

Conference Call, April 19<sup>th</sup>, 2007

**Lonza**

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## **Business Update: First Quarter 2007**

Stefan Borgas, CEO

## Disclaimer

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- “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.”

# Q1 Business Status and 2007 Outlook

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## Status

- Strong YTD business performance with targets on track
- Robust pipeline development in all businesses
- Focus on integration is well accepted by Lonza staff and management; execution is proceeding according to plan
- Gearing level at 92% post Bio-business acquisitions

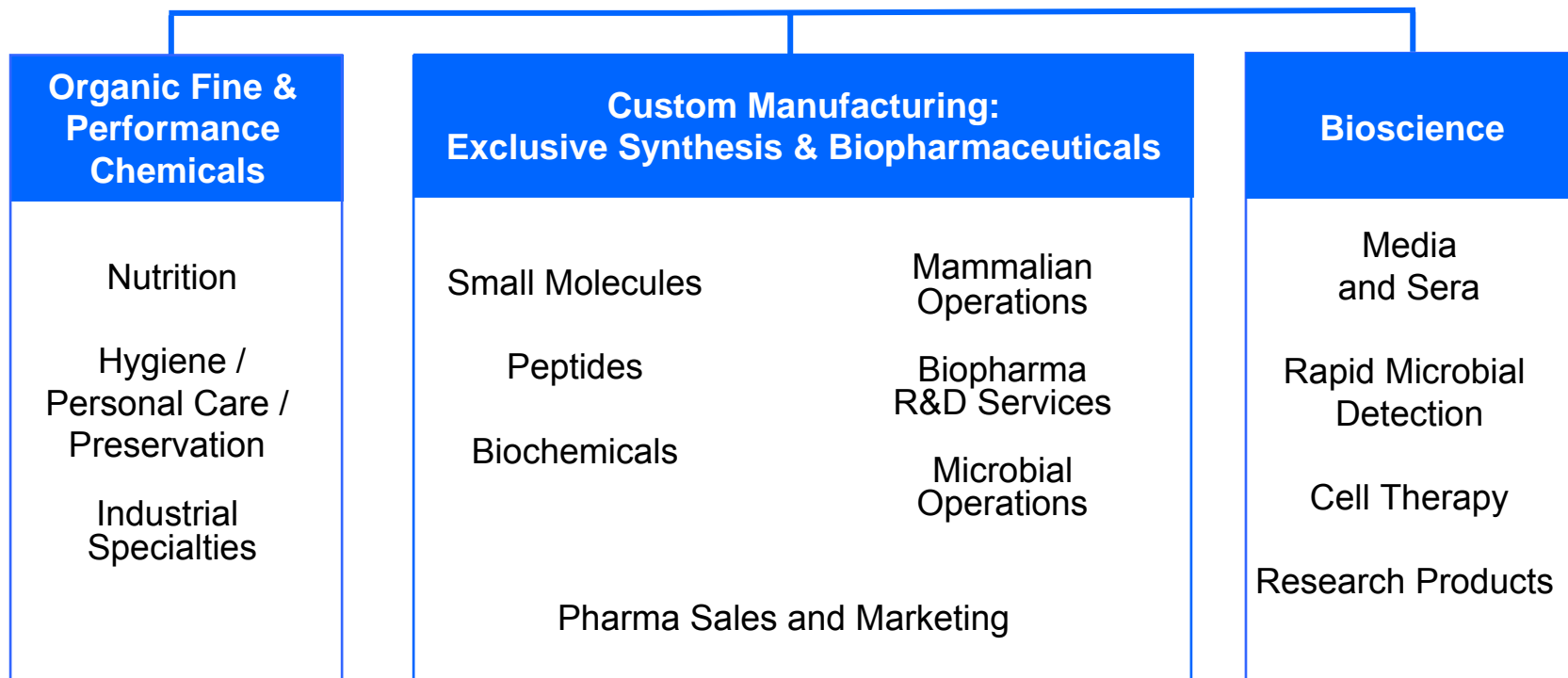
## Outlook

- On target to meet the short and mid term guidance
- Deliver decreased tax rate to approximately 20% for the full year

# Lonza's Life-Science Platform

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## **Lonza**



# Organic Fine & Performance Chemicals (I)

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## Summary

- Strong volume growth in all markets with continued high capacity utilization and stable price levels
- Unchanged strong competition out of South East Asia
- Market shares in strategic market niches were kept at the desired high levels

## Nutrition

- Volume growth in Nicotines business driven by new applications
- Stable sales of vitamin intermediates
- Demand for both Carniking® (feed) and Carnipure™ (food) at target level; with unchanged price competition from China and good development of Japanese market
- Larch Arabinogalactan business has been successfully integrated with sales above budget level
- Strategic review of DHA business following loss of North American patent dispute

## Organic Fine & Performance Chemicals (II)

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### Hygiene / Personal Care / Preservation

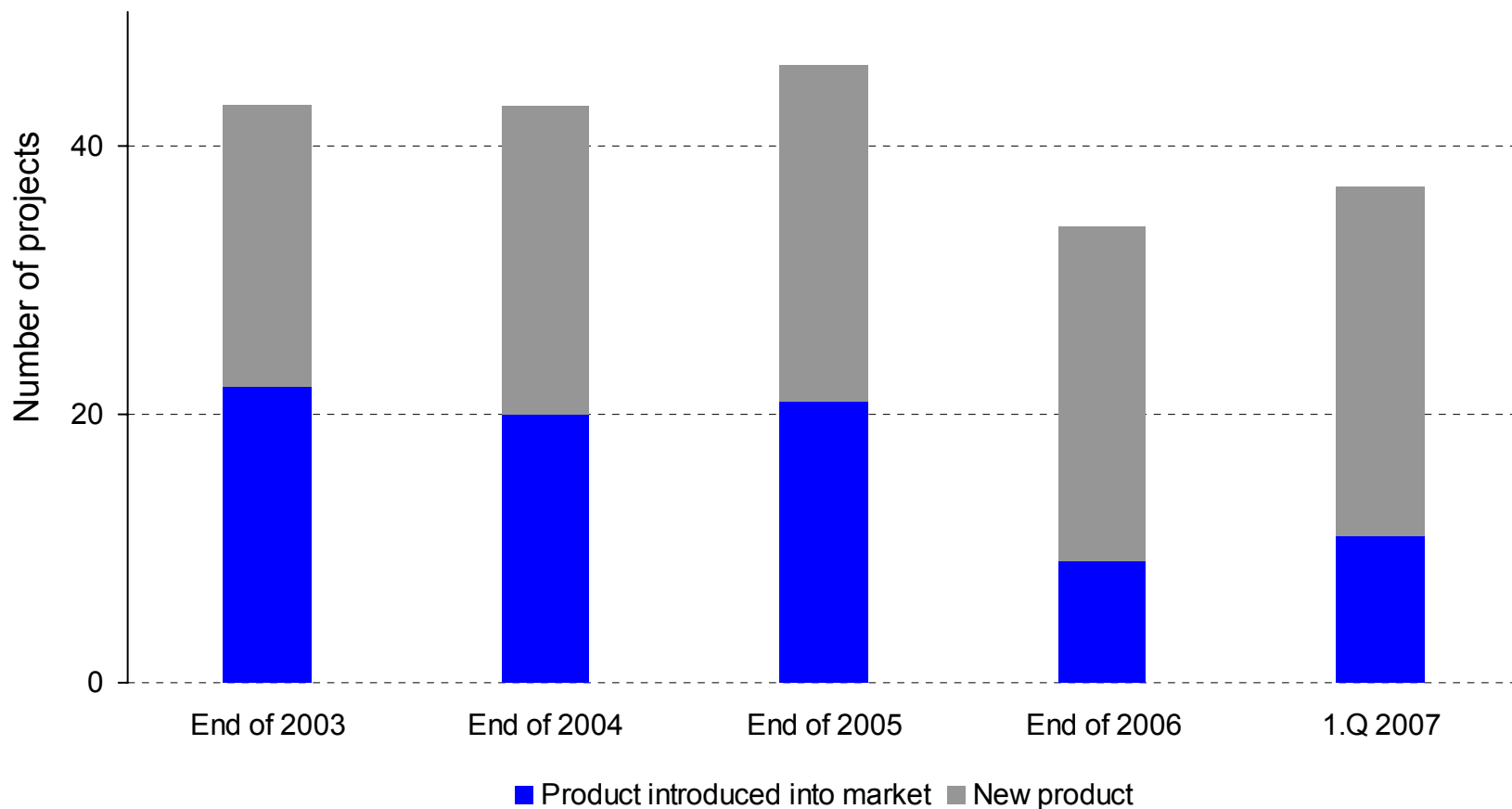
- Hygiene business at target level, driven by strong global demand and despite price competition in NAFTA
- Moderate performance for Carboquat<sup>®</sup> (protection for pressure treated wood) due to slowdown of US housing market

### Industrial Specialties

- Positive development of industrial specialties with higher volumes and stable margins
- Slight recovery in the Diketene business, but still below satisfactory levels
- Continuous stepwise improvement in Agro performance

# Organic Fine & Performance Chemicals – Project Pipeline (New Products)

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# Exclusive Synthesis & Biopharmaceuticals

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## Biopharmaceuticals (I)

- Strong performance primarily due to the high utilization and success rate of all plants
- Strong demand for Biopharma Services and GS Technology platform, especially in early clinical phases
- Strong project pipeline supports the various expansion projects:
  - Conversion of the 2'000L line to a 5'000L line is on track
  - Singapore I build-out is on track
  - Singapore II shell building successfully started in March 07
  - Groundbreaking for Portsmouth multi-purpose shell in May 2007
  - Porriño debottlenecking to take place in H1 2008
  - Mammalian Biopharma Services site expansion operational Q2



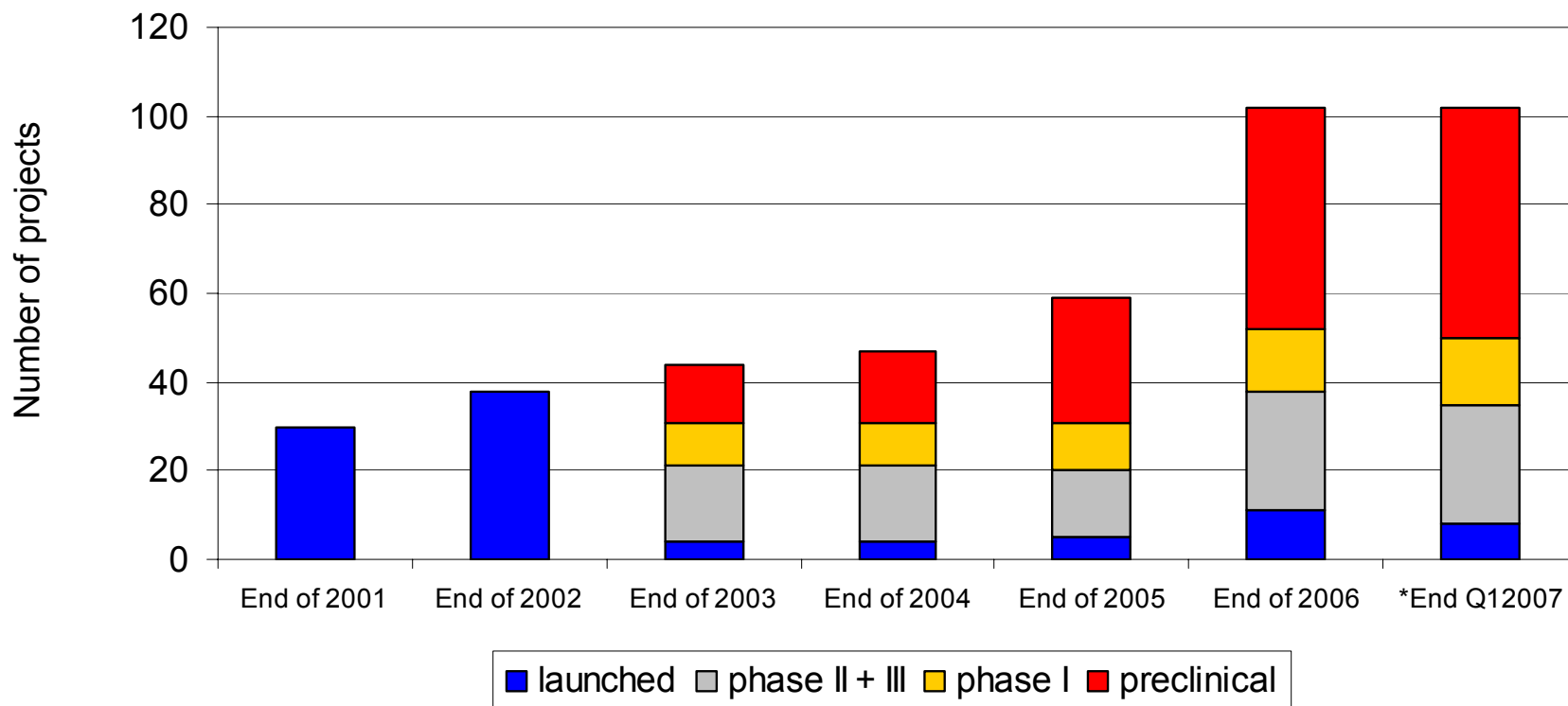
# Exclusive Synthesis & Biopharmaceuticals

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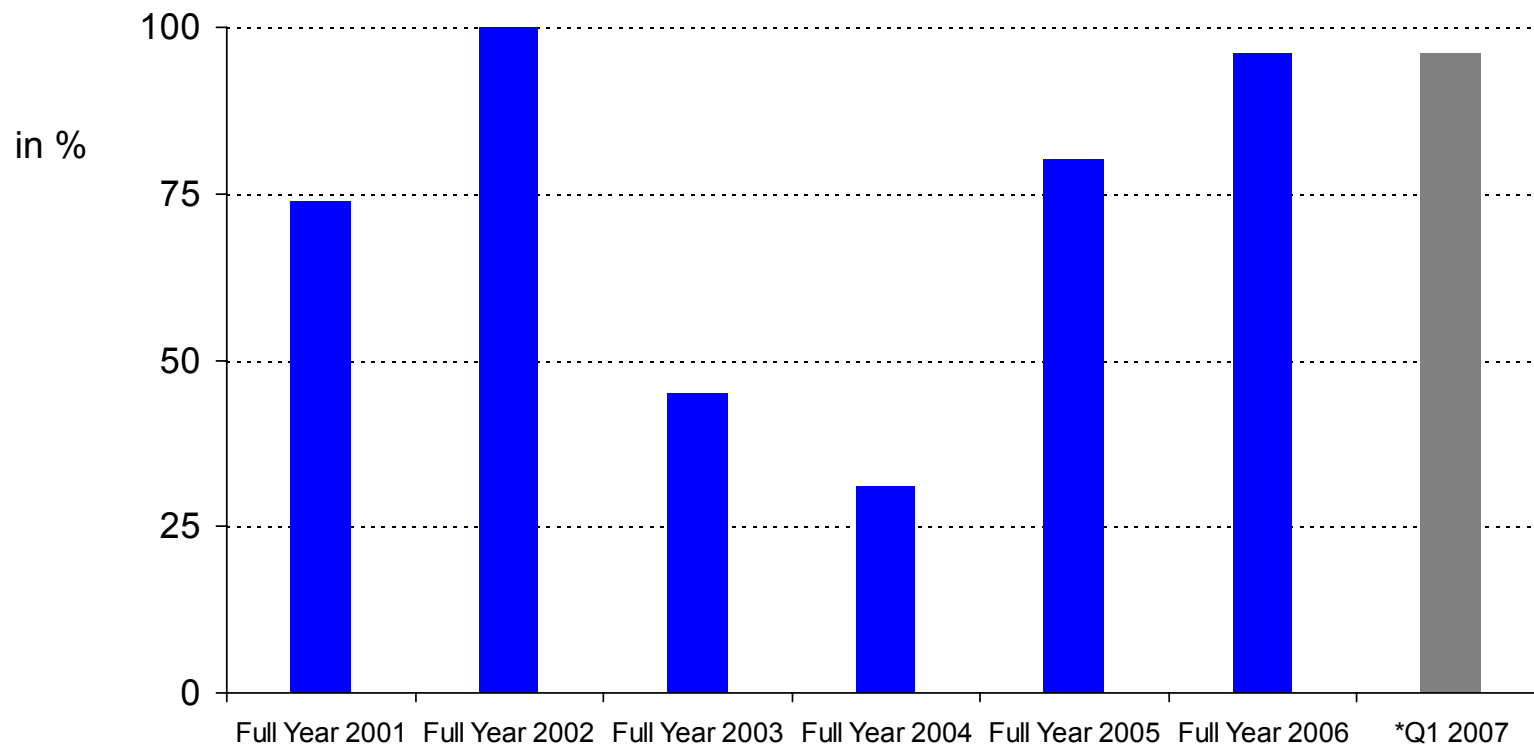
## Biopharmaceuticals (II)

- The first 15'000L microbial line in Visp (CH) is producing commercial batches. The second line will be ready for engineering runs in Q2 2007
- Strategic review of the Microbial business near completion
- System integration at the Porriño site completed

# Biopharmaceuticals – Project Pipeline



# Biopharmaceuticals – Capacity Utilization



\* Does not include acquired Microbial Biopharma sites  
 \* Includes new 500 L in Slough and 4 x 10'000 L in Porriño

# Exclusive Synthesis & Biopharmaceuticals

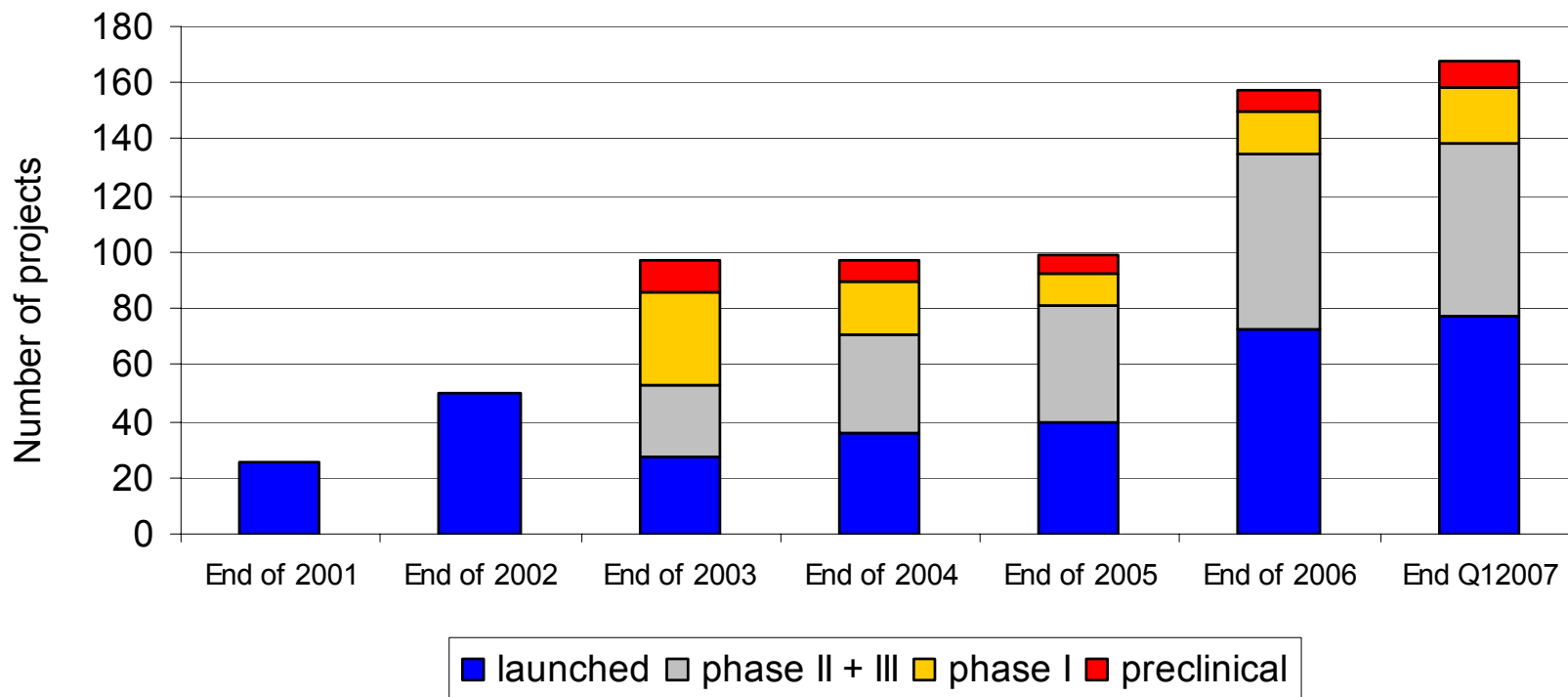
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## Exclusive Synthesis

- Margins remain under pressure due to difficult market conditions influenced by Asian competition and continued global overcapacity
- Pipeline growth driven by investment into R&D, pipeline delivery and acquisition of peptides business
- The Peptides plant in Braine continues its change from a development site towards a robust industrial operation, targeting productivity improvements via better execution
- The Riverside (Conshohocken) facility is facing operational challenges caused by higher than expected capacity utilization through new contracts
- Expansion projects (HAPI, Antibody drug conjugates, China/Nansha) all well on track
- Capacity utilization outlook remains strong for all sites
- Visp and Kouřim operations on same high standards as H2 2006

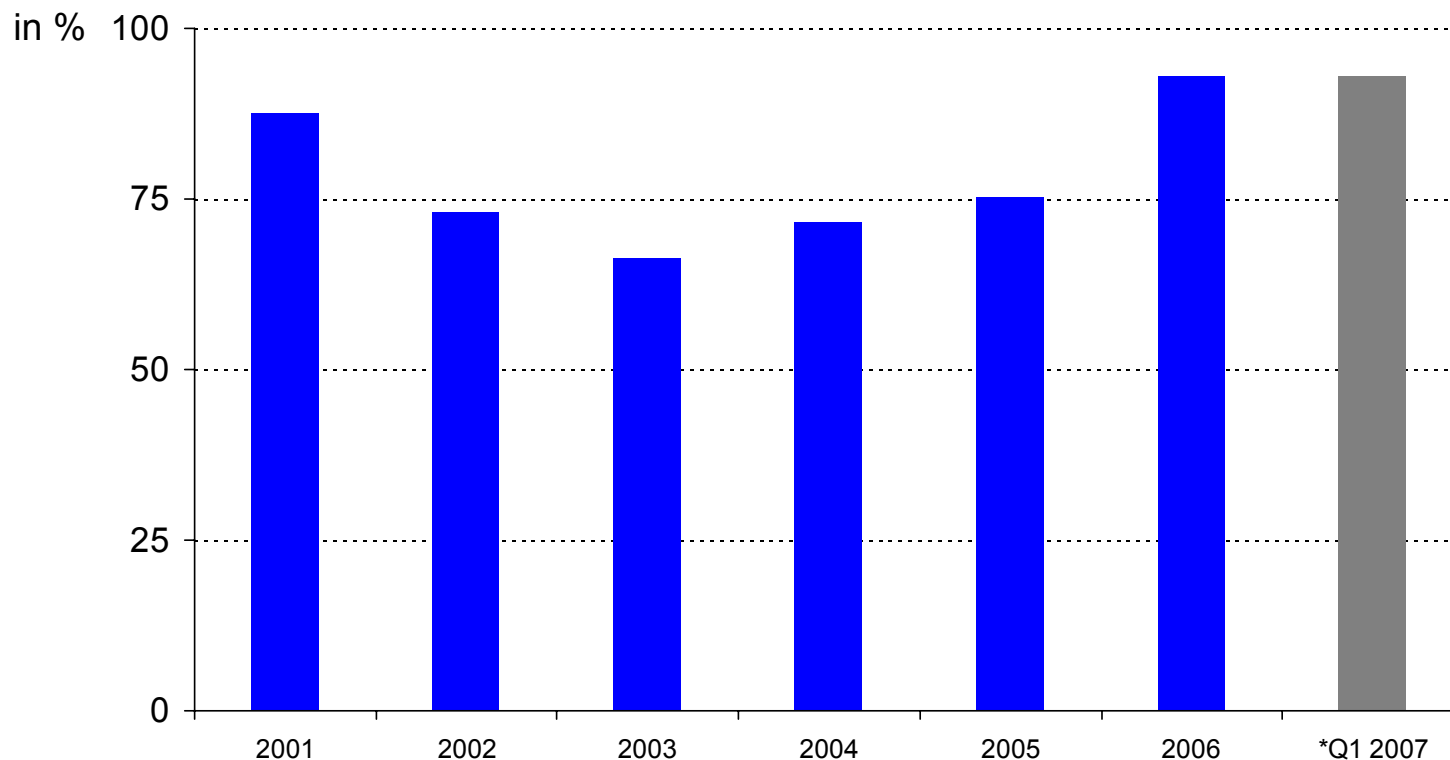
# Exclusive Synthesis – Project Pipeline

Chemical Synthesis and Biotransformation



# Exclusive Synthesis – Capacity Utilization

■ Exclusive chemical synthesis (GMP qualified assets)\*



\* excludes Lonza Braine and Kouřim

# Bioscience

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## Summary

- Integration into Lonza started successfully on February 7<sup>th</sup>, without any delay
- Business performance in the first quarter according to expectations
- Detailed Business Strategy Review underway, to be completed by July 2007
- New Business:
  - Second quarter launch of PyroSense™ on-line endotoxin detection system on track
  - New growth opportunities for Pyrogene (RMD) secured
- Several new customers initiated discussions to work with Lonza as a strategic manufacturing partner

## Integration Update: Bio-businesses

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- Prior to closing, Lonza implemented two integration teams focused on the Bioscience and BioPharma businesses
- Day 1 opening activities (February 8) welcomed 1,000 employees in 16 new global locations
- Business and customer focus remain a key priority
- Completion of the following integration tasks:
  - HR functions (payroll, benefits, recruitment)
  - Financial reporting on Lonza format
  - All IT system transfers and service agreement terminated
- SAP roll out in detailed planning phase
- Efforts of combined Microbial Biopharmaceuticals sales forces contributing to synergies in developing the project pipeline



## 2007 Priorities (I)

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- **Overall, we will focus on business delivery and integration**
  
- **Biopharmaceuticals**
  - Delivery of operational success rate and targeted yields
  - Microbial Biopharma and Porriño integration: systems, cost structures, strategy and customer pipeline
  - Execution of Singapore and Portsmouth projects on time and on budget
  
- **Exclusive Synthesis**
  - Keep-up operational performance in Visp and Kouřim
  - Implement Process Improvement Plans in Braine and Riverside (Conshohocken)
  - Deliver investment projects in China on time and on budget
  - Complete new technology projects in Visp

## 2007 Priorities (II)

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### ■ Organic Fine & Performance Chemicals

- Strong sales performance with balanced price and volume contributions
- Strategic review of Nutrition and Hygiene/Preservation businesses
- Continued expansion in Asia

### ■ Bioscience

- Delivery of targeted operational performance for the year
- Integration of all seven production sites
- Detailed strategy review in first half of 2007

### ■ No intention to actively seek divestiture of Polynt S.p.A. stake in the short or mid term

# Business Outlook

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## Lonza reaffirms the previously communicated guidance:

- Sales growth between 8% to 12% per year
- EBIT growth mid to high teens
- Project pipeline fully aligned with expectations

Visibility of contracts and projects together with economic conditions, currently supports continuous growth until 2012

- 2007 performance expected to exceed guidance (based upon continuing operations)



# Back Up Slides

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# Integration of Bio-businesses

## Focus and concept

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### Biopharma: Full integration with Lonza's Biopharmaceuticals Division

- Major focus of the integration team in the first 9 months
- Business to be fully merged with Lonza's Biopharmaceutical Division
- Restructuring of business

### Bioscience: Step-wise integration with Lonza as stand-alone Business

- Financial and HR systems to be moved on Lonza platforms within 6-12 months
- Detailed strategy review within the first 6 months
- Harvest synergy within 9-18 months
- Center of excellence for research laboratory market for Lonza Group

- Integration team staffed since mid November 2006
  - Cross functional team from Lonza and Cambrex organizations;
  - Staff: 12 full time, approx. 14 part time, support from consultants in critical areas
- Integration activities well under way
- Team to be in place for 18-24 months