

Leading supplier to the Life Science Industry

Lonza

Business Update: Third Quarter 2010

27 October 2010

Stefan Borgas
Chief Executive Officer

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.



Third Quarter 2010 Highlights

■ **Lonza Life Science Ingredients**

- Strong margins and good volumes
- Competitive pressure in Niacin increasing noticeable

■ **Lonza Custom Manufacturing**

- Improved capacity utilization, new contracts and improved pipelines
- Persisting volatility resulting from stringent regulatory product approvals (Q3 examples: conjugates, peptides, small molecules)

■ **Lonza Bioscience**

- New contracts signed in Q3 in Therapeutic Cell Solution will fully compensate delayed lead product in 2011
- Delay on microCompass™ launch by 9 months

■ **Strong translation effect due to strong Swiss Franc**

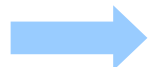
- Ability to compensate this effect in 2010 (~CHF 25 mio for FY 2010)

■ **Strong progress with innovation projects**

- Conjugates, Peptides, Microbial Biopharma
- Microbial Control
- Biosimilars
- Cell Therapy

Solid Balance Sheet Structure as a Basis for Further Growth

- Financial gearing remains below 50%
- Long-Term debt as % of total debt > 75%
- CAPEX will stay below the guided CHF 400m for 2010 and 2011
- Net working capital at 28% of sales
- Expected tax-free dividend in 2011
- Triple digit Mio CHF free operational cash generation in 2010

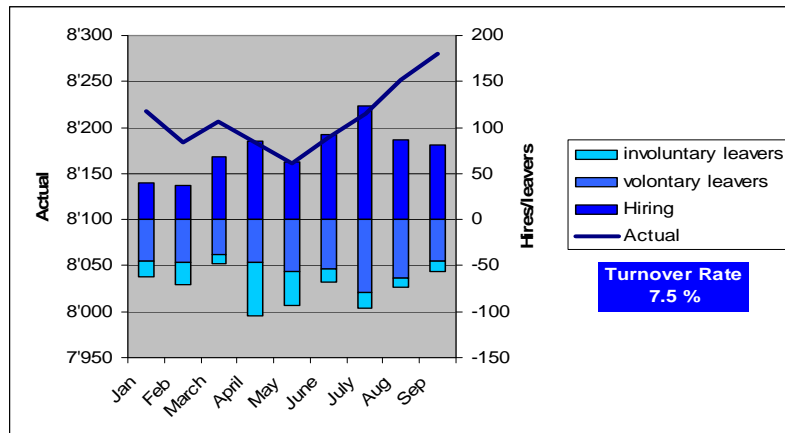


Lonza continues to strengthen its financial position

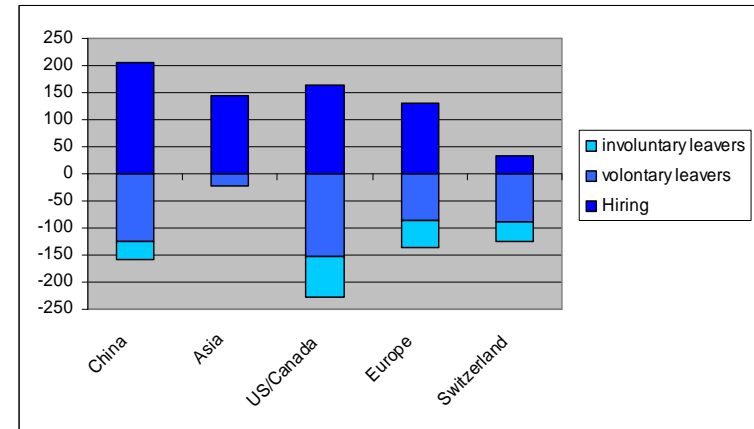


HR Highlights

People



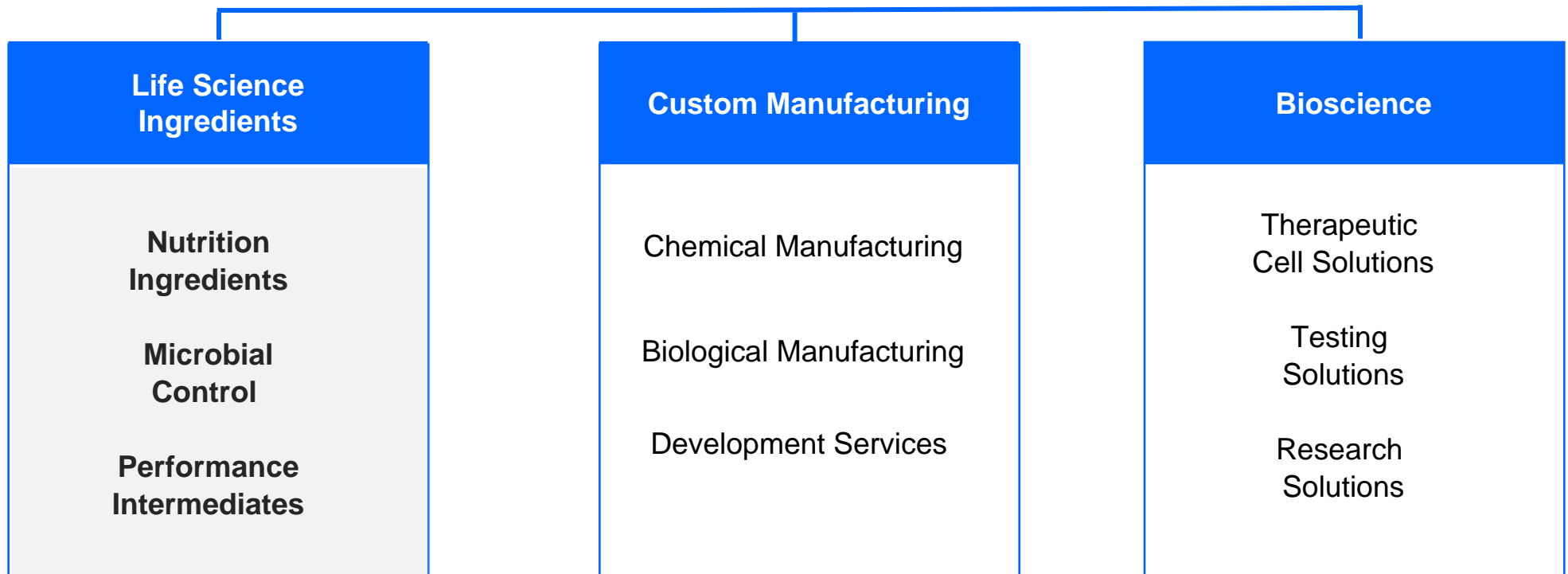
Hires/Leavers by Region



- Hiring of 676 people to support the growth projects with focus on China/Asia, replacement of normal attritions and retirements
- Overall number of employees on a continuous basis increased by 0.6% since December 2009 to 8280

Lonza's Life-Science Platform

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Life Science Ingredients (I)

Summary

- Normalized market demand in Q3 compared with H1 2010
- Strong margins, but increasing price pressure from competition
- Visp site affected by weaker USD and Euro
- Raising raw material cost without strong volume growth
- High capacity utilization
- Key developments during the 3rd quarter of 2010 include:
 - New L-Carnitine plant in Nansha (CN) mechanically completed
 - Construction of new niacinamide (vitamin B3) plant in Nansha (CN) started (15'000 tons)

Life Science Ingredients (II)

Nutrition Ingredients

- Strong vitamin B3 sales for Food and Pharma applications. Increasing competitive pressure on prices – Lonza determined to preserve market share
- Meta® sales are below expectations due to unfavorable weather conditions in Europe
- Carnipure™ and Carniking™ sales are in line with expectations. Pre-marketing of new plant fully underway

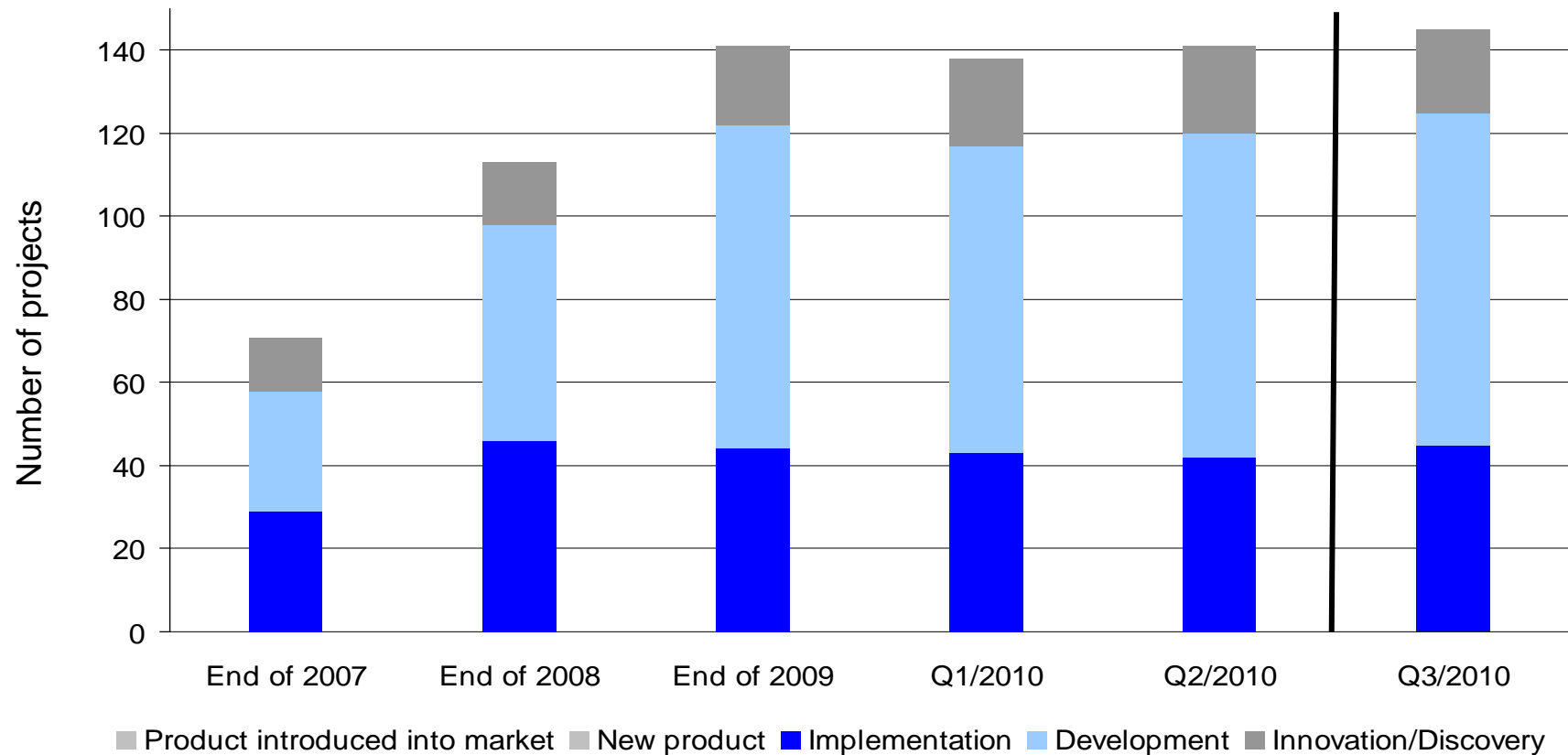
Performance Intermediates

- Demand for basic chemicals slowed due to intensified competition and overcapacity in Asia; lower profitability due to currency situation in Visp
- Demand for agro products continue to be weak due to high inventories at customers
- High performance materials business with increasing price pressure from competition

Microbial Control

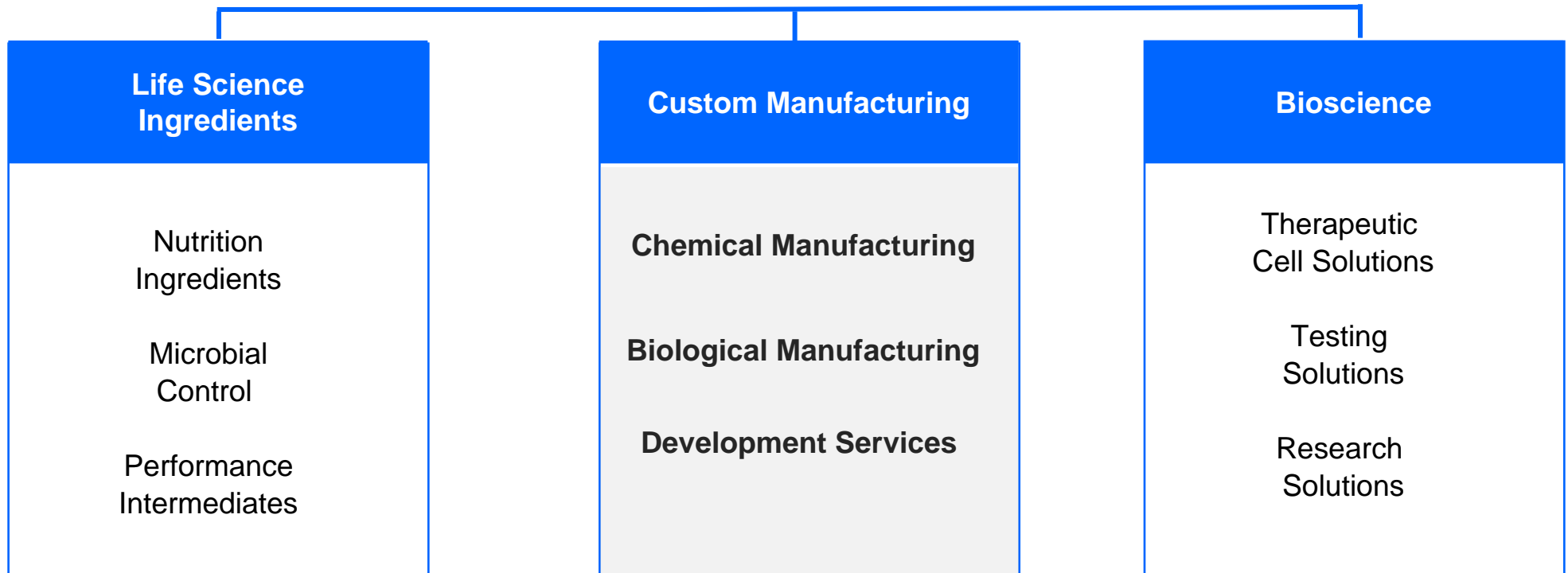
- Stable sales in western markets and growth in Asia
- Raw material cost continue to increase in all areas
- Good progress with innovation projects (e.g. water treatment, oil fields)

Project Pipeline (New Products)



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Business Highlights

Summary

- Increased capacity utilization and stronger project pipelines
- Signing of new contracts on same encouraging level as H1 improves visibility again
- Ongoing volatility: several project delays in chemical custom manufacturing

Chemical Manufacturing

- Multi-year supply contracts signed for two APIs in late stage developments
- Increased demand for manufacturing and R&D services in early phase projects (esp. peptides)
- Strengthened project pipeline in advanced technologies (HAPIs, conjugates, peptides, microreactors)

Biological Manufacturing

- Further development of strategic manufacturing partnerships (e.g. GSK, HGS)
- Contracts signed with emerging companies (e.g. Elusys)
- Singapore II plant construction on track
- Multiple-product deals signed for Microbial Biopharma with several US-based pharma companies

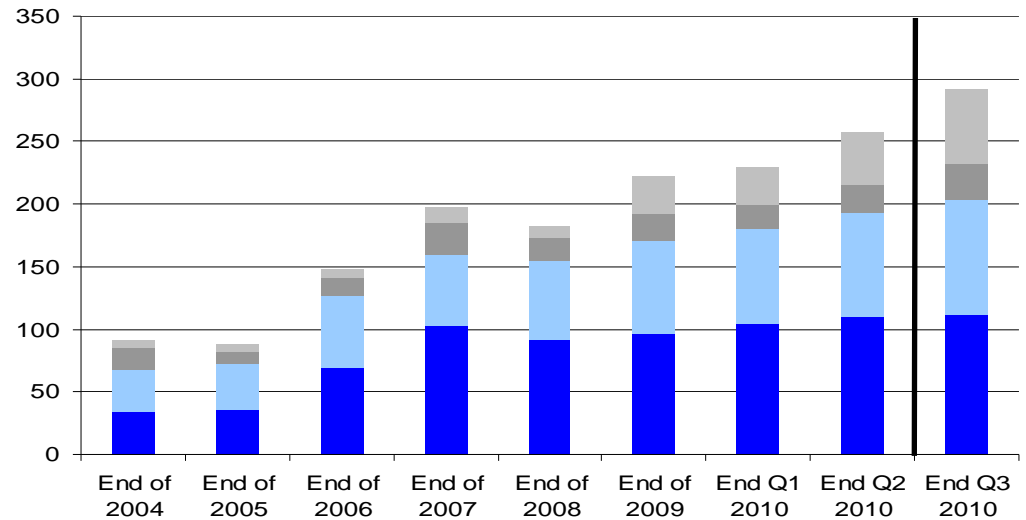
Development Services

- Broadened services for diversified customers' requirements (e.g. Scarab Genomics' High-Yielding Clean Genome® *E. coli*)
- Strengthen strategic collaboration - first announced licensing of POTELLIGENT® CHOK1SV (e.g. Daiichi Sankyo)

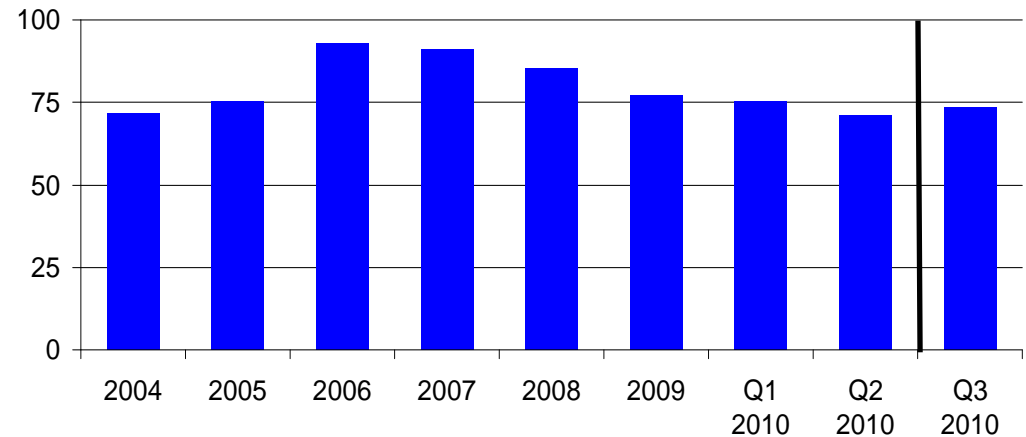
Chemical Manufacturing: Pipeline & Utilization

Project pipeline Number of projects

- preclinical
- phase I
- phase II + III
- launched



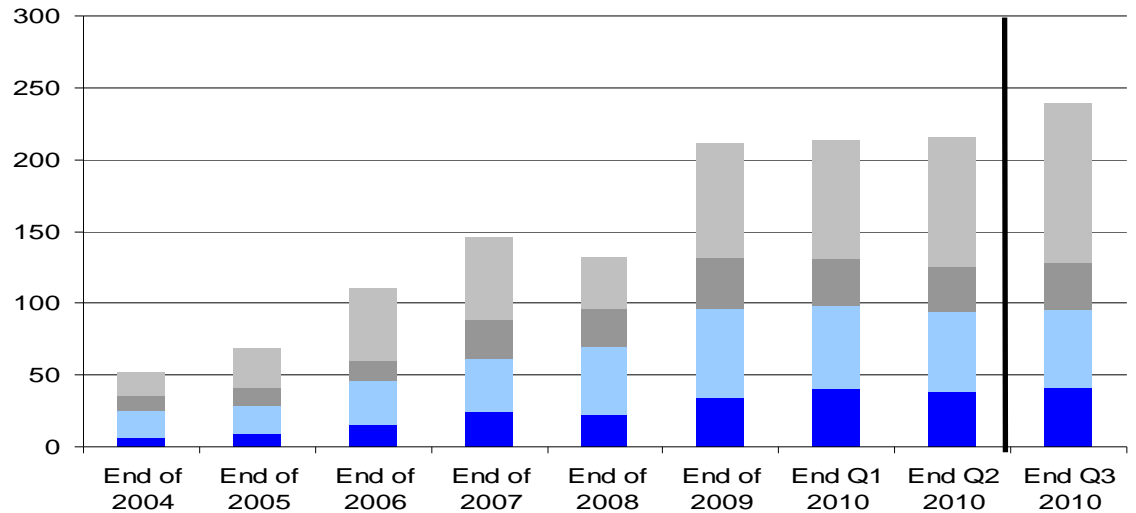
Capacity utilization in %



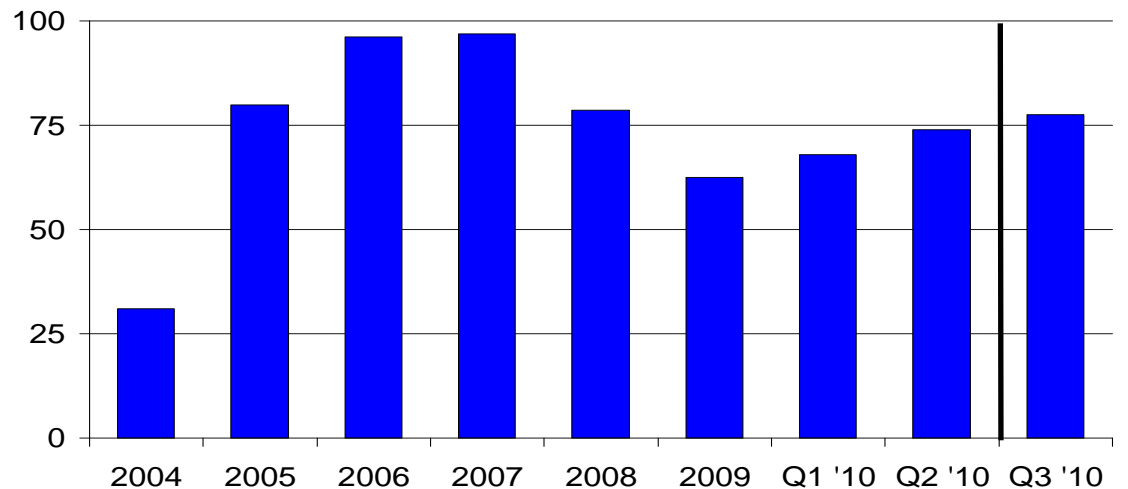
Biological Manufacturing & Development Services: Pipeline & Utilization

Project pipeline
(Number of projects)

- preclinical
- phase I
- phase II + III
- launched

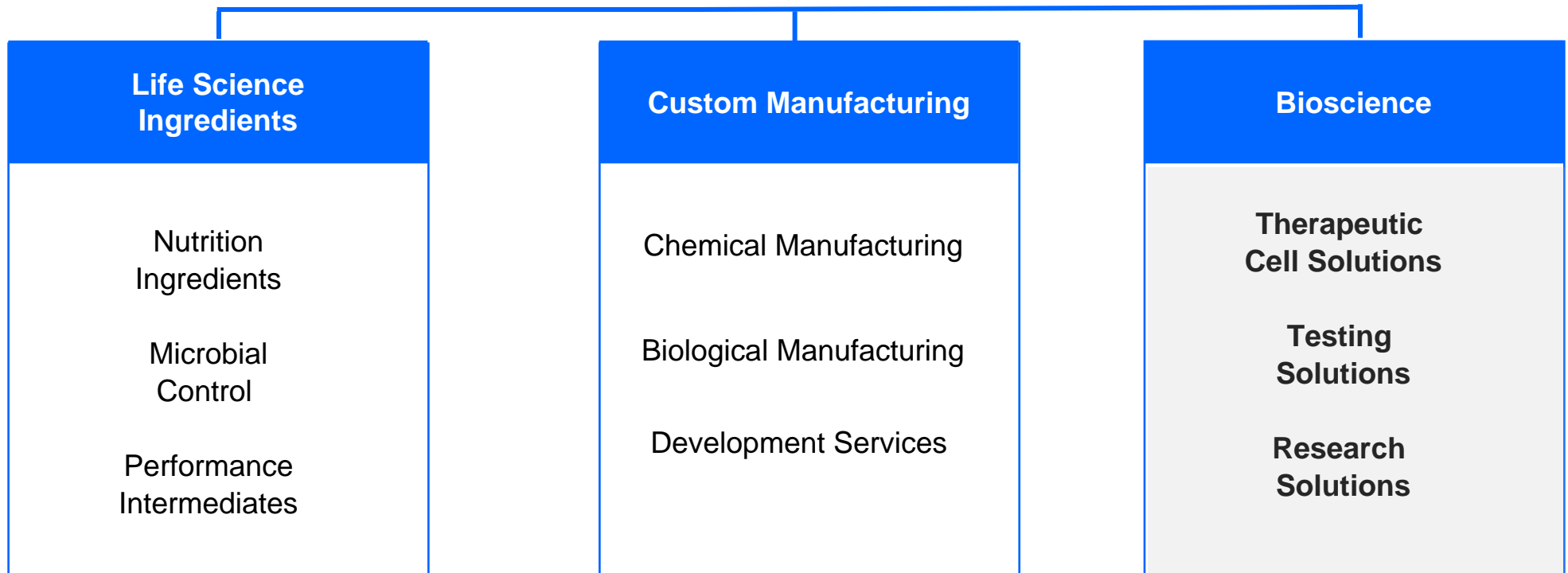


Capacity utilization
(in %)



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Bioscience

- **Summary**
 - New contracts signed in Q3 in Therapeutic Cell Solution will fully compensate delayed lead product in 2011
 - Government support programs for academia and biotech still at low level

- **Research Solutions**
 - Sales slightly over last year's level
 - Various new cell biology products launched (e.g. human diseased cell products, mouse and rat neuronal cells)
 - Strong orders for 4D Nucleofector™ constrained by supply chain in the short term

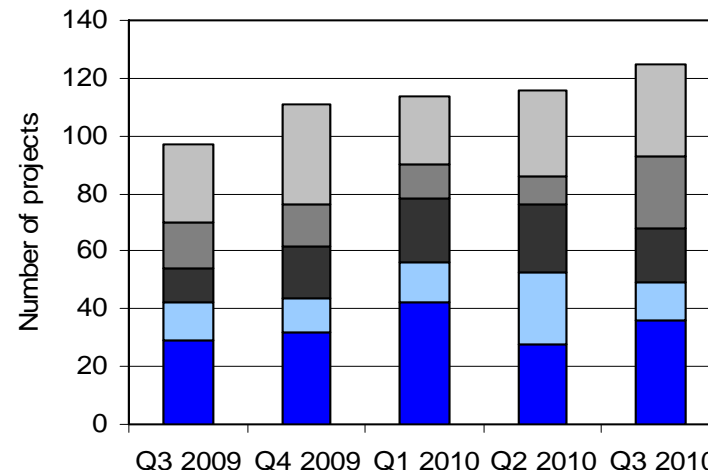
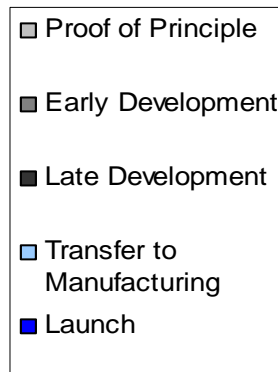
- **Therapeutic Cell Solutions**
 - Strong pipeline development in Cell Therapy indicate encouraging progress in this therapeutic area
 - Vivante (viral vaccines) integration finalized; positive customer feedback
 - Media sales below expectations due to de-stocking at customers'

- **Testing Solutions**
 - Strong sales development in Asia/Pacific, India/Middle East / Latin America
 - Successful MODA integration (Leader in paperless quality control)
 - Delay on microCompass™ launch by nine months

Bioscience Project Pipeline – New Products and Therapeutic Clients

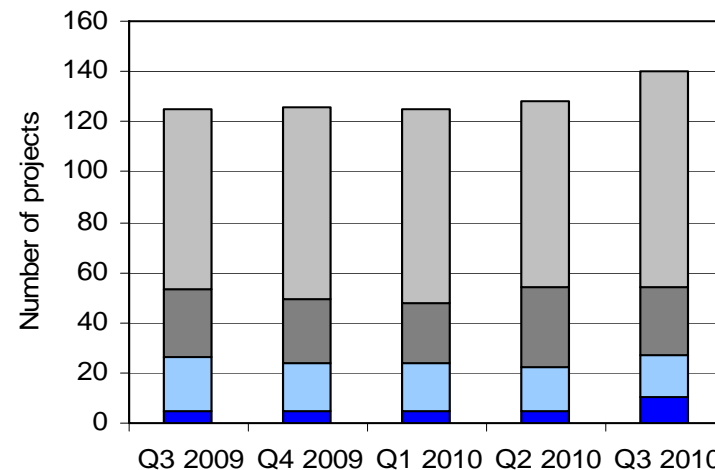
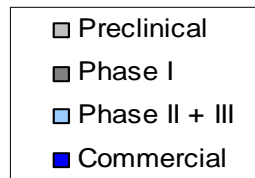
New Products

(Research Solutions, Testing Solutions & Therapeutic Cell Solutions)



Therapeutic Clients

(Therapeutic Cell Solutions)



Summary

- Significant translation effect on results due to strong Swiss Franc
- Improved balance sheet and free cash flow delivery
- Higher capacity utilization and successful contract signing in Custom Manufacturing in a continuously high volatile environment
- Strong margins and good volumes in Life Science Ingredients with commencing price pressure
- Current projections confirm targets for 2010
- Lonza's Life Sciences strategy continues to be developed by higher R&D activities and newly identified projects

Calendar of Events and Contacts

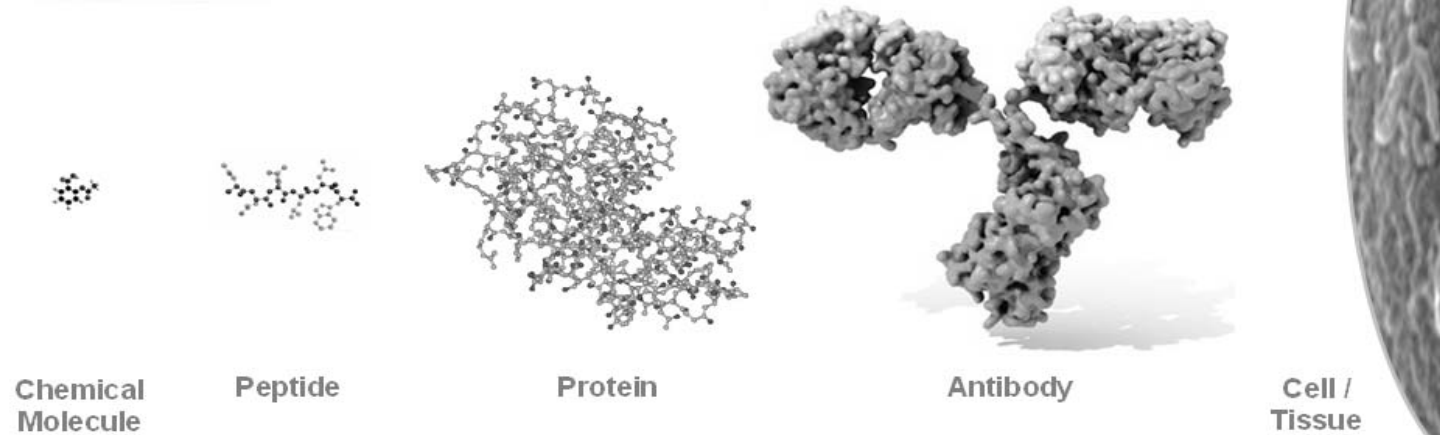
- Important Lonza Group Dates

- 27 October 2010 Third-Quarter 2010 Business Update
- 16/17 Nov. 2010 Investor Event (Walkersville, MD (USA))
- 7 December 2010 Media Event (Basel, Switzerland)
- 26 January 2011 Full-Year 2010 Results
- 12 April 2011 Annual General Meeting

- Contacts

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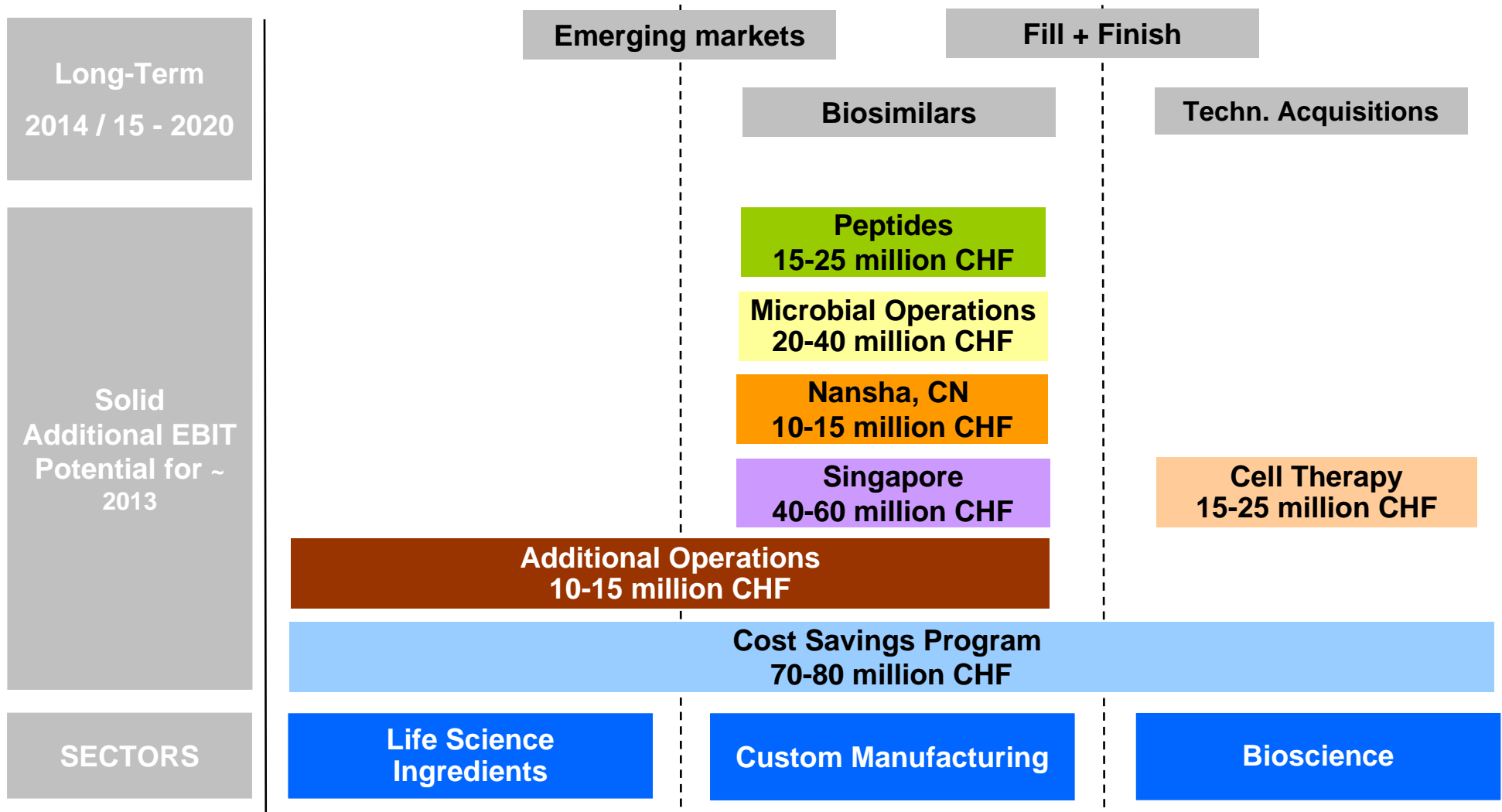
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Stefan Borgas
Chief Executive Officer

Further Information

Mid-term additional EBIT potential

Long-term projects



Re-engineering project

- Cost reduction and timing on track
 - all measures under implementation
- Site closures / divestures announced (Riverside, Shawinigan, Wokingham)
- Additional CHF 5.1 mio provisions booked
- New organization implemented and streamlining finalized

In MCHF	Reduction Target
External Services and General Operating Expenses	13-15
Personnel	50-55
Maintenance & Repair	7-10
In MCHF	Target
TOTAL	70-80