

FULL-YEAR REPORT 2005

Lonza well on track with 39% increase in operating income

| Financial highlights | 2004 | 2005 |
|---|-------|--------|
| million CHF | | |
| Sales | 2 182 | 2 521 |
| Change in % | | 15.5 |
| EBITDA | 376 | 484 |
| Change in % | | 28.7 |
| Margin in % | 17.2 | 19.2 |
| Operating income (before special items / GW amort.) | 214 | 297 |
| Change in % | | 38.8 |
| Margin in % | 9.8 | 11.8 |
| Result from operating activities (EBIT) | 211 | 297 |
| Change in % | | 40.8 |
| Margin in % | 9.7 | 11.8 |
| Net income | 138 | 188 |
| Change in % | | 36.2 |
| Cash flow before change in net working capital | 256 | 386 |
| Change in % | | 50.8 |
| Net debt | 1 027 | 962 |
| Debt-equity ratio | 0.80 | 0.65 |
| Change in % | | (18.8) |
| EPS basic (CHF) | 2.91 | 3.97 |
| Change in % | | 36.4 |
| EPS diluted (CHF) | 2.91 | 3.87 |
| Change in % | | 33.0 |
| Number of employees | 5 668 | 5 984 |
| Change in % | | 5.6 |

2005 operating income increased significantly to CHF 297 million compared with the previous year and is fully in line with expectations as well as the strategic plan communicated in January 2005. Sales reached CHF 2 521 million, up 16% from the 2004 figure. The main driver behind these positive results was a marked improvement in the performance of our custom manufacturing activities. The strategic growth projects planned for 2005 were successfully completed and new upside potential was identified. The Board of Directors will propose a dividend of CHF 1.30 per share.

Overview The profitability exceeded the capital costs and the results achieved in all three divisions were fully in line with expectations. The results generated in our custom manufacturing activities (Exclusive Synthesis & Biopharmaceuticals) were more than doubled. The Group's operating income margin rose from 9.8% in 2004 to 11.8% in the reporting period. Net income increased by 36% from CHF 138 million to CHF 188 million. Cash flow before change in net working capital increased from CHF 256 million in 2004 to CHF 386 million in 2005. Capital expenditure of CHF 272 million was higher than in the previous year due to several investments primarily in the custom manufacturing activities.

Strategy The strategic projects for sustainable, above-average, profitable growth planned for 2005 were completed successfully. Additionally, new potential has been discovered thus contributing to growth over and above 2010 expectations. The following projects were the highlights in 2005:

Biopharmaceuticals

- Lonza will build a large-scale plant based on mammalian cell culture in Singapore. The construction of the shell was started at the end of 2005. The final build-out will follow upon completion of successful negotiations.
- Based on a long-term supply agreement with UCB, Lonza is building a commercial-scale facility of microbial biopharmaceuticals (2 x 15 000L lines have been committed). The plant in Visp (CH) is being jointly financed with the customer. Production start-up has been postponed by ten weeks to the beginning of 2007 due to requested customer process changes.
- The Biopharma Services business was expanded in 2005 in response to strong customer demand, with a 500L production line; 60 new scientists have joined our team in Slough (UK).
- The successful FDA approval for the production of Genentech's Rituxan® in Portsmouth, NH (USA) was obtained in September 2005.

Exclusive Synthesis

- We have implemented milestones that will deliver market leadership in peptides:
 - In Visp (CH) we began constructing a mid-scale plant .
 - In January 2006 we signed a contract to take over the UCB peptide business.
- The expansion of the production capacity for active pharmaceutical ingredients (APIs) in Visp (CH) was initiated with the construction of a new building with a new drying installation, due for completion by the end of 2006.
- Our R&D center in Nansha (China) has been strengthened.

Organic Fine & Performance Chemicals

- The acquisition of the DHA (Docosahexaenoic acid) business from Nutrinova is the first step in the business unit's strategy of expanding in profitable niche markets.
- Lonza received the Frost & Sullivan's 2005 Technology Award for its innovative Natrulon® Dermosphere™ Oleosome Technology which represents a breakthrough in cosmetics formulation technologies.
- The new Niacinamide plant in Nansha (China) successfully went on stream in the third quarter of 2005.

Polymer Intermediates

- The capacity of the malic acid plant in Scanzorosciate (Italy) was expanded from 8 000 to 12 000 tonnes per year in response to growing demand worldwide.
- Our newly developed high-performance catalyst was introduced at the maleic anhydride plant, improving production efficiency by 20%. This will strengthen Lonza's leading position in maleic anhydride and oxidation catalysts.
- The build-out of a new compounds plant in Poland is almost completed.

Other

- Successful launch of straight and convertible bonds in 2005 delivers the financial basis to secure long-term growth.

Outlook All major growth projects communicated in January 2005 are fully on track. In addition to these announced projects, substantial new opportunities were identified in 2005. Targeted acquisitions as well as strategic investments will sustain profitable growth rates in the long term. Some examples are:

- Expansion of mid-scale bioreactors in Portsmouth, NH (USA)
- Construction of a third production line at the large-scale microbial plant in Visp (CH)
- Detailed investigation and basic design development of a vaccines plant in Portsmouth, NH (USA)
- Accelerated timeline allowing start-up of the API production facility in Visp (CH)
- Improved pipeline for Nutrition products

The delivery of these additional projects will require preinvestments and one-time costs of approximately CHF 30 million in 2006.

Due to secured contracts and confirmed pipeline projects our visibility, well into 2008, has dramatically increased. Specificity for projects delivering growth until 2009 and beyond has increased. In order to implement these projects we need to hire 500 new employees worldwide in the Group in 2006. Overall investment (excluding third party funding) will rise to CHF 400 million.

We expect sustainable sales growth from 7% to 10% per annum and EBIT growth at low double digit-levels. The long-term outlook and profitability development have improved.

Net debt and bonds In the first half of 2005, Lonza successfully refinanced the long-term debt of CHF 675 million due in 2006. In May 2005, Lonza issued a CHF 300 million straight bond with a 2.625% fixed interest rate with a duration of five years. The bond was paid in full on 2 June 2005. At the end of June 2005, Lonza Finance Limited, Jersey, a 100% subsidiary of Lonza Group Ltd, issued a 1.5% convertible bond of CHF 430 million (value date 15 July 2005) with a duration of four years. Thanks to the successful refinancing, we significantly contributed to our goal of maintaining debt-equity ratio on a constant level for the coming years. The cash flow generated by the business can now be reinvested in targeted growth projects, as defined in our strategy.

People In 2005 Lonza undertook a review and redefinition of selected organization structures. As a result the Custom Manufacturing organization (Exclusive Synthesis & Biopharmaceuticals) was strengthened through changes in senior management from regional to functional responsibilities. The division made significant improvements to its sales and marketing groups through targeted training and development programs, organizational changes, and the launch of new businesses such as Biopharma Services.

We implemented new incentive and personal development programs for employees, with targets that are fully in line with shareholder interests: the Employee Share Purchase Plan was revised with great success as measured by the increase in employee participation. Senior management's long-term KPIs were changed to Total Shareholder Return and Earnings Per Share Growth. We began the process of assessing employee skills and job functions to ensure organizational fit. The initial results of this analysis have enabled improvements to be made on all levels of the company, helping to optimize the quality of employee performance.

Board of Directors Bernard Mach will not seek re-election as a director of the company. The Board of Directors, the Senior Management and the employees of Lonza thank Bernard Mach for his valuable contributions over the past five years. The Board of Directors will propose the nomination of Patrick Aebischer, Professor of Neurosciences and President of the Swiss Federal Institute of Technology in Lausanne, and Gerhard Mayr, former Executive Vice President of Eli Lilly & Company and Member of the Board of Directors of various reputable companies, as new Board members.

Senior Management Changes Stephan Kutzer assumed the role of Head of the Biopharmaceuticals business sector in June 2005. Toralf Haag joined Lonza as Chief Financial Officer in August 2005. Jeanne Thoma, Head of Global Human Resources, joined the Management Committee in August 2005.

We would like to express our gratitude to our shareholders, for the trust they have placed in us over the years. We also owe thanks to our customers. We are particularly grateful to all Lonza employees for their outstanding efforts and vital contributions to the implementation of our growth strategy.



Rolf Soiron
Chairman of the Board



Stefan Borgas
Chief Executive Officer

| | 2004* | 2005 |
|--|-------|-------------|
| million CHF | | |
| Sales | 599 | 879 |
| Change in % | | 46.7 |
| Change due to | | |
| Volume and prices | | 281 |
| Currency translation | | (1) |
| Scope of consolidation | | 0 |
| Operating income (before special items / GW amort / impairment) | 52 | 144 |
| Change in % | | 176.9 |
| Margin in % | 8.7 | 16.4 |
| Special items net ¹ | 3 | 0 |
| Goodwill amortization / impairment | (3) | 0 |
| Result from operating activities (EBIT) | 52 | 144 |
| Change in % | | 176.9 |
| Margin in % | 8.7 | 16.4 |
| EBITDA | 126 | 243 |
| Change in % | | 92.9 |
| Margin in % | 21.0 | 27.6 |
| ¹ | | |
| Assets taken out of production | (3) | 0 |
| Reversal of impairments or profit / loss from sale | 6 | 0 |
| Total special items net | 3 | 0 |

* Prior year 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.

Exclusive Synthesis & Biopharmaceuticals

Our custom manufacturing activities (Exclusive Synthesis & Biopharmaceuticals) increased sales by 47% to CHF 879 million. Biopharmaceuticals sales reached CHF 358 million, while in the Exclusive Synthesis business sector the figure was CHF 521 million. Operating income of the custom manufacturing activities of CHF 144 million was more than doubled. The operating margin for our custom manufacturing activities rose compared with the previous year from 8.7% to 16.4%. The second semester saw a further improvement on the half-year result for 2005.

Biopharmaceuticals The Biopharmaceuticals business, based on mammalian cell culture technology, delivered a significantly improved performance in 2005. This was primarily due to the high utilization of capacity at the large bioreactors in Portsmouth, NH (USA), and a marked strengthening during the year of the project pipeline for the mid- to small-scale fermenters in Portsmouth, NH, and Slough (UK). The mothballed 2000L reactor at the Portsmouth plant will be reactivated in the second quarter of 2006.

In September 2005 we received FDA approval for production of Genentech's Rituxan® in the 20000L bioreactors at the Portsmouth, NH (USA) plant. The fourth 20000L reactor is due to go on stream in mid-2006.

Biopharma Services steadily augmented its range of projects. The demand for cell-line construction, cell banking and process development grew substantially in 2005. Backed by our experience and capabilities, we are succeeding in expanding our customer base. A 500L reactor is being built at Slough (UK) to meet orders for clinical quantities.

In response to the growing demand for production capacity we initiated a number of expansion projects in 2005. Lonza is to build a major facility for the manufacture of biopharmaceuticals in Singapore. The full build-out will be undertaken upon completion of successful customer negotiations.

Based on the strength of a long-term production partnership with UCB, Lonza is building two 15000L production trains for microbial biopharmaceuticals in Visp (CH). This will give Lonza a leading position in the microbial fermentation segment. The start-up of the new installation is scheduled for the beginning of 2007.

Exclusive Synthesis Our Exclusive Synthesis business sector continued to face difficult market conditions in 2005 due to a number of factors: the low rate of new drug approvals, the subsequent effects of delayed product registrations, the continuing advance of the generics market, as well as surplus capacity. An additional challenge results from restructuring programs at major pharmaceuticals clients. Despite this, Lonza's team managed to deliver sales growth over the last year thanks to the strength of the product and project pipeline, and a marked improvement in the level of capacity utilization.

The demand for established products held up well, particularly those for the treatment of HIV and cardiovascular diseases. In response to strong customer demand, a new drying installation for a new API production facility got under way in Visp (CH). At Nansha (China) we expanded our research and development center with the addition of a modern analytical laboratory for up to 60 specialists who are currently being hired. The new lab will enable us to handle the anticipated growth of R&D projects. It will be fully operational in the second quarter of 2006.

There was steady growth in demand for medium to large volumes of peptides. Our pipeline was reinforced by the addition of phase-III projects as well as products already launched in the market. This prompted us to start construction of a mid-scale production plant at Visp (CH). In January 2006 we acquired UCB's peptides business, which will make Lonza the market leader. In 2005, existing and potential customers conducted more than 30 successful cGMP audits at our Visp (CH), Riverside (USA) and Kourim (CZ) facilities. Compared with 2004, the agrochemicals business improved somewhat. New products made a first positive contribution and the existing contracts were successfully extended.

Organic Fine & Performance Chemicals

Divisional sales of CHF 892 million exceeded last year's total by 5%. Operating income amounted to CHF 127 million, 2% higher than in 2004. High raw material and energy prices had a negative impact on margin development, as price increases typically lagged behind increases in the cost of raw material and energy. Operating margin slightly decreased from 14.6% to 14.2%, while strong volumes kept EBIT margin at 14.2%, resulting in meeting mid-term target levels.

Nutrition Demand for nicotinates (vitamin B3) was strong throughout the year, with sales for animal feedstuffs slightly higher than in 2004. Despite increasing market prices during the year, margins remained at an unsatisfactory level due to high raw material and energy costs. Sales of nicotinates for food and pharmaceutical applications were high. The new 6 000-ton niacinamide plant in Nansha (China) was successfully started up during the third quarter. Sales of intermediates for the manufacture of vitamins remained buoyant. Strong demand for Carnipure® led to high capacity utilization, while the moderate price decline continued.

Sales of Meta® metaldehyde, a molluscicide, suffered because of dry weather conditions in major markets such as Spain and France. Demand picked up at the end of the fourth quarter, which indicates that stocks of finished products (slug and snail pellets) are running low at formulators and resellers.

Hygiene/Personal Care Demand for the new Natrulon® personal care products was very brisk in 2005. The Natrulon® series of personal care products, including a natural preservative product, a skin-repair system utilizing L-Carnitine and a skin-lightening product, was successfully introduced to the market. The recently launched DermaSphere® line, an award-winning natural emulsifier system, met with strong market interest.

Preservation/Wood/Water The market for water treatment chemicals developed according to expectations. Demand for Carboquat®, a product for pressure treatment of wood, previously running at a high level, slowed towards mid-year due to inventory adjustments at customers. Business conditions normalized in the fourth quarter.

Industrial Specialties The business with industrial intermediates developed well in all segments. Diketene derivatives enjoyed lively demand. The market

| | 2004 | 2005 |
|--|------|------|
| million CHF | | |
| Sales | 852 | 892 |
| Change in % | | 4.7 |
| Change due to | | |
| Volume and prices | | 39 |
| Currency translation | | 1 |
| Scope of consolidation | | 0 |
| Operating income (before special items / GW amort / impairment) | 124 | 127 |
| Change in % | | 2.4 |
| Margin in % | 14.6 | 14.2 |
| Special items net¹ | (1) | 0 |
| Goodwill amortization / impairment | (2) | 0 |
| Result from operating activities (EBIT) | 121 | 127 |
| Change in % | | 5.0 |
| Margin in % | 14.2 | 14.2 |
| EBITDA | 173 | 179 |
| Change in % | | 3.5 |
| Margin in % | 20.3 | 20.1 |
| ¹ | | |
| Restructuring and other provisions | (4) | 0 |
| Reversal of impairments or profit / loss from sale | 3 | 0 |
| Total special items net | (1) | 0 |

was temporarily undersupplied, which helped to increase prices and improve margins. HCN derivatives developed according to expectations. The markets for our high-performance materials were all in growth mode. Sales for electronics as well as aerospace applications were above expectations. Capacity at all multiproduct and multipurpose production facilities was well utilized. The market launch of CarboShield®, a new and highly effective corrosion inhibitor, continued with encouraging feedback from the relevant industries.

Research & Development The R&D pipeline is filled, with 26 projects involving new intermediates for applications in the pharmaceutical, agrochemical, polymer, food and electronics industries. In collaboration with specialist companies, we are developing production processes for several new proprietary ionic liquids. A further 13 projects to improve established products and develop new technologies are ongoing. These include new technologies for our fatty amines, fatty esters, our biocides, L-Carnitine and niacin. Qualifying procedures and initial trials for seven new products were completed.

Polymer Intermediates

Driven by raw material costs, sales increased significantly to CHF 719 million, up 11% compared with the previous year's result. This was also supported by high volumes. Operating income reached CHF 46 million, 28% above the 2004 level, while operating margins came in at 6.4% (5.5% in 2004).

The impact of historic highs in raw material costs was offset by higher volumes of both commodities and specialty chemicals as well as increased selling prices. The currency situation continued to affect results in some areas of business more reliant on exports to US-dollar-based markets. Slow economic growth in North and Central Europe was offset by a good balance of supply and demand as well as strong sales in the Mediterranean region.

Despite satisfactory volumes in the business with phthalic anhydride and general-purpose plasticizers, margins for these products shrank because the high cost of raw materials could not be fully passed on to end-customers. Before the end of the year, there was a marked recovery in the business environment and consequently in the margins. A competitor announced closures of production capacity for DOP, phthalic anhydride and oxo-alcohols in Europe, giving a further boost to the balancing of supply/demand ratios.

Results of maleic anhydride and derivatives in Europe were well above expectations for both sales and margins, thanks to a balanced market and demand situation. Exports of maleic anhydride to the USA and Far East suffered as a result of the strong euro, while derivatives benefited from increased selling prices and high demand from the Far East. In the reporting year, work began on expanding the production capacity at the malic acid plant in Scanzorosciate (Italy) from 8 000 tons/year to 12 000 tons/year. Completion of the plant is scheduled for the end of 2006. A new, high-performance catalyst for the butane-based maleic anhydride plant was installed in Ravenna (Italy) during the second half of the year, increasing the competitiveness of our technology. This result was aligned with our expectations.

| | 2004 | 2005 |
|--|------|-------------|
| million CHF | | |
| Sales | 649 | 719 |
| Change in % | | 10.8 |
| Change due to | | |
| Volume and prices | | 68 |
| Currency translation | | 2 |
| Scope of consolidation | | 0 |
| Operating income (before special items / GW amort / impairment) | 36 | 46 |
| Change in % | | 27.8 |
| Margin in % | 5.5 | 6.4 |
| Special items net | 0 | 0 |
| Goodwill amortization / impairment | 0 | 0 |
| Result from operating activities (EBIT) | 36 | 46 |
| Change in % | | 27.8 |
| Margin in % | 5.5 | 6.4 |
| EBITDA | 72 | 82 |
| Change in % | | 13.9 |
| Margin in % | 11.1 | 11.4 |

The weak trimellitic anhydride business forced the shutdown of our plant for nine months in order to reduce inventories and implement technical measures to improve the cost position and thus enhance the competitiveness of this product line for 2006. The sector is still suffering from the slowdown in exports to US dollar-based customers as well as fierce competition from Asian and American producers. The plant started up again in December 2005.

Special plasticizer results were adversely affected by lower demand for automotive applications, and sales to the Far East were depressed because of uncompetitive pricing. The newly developed lubricant application performed above expectations.

Resins performed well in terms of volumes and margins, reaching historical highs, primarily due to increases in selling prices to offset the raw material costs as well as to very high sales for building applications in southern Europe. Demand for the compounds line was on a par with the previous year. The build-out of a new compounds plant in Poland was initiated in response to customer demand.

The performance of the purified isophthalic acid plant in Singapore is in line with previous years' improvements, with increased EBITDA margins.

Other

Restructuring measures at LOFO (custom manufacture of high-tech films) were initiated in the first half of 2005 and will be completed in mid 2006. Corporate costs increased slightly, as the plan anticipated.

| Condensed consolidated balance sheet at 31 December 2005 | 2004 | 2005 |
|---|--------------|--------------|
| million CHF | | |
| Fixed assets | 2 144 | 2 382 |
| Long-term loans and advances | 11 | 12 |
| Total fixed assets | 2 155 | 2 394 |
| Current assets | 1 136 | 1 285 |
| Short-term advances and other financial assets | 10 | 6 |
| Cash and cash equivalents | 40 | 646 |
| Total current assets | 1 186 | 1 937 |
| Total assets | 3 341 | 4 331 |
| Equity attributable to equity holders of the parent | 1 285 | 1 490 |
| Minority interests | 0 | 0 |
| Total equity | 1 285 | 1 490 |
| Long-term liabilities | 556 | 570 |
| Long-term debt | 693 | 757 |
| Total long-term liabilities and provisions | 1 249 | 1 327 |
| Short-term liabilities | 412 | 645 |
| Short-term debt | 395 | 869 |
| Total current liabilities and deferred items | 807 | 1 514 |
| Total liabilities and equity | 3 341 | 4 331 |

| Condensed consolidated income statement | 2004 | 2005 |
|---|--------------|--------------|
| million CHF | | |
| Sales | 2 182 | 2 521 |
| Cost of goods sold | (1 713) | (1 960) |
| Gross profit | 469 | 561 |
| Other operating expenses | (255) | (264) |
| Operating income (before special items / GW amort. / impairment) | 214 | 297 |
| Special items net | 2 | 0 |
| Goodwill amortization / impairment | (5) | 0 |
| Result from operating activities (EBIT) | 211 | 297 |
| Financial result | (32) | (53) |
| Profit before income taxes | 179 | 244 |
| Income taxes | (41) | (56) |
| Profit for the period | 138 | 188 |
| Attributable to: | | |
| Equity holders of the parent | 138 | 188 |
| Minority interest | 0 | 0 |
| Profit for the period | 138 | 188 |
| Basic earnings per share – EPS basic (CHF) | 2.91 | 3.97 |
| Diluted earnings per share – EPS diluted (CHF) | 2.91 | 3.87 |

| Condensed consolidated cash flow statement | 2004 | 2005 |
|---|--------------|--------------|
| million CHF | | |
| Profit for the period | 138 | 188 |
| Adjustment for non-cash items | 203 | 280 |
| Income taxes and interests paid | (85) | (82) |
| Cash flow before change in net working capital | 256 | 386 |
| (Increase)/decrease of net working capital | (53) | (19) |
| Increase/(decrease) of other payables net | (25) | 46 |
| Net cash (used for) provided by operating activities | 178 | 413 |
| Purchase of fixed assets | (249) | (258) |
| Net purchase of other assets and disposals | 36 | 13 |
| Interests and dividend received | 13 | 24 |
| Net cash (used for) provided by investing activities | (200) | (221) |
| (Decrease)/increase of capital | 0 | 0 |
| Issue of bond | 0 | 722 |
| (Decrease)/increase in debt | 84 | (296) |
| (Decrease)/increase in other long-term liabilities | (4) | 49 |
| Company contribution for employee shares | 0 | (2) |
| Dividends paid | (62) | (62) |
| Net cash (used for) provided by financing activities | 18 | 411 |
| Effect of currency translation on cash | (1) | 3 |
| Net (decrease)/increase in cash and cash equivalents | (5) | 606 |
| Cash and cash equivalents at 1 January | 45 | 40 |
| Cash and cash equivalents at 31 December | 40 | 646 |

| Condensed consolidated statement of changes in equity | 2004 | 2005 |
|--|--------------|--------------|
| million CHF | | |
| Changes in total equity | | |
| Beginning of year as previously reported | 1 235 | 1 285 |
| Impact due to adoption of IFRS 2 | 0 | 0 |
| Restated balance as at 1 January 2004 | 1 235 | 1 285 |
| Gains / (losses) recognized directly in equity | (26) | 79 |
| Profit for the period | 138 | 188 |
| Total recognized income and expense for the period | 112 | 267 |
| Dividend | (62) | (62) |
| Equity-settled transaction | 0 | 3 |
| Transfer of employee shares | 0 | (3) |
| End of year | 1 285 | 1 490 |

Accounting principles

Basis of preparation of financial statements These condensed financial statements are the audited consolidated financial statements for the twelve-month period ended 31 December 2005 that are prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). The Board of Directors authorized the consolidated financial statements for issue on 20 January 2006.

Changes in accounting policies The Group has adopted the following new rules and made other improvements to its financial statements presentation from 1 January 2005:

IFRS 2 (share-based compensation) IFRS 2 requires the fair value of any equity instruments granted to employees to be recognized as an expense. In accordance with the transitional provisions, IFRS has been applied to equity instruments granted after 7 November 2002 that were unvested as of 1 January 2005. The fair values of the equity instruments granted to employees are recognized as an expense and charged to the business segments for segment reporting. Lonza calculates the fair value of the granted options using the market prices at grant date. The amounts for options and other share-based compensation are expensed on a straight-line basis over the vesting period, based on estimates of shares that will eventually vest.

The change in the accounting treatment of equity-settled, share-based payments had an impact on this year's result from operating activities of CHF 2.9 million and on prior year's result of CHF 0.5 million. The prior year has been restated for the impact of share-based compensation.

IFRS 3 (business combination) Under IFRS 3, with effect from 1 January 2005, all goodwill is considered to have an indefinite life and is not amortized, but is subject to annual impairment testing. This requirement applies to goodwill separately presented in the Group's balance sheet.

The change of the goodwill treatment under IFRS 3 increased this year's result from operating activities by CHF 5 million as the amortization of goodwill will be replaced by annual impairment testing. No impairment loss on goodwill needed to be recognized in 2005.

The adoption of the other revised or new standards did not result in substantial changes.

Exchange rates

| Balance sheet | 31.12.04 | 31.12.05 | Income statement | 2004 | 2005 |
|----------------------|----------|-----------------|-------------------------|------|-------------|
| period-end rate CHF | | | average rate CHF | | |
| US dollar | 1.13 | 1.31 | US dollar | 1.24 | 1.24 |
| Pound sterling | 2.18 | 2.26 | Pound sterling | 2.28 | 2.26 |
| Euro | 1.54 | 1.56 | Euro | 1.54 | 1.55 |

The Full-year Report 2005 is also available in German. The English version prevails.

Annual General Meeting
for the 2005 financial year
[22 March 2006, 09.30 am](#)
Congress Center,
MCH Swiss Exhibition Ltd, Basel

Half-year Report 2006
[26 July 2006](#)

Full-year Report 2006
[24 January 2007](#)

[Forward-looking Statements](#)

Forward-looking statements contained herein are qualified in their entirety as there are certain factors that could cause results to differ materially from those anticipated. Investors are cautioned that all forward-looking statements involve risks and uncertainty. In addition to the factors discussed above, among the factors that could cause actual results to differ materially are among others the following: the timing and strength of new product offerings; pricing strategies of competitors; the company's ability to continue to receive adequate products from its vendors on acceptable terms, or at all, and to continue to obtain sufficient financing to meet its liquidity needs; and changes in the political, social and regulatory framework in which the company operates or in economic or technological trends or conditions, including currency fluctuations, inflation and consumer confidence, on a global, regional or national basis.

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