBIT resulting from implementation of the announced projects is fully in line with market consensus
- In addition substantial new projects were identified to sustain growth rates long-term ■
  - The delivery of these projects will require pre-investments and one-time cost of approx. CHF 30 mio in 2006:
    - 500 new employees
    - Capital expenditure (excluding third party funding) of CHF 400 mio
- Long-term outlook
  - Very high visibility on contracts until 2008 and specific new opportunities identified for 2009 and beyond
  - Sales growth from 7% to 10% p.a.
  - EBIT growth at low double digits
  - Improved long-term outlook and profitability development

# Calendar of Events + Contacts

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## ■ Important Lonza Group Dates

- |                        |                                    |
|------------------------|------------------------------------|
| ■ 25 January 2006      | 2005 Full Year Results             |
| ■ 27 April 2006        | Q1/2006 Business Update            |
| ■ 26 July 2006         | 2006 First Half Year Results       |
| ■ 27/28 September 2006 | Investor Relations Event in Slough |
| ■ 17 October 2006      | Q3/2006 Business Update            |

## ■ Investor Relations Contact

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Basel  
25 January 2006

**Lonza**

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**2005 Full Year Results Presentation**

Stefan Borgas, CEO



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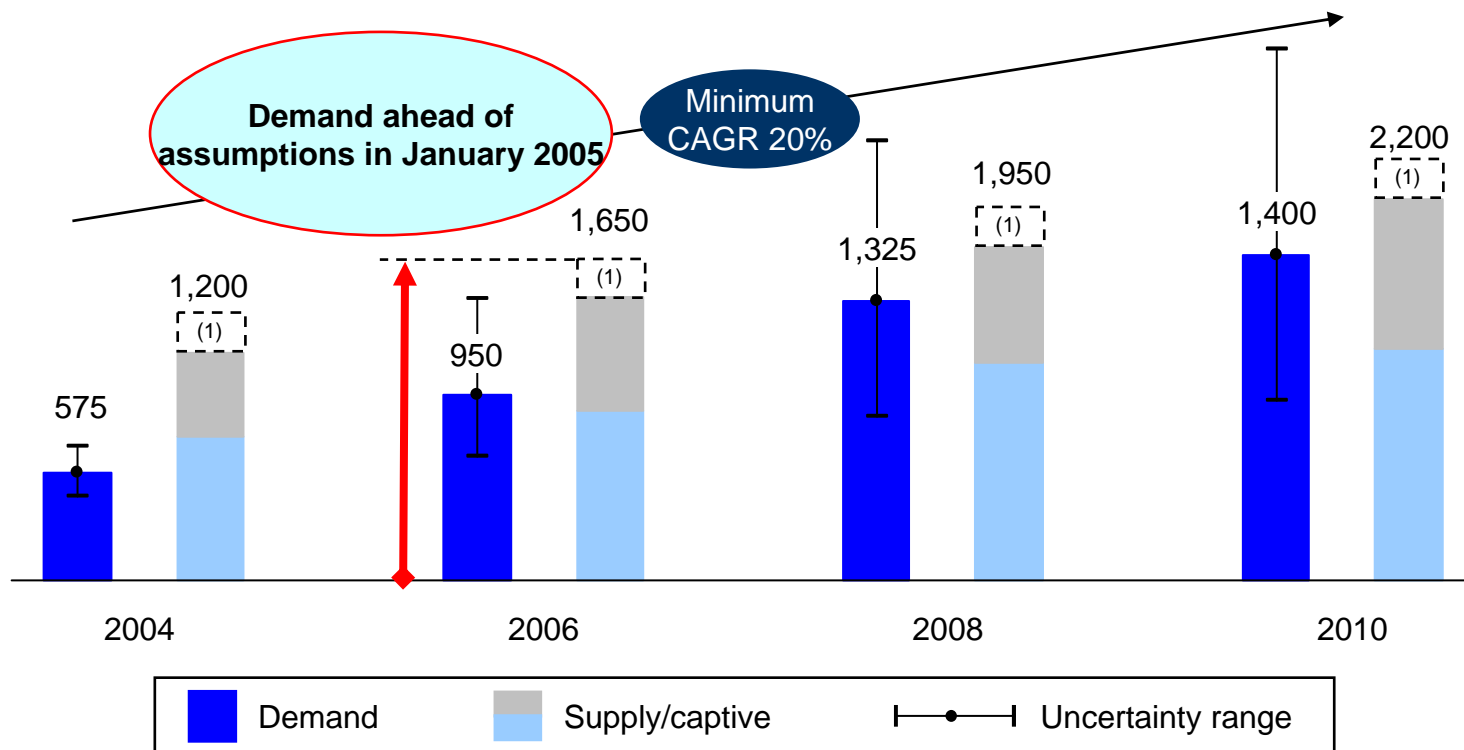
Back-up Slides

# Strategic Projects

	Strategic Projects Q1/2005	Strategic Projects Q1/2006
Biopharmaceuticals Mammalian cell culture technology	Large Scale Expansion (LSBO II); Portsmouth	Large Scale Expansion (LSBO II); Singapore
Biopharmaceuticals Mammalian cell culture technology		Expansion mid-size bio reactors; Portsmouth
Biopharmaceuticals Microbial fermentation	Expansion of 2 lines; Visp	Expansion of 3 lines (1 additional one); Visp
Biopharmaceuticals Vaccines	Option	Project realization >50% probability
Exclusive Synthesis Expansion China	API-R&D + pilot plant for 2007	R&D center, API + pilot plant : start-up 2008
Exclusive Synthesis Expansion Switzerland	API plant for 2008	API plant: start-up 2007
Exclusive Synthesis Peptide business	Investment in production plant: Start-up Q1/2006	Investment in mid-scale production plant and lyophilisation capacity: Start-up Q1/2006
Organic Fine & Performance Chemicals Nutrition	One new Nutrition product in 2007 and two p.a. thereafter	One new Nutrition product in 2006 and two p.a. thereafter

# Strong Growth in Demand for Bio-Manufacturing

## Mammalian – Supply / Demand for Reactor Capacity (kL)



However, significant pipeline/product modifications could impact this balance

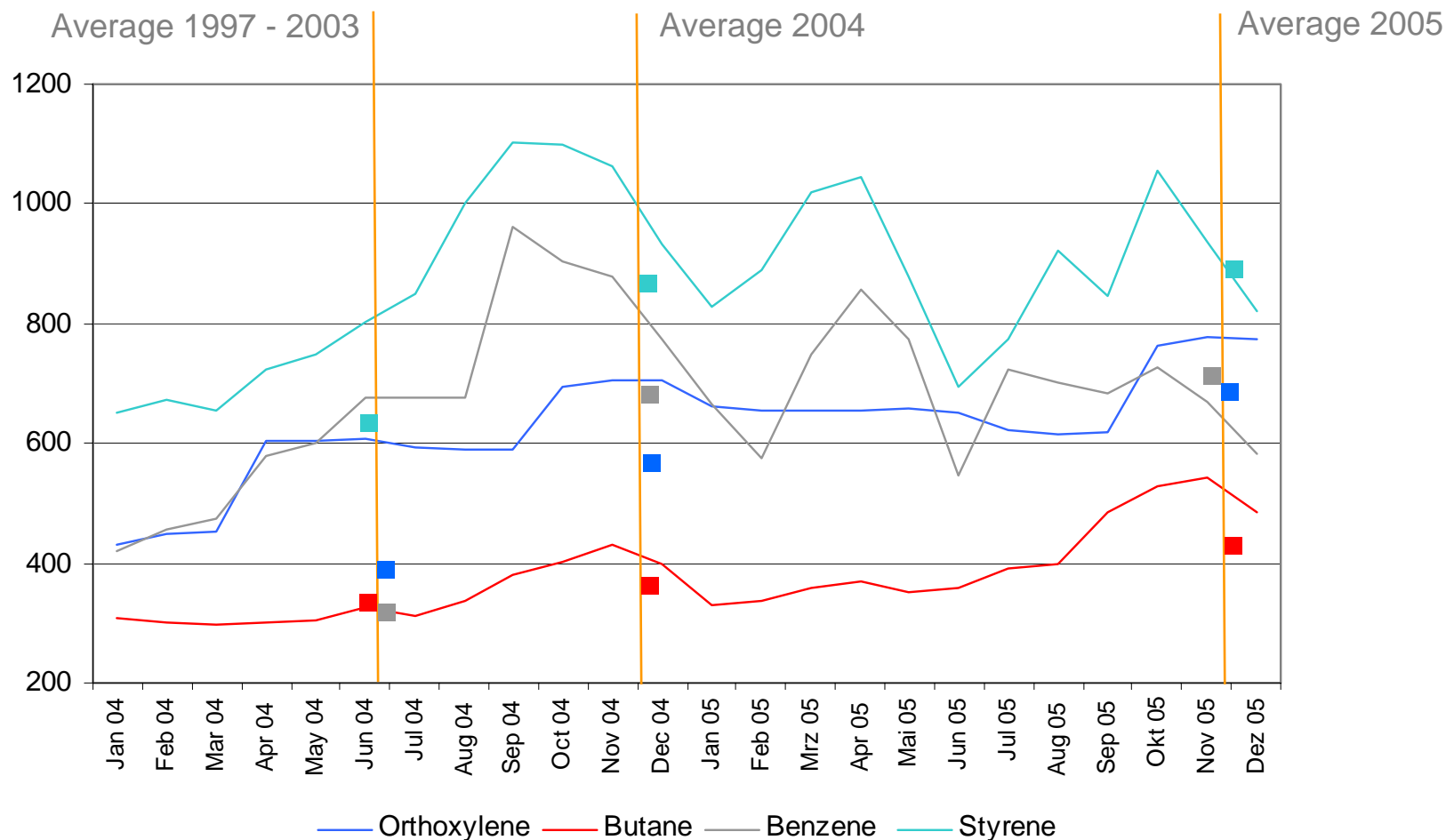
(1) Assumes that 20% of originators capacity cannot be filled due to flexibility restrictions

# Lonza's Acquisition of UCB Bioproducts

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- Lonza acquired UCB's peptide division in Braine-L'Alleud (Belgium) with approximately 300 employees for € 120 Mio
- Peptide synthesis is a significant and strategic product area for Lonza, and part of long-term growth activities
- Lonza strengthens its position as a worldwide leader in custom peptide manufacturing
  - Larger pipeline
  - More customers
  - Larger capacity
  - Higher profits
- UCB's expertise in liquid phase technology complements Lonza's existing skills in peptide production, with focus on large-scale solid phase peptide synthesis and recombinant fermentation

# Polymer Intermediates Raw Materials remain at high Level



# Consolidated Income Statement

CHF million	2004*	2005	Change YoY
Net Sales	2'182	2'521	15.5%
Operating Expenses	(1'968)	(2'224)	(13.0%)
Operating Income before special items/GW amort.	214	297	38.8%
Special items net <sup>1</sup>	2	0	
Goodwill Amortization	(5)	0	
Result from operating activities (EBIT)	211	297	40.8%
Financial Expenses	(32)	(53)	(65.6%)
Pre-tax earnings	179	244	36.3%
Income taxes	(41)	(56)	(36.6%)
Net Income	138	188	36.2%
EPS basic (CHF)	2.91	3.97	36.4%
EPS diluted (CHF)	2.91	3.87	33.0%

\* 2004 was restated for the impact of share-based compensation and due to reclassification of LOFO High Tech Film GmbH from the Exclusive Synthesis & Biopharmaceuticals segment to the segment "Other" as a result of the change in Management structure

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

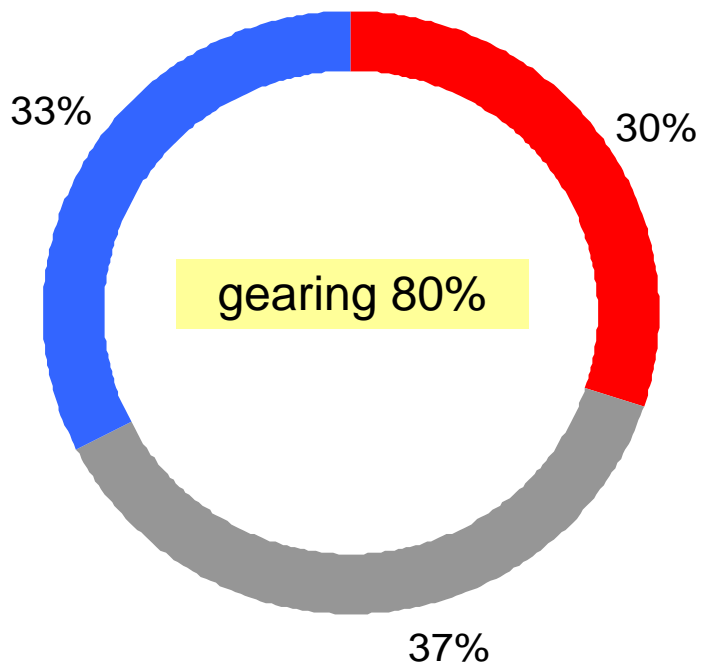
# Divisional Operating Performance

CHF million	Operating Income			Margin	
	2004*	2005	Change YoY	2004	2005
Exclusive Synthesis & Biopharmaceuticals	52	144	176.9%	8.7%	16.4%
Organic Fine & Performance Chemicals	124	127	2.4%	14.6%	14.2%
Polymer Intermediates	36	46	27.8%	5.5%	6.4%
Holding and Others	2	(20)	na	na	na
Operating Income	214	297	38.8%	9.8%	11.8%

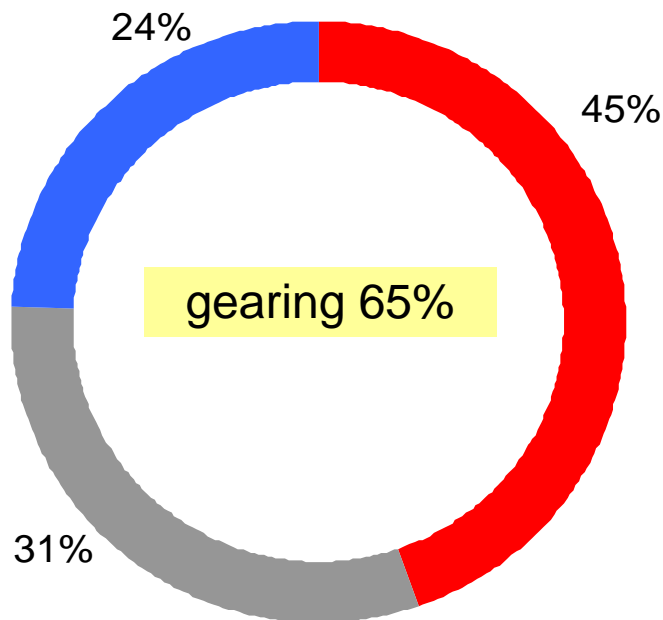
\* 2004 was restated due to reclassification of LOFO High Tech Film GmbH from the Exclusive Synthesis & Biopharmaceuticals segment to the segment "Other" as a result of the change in Management structure.

# Net Debt Profile

Dec 31, 2004  
Total Net Debt  
CHF 1 027 million



Dec 31, 2005  
Total Net Debt  
CHF 962 million



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