

Leading supplier to the Life Science Industry

Lonza

2010 Half-Year Results – 22 July 2010

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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.



2010 Half-Year Results – Financial Highlights

- H1 results with improved margins, order situation and newly signed contracts
- Results driven by Life Science Ingredients volume recovery and increased capacity utilization in biological custom manufacturing
 - Sales of CHF 1 301 million at a similar level to H1 2009 (-2.1 %); Q2 sales 25% stronger than Q1
 - EBITDA up by 3.0% to CHF 309 million
 - EBIT up by 6.1% to CHF 173 million
 - Net profit up by 14.4% to CHF 135 million
 - RONOA up to 9.7% at H1/10 from 9.2% for H1/09
- Cash flow increased by 17.0%
- Solid financing situation, increasing strategic flexibility
 - Issuance of 6-year CHF 400 million straight bonds with a coupon of 3.00%.
- CAPEX reduced to CHF 152 million in H1

2010 Half-Year Results – Key Financial Figures

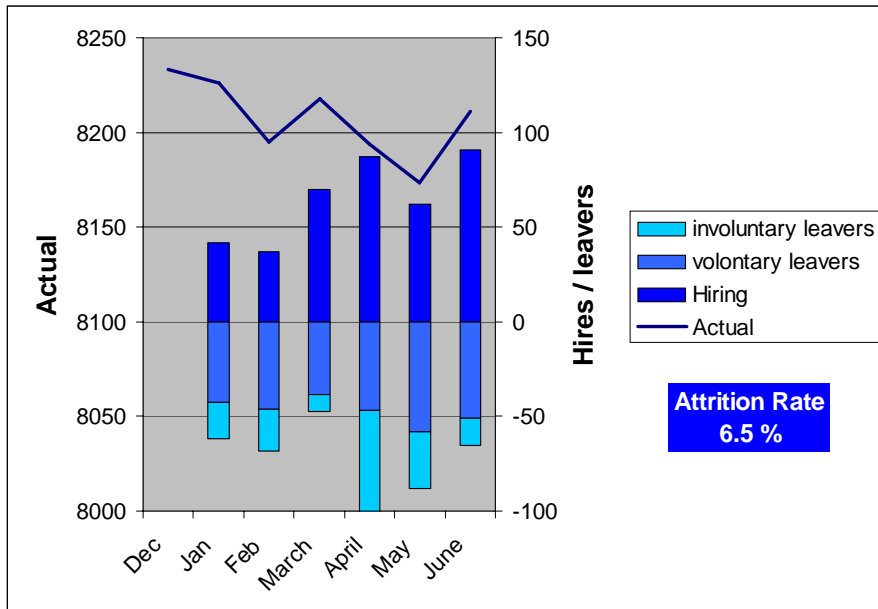
CHF million	1st-half 2009	1st-half 2010	Change YoY
Sales	1 329	1 301	(2.1%)
EBITDA	300	309	3.0%
<i>EBITDA margin</i>	22.6%	23.8%	
EBIT	163	173	6.1%
<i>EBIT margin</i>	12.3%	13.3%	
Financing costs	(24)	(21)	
<i>Tax rate</i>	15.1%	14.0%	
Profit for the period	118	135	14.4%
EPS (CHF) basic	2.44	2.62	7.4%
EPS (CHF) diluted	2.28	2.61	14.5%
Cash flow before change in net working capital	218	255	17.0%
Change in net working capital	(116)	(91)	
Capital expenditures	(264)	(152)	(42.4%)
Net debt	1 268	1 251	(1.3%)
Number of employees	8 580	8 220	(4.2%)

2010 Half-Year Results – Business Highlights

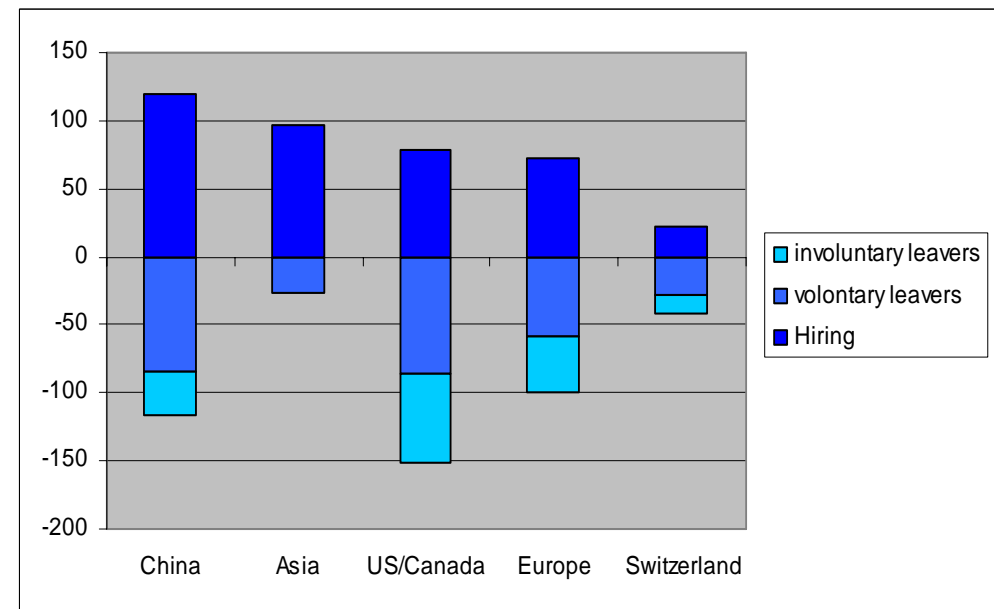
- Solid business performance in all sectors despite volatility in the area of exchange rates, uncertainties in customers' innovations and non-pharma markets development
- **Custom Manufacturing**
 - increased capacity utilization in large-scale biological manufacturing due to firm order placements since March 2010
 - strong contract signing for commercial volumes secures capacity utilization
 - volatility expected to continue for the small scale business
- **Life Science Ingredients**
 - end-product demand overall stabilized and at higher volumes
 - increasing margin pressure still overcompensated by strong volumes
- **Bioscience**
 - sales decline due to expected capacity underutilization in Therapeutic Cell Solutions
 - improved product pipeline indicates stronger H2
- Re-engineering project fully on track and to deliver all results by March 2011
- Growth projects (e.g. Carnipure™, Singapore (biopharma), TL Biopharmaceuticals, Conjugates, Nanjing (2 plants), 4D Nucleofector™) developing on target

People Highlights

People



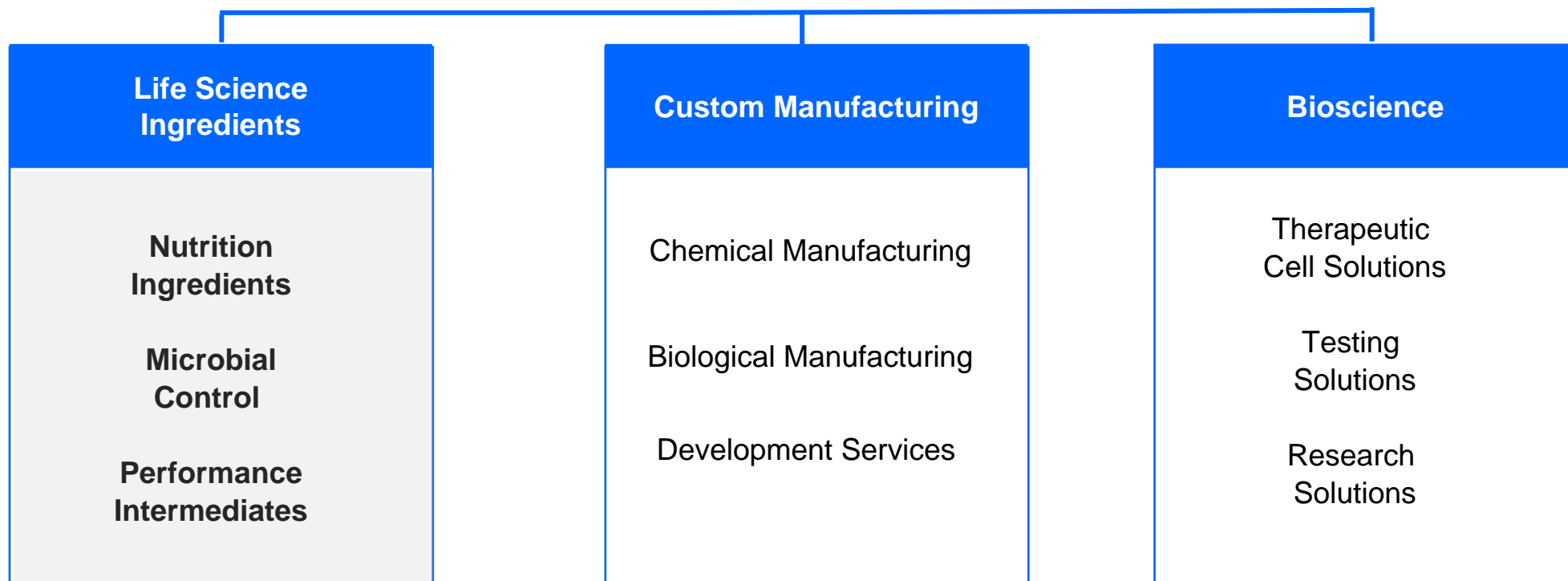
Hires/Leavers by Region



- Hiring of 390 people to support the growth projects with focus on Asia and to partly replace voluntary leavers
- Overall number of employees on a continuous basis was reduced by 2.0% since January 2010 to 8220

Lonza's Life-Science Platform

Lonza

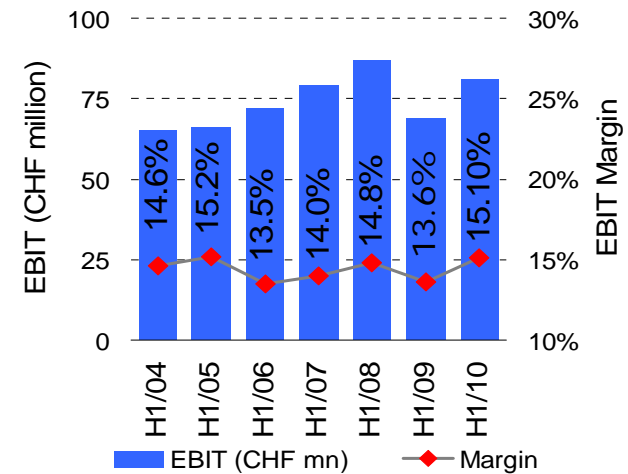


Financial Summary and Highlights

Key figures

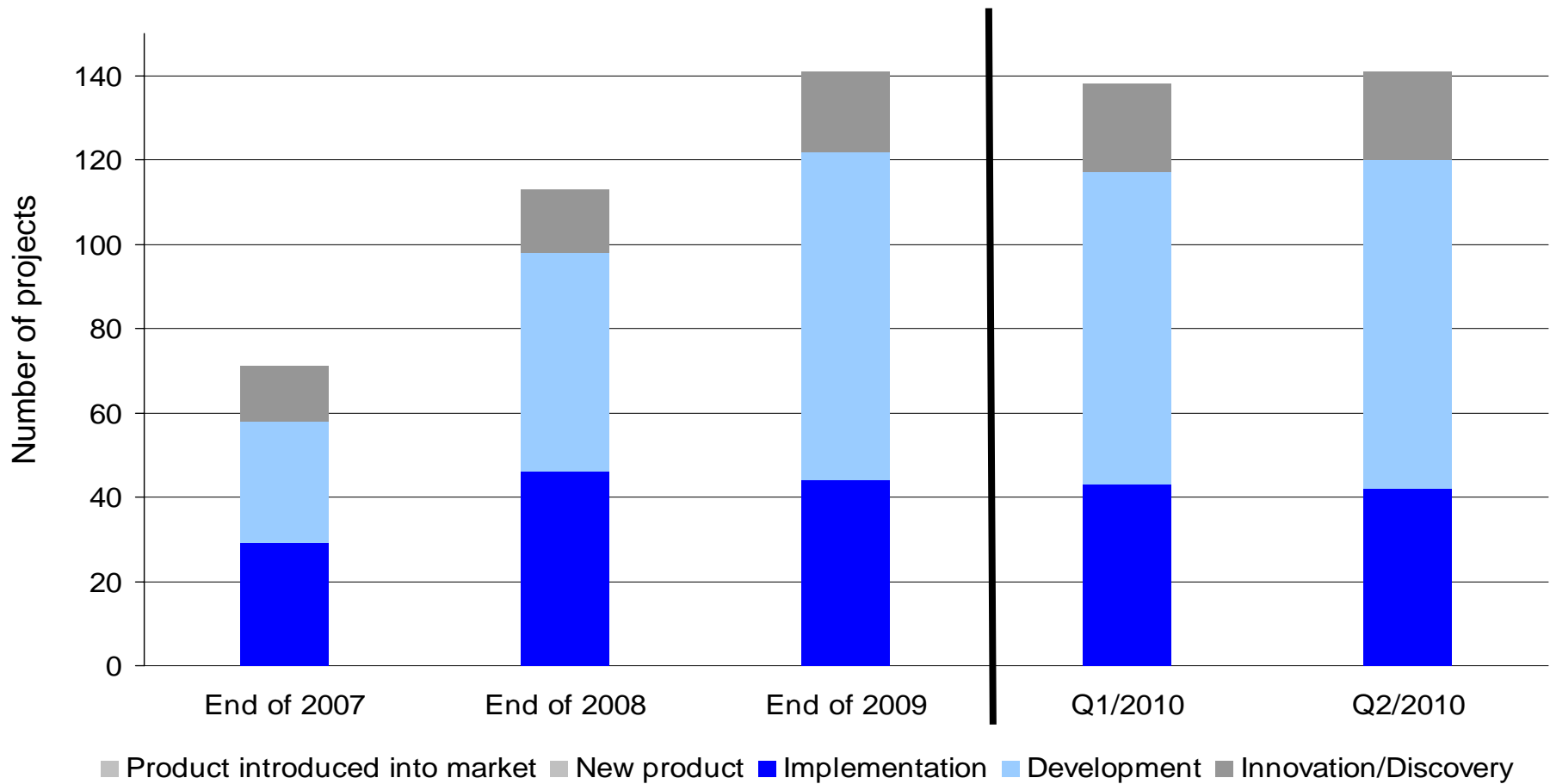
CHF million	1st-half 2010	Change YoY
Sales	536	5.9%
EBIT	81	17.4%
Margin	15.1%	
EBITDA	118	13.5%
Margin	22.0%	

EBIT and margin progression



- Volume increase in all businesses except Agrochemicals
- Strong recovery in Microbial Control
- Margins increasingly coming under pressure due to higher raw material prices and unfavorable exchange rates - price increases with expected time lag
- Volatility remains in place due to many macro-economical changing variables

Project Pipeline (New Products)



Life Science Ingredients

Nutrition Ingredients

- Increased niacin volumes in H1 with stable pricing
- De-stocking of Meta™; dry weather in 2009 led to lower volumes in 2010
- Carnipure™ sales & volumes above target preparing Nansha plant start up

Performance Intermediates

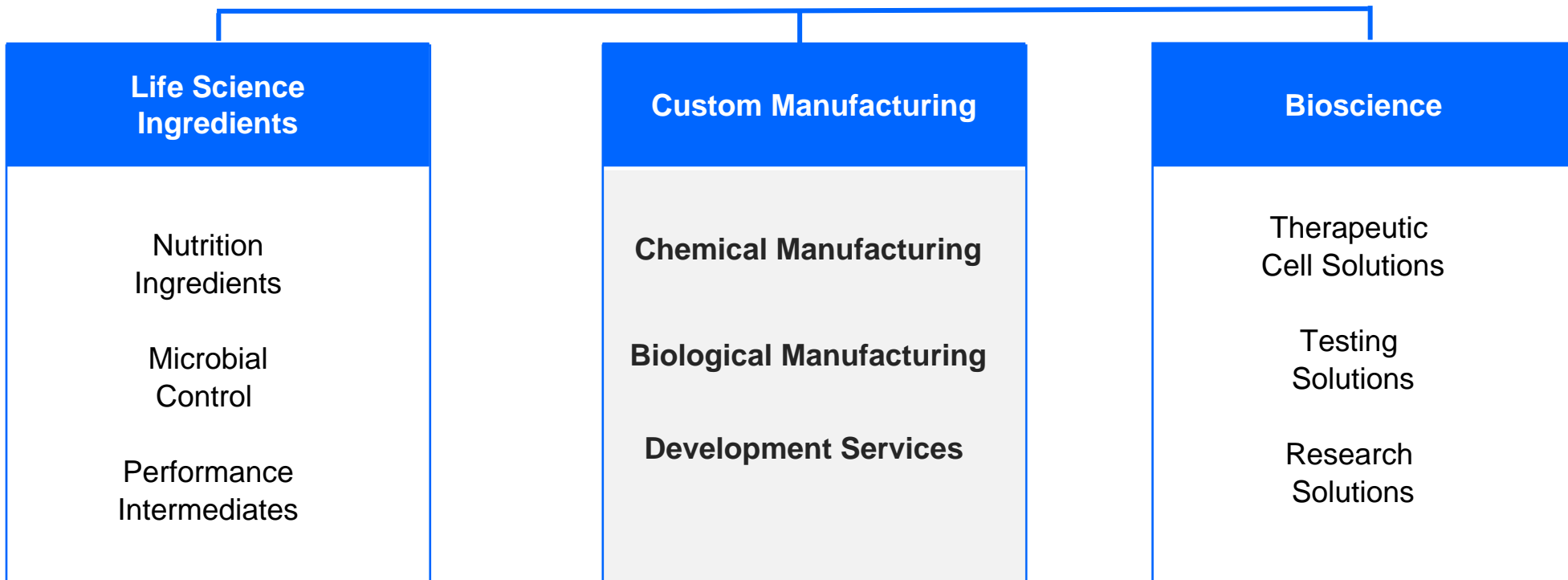
- The high performance materials business overcompensated lower demand for Agro intermediates
- Price pressure continuing due to intense competition and overcapacity, especially in Asian markets

Microbial Control

- Higher sales in EU & especially Asia; recovery slower than expected in the US
 - Hygiene sales below target in H1/10 due to de-stocking after the H1N1 threat in 2009
 - Solid development of industrial specialties, water treatment and personal care
- Build-up of new organization and business in India and China on track

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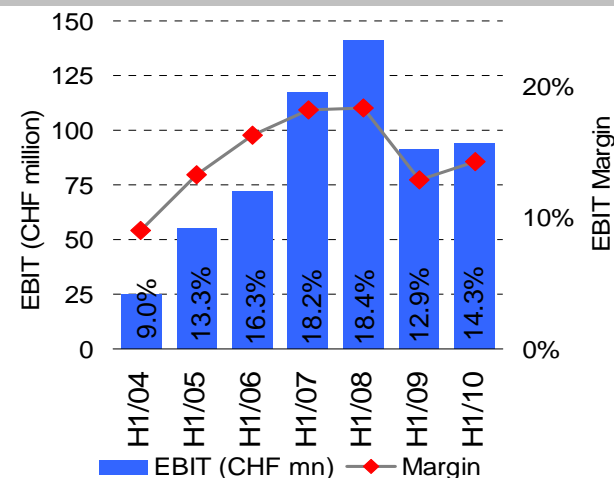


Custom Manufacturing

Key figures

CHF million	1st-half 2010	Change YoY
Sales	658	(6.8%)
EBIT	94	3.3%
Margin	14.3%	
EBITDA	181	1.1%
Margin	27.5%	

EBIT and margin progression



- Lower sales due to anticipated lower capacity utilization in Portsmouth and Hopkinton in Q1
- Strong business since March compensated significant lower engineering milestone payments of 2009
- Strong contract signing for commercial quantities increase long-term capacity utilization
- Order placements of existing customers ensures business development in H2
- Operational improvements in Chemical Manufacturing overcompensated lower capacity utilization
- Visibility increased further but volatility remains

Custom Manufacturing

Biological Manufacturing

- Capacity utilization increased in Q2
- Large-scale biopharma utilization of Lonza' network secured for the next 5 years by signed commercial products:
 - Commercial products e.g. BMS, Orenicia®; UCB, Cimzia®; GSK, Arzerra®; Abbott, Humira®; Alexion, Soliris®
 - more than 5 phase III products
- Hopkinton restructuring with first results, program on-going until year-end

Chemical Manufacturing

- Solid pipeline growth and contract signing
- Riverside plant closure on track for end of the year

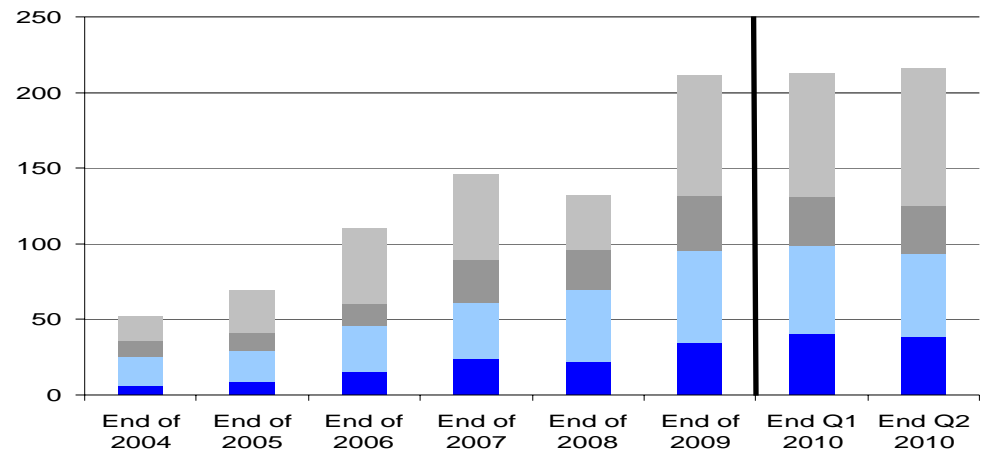
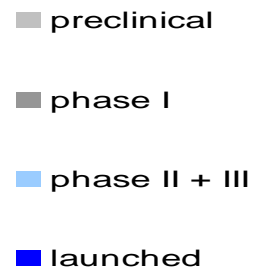
Development Services

- Launch of Applied Protein Services addresses critical preclinical development needs, strengthen biopharma pipelines
- Collaboration signed with Celsectis bioreserach (France) to advance the GS System™
- Weaker licensing and royalty income to increase in H2

Biological Manufacturing – Pipeline & Utilization

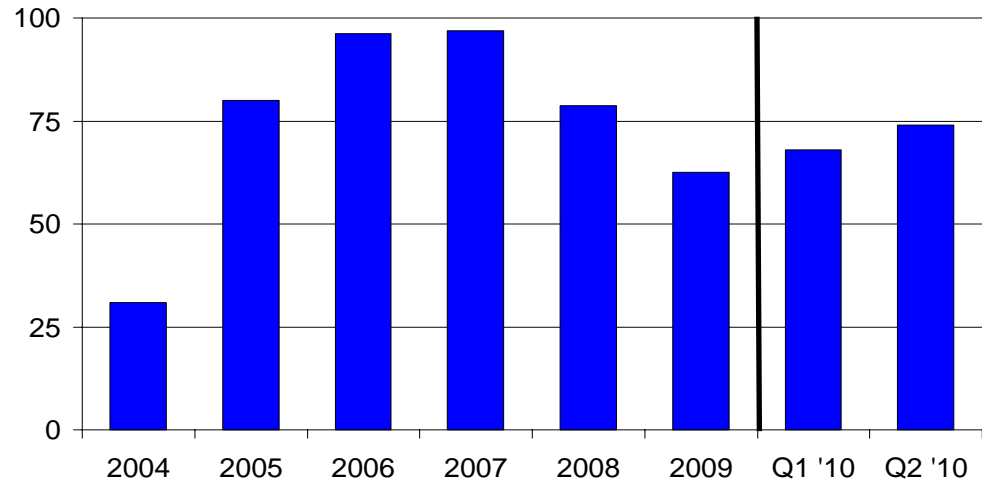
Project pipeline

Number of projects



Capacity utilization

in %

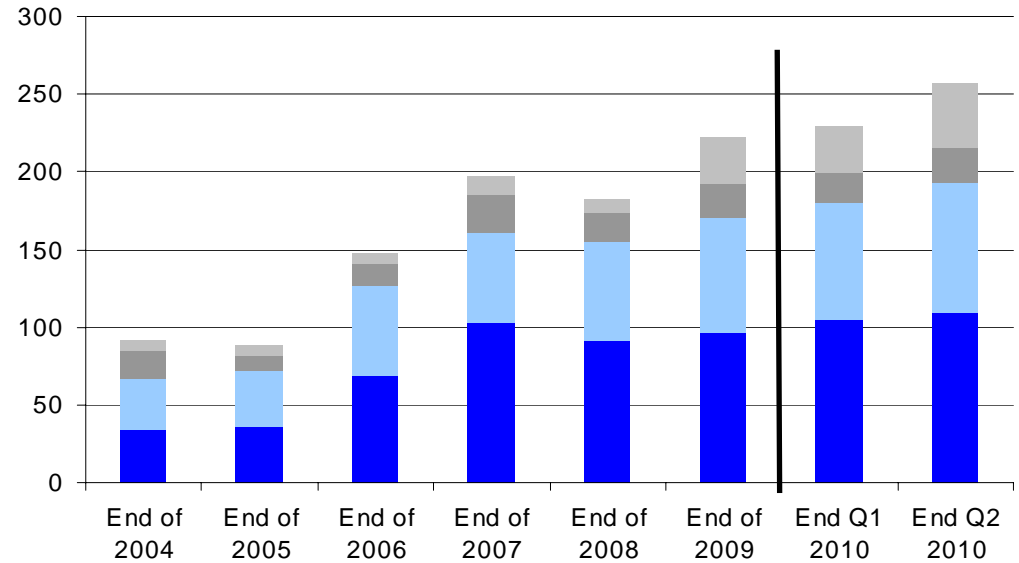


Chemical Manufacturing – Pipeline & Utilization

Project pipeline

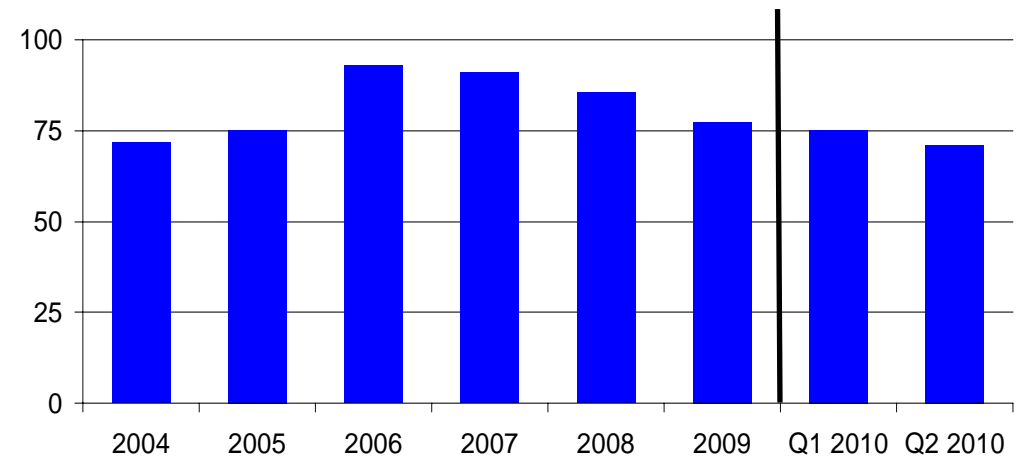
Number of projects

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



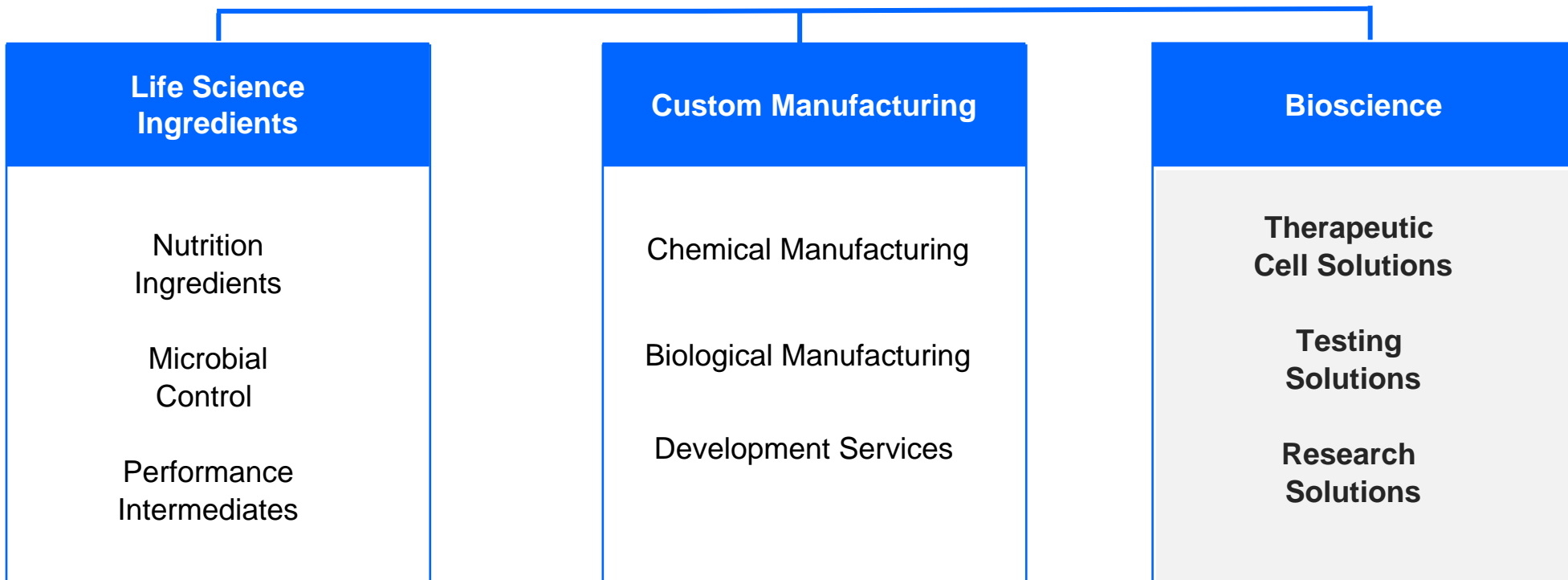
Capacity utilization

in %



Lonza's Life-Science Platform

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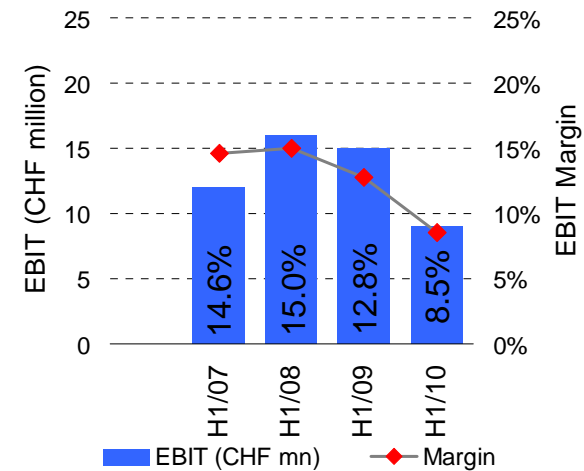


Financial Summary and Highlights

Key figures

CHF million	1st-half 2010	Change YoY
Sales	106	(9.4%)
EBIT	9	(40.0%)
<i>Margin</i>	8.5%	
EBITDA	17	(29.2%)
<i>Margin</i>	16.0%	

EBIT and margin progression



- Customer's R+D budgets still below pre-crisis
- Expected lower sales in Therapeutic Cell Solutions due to customer delay
- New product launches on track for delivery in H2
- Sales influenced by exchange rate fluctuations

Bioscience

Research Solutions

- Slow transfection sales in anticipation of significant new product launch in June 2010 (4D Nucleofector™)
- Strong development of the Cell Based Assay portfolio and the PCA (Proteinfragment Complementation Assay) platform technology licensed from Odyssey Thera
- License & distribution agreements with California Stem Cell Inc. and Axiogenesis signed

Therapeutic Cell Solutions

- CMO customer pipeline is strong and more diverse than ever before.
- Therapeutic Media is growing due to recovery of biopharmaceutical manufacturing market

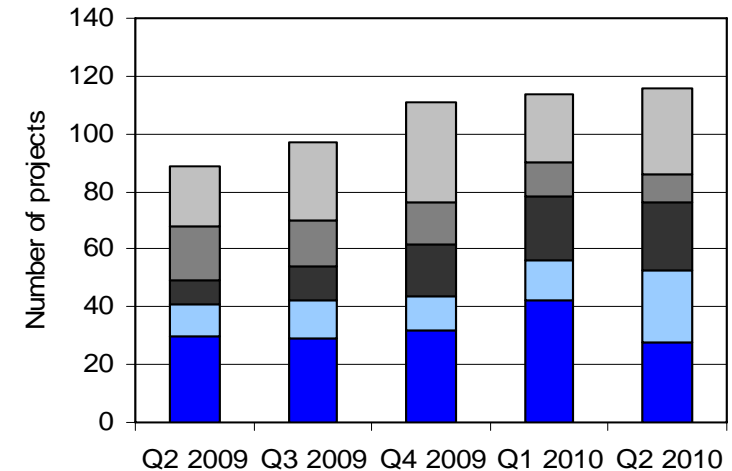
Testing Solutions

- Strong performance in the US is offsetting shortfall in Europe
- MODA integration is on target and running smoothly
- microCompass II development continues as planned

Bioscience Project Pipeline – New Products and Therapeutic Clients

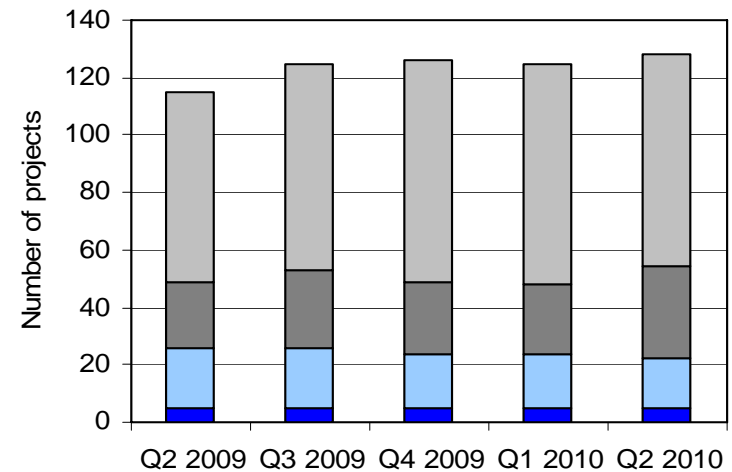
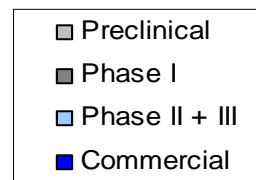
New Products

(Research Solutions, Testing Solutions & Therapeutic Cell Solutions)



Therapeutic Clients

(Therapeutic Cell Solutions)



Summary, Status and Outlook

Summary

- Improved margins and increase of absolute EBIT despite weak Q1
- Firmly committed orders for H2 in Custom Manufacturing large-scale plants further increase visibility
- Strong contract signings for commercial volumes secures biopharma capacity utilization
- Volatility in H2 expected from currency fluctuations, small scale business and new pharma markets

Outlook

- Delivery of solid additional EBIT potential due to firmly placed orders and signed contracts is on track
- 2010 & 2011 CAPEX will remain below CHF 400 million per year and free cash flow will increase significantly
- Lonza's Life Sciences strategy will continue to deliver the full growth potential long term

Calendar of Events and Contacts

- Important Lonza Group Dates

- 22 July 2010 Half Year Results 2010
- 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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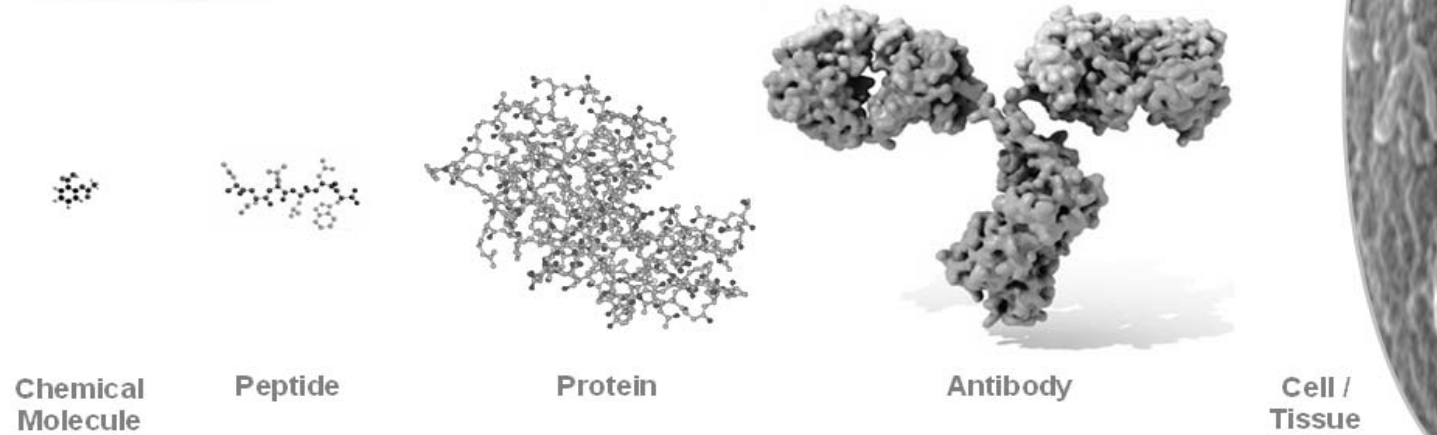
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Further Information

Solid Additional EBIT Potential for ~2013*

Additional Operations	10-15 million CHF
Nansha	10-15 million CHF
Peptides	15-25 million CHF
Microbial Operations	20-40 million CHF
Cell Therapy	15-25 million CHF
Singapore II	40-60 million CHF
Cost Savings Program	60-80 million CHF

Considerations

- Portsmouth / Porrino do not contribute any more profit than in 2009 above realization of Genentech milestone payments
- No growth in LCM-Chemicals outside of Nansha and Peptides
- LCM Developments Services remain flat
- LSI growth projects contribute after 2013
- LBS growth project profits are fully re-invested into R&D

* numbers do not reflect full potential of listed products but only delivery until 2013

Re-engineering project

- Cost reduction and timing on track
 - all measures identified, defined and under implementation
- Site closures announced (Riverside, Shawinigan, Wokingham)
- Additional CHF 3.6 mio provisions booked
- New organization implemented and streamlining finalized
- Project focus now shifting from efficiencies to sales improvement

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