

We work with passion, using advanced technologies, to transform life science into new possibilities for our customers

Lonza

2009 Full Year Results – 28 January 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.



Financial Highlights before special charges

- Results driven by lower demand across all businesses:
 - Sales reduced by 8.4% to CHF 2 690 million
 - Stable EBITDA margins (24.5%) despite volatile environment
 - EBIT of CHF 380 million (CHF 441 million in 2008)
 - RONOA at 10.7%

- Net cash flow from operating activities increased to CHF 422 million

- Solid financing situation, supporting unchanged growth potential
 - Successful launch of CHF 300 million bond in May 2009 at attractive conditions
 - Full conversion into equity of the outstanding convertible bond
 - Gearing down from 76% at the end of 2008 to 49%

- Special charges of CHF 141 million for restructuring activities

- The number of employees increased slightly considering that 230 employees joined Genentech/Roche Singapore in August 2009 after the selling of the biopharma manufacturing facility

Key Financial Figures

CHF million	FY 2008	FY 2009 before special charges	Change YoY before special charges	FY 2009 after special charges	Change YoY after special charges
Sales	2'937	2'690	(8.4%)	2'690	(8.4%)
EBITDA	691	658	(4.8%)	601	(13.0%)
<i>EBITDA Margin</i>	23.5%	24.5%		22.3%	
EBIT	441	380	(13.8%)	239	(45.8%)
<i>EBIT Margin</i>	15.0%	14.1%		8.9%	
Financing costs	(57)			(53)	
Gain on sale of assets held for sale	91			0	
<i>Tax rate</i>	11.8%	14.8%		14.8%	
Net Income	419	279	(33.4%)	159	(62.1%)
EPS (CHF) basic	8.81	5.55	(37.0%)	3.19	(63.8%)
EPS (CHF) diluted	8.15	5.51	(32.4%)	3.17	(61.1%)
Net Cash Flow provided by operating activities	175	426	243.4%	422	241.1%
Change in net working capital	(281)			(93)	
Capital Expenditures (excluding customer financing)	(420)	(511)	19.5%	(511)	19.5%
RONOA	13.8%	10.7%		6.7%	
Net Debt	1 469	1'166	(20.6%)	1'166	(20.6%)
Number of employees	8 462	8'386	(0.9%)	8'386	(0.9%)

Business Highlights

Business situation

- Lower demand across all businesses
 - Clinical results driven order reductions of large-scale biopharmaceutical projects in the custom manufacturing businesses
 - Recession-related lower demand in the Life Science Ingredients business
 - Short-term adjustment of customers' ordering patterns

Structural operations / portfolio changes

- Reaction to the volatile business environment by implementing a re-engineering project
 - Reduction of fixed cost by CHF 60–80 million over a period of 18–24 months
- Better productivity development sustainably reduce capex

A detailed strategy review in the fourth quarter confirms the viability of our strategy within a market environment of accelerated changes

Strategic projects 2009

- Build-out of the large scale mammalian biopharmaceutical facility in Singapore, with targeted utilization rate of 60% at start-up in 2011
- Start-up of the new custom manufacturing facilities in Nansha (CN) and in Hopkinton, MA (USA)
- Development of activities in India, with a small acquisition (Symbiosis), and a land purchase
- Groundbreaking for a new Cell Therapy facility in Singapore
- Opening of the new Microbial Control formulations plant in Nanjing
- Acquisition of Algonomics to strengthen the Development Services technology portfolio
- All businesses have an increasing pipeline of promising product developments
- Strategic partnership with Teva for certain biosimilars
- Introduction of the Lonza Promoter Score across all businesses, enabling customer satisfaction to be measured as reliably as financial performance

Re-engineering project

- Cost reduction and timing on track
 - 50% of measures under implementation (as of end January 2010)
 - 50% identified and under definition
- Site closures announced (Riverside, Shawinigan, Wokingham)
- Majority of special charges booked
- New organization implemented and streamlining of processes under way

In MCHF	Reduction Target
External Services and General Operating Expenses	10-15
Personnel	45-55
Maintenance & Repair	5-10
TOTAL	60-80

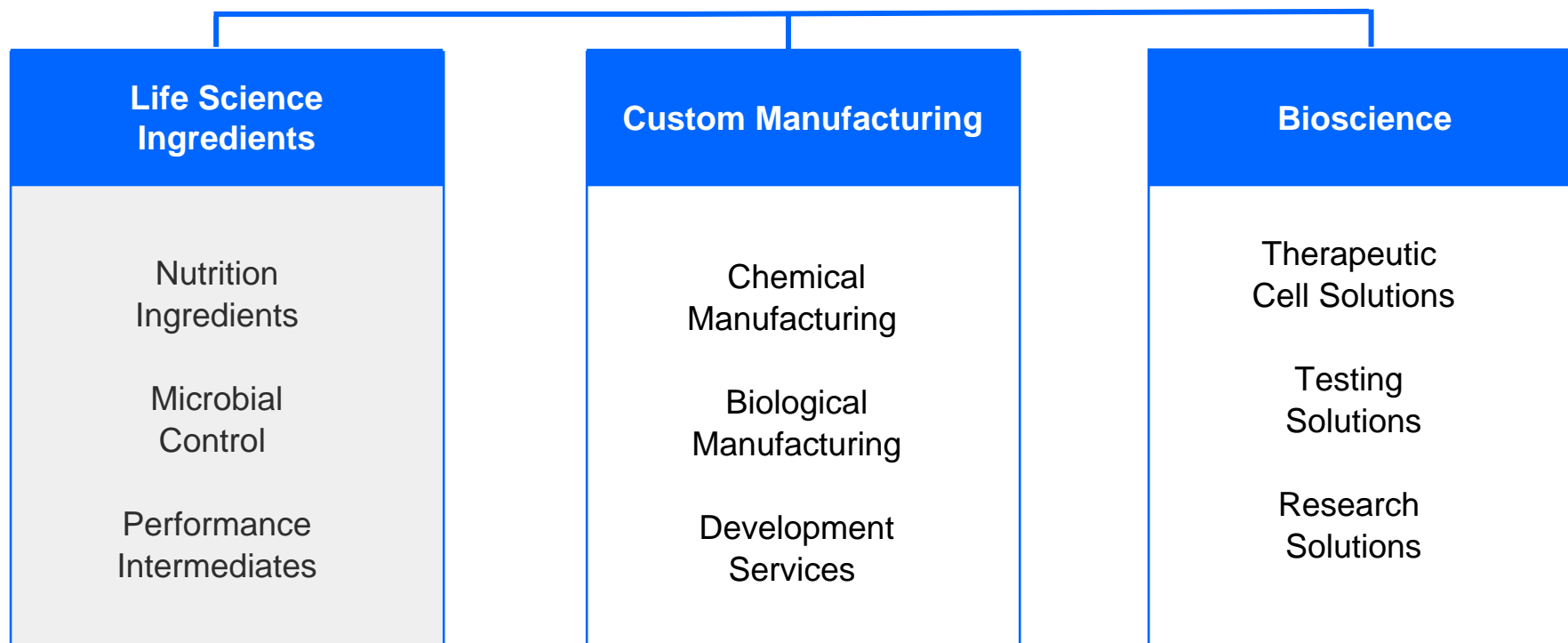
Re-engineering project – Location Switzerland

- More global volatile market environment has accelerated the cost competition compared to expectations
- Customer commitments for new growth projects become more complex and take longer to negotiate
- Competitiveness of our Swiss platform must be defended more aggressively
- For this the project team has targeted fixed cost reductions of CHF 30-40 million (6-8% fixed cost) in Basel and Visp in the next 18 months as part of the company-wide re-engineering initiative
- Analysis phase has started, results and detailed implementation plans will be finalized until end of March



Lonza's Life-Science Platform

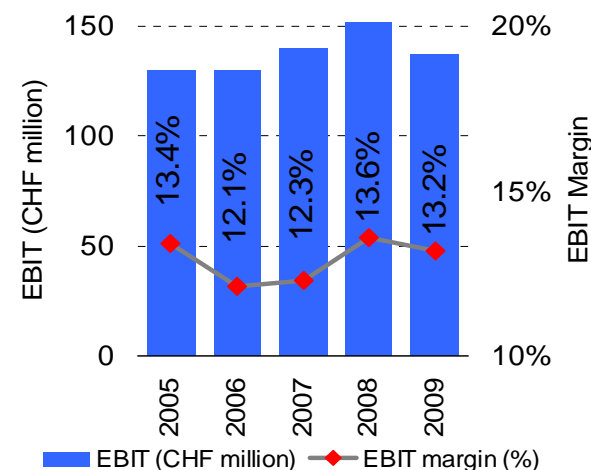
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Financial Summary and Highlights

Key figures¹

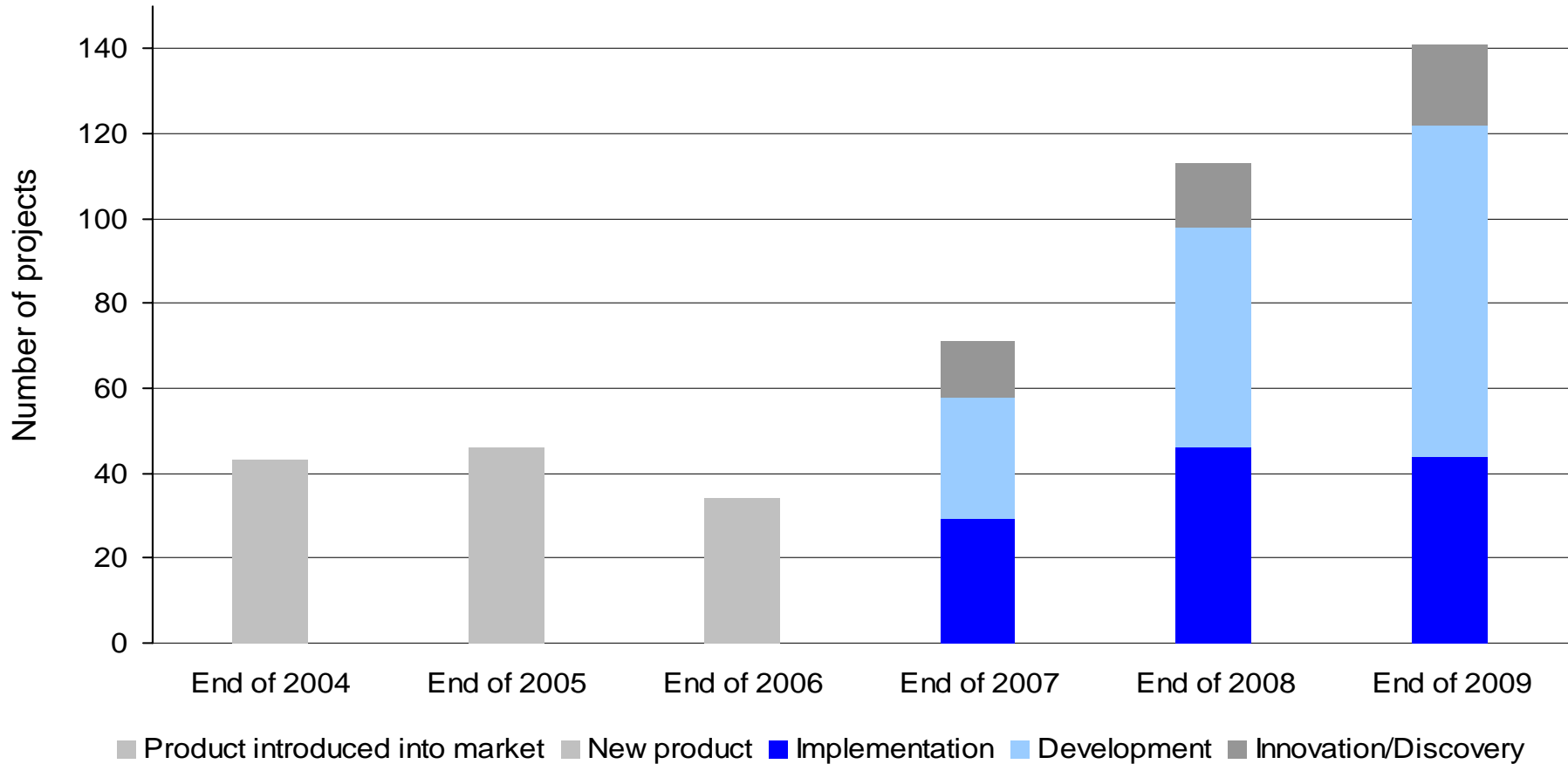
CHF million	2009	Change YoY
Sales	1'038	(13.2%)
EBIT	137	(16.0%)
<i>Margin</i>	13.2%	
EBITDA	208	(9.6%)
<i>Margin</i>	20.0%	

EBIT and margin progression¹

- All businesses impacted by recession - Microbial Control, Diketene & HCN derivatives with stronger decline
 - stronger business in Q4/09 compared to a very slow start in H1/09
- Strict fixed cost measurements & saving initiatives defended margins
- Growth of R&D pipeline (+ 17 %) on track as a vital part of the BU strategies
- CAPEX expansion projects on track in China, US and Switzerland

¹ before special charges

Project Pipeline (New Products)



Nutrition Ingredients

Nicotinates (Vitamin B3)

- Weaker demand due to reduced meat consumption, lower feed production and high inventories
- Lower volumes for Food/Pharma due to de-stocking in Pharmaceutical Industry

Meta™

- Low volumes due to adverse weather conditions
- First sales of liquid Meta™ application in China

Carnipure™/Carniking™

- Solid sales due to new product launches and strong pet food market

ResistAid™/FiberAid™

- Overall lower Larch Arabinogalactan volumes with positive outlook for the future due to new clinical results.

Pro-K™ (Vitamin K3)

- Pilot facility in Shawinigan will be shut down by end of Q1/10
- Lonza will evaluate further opportunities to provide its customers with chromium-free vitamin K3 in the future

Microbial Control

Overall lower demand with improved sales in Q4

- Stringent fixed cost saving measures partially compensated for lost volumes

Hygiene sales volume leading the sales increase

- Pandemic threat of H1N1 supported business in H2
- Water Treatment business began to show signs of recovery in Q4/09 as demand for Equinox™ increases

Growth in China and India moderate

- Complex regulatory environment
- Delays in recruitment
- Weak market demand in H1

Performance Intermediates

Diketene & HCN derivatives:

- weak demand during 2009 due to economic downturn and aggressive Asian competitors, unfavorable raw material cost and currency

High-Performance Materials slightly below expectations:

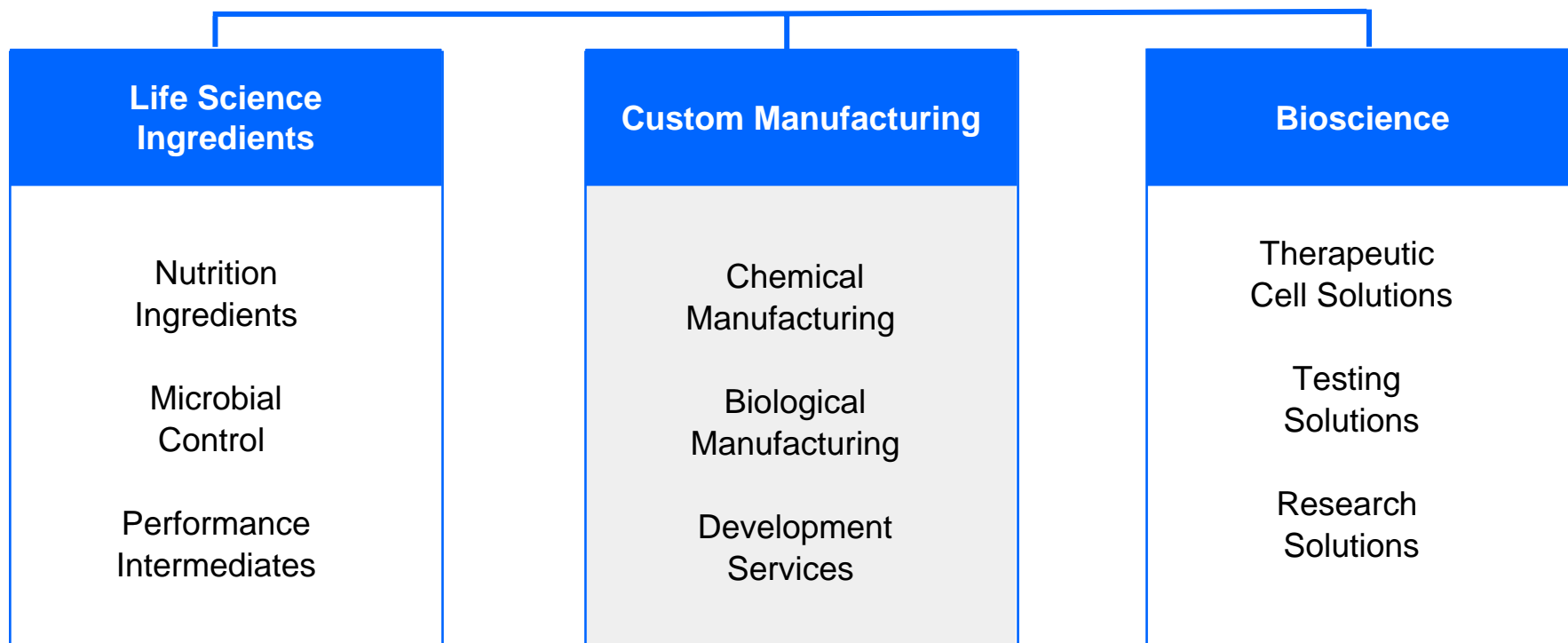
- weakening volumes in electronic and aerospace applications in H1/09
- New applications under development with key customers in Asia and US

Solid Agro performance throughout 2009

- high demand for agro actives and intermediates and positive agro pipeline development
- short term destocking at customers will reduce sales in 2010

Lonza's Life-Science Platform

Lonza

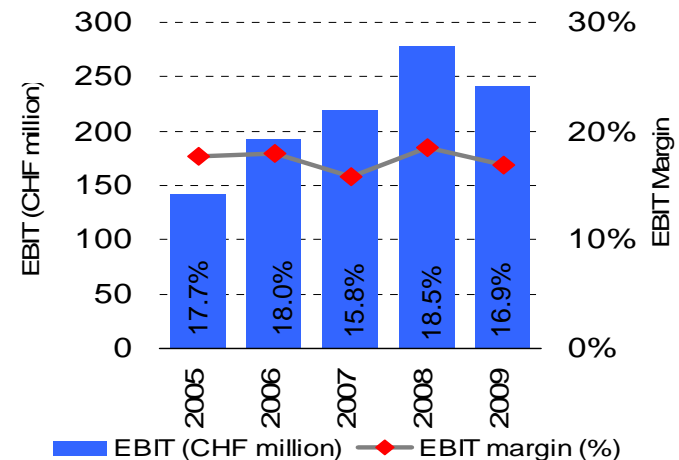


Financial Summary and Highlights

Key figures¹

CHF million	2009	Change YoY
Sales	1'418	(6.2%)
EBIT	239	(14.3%)
Margin	16.9%	
EBITDA	420	(3.7%)
Margin	29.6%	

EBIT and margin progression¹



- Sales impacted by clinical delays and working capital reduction
- Increased price competition and shrinking value of local producers status has led to the move of the capacity in chemical manufacturing to Asia
- Expansion projects on track
- Important product pipeline expansion projects under full implementation
- Further market share gains in Development Services

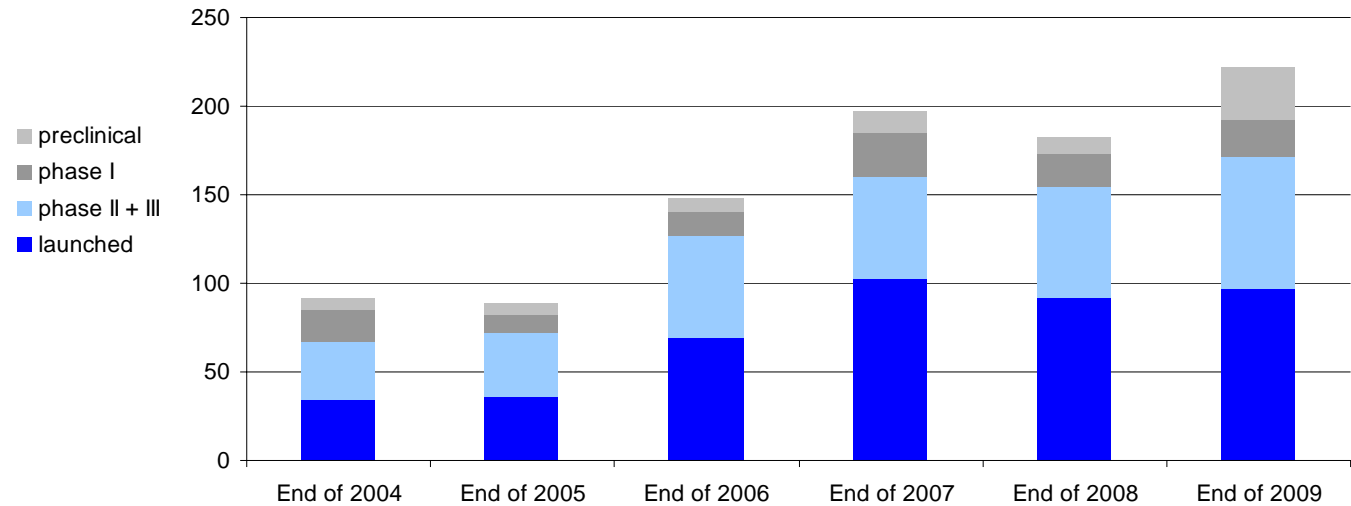
¹ before special charges

Chemical Manufacturing

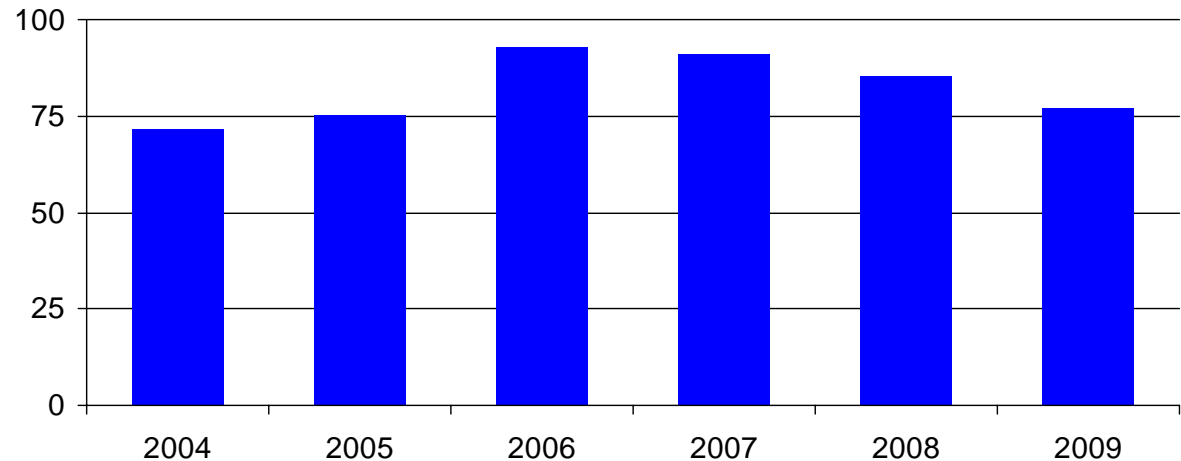
- Higher plant throughput in H2 2009 partially offset the impact of customer order cancellations and delays due to ongoing NWC reduction programs
- Growth of project pipeline continues, supported by unchanged customer interest in outsourcing and strategic partnerships
- Projects and new capacities realized to strengthen mid-term development:
 - Small-scale peptides production in Nansha
 - Phase 2 of large-scale API production in Nansha (CN) operational
 - Start-up of Antibody Drug Conjugate production in Visp (CH)
- Continued high customer interest in micro reactor (green chemistry) projects

Chemical Manufacturing – Pipeline & Utilization

Project pipeline Number of projects



Capacity utilization in %



Biological Manufacturing

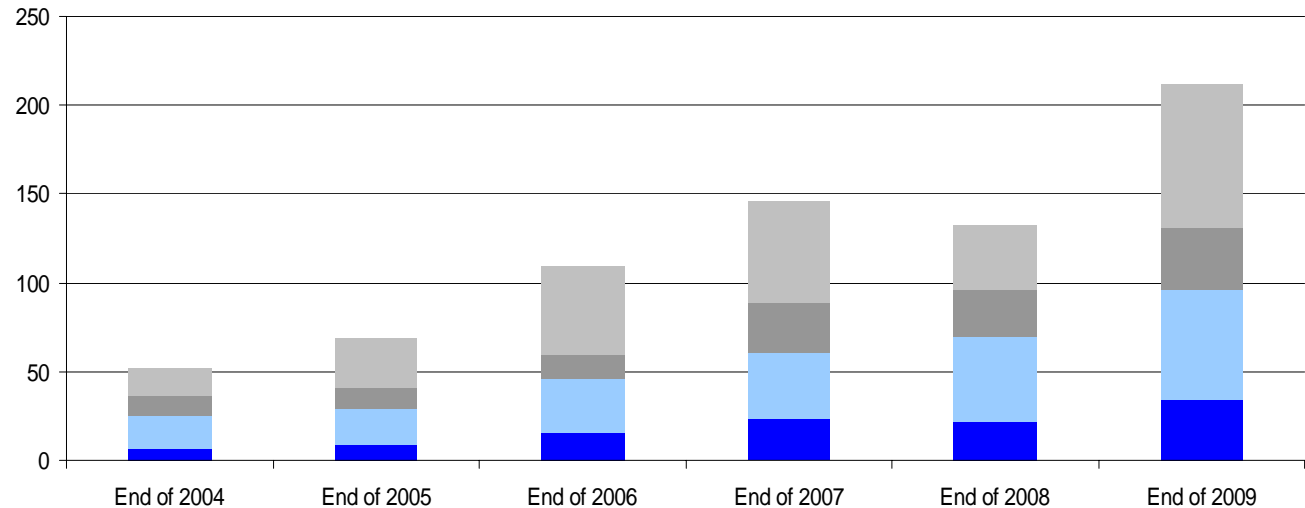
- Order reductions for a few large scale products due to clinical results impact growth in 2009 and 2010
- Continued strong interest for Lonza's "Total Product Life Cycle and Pipeline Management" concept
- Singapore 1 handed over to Roche/Genentech, Singapore 2 built out on track with > 60% utilization at start-up in 2011
- 2 000-liter line expansion in Hopkinton, MA (USA) finalized and started up
- Hopkinton operational performance unsatisfactory – management changes and turn-around program show first successes
- Porriño (ES) retrofitting finalized and start-up with four new customer projects
- Proprietary mammalian platform now delivering scalable and reproducible high titer processes (up to 10g/l)
- Growth of Biopharma Development Services well exceeds market growth
- Immunogenicity prediction capabilities acquired (Algonomics) to further strengthen protein design portfolio

Biological Manufacturing – Pipeline & Utilization

Project pipeline

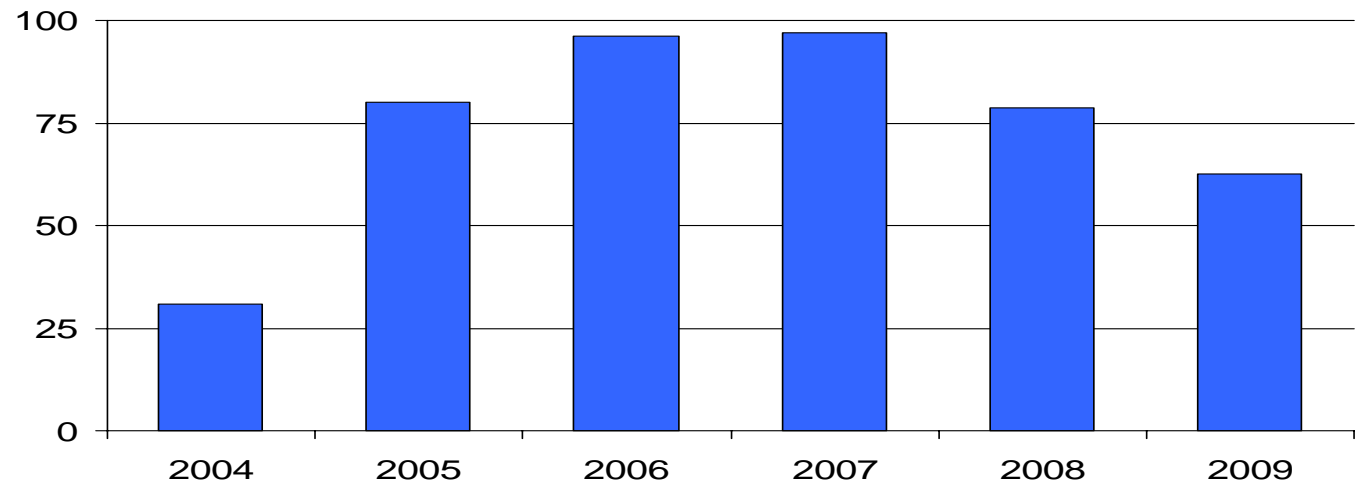
Number of projects

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



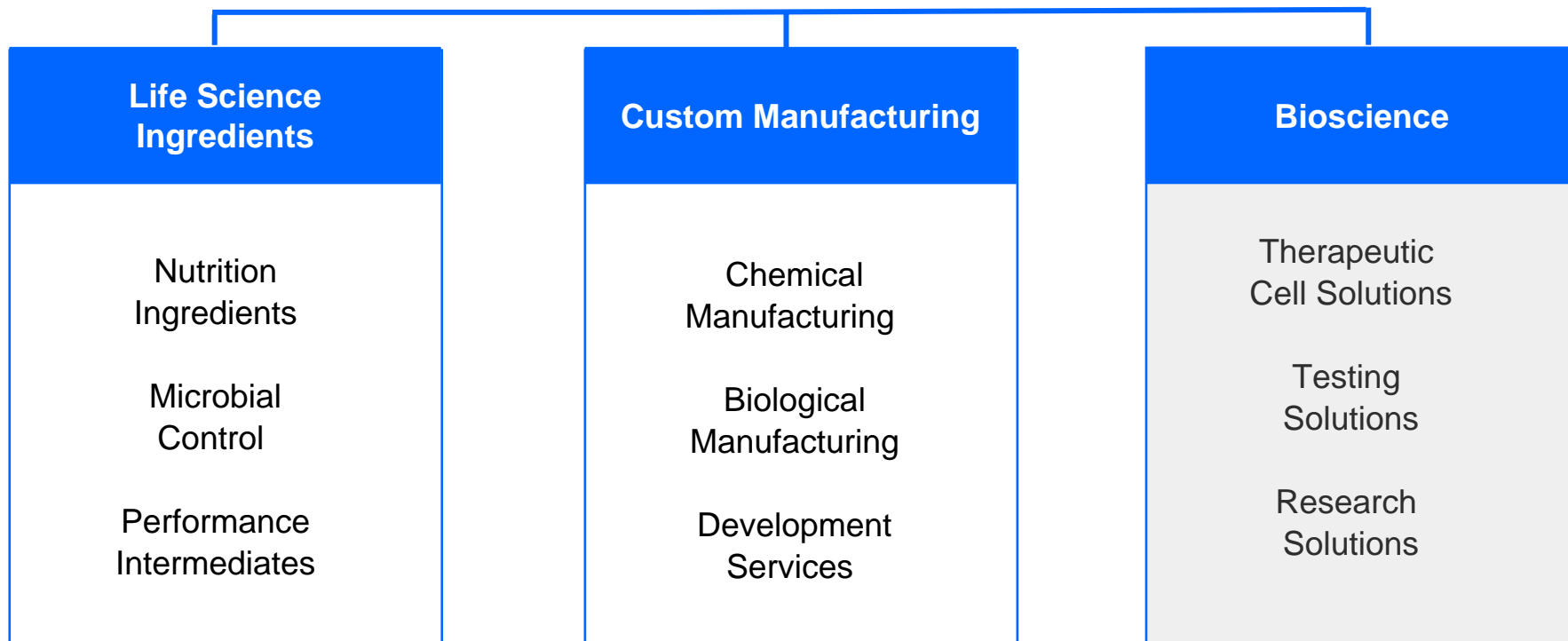
Capacity utilization

in %



Lonza's Life-Science Platform

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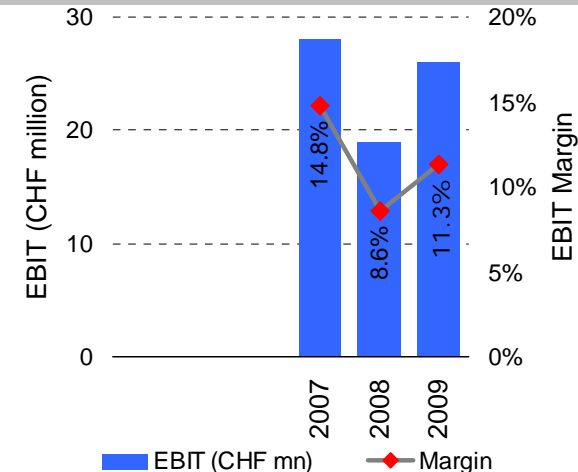


Financial Summary and Highlights

Key figures¹

CHF million	2009	Change YoY*
Sales	231	4.1%
EBIT	26	36.8%
Margin	11.3%	
EBITDA	43	30.3%
Margin	18.6%	

EBIT and margin progression¹

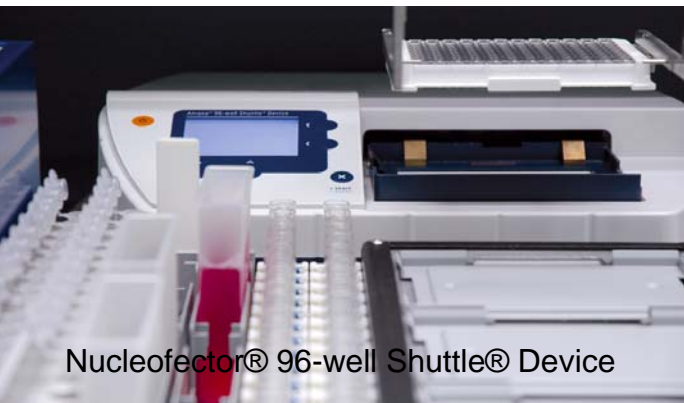


- Bioscience sales grew slightly despite difficult economic circumstances and the negative impact of exchange rates
- Operational margins (before special charges) improved but still below targets
- Innovation and new product pipeline continues to strengthen

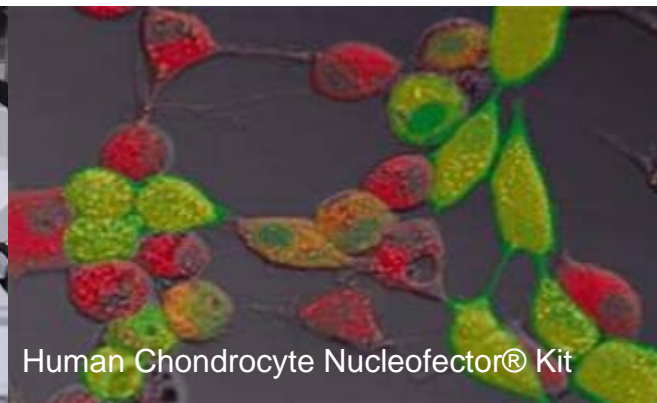
¹ before special charges

Research Solutions

- Double-digit growth of BioAssays and Protein Analysis portfolios
- Transfection and chromatography sales negatively impacted by customer capital equipment budget cuts
- Acquisition of Symbiosis in India will accelerate innovation in Cell Biology and Personal Care
- R&D projects increased by 40%
- New low-cost instrument and numerous primary cells launched



Nucleofector® 96-well Shuttle® Device



Human Chondrocyte Nucleofector® Kit



The CLB-Transfection™ System

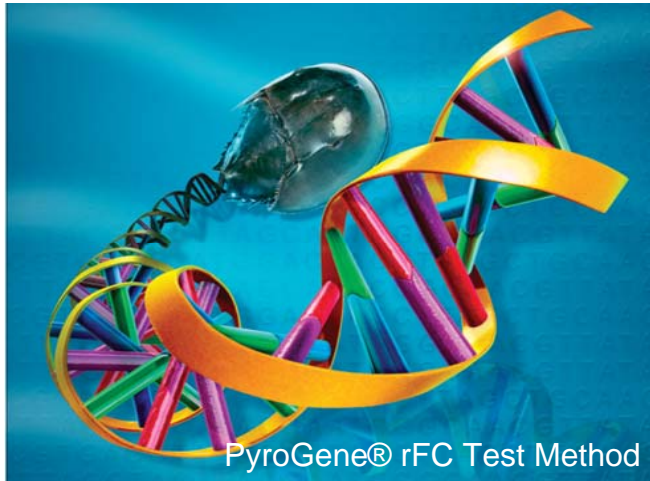
Therapeutic Cell Solutions

- Revenue increase in Cell Therapy despite postponement of lead client's phase 3 trial.
- Groundbreaking on cell therapy site in Singapore to support clinical trials in the Asia Pacific region
- Manufacturing and service contracts signed with 3 significant new Phase II/III therapeutic clients
- Media growth driven by liquid media and flexible packaging portfolios. New media projects launched by new customers
- Synergies between biopharmaceutical manufacturing and media gaining momentum



Testing Solutions

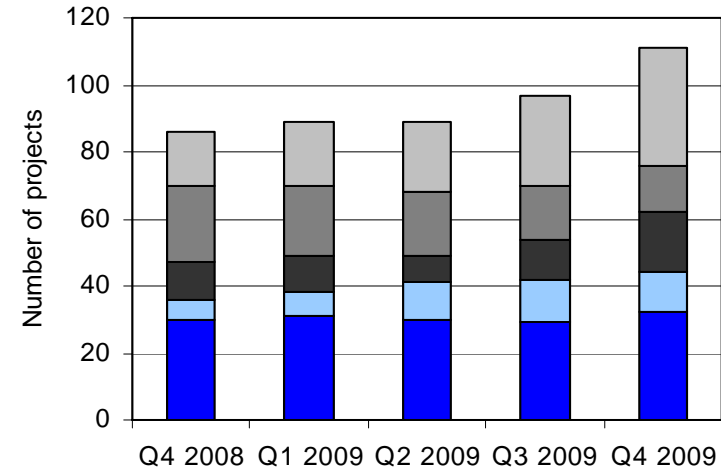
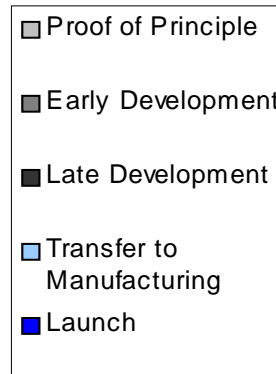
- Moderate sales growth in a shrinking market.
- Good progress in Asia Pacific and South America
- Innovative Endotoxin reagent (PyroGene) published in US (Pharmacopeia Forum) allowing market penetration in 2010



Project Pipeline (New Products & Therapeutic Clients)

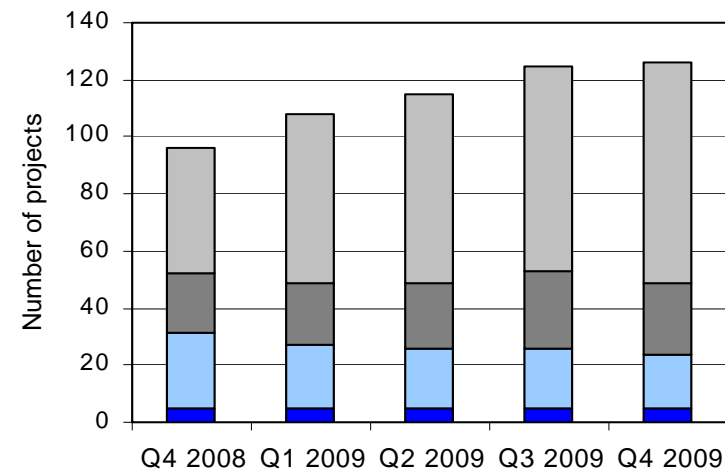
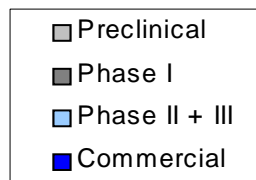
New Products

(Research Solutions, Testing Solutions & Therapeutic Cell Solutions)



Therapeutic Clients

(Therapeutic Cell Solutions)



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

Priorities 2010 – Major Deliverables

Sales	Cost	Innovation
<p>Negotiate contracts and launch new products</p>	<p>Fixed cost reduction by CHF 60-80 Mio within 24 months</p>	<p>Grow LCM pipeline & launch new products in LBS & LSI</p>
<ul style="list-style-type: none"> ■ Bioscience in Asia ■ Grow Custom Manufacturing pipeline to over 500 ■ Define specific value propositions for customer segments ■ Sign at least two Custom Manufacturing pipeline deals ■ Fill Carnitine and PMDA plants as fast as possible ■ Establish Microbial Control in India & China ■ Expand Asian market share in Nutrition 	<ul style="list-style-type: none"> ■ Low cost Custom Manufacturing platform ■ Visp & Nansha site streamlining ■ Flexibilisation of Biopharmaceutical network ■ S&OP improvements in Life Science Ingredients & Bioscience 	<ul style="list-style-type: none"> ■ Microcompass™, stem cells products ■ Hygiene & water formulations ■ One new service technology p.a. for Custom Manufacturing Development Services customers

Summary, Status and Outlook

2009 Status

- Sales of CHF 2,690 million (CHF 2,937 million in 2008) due to lower demand across all businesses, with EBIT of CHF 380 million before special charges (CHF 441 million in 2008)
- Stable EBITDA margins (24.5%) despite more volatile environment
- Comprehensive package of measures, including cost reductions of CHF 60-80 million within two years, triggering special charges of CHF 141 million
- The Board of Directors is proposing a cash dividend of CHF 1.75 per share

Outlook

- Volatile environment in the short term will be actively handled by the re-engineering measures
- Capex will reduce to 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

- 31 March 2010 Annual General Meeting
- 22 April 2010 First-Quarter 2010 Business Update
- 22 July 2010 Half Year Results 2010
- 27 October 2010 Third-Quarter 2010 Business Update
- 16/17 Nov. 2010 Investor Event

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