Leading supplier to the Life Science Industry

Lonza

2010 Half-Year Results – 22 July 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.
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

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

- 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

- **Life Science Ingredients**
  - Nutrition Ingredients
  - Microbial Control
  - Performance Intermediates

- **Custom Manufacturing**
  - Chemical Manufacturing
  - Biological Manufacturing
  - Development Services

- **Bioscience**
  - Therapeutic
  - Cell Solutions
  - Testing Solutions
  - Research Solutions

Lonza
Financial Summary and Highlights

Key figures

<table>
<thead>
<tr>
<th>CHF million</th>
<th>1st-half 2010</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>536</td>
<td>5.9%</td>
</tr>
<tr>
<td>EBIT</td>
<td>81</td>
<td>17.4%</td>
</tr>
<tr>
<td>Margin</td>
<td>15.1%</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>118</td>
<td>13.5%</td>
</tr>
<tr>
<td>Margin</td>
<td>22.0%</td>
<td></td>
</tr>
</tbody>
</table>

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)

- End of 2007: 70 (20 product introduced into market, 50 new product, 0 implementation, 5 development, 0 innovation/discovery)
- End of 2008: 110 (20 product introduced into market, 90 new product, 0 implementation, 0 development, 0 innovation/discovery)
- End of 2009: 130 (30 product introduced into market, 100 new product, 0 implementation, 0 development, 0 innovation/discovery)
- Q1/2010: 140 (40 product introduced into market, 100 new product, 0 implementation, 0 development, 0 innovation/discovery)
- Q2/2010: 150 (40 product introduced into market, 110 new product, 0 implementation, 0 development, 0 innovation/discovery)
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
Lonza’s Life-Science Platform

**Life Science Ingredients**
- Nutrition Ingredients
- Microbial Control
- Performance Intermediates

**Custom Manufacturing**
- Chemical Manufacturing
- Biological Manufacturing
- Development Services

**Bioscience**
- Therapeutic Cell Solutions
- Testing Solutions
- Research Solutions
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, Orencia®; 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 Cellectis bioresearch (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 %

Custom Manufacturing APIs
Chemical Manufacturing – Pipeline & Utilization

**Project pipeline**
Number of projects

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

**Capacity utilization**
in %

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>Q1 2010</th>
<th>Q2 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilization</td>
<td>75</td>
<td>75</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

End of 2004
End of 2005
End of 2006
End of 2007
End of 2008
End of 2009
End Q1 2010
End Q2 2010
Lonza’s Life-Science Platform

- **Life Science Ingredients**
  - Nutrition Ingredients
  - Microbial Control
  - Performance Intermediates

- **Custom Manufacturing**
  - Chemical Manufacturing
  - Biological Manufacturing
  - Development Services

- **Bioscience**
  - Therapeutic Cell Solutions
  - Testing Solutions
  - Research Solutions
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

- 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

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Chief Executive Officer
Further Information
Solid Additional EBIT Potential for ~2013*

<table>
<thead>
<tr>
<th>Category</th>
<th>Potential CHF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional Operations</td>
<td>10-15</td>
</tr>
<tr>
<td>Nansha</td>
<td>10-15</td>
</tr>
<tr>
<td>Peptides</td>
<td>15-25</td>
</tr>
<tr>
<td>Microbial Operations</td>
<td>20-40</td>
</tr>
<tr>
<td>Cell Therapy</td>
<td>15-25</td>
</tr>
<tr>
<td>Singapore II</td>
<td>40-60</td>
</tr>
<tr>
<td>Cost Savings Program</td>
<td>60-80</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>In MCHF</th>
<th>Reduction</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>External Services and General Operating Expenses</td>
<td>13-15</td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>50-55</td>
<td></td>
</tr>
<tr>
<td>Maintenance &amp; Repair</td>
<td>7-10</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>70-80</td>
<td></td>
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