

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

**Lonza**

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**2006 First Half Results – 26 July 2006**

Stefan Borgas  
Chief Executive Officer

## 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.”

## 2006 First Half Results – Financial Highlights

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- Lonza results for the first half of 2006 are in line with expectations and exceed guidance.
- EBIT increased by 17% up to CHF 158 million.
- Sales rose 15.5%, totaling CHF 1'415 million. Almost half of this growth was due to rise in raw material prices.
- Net Income growth increased by 10.3%, due to higher one time financing cost. Will be on target at EBIT growth level by year end.
- Net Working Capital in relation to sales declined from 31% to 29%.
- Gearing level remained at 80%, even after the peptides acquisition.

## 2006 First Half Results – Strategic Highlights

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

- Lonza takes decision to build out mammalian cell culture plant in Singapore.
- Mechanical completion of the first (out of two) large scale microbial lines in Visp, Switzerland.
- Start up of the fourth 20'000 liter bioreactor was realized ahead of schedule in Portsmouth, NH (USA).
- R&D Center in China is fully staffed and the small scale plant construction project is well underway.
- Acquisitions (peptides, larch arabinogalactan) and divestitures (LOFO), as well as the Polymer Intermediates IPO project, demonstrate active portfolio management.

# 2006 First Half Results

CHF million	1.Half 2005	1.Half 2006	Change YoY
Sales	1,225	1,415	15.5%
EBITDA before special items( restated)	228	265	16.2%
<i>EBITDA Margin before special items (restated)</i>	18.6%	18.7%	
EBIT	135	158	17.0%
<i>EBIT Margin</i>	11.0%	11.2%	
Net Income	87	96	10.3%
Capex (excl. customer funding)	89	211	
EPS (CHF) basic	1.84	2.03	10.3%
Number of employees	5,755	6,447	12.0%

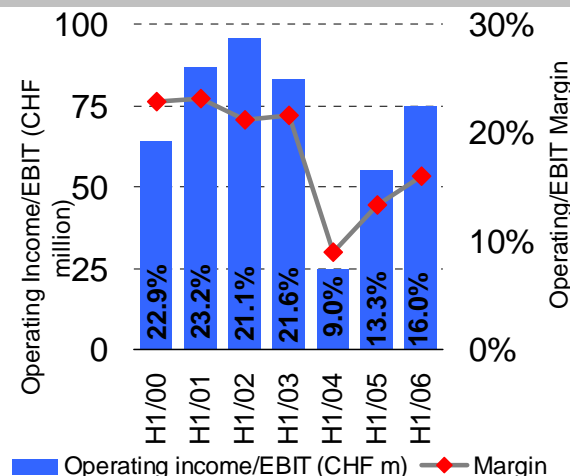
# Consolidated Income Statement H1 2006

CHF million	1.Half 2005	1.Half 2006	Change YoY
Net Sales	1,225	1,415	15.5%
Operating Expenses	(1,090)	(1,257)	(15.3%)
Result from operating activities (EBIT)	135	158	17.0%
Financial Expenses	(19)	(30)	(57.9%)
Pre-tax earnings	116	128	10.3%
Income taxes	(29)	(32)	10.3%
Net Income	87	96	10.3%
EPS basic (CHF)	1.84	2.03	10.3%
EPS diluted (CHF)	1.84	1.92	4.3%

# Exclusive Synthesis & Biopharmaceuticals

CHF million	1.Half 2006*	Change YoY
Sales	470	14.1%
EBIT	75	36.4%
Margin	16.0%	
EBITDA	132	30.7%
Margin	28.1%	

In 2006: Change from operating income to EBIT



- Sales rose to CHF 470 million (2005: CHF 412 million) with Exclusive Synthesis at CHF 285 million and Biopharmaceuticals at CHF 185 million.
- EBIT substantially increased by 36.4% to CHF 75 million from CHF 55 million
- Improved EBIT margin from 13.3% up to 16.0%
- Recovery of profitability in line with expectations and primarily the result of Biopharmaceuticals business

\* 2005 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

# Exclusive Synthesis & Biopharmaceuticals

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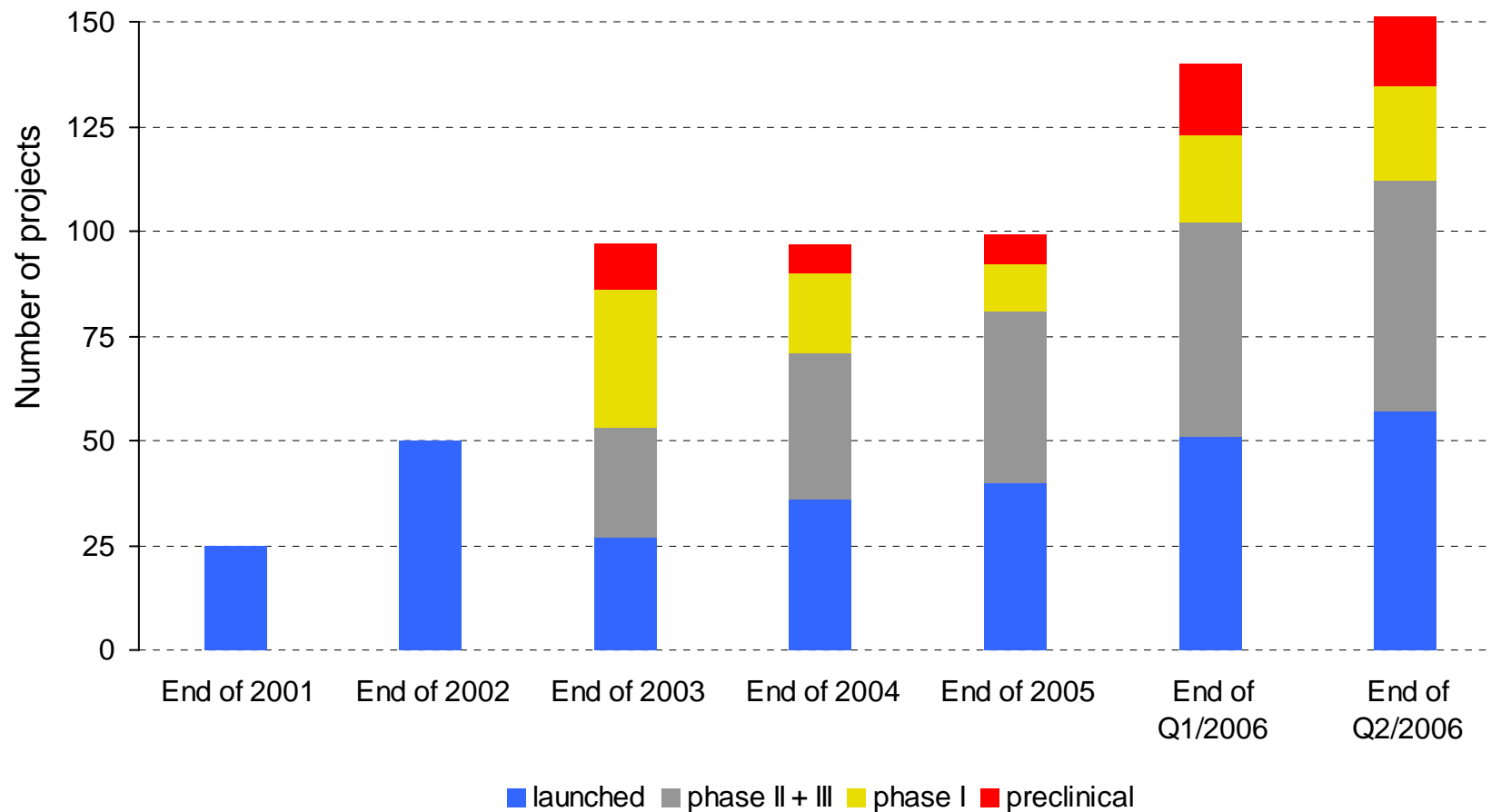
## Exclusive Synthesis

- Continuous Asian competition with Indian CMO's acquiring western assets and customers.
- Expected sales growth and high asset utilization due to good product development and pipeline delivery.
- Manufacturing difficulties in Q1 are responsible for unsatisfactory profit growth; with strong Q2 performance continuing throughout H2, significant recovery will occur by year end.
- Construction of a new API plant in Visp (CH) initiated in 2005 well on track. Drying & packaging line operational Q4/06 to eliminate urgent bottlenecks.
- Lonza Braine integration well under way completed by year end driven by an exciting new peptides team.
- Strong R&D performance:
  - Pipeline structure further improved
  - R&D-center with 27 Scientists in Nansha opened. On-going increase of co-workers in China till Q1/07
- Development of Chinese Production Hub in Nansha
  - Construction of a Small Scale Plant in Nansha initiated; start up Q3/07
  - Engineering and & equipment sourcing under way for a API plant in Nansha; Civil construction will start Q3/06



# Exclusive Synthesis – Project Pipeline

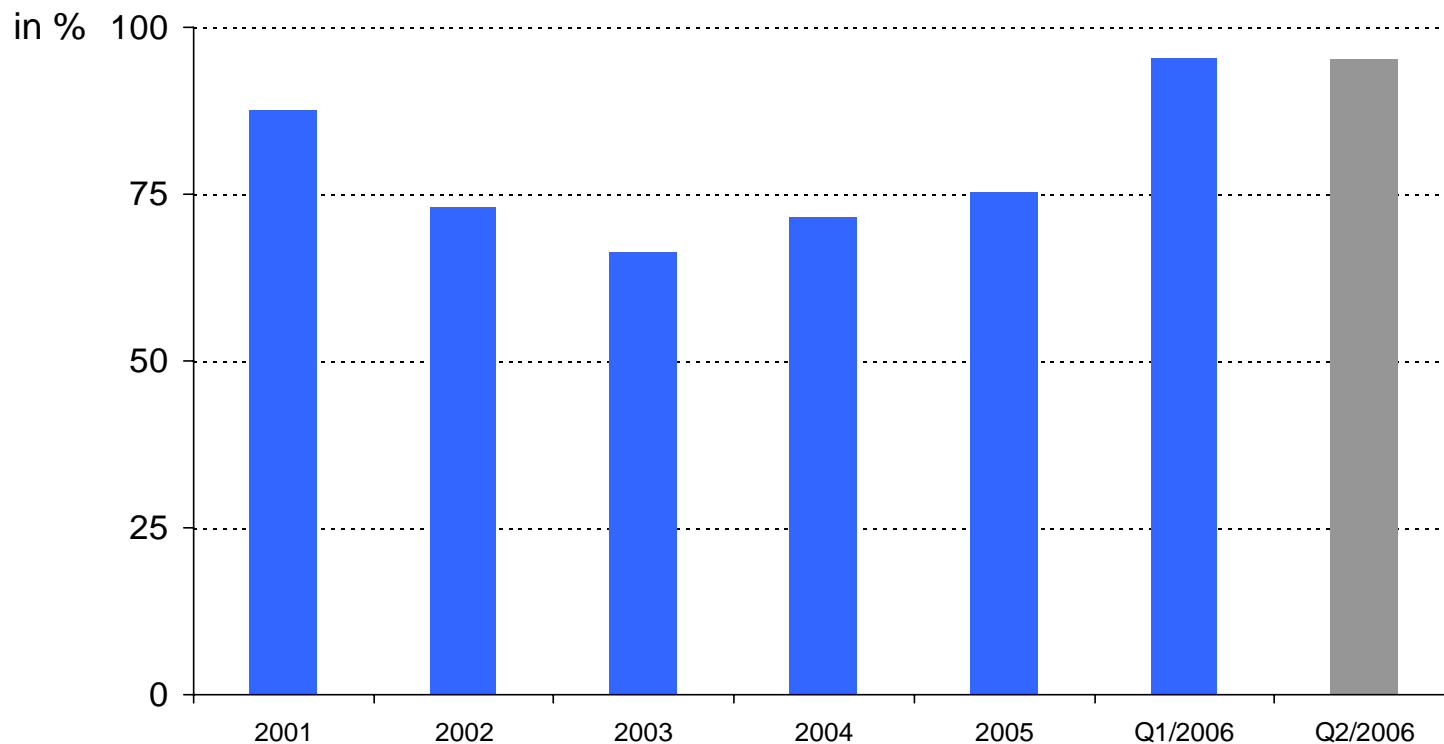
## Chemical Synthesis and Biotransformation



\* includes peptide acquisition

# Exclusive Synthesis – Capacity Utilization

■ Exclusive chemical synthesis (GMP qualified assets)\*



\* excludes Lonza Braine

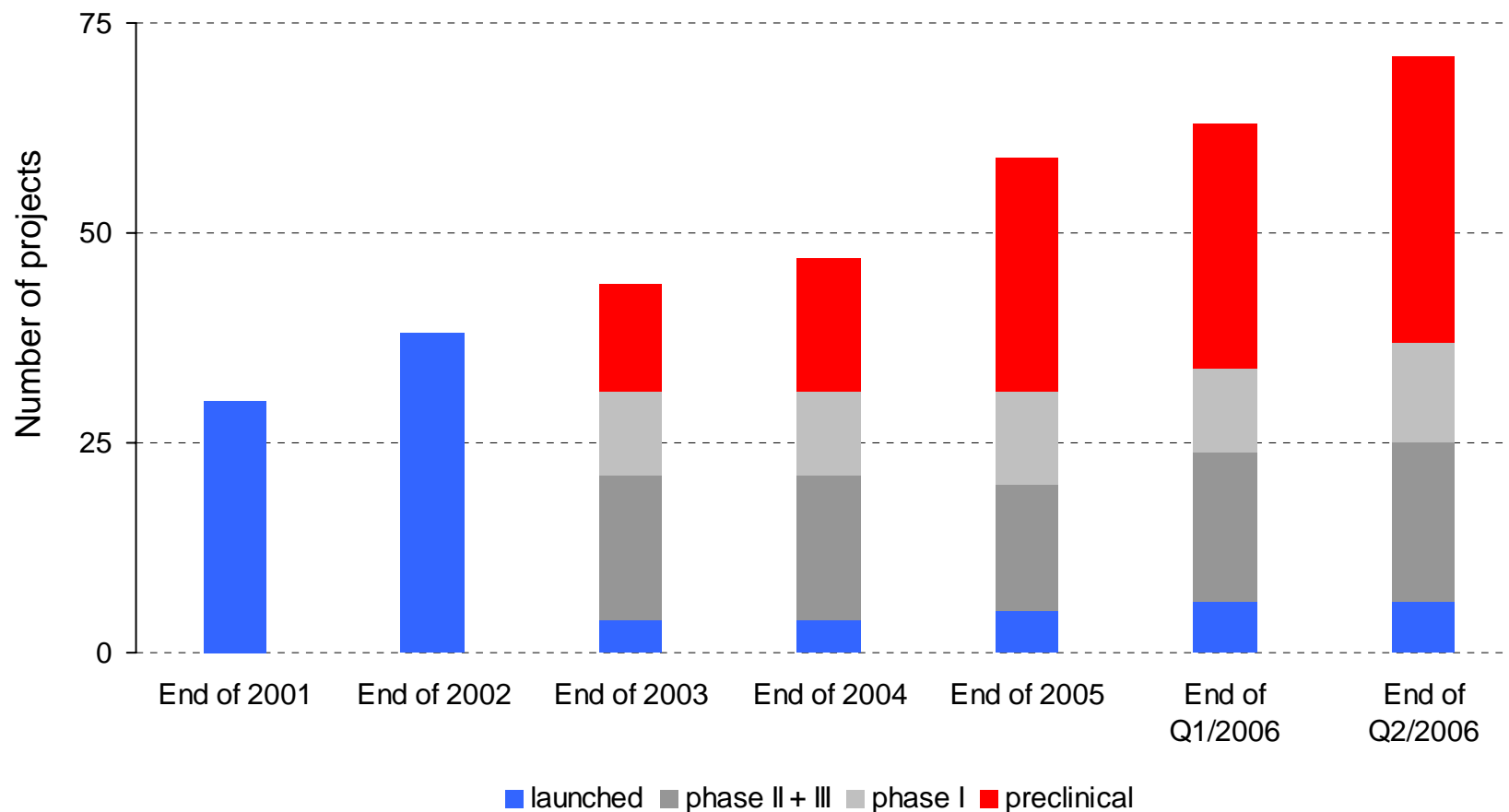
# Exclusive Synthesis & Biopharmaceuticals

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## Biopharmaceuticals

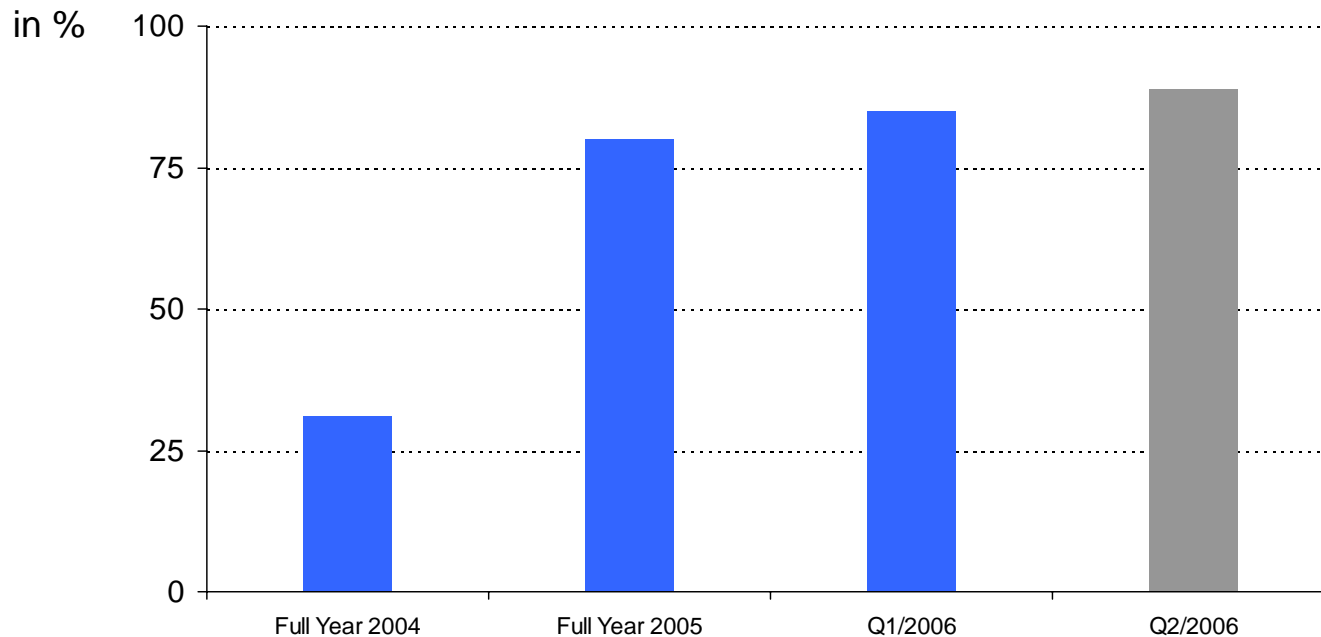
- Excellent operational performance due to the high utilization in all plants and industry leading success rates.
- Successful start-up of the fourth 20'000L reactor in Portsmouth.
- Increasing demand in R&D services are above expectations.
- Expansion projects status:
  - Decision taken by Lonza Board to build out Singapore.
  - Due to increasing mid-scale demand the conversion of the mothballed 2'000L line to a 5'000L line is targeted.
  - Engineering and civil work for Portsmouth mid-scale (6x5'000L) facility in preparation.
- Mechanical completion of the first of two 15'000L microbial lines in Visp (CH) based on long-term alliance with UCB.
- New 500L mammalian line for clinical material in Slough (UK) to be operational in December 2006.
- EMEA approval for the manufacturing of Genentech's Rituxan® in Portsmouth.
- FDA approval for the manufacturing of BMS' Orelncia® in Portsmouth.

# 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)

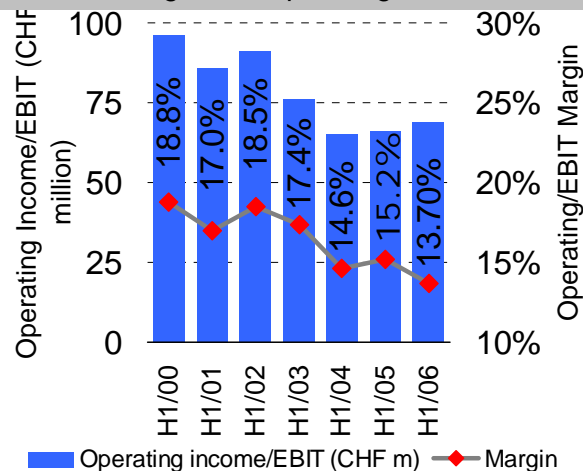


2 x 1500 L bioreactors are 100% under long-term contract and not reflected above

# Organic Fine & Performance Chemicals

CHF million	1.Half 2006	Change YoY
Sales	502	15.7%
EBIT	69	4.5%
<i>Margin</i>	13.7%	
EBITDA	98	7.7%
<i>Margin</i>	19.5%	

In 2005: Change from operating income to EBIT



- Strong sales growth at stable profits but at lower margins driven by high raw material and energy prices
- Continuous high capacity utilization
- Unchanged strong competition out of 'low cost countries' (e.g. India, China)
- Market shares in strategic market niches were kept at the desired high levels
- Stronger profits for specialties balanced by price pressure for bulk products

# Organic Fine & Performance Chemicals

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## Nutrition

- Strong demand for nicotinates; higher market prices did not fully compensate for higher raw material cost
- DHA sales above available production capacity; new capacity underway
- Acquisition of Larex; first sales of L-Arabinogalactan (AG)
- Strong demand for L-Carnipure<sup>®</sup> and L-Carnitine feed (especially pet food)
- Demand for Meta<sup>®</sup> metaldehyde (molluscicide) returned to expected levels

## Hygiene / Personal Care

- Low margin Quat volumes in the market impacted negatively sales prices
- Multi-year contracts have been executed with Ecolab and Colgate
- Key regulatory approvals for new preservatives obtained in Japan and EU
- “Emerging pathogen” initiative launched; formulation active against H5N1 identified

# Organic Fine & Performance Chemicals

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## Preservation / Wood / Water

- Strong sales of patented technologies (Equinox<sup>®</sup>, Catagard<sup>®</sup>) in water treatment application after slow start in Q1/06.
- Growing demand for Carboquat<sup>®</sup>, a product for pressure treatment of wood.

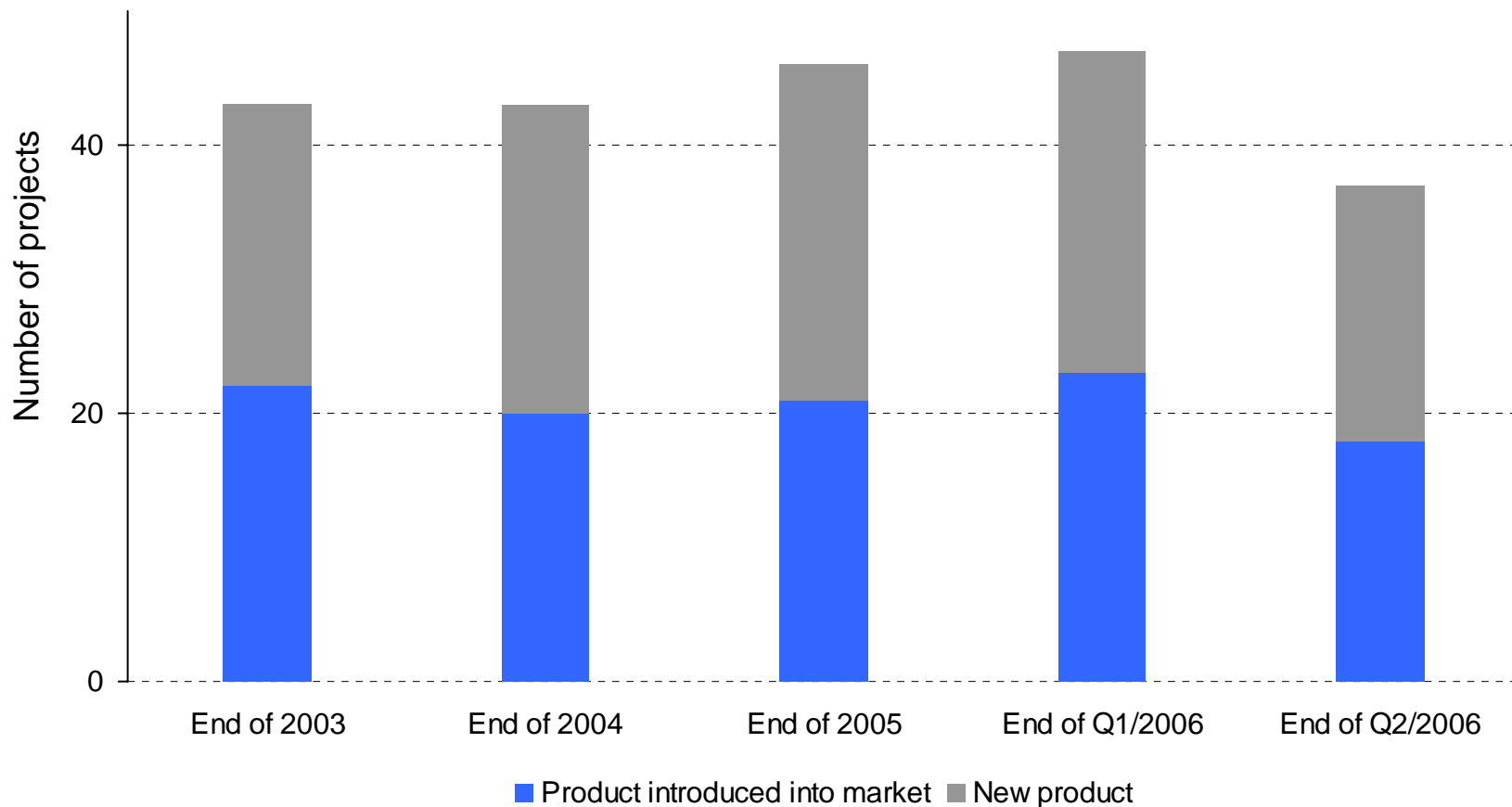
## Industrial Specialties

- Competitive pressure in diketene derivatives; lower ester sales could not be equalized by stronger arylides.
- High volume sales in HCN derivatives, despite stronger competition.
- Stable sales of vitamin intermediates.
- Sales of high-performance materials for electronics and aerospace applications at high level.
- Satisfactory demand for intermediates and active substances for agro applications.



# Organic Fine & Performance Chemicals – Project Pipeline (New Products)

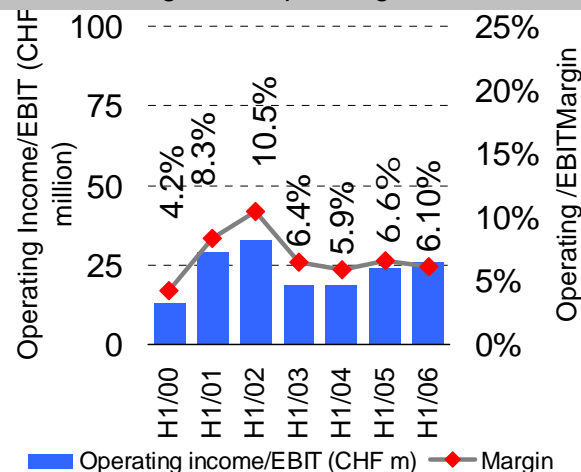
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# Polymer Intermediates

CHF million	1.Half 2006	Change YoY
Sales	427	18.3%
EBIT	26	8.3%
Margin	6.1%	
EBITDA	46	7.0%
Margin	10.8%	

In 2005: Change from operating income to EBIT



- Healthy improvement of sales from CHF 361 million up to CHF 427 million (18.3%); half of this increase due to high raw material and energy cost.
- EBIT increased by 8.3% to CHF 26 million (2005: CHF 24 million) despite two shut-downs in the Singapore pure isophthalic acid facility.
- The announced IPO process is progressing on target with authorizations from Italian market regulators expected in third quarter 2006, with an intended minority share for Lonza. Implementation depends upon market conditions.

# Polymer Intermediates

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## Phthalic anhydride and General purpose plasticizers

- Buoyant demand in Europe for both Phthalic anhydride and Plasticizers in a tightening raw materials supply environment.
- Balanced oxo-alcohols and ortho-xylene market will keep margins on the stable side.

## Maleic anhydride and Derivatives

- Margins and pricing were aligned to target.
- Rising raw material cost increases had to be offset by monthly increases of selling prices.
- Market hit by shortage due to unexpected shut down at the Ravenna plant in June and July, triggered by a steam boiler outage.

# Polymer Intermediates

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## Trimellitic anhydride and Special Plasticizers

- Stable situation in line with expectations.
- Special plasticizers sales higher than budget to compensate the lower performance of TMA.

## Resins and Compounds

- Very good volumes and stable margins in resins and compounds offset the high raw material cost.

# 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

## Lonza reaffirms the guidance communicated since January:

- Sales growth between 7% to 10% p.a.
- EBIT growth at low double digits
- Project pipeline fully aligned with expectations
- Sales and profitability growth sustainable into 2012

# Calendar of Events + Contacts

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## ■ Important Lonza Group Dates

- |                        |                                    |
|------------------------|------------------------------------|
| ■ 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 Contacts

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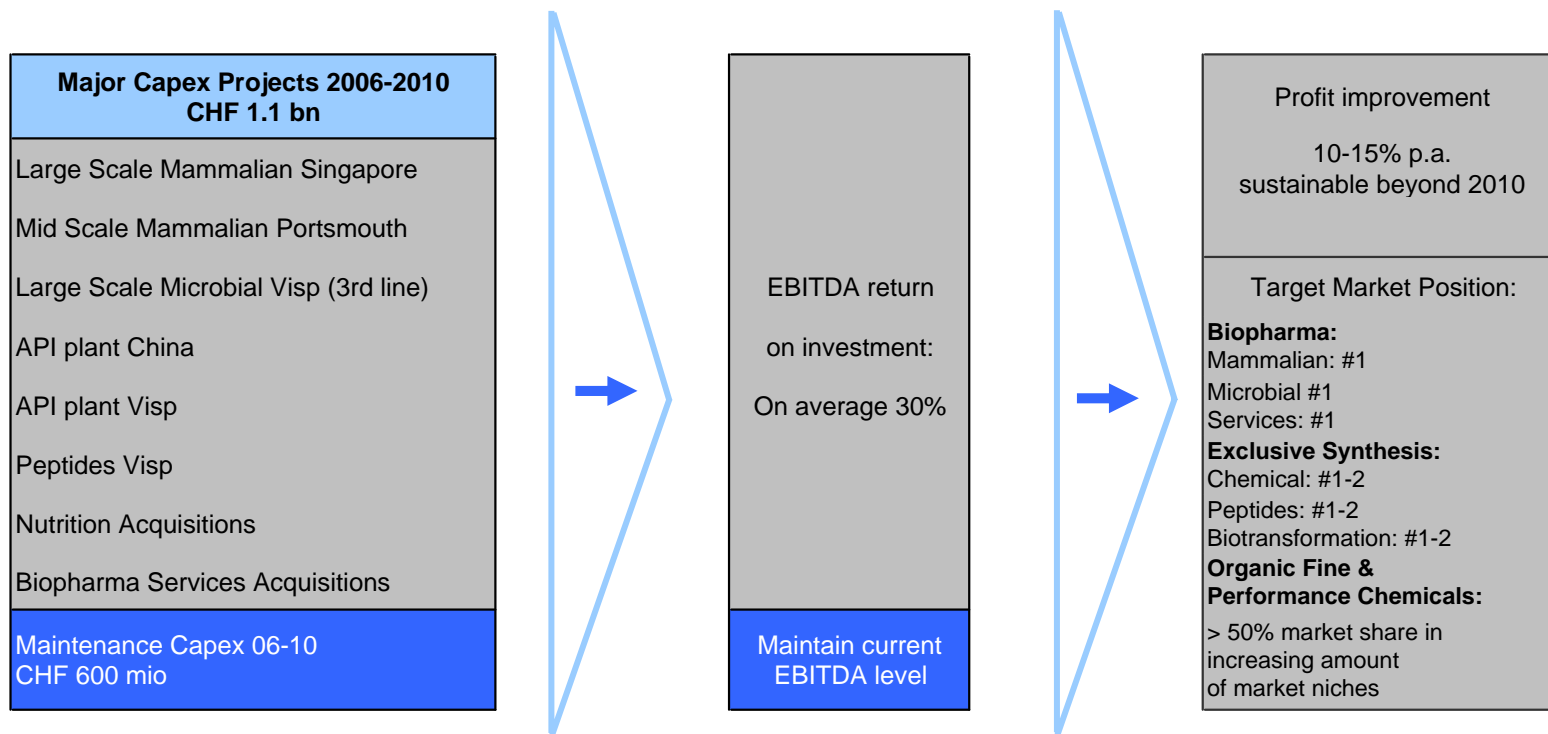
Back-up Slides

# 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



# Lonza Development 2006-2010 fueled by attractive internal growth projects



# Active Portfolio Management Supports Investment Strategy

Portfolio Management	EBIT contribution	CAGR	EBIT contribution	CAGR
<b>Divestiture candidates</b>			<b>Acquisition candidates</b>	
Polymer Intermediates Europe	] CHF 50 mio	~3%	Peptides	] > CHF 50 mio >10%
Polymer Intermediates Singapore			Biopharma Services	
Lofo			Nutrition / Cosmetics niche products	

## Growth principles

IRR >20% per project (incl. maintenance and infrastructure)

Large projects strictly linked to customer contracts

Positive EVA contribution

Gearing below 100%

# Divisional Sales Development

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CHF million	1.Half 2005	1.Half 2006	Change YoY
Exclusive Synthesis & Biopharmaceuticals	412	470	14.1%
Organic Fine & Performance Chemicals	434	502	15.7%
Polymer Intermediates	361	427	18.3%
Holding & Others	18	16	n.m.
<b>Net Sales</b>	<b>1,225</b>	<b>1,415</b>	<b>15.5%</b>

# Divisional EBIT Performance

CHF million	1.Half 2005	1.Half 2006	Change YoY
Exclusive Synthesis & Biopharmaceuticals	55	75	36.4%
Organic Fine & Performance Chemicals	66	69	4.5%
Polymer Intermediates	24	26	8.3%
Holding and Others	(10)	(12)	(20.0%)
Operating Income	135	158	17.0%

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sustainable value to our customers.**

**Lonza**

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Chief Executive Officer