

Leading Supplier to the Life Science Industry

Lonza

Business Update: First Quarter 2011

13 April 2011

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.



First Quarter 2011 Highlights

Lonza overall

- Underlying business growth for 2011 on track
- Increasing translation and transaction effects due to stronger Swiss Franc
- Raw material price increases resulting in significant margin pressure, leading to an expected weaker H1 performance
- All employees and family members in Japan are safe
- Cost savings project delivered on schedule

Lonza Life Science Ingredients

- Market demand has resulted in higher sales volumes
- Rising raw material prices, competition and currencies impacting margins

Lonza Custom Manufacturing

- Solid capacity utilization with increased project pipeline
- Several contracts for biopharma projects received approval, e.g.: Benlysta®

Lonza Bioscience

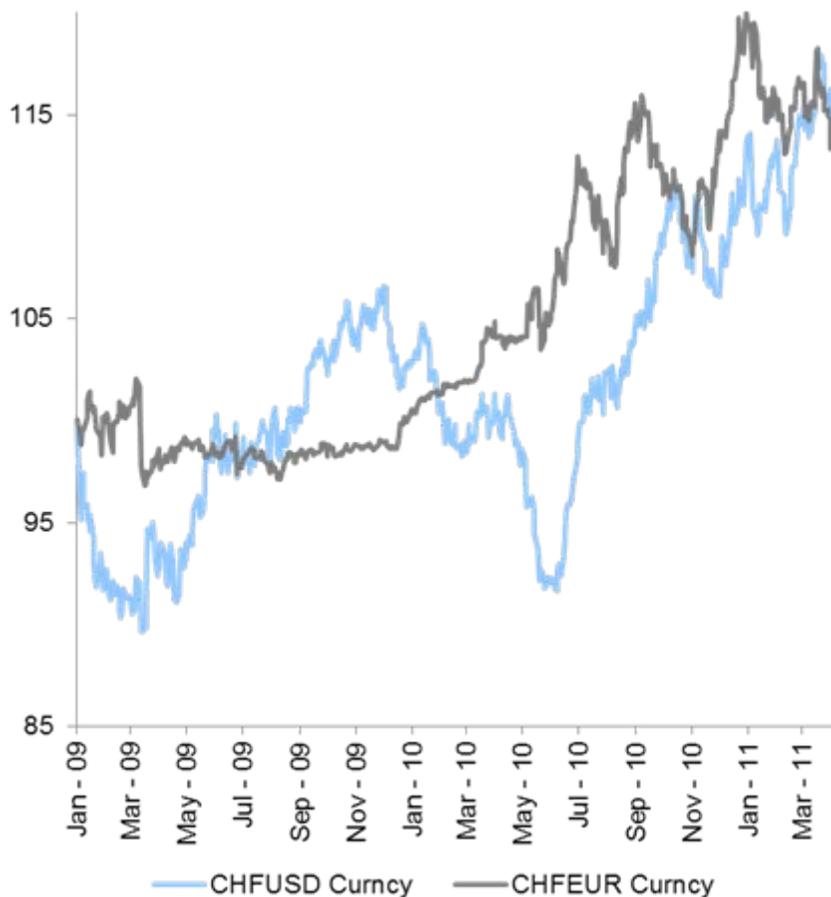
- Double digit growth in local currency
- Significant progress in Cell Therapy as clinical candidates move forward

External Headwinds

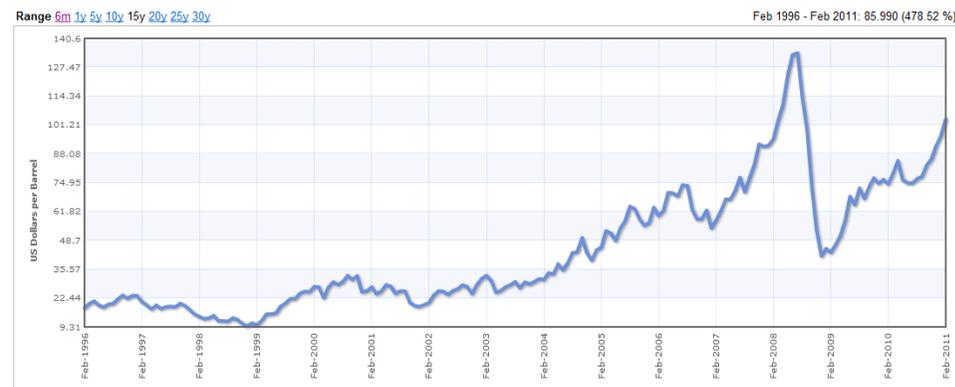
- Increasing strength of the Swiss franc
- Substantial raw material price increase (largely passed on with 3-4 month lag)
- Longer, more stringent and unpredictable approval processes by regulatory authorities
- Western governmental spending on research remains at a low level
- UN sanctions against Libya
- Catastrophe in Japan

External Headwinds

CHF vs USD and Euro since January 2009

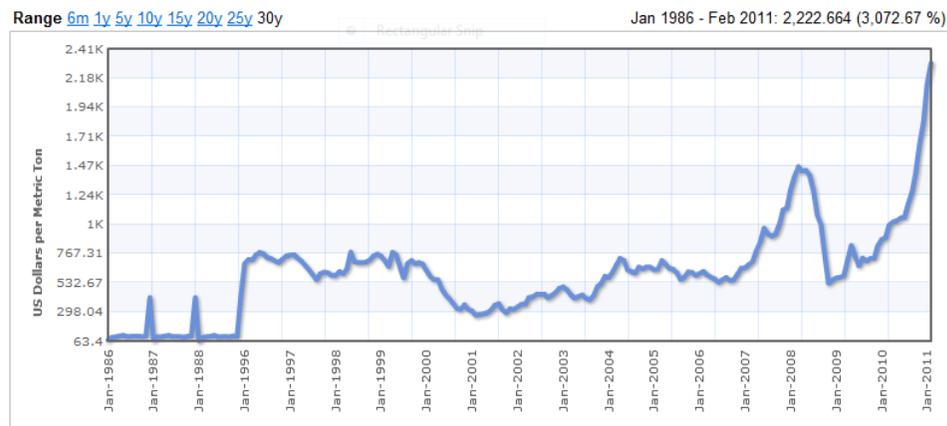


Crude Brent – Feb 1996 – Feb 2011



Description: Crude Oil (petroleum); Dated Brent, US\$ per barrel

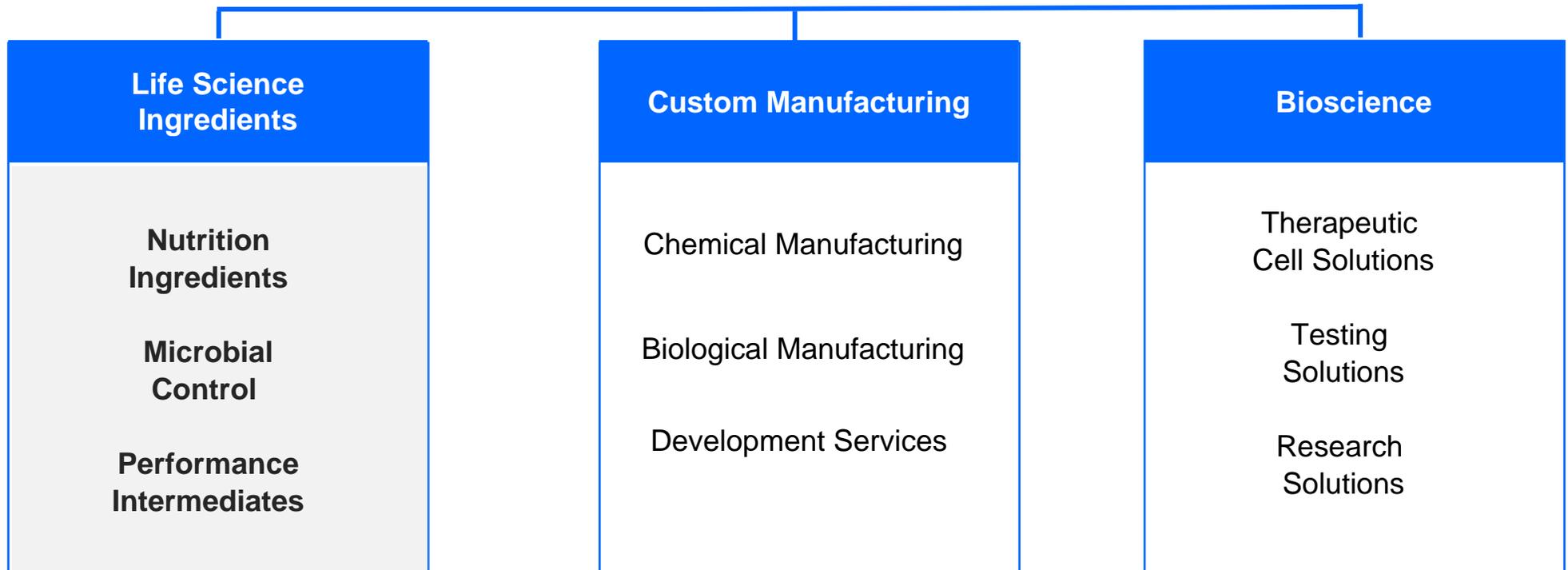
Palmkernel Oil – Jan 1996 – Feb 2011



Description: Palmkernel Oil (Malaysia), c.l.f. Rotterdam

Lonza's Life-Science Platform

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Life Science Ingredients

Overall

- Sales volumes according to budget in all 3 business units
- Margin pressure continues as volatility remains in:
 - USD / EURO which especially affects the Visp site
 - Rising raw material costs
- Price increases in all business units have been initiated
- All growth projects on time and budget:
 - New L-carnitine plant in Nansha (CN) operational in Q2
 - PMDA plant in Nanjing (CN) to start up in H2 2011
 - Construction of new niacinamide (vitamin B3) plant in Nansha (CN) on track

Nutrition Ingredients

- Strong vitamin B3 sales in food, pharma and feed applications
- Margins under pressure as we have chosen to defend our strong market positions

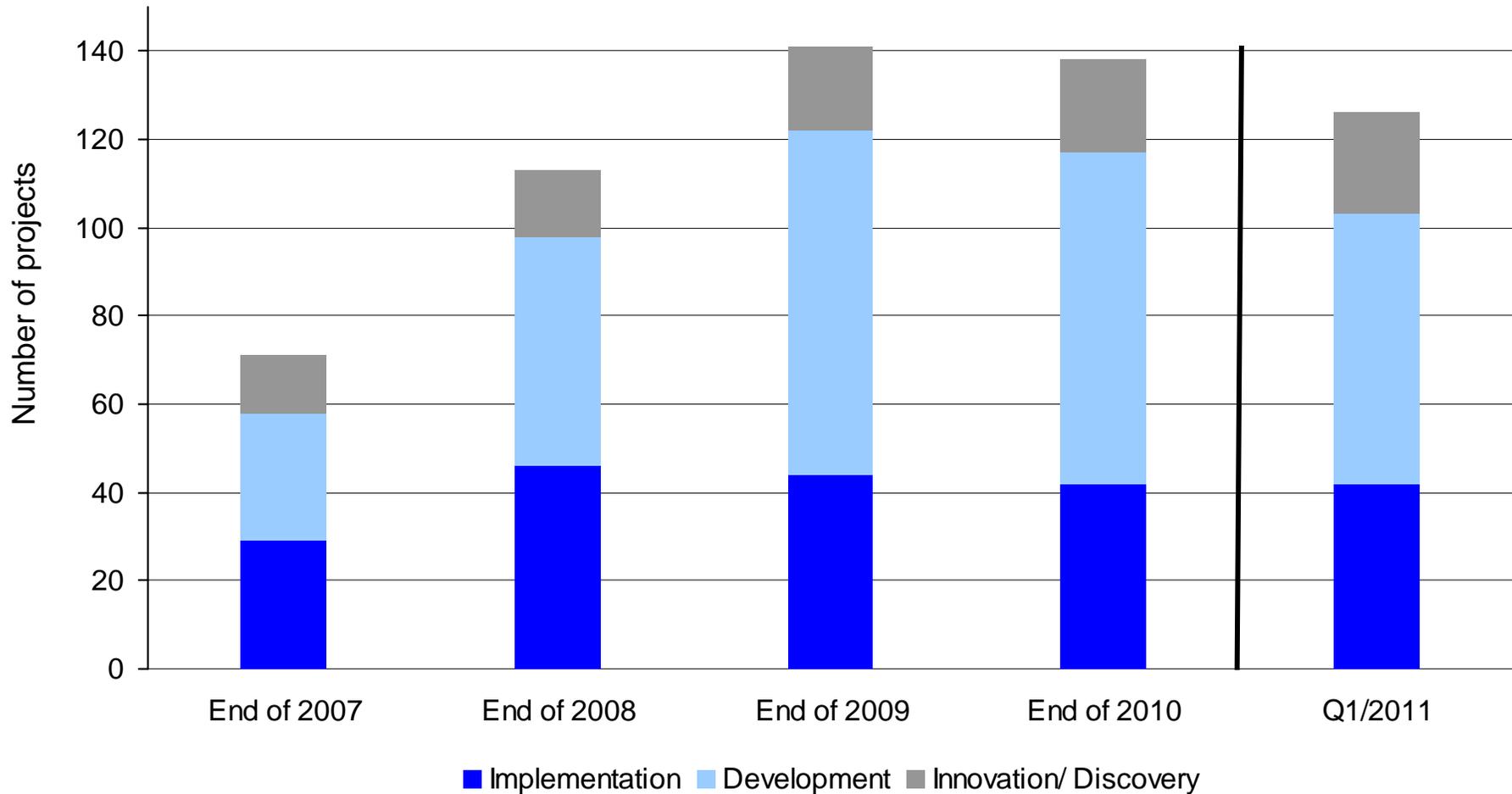
Microbial Control

- Stable sales in traditional markets; sales growth in Asia on target
- Formulated products will be above average growth

Performance Intermediates

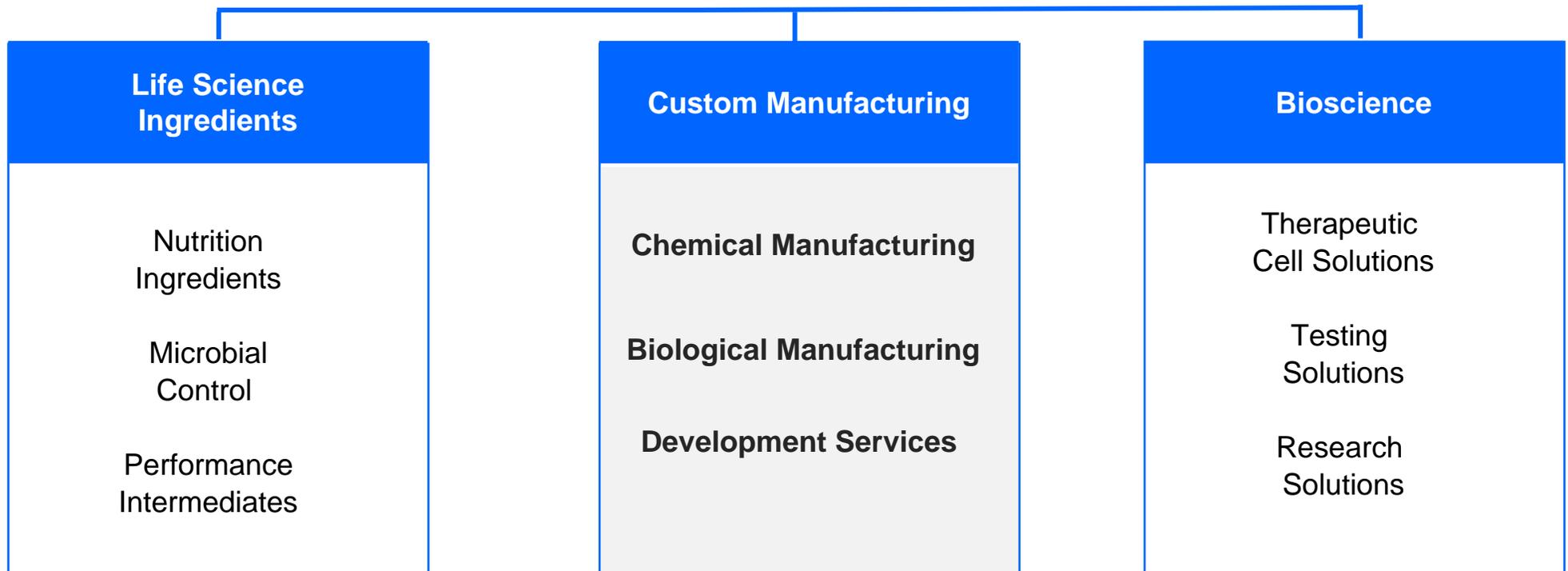
- Increased demand for diketene derivatives
- Solid sales for high performance intermediates

Project Pipeline (New Products)



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Business Highlights (I)

Overview

- Solid capacity utilization with increased project pipeline
- Several contracts for biopharma projects received approval, e.g.: Benlysta®
- 3 new growth projects approved:
 - Slough and Singapore – Development Services
 - Visp - cGMP cytotoxic manufacturing

Biological Manufacturing

- Increased capacity utilization based on broadened portfolio and normalized customer inventories
- Project pipeline has strengthened by 12 new projects
 - Development and manufacturing agreement with biotech company Athera
 - Commercial manufacturing deal signed with Enobia for Orphan Drug Candidate

Business Highlights (II)

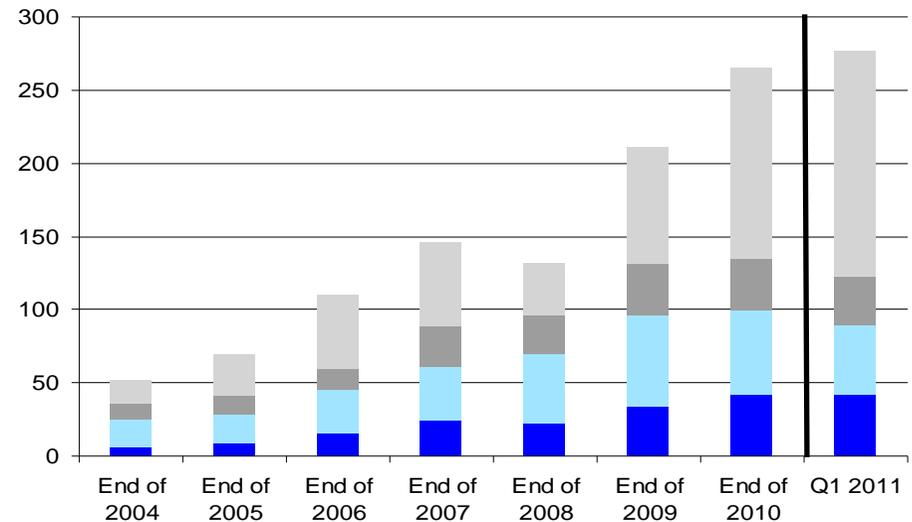
Chemical Manufacturing

- Reduced capacity utilization in Q1 driven by regulatory approval delays and product mix as expected
- New peptide R&D and manufacturing agreements will only partially offset delayed peptide lead compound
- Pipeline wins across all technology platforms (10 new wins in Q1)
- Nansha, CN received FDA approval in March 2011

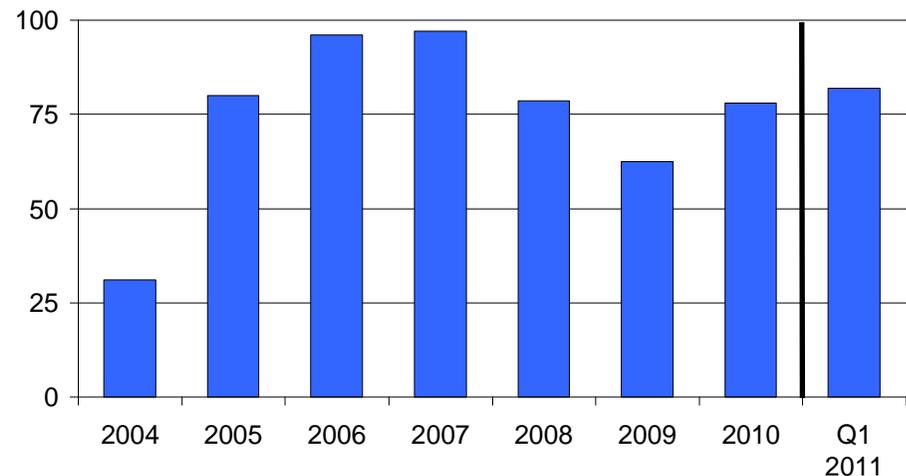
Biological Manufacturing & Development Services: Pipeline and Utilization

Project pipeline
(Number of projects)

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



Capacity utilization
(in %)

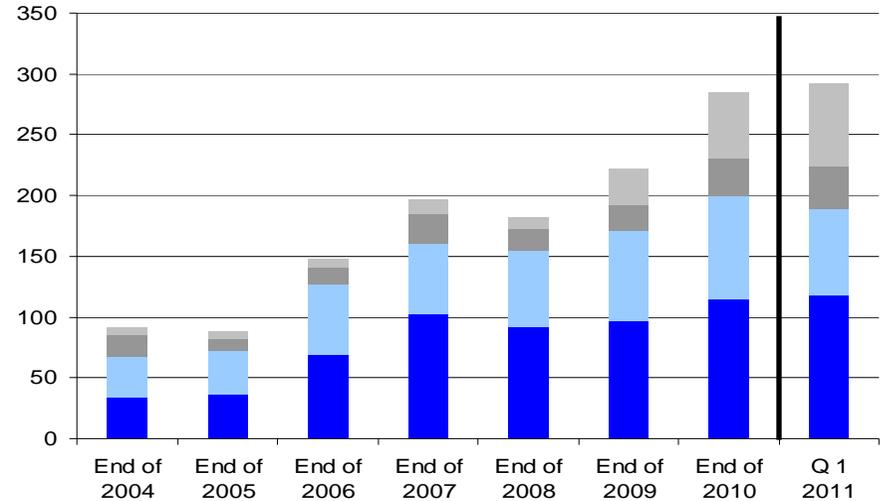


Chemical Manufacturing – Pipeline and Utilization

Project pipeline

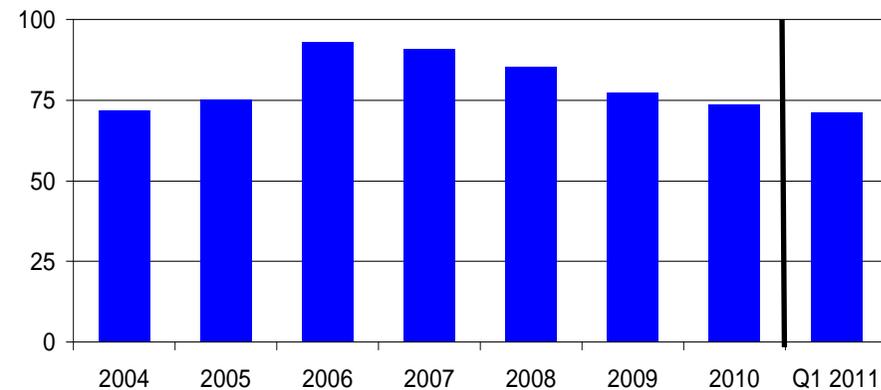
Number of projects

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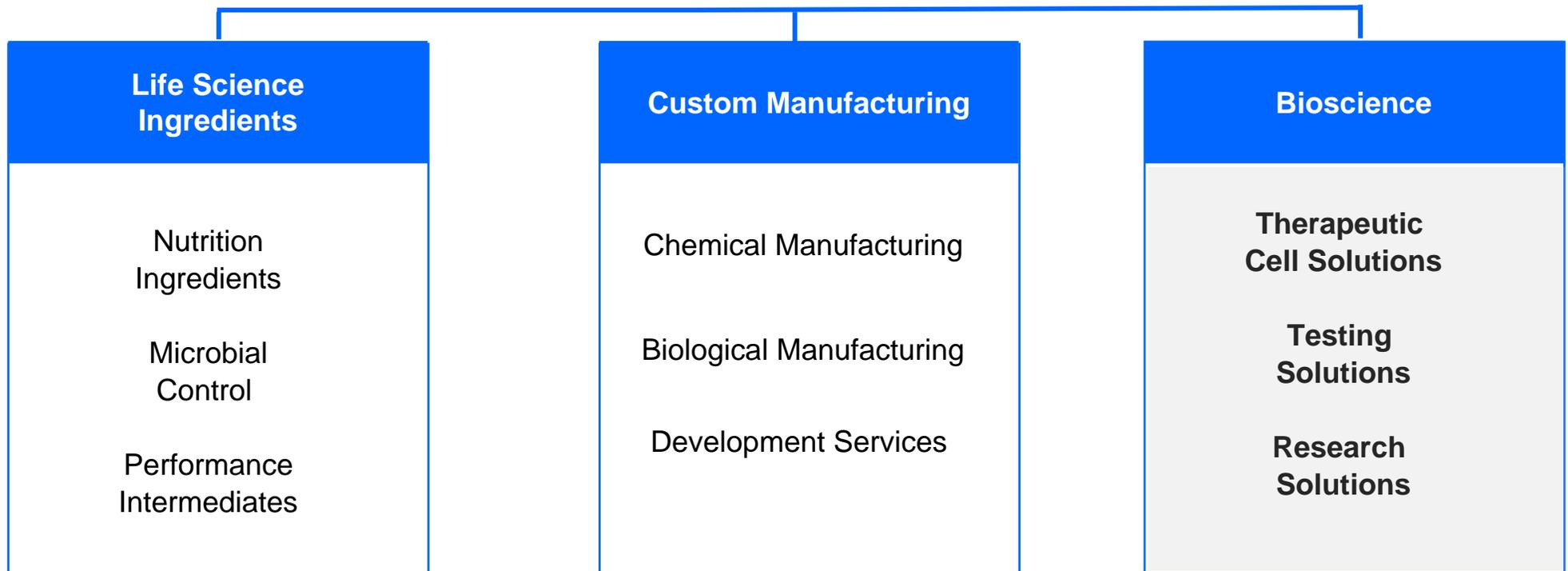
Capacity utilization

in %



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Bioscience

Summary

- Double digit growth in local currency in all business units
- Substantial progress in Cell Therapy as clinical candidates move forward
- Continued strong increase of project pipeline
- Growth projects in Walkersville and Singapore on track
- Testing Solutions on track

Research Solutions

- Higher sales of cell assay products and services
- Development of new cell biology products
- Delayed approval of federal research budgets still impacting business recovery in the US

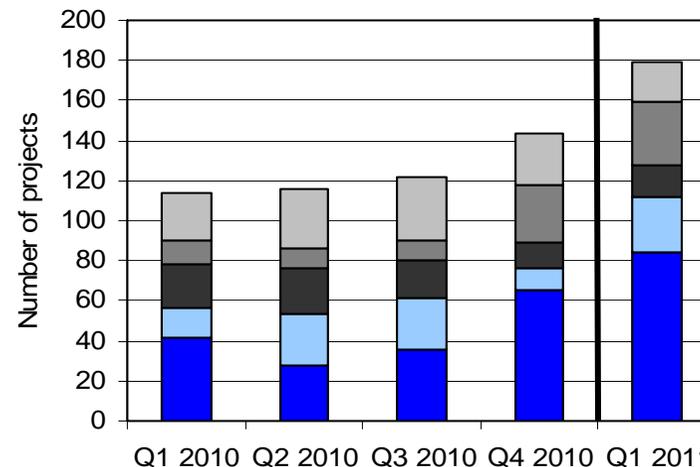
Therapeutic Cell Solutions

- Increased requests for development services in Cell Therapy
- New powder media line qualified and in production
- Scale up of new sterile filling line completed at Vivante, Houston facility

Bioscience Project Pipeline – New Products and Therapeutic Clients

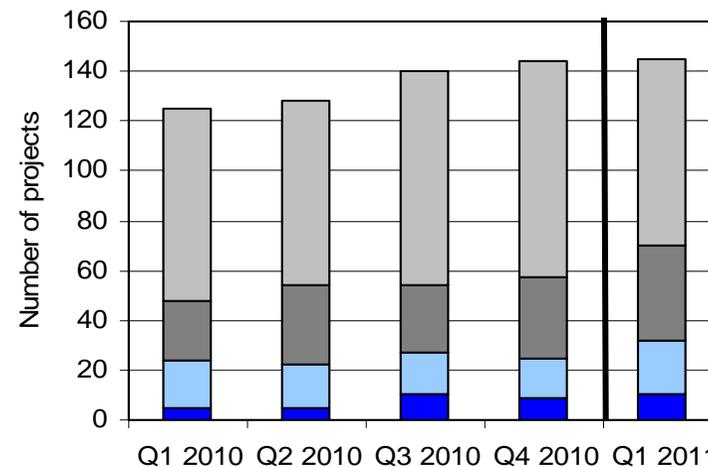
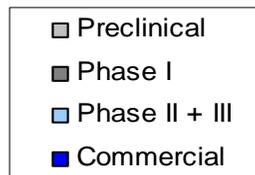
New Products

(Research Solutions, Testing Solutions and Therapeutic Cell Solutions)



Therapeutic Clients

(Therapeutic Cell Solutions)



Summary

- Underlying business growth for 2011 on track
- Strong translation and transaction effect due to strong Swiss Franc
- Raw material price increases leading to significant margin pressure
- Life Science Ingredients strong sales volume but reduced margins
- Custom Manufacturing performance as expected: upside potential in biopharma; regulatory delays impacting chemicals business
- Bioscience had double digit growth in local currency with improved performance in Cell Therapy

Calendar of Events and Contacts

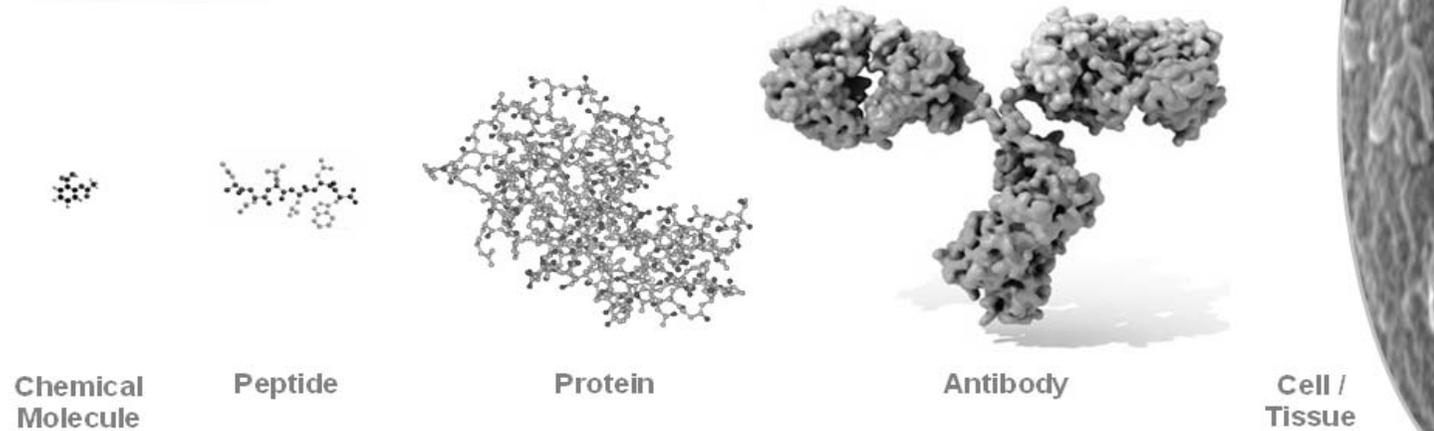
- Important Lonza Group Dates

- 13 April 2011 First Quarter 2011 Business Update
- 27 July 2011 Half-Year Results 2011
- 27 October 2011 Third Quarter 2011 Business Update
- 25 January 2012 Full-Year 2010 Results
- 03 April 2012 Annual General Meeting

- Contacts

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Further Information

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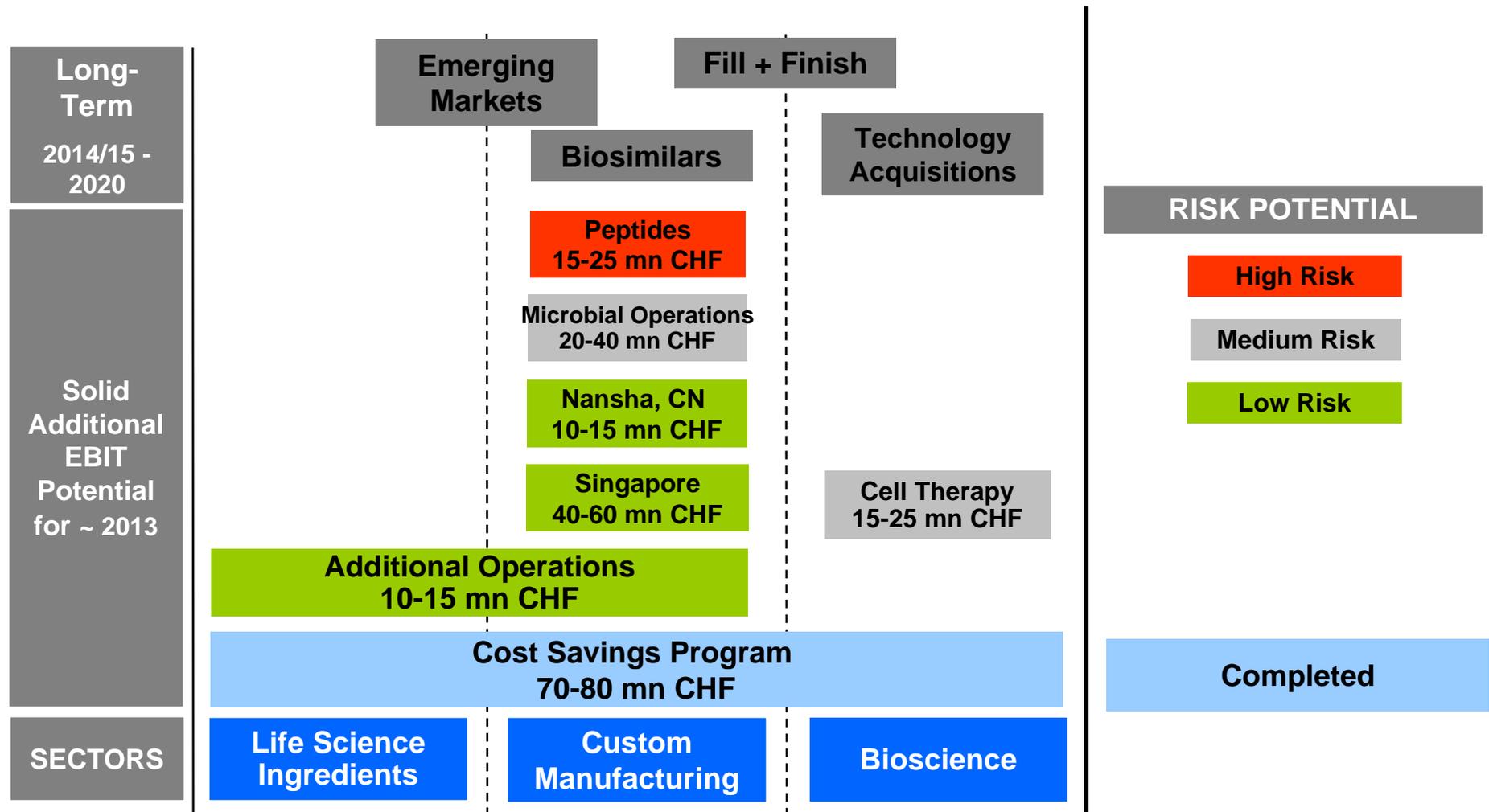
Hedging Policy 2011 / FX Risk Management Policy and Process

- Focus on natural hedge
- Contract hedging a must
- Central hedging
- Partial forward hedging of net exposure

	Currency sensitivity 2011	
	Change	EBIT - effect
USD / CHF	+/- 5 %	+/- CHF 15 mn
EUR / CHF	+/- 5 %	+/- CHF 8.5 mn
GBP / CHF	+/- 5 %	+/- CHF 1.5 mn
SGD / CHF	+/- 5 %	+/- CHF 8 mn
CNY / CHF	+/- 5 %	+/- CHF 6.5 mn

Mid-term Additional EBIT Potential

Mid-term Targets Reiterated*



* at constant exchange rate 2009