

**Our passion is to deliver  
sustainable value to our customers.**

Conference Call  
18 October 2005

**Lonza**

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**Business Update Q3 / 2005**

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.”

# Status of Business Operations

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- Overall business short-term and mid-term targets well on track
- Exclusive Synthesis & Biopharmaceuticals: overall strong performance as expected based on strengthened project pipeline and increased capacity utilization
- Organic Fine & Performance Chemicals: increased sales prices mostly compensating high raw material and energy cost
- Polymer Intermediates: overall positive performance despite continuing high raw material and energy cost
- Net debt remains at around CHF 1bn

# Exclusive Synthesis & Biopharmaceuticals

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## Exclusive Synthesis

- Satisfying performance improvement with margin stabilization despite continuously challenging market conditions and increased raw material prices
- Further increase of capacity utilization in Q3/2005
  - New product launches based on project pipeline efforts started in 2003
  - Solid volume development of existing products
- Expansion of R&D center in Nansha (China) with state-of-the-art research laboratories for process development (start-up Q1/2006)
- New API plant to expand multipurpose manufacturing capacity in Visp (CH)
- Build-out of peptides plant in Visp well on track
- Custom made film casting business (LOFO) with restructuring cost (CHF ~10 million budget deviation) to be booked in 2005

# Exclusive Synthesis – Peptides

- Total global market potential API level (in-house and CMO) = 1bn USD
- Market growth = 10 – 15% p.a.
- Launched peptides >40

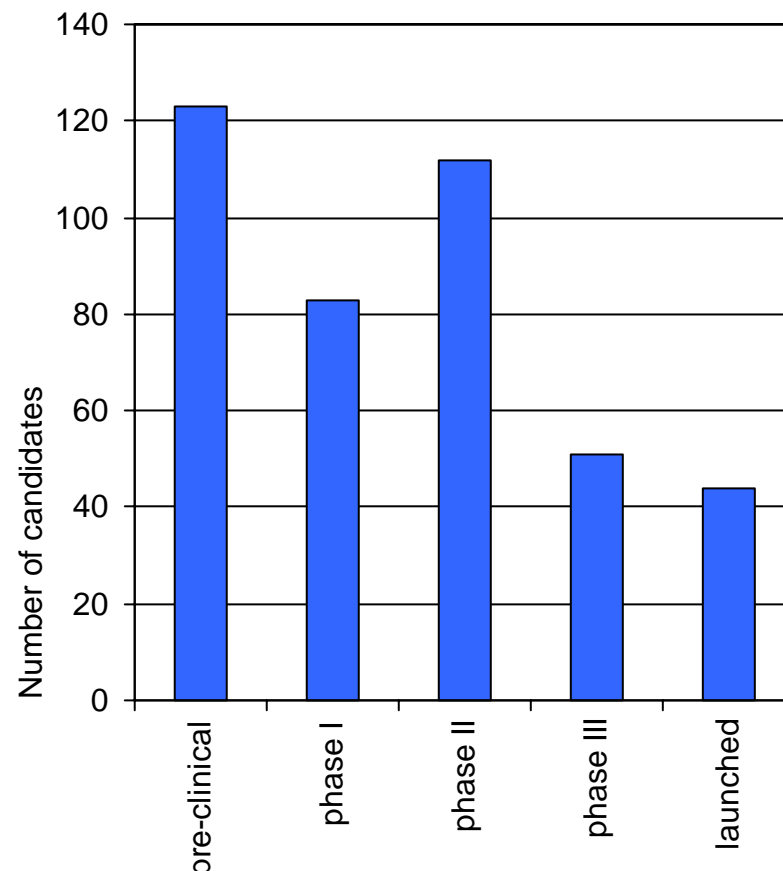
Market growth and larger quantity requirements = attractiveness for Lonza

Lonza is in the unique position to offer (single and in combination):

- Liquid phase synthesis (chemistry)
- Solid phase synthesis (chemistry)
- Recombinant DNA technology (biotechnology)

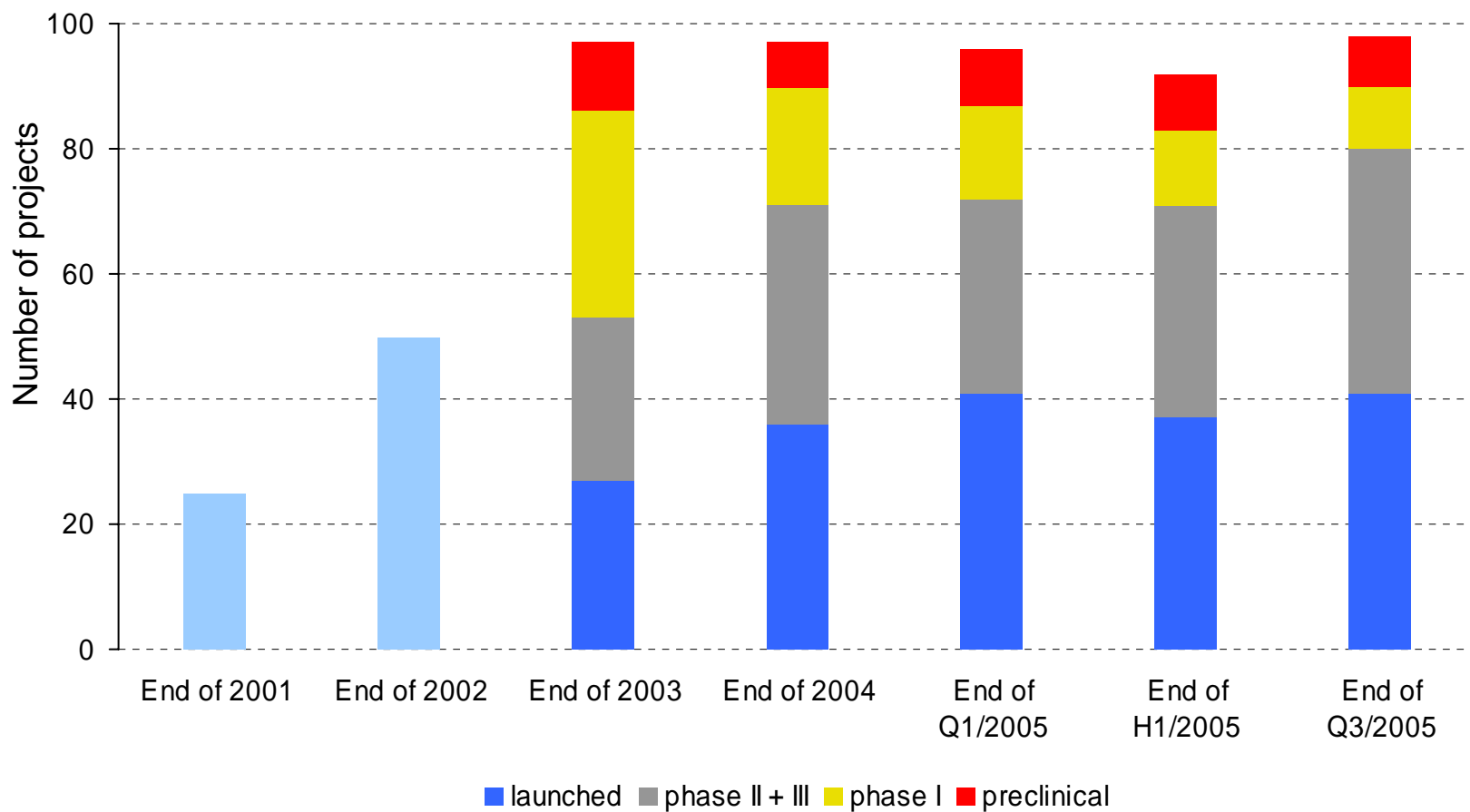
2005 ➔ substantial investment (CHF 24 Mio) in Peptides

## Worldwide Peptide Pipeline (synthetic)



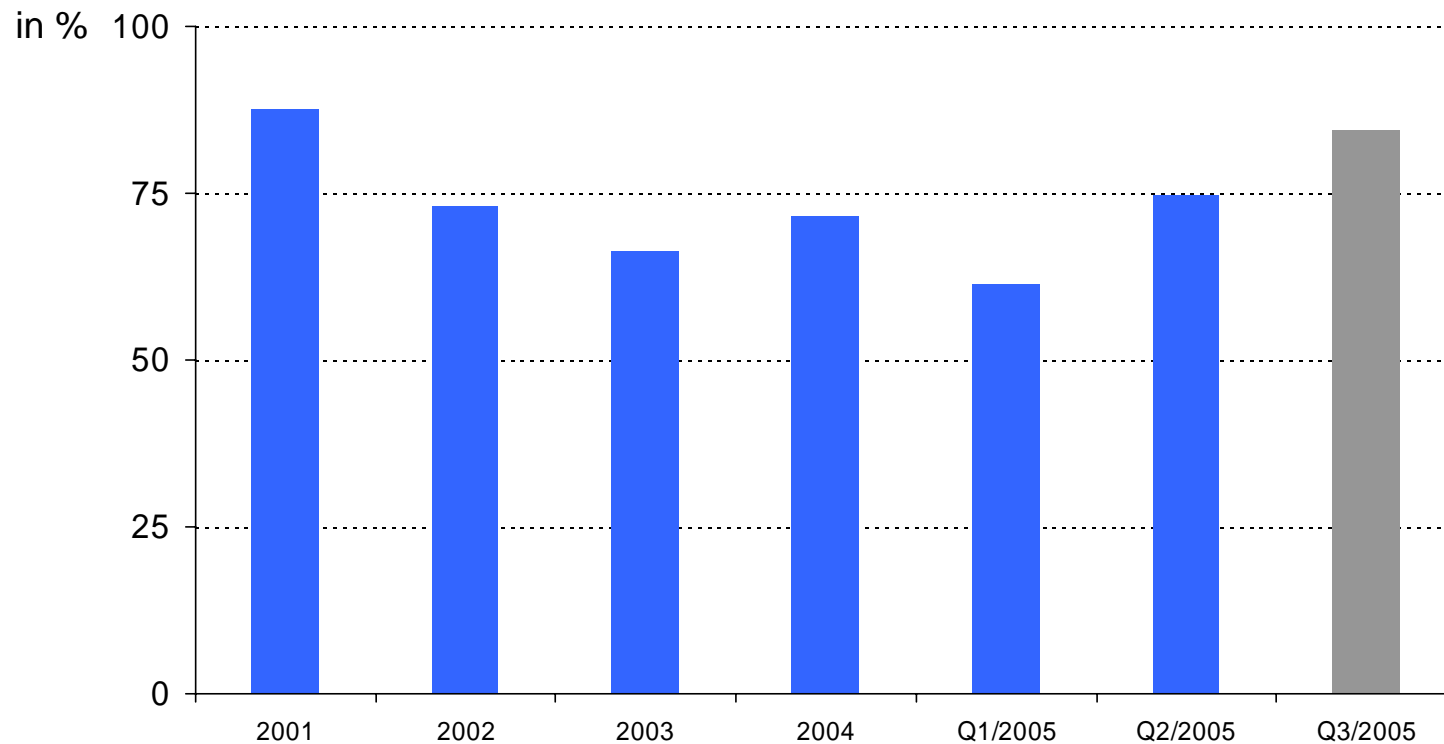
# Exclusive Synthesis – Project Pipeline

## Chemical Synthesis and Biotransformation



# Exclusive Synthesis – Capacity Utilization

- Exclusive chemical synthesis (GMP qualified assets)



# Exclusive Synthesis & Biopharmaceuticals

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## Biopharmaceuticals

- Operations in Portsmouth, NH (USA) running on satisfactory level with success rate above market average
  - Successful FDA approval for the production of Rituxan in Portsmouth in Sept 05
- Continuous pipeline improvements for new large scale projects
  - Joint Venture with Bio\*One for commercial biopharmaceuticals manufacturing facilities in Singapore, realized in 2 phases
    - Construction start of the shell at end 2005
    - Completion (within 24 months) in line with customer commitments
- Capacity utilization of mid-size bioreactors ahead of plan with good contract visibility over the next 2-3 years
- Biopharma Services
  - Staffing increases drives business
  - Focus on new generation of purification technologies



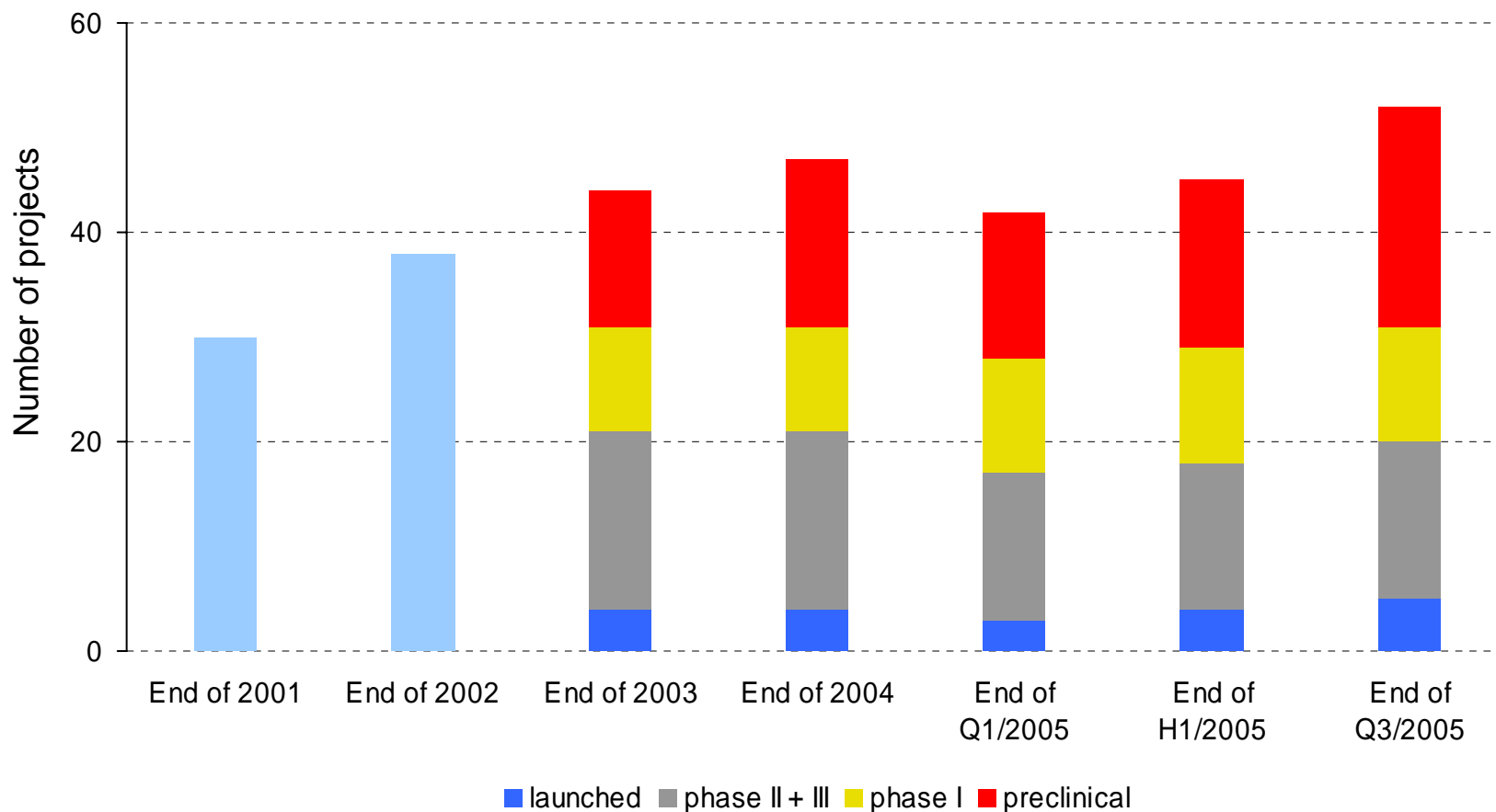
# Exclusive Synthesis & Biopharmaceuticals

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## Biopharmaceuticals

- Microbial Biopharmaceuticals
  - Construction of the large-scale microbial biopharmaceuticals plant (based on long-term alliance with UCB) in Visp (CH) well on track with start-up H2/2006
  - Expansion under evaluation due to strengthened pipeline
  - Small scale business not yet profitable

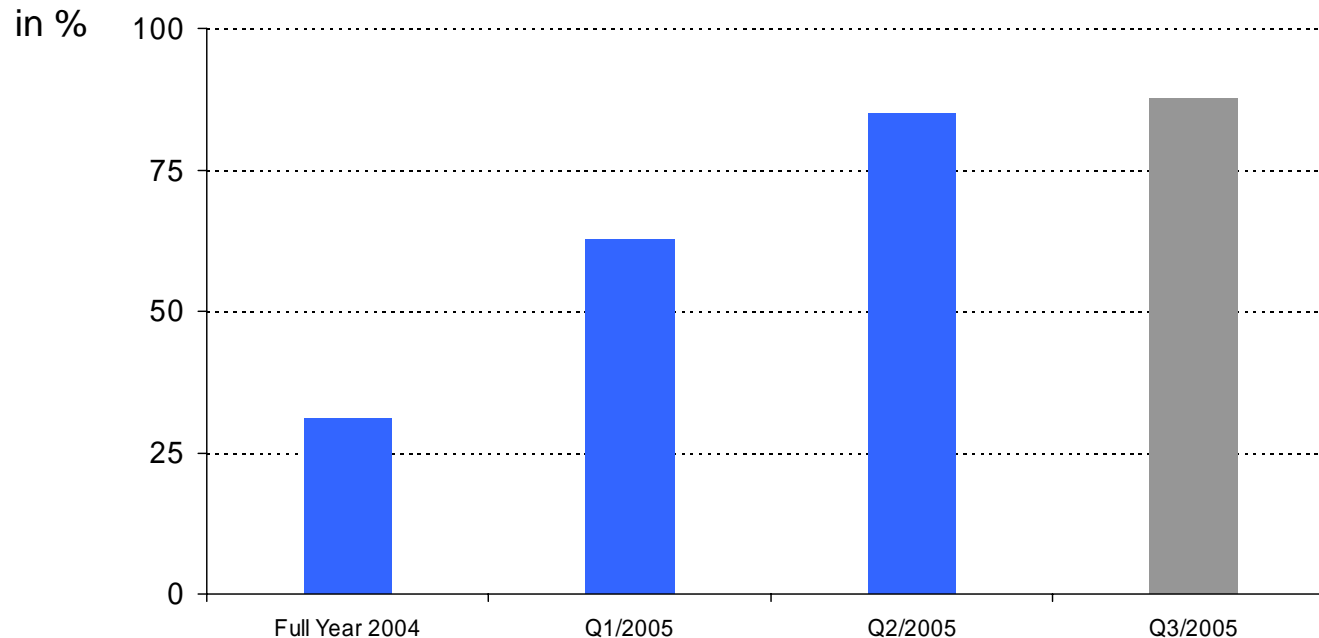
# Biopharmaceuticals – Project Pipeline



# Biopharmaceuticals – Capacity Utilization

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- Utilization rate based on fermenter time – number of actual days in relation to available days (3 x 2000L, 2 x 5000L + 3 x 20,000L)



2 x 1500 L bioreactors are 100% under long-term contract and not reflected above

# Organic Fine & Performance Chemicals

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- Nutrition
  - Vitamin intermediates according to plan
  - Solid demand for Nicotines with successfully implemented price increases; unsatisfactory margin level requires further improvements
  - High sales volume of L-Carnitine food grade into the US and Asia
  - Sales of Meta<sup>®</sup> recovered only in Sept 05 due to unfavorable weather conditions in key markets
- Hygiene / Personal Care on track
- Preservation / Wood / Water
  - Demand for water treatment chemicals at high level
  - Sales of Carboquat<sup>®</sup> remained below target due to slowed down market demand and inventory adjustments at customers
- Industrial Specialties
  - High production capacity utilization in Industrial Specialties
  - Ongoing good business with diketene derivatives
  - Market introduction of CarboShield<sup>®</sup>, a novel corrosion inhibitor, continues with encouraging feed

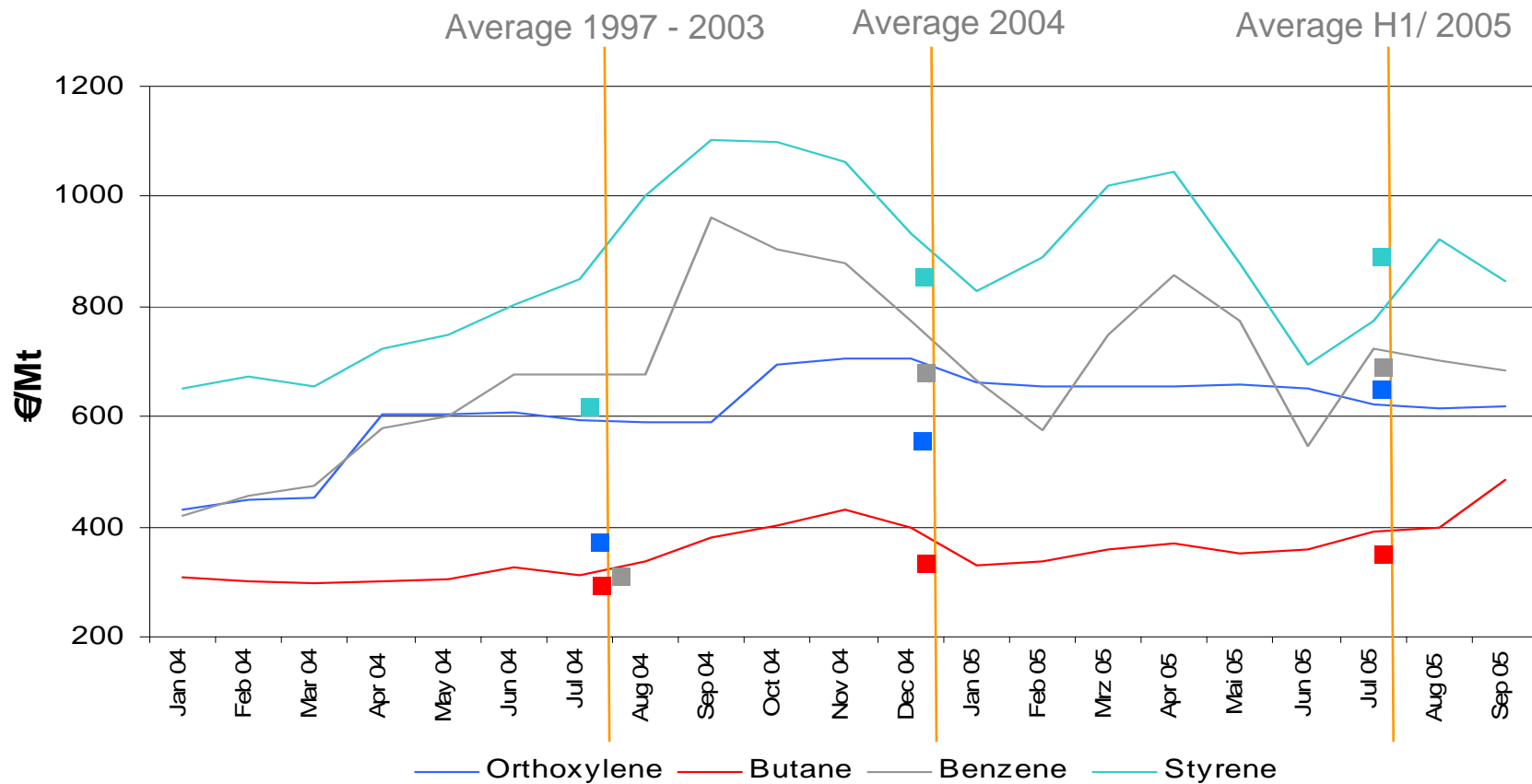
# Polymer Intermediates

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- Phthalic anhydrides and plasticizer
  - Ongoing high raw material cost only partially passed through to customers
- Maleic anhydride and derivatives
  - Strong sales and margins due to favorable market conditions and operational excellence performance
  - New catalyst generation in production increases Lonza's technology leadership
- Trimellitic anhydride
  - Temporarily production plant shut-down ongoing
  - Positive recovery of the special plasticizers
- Compounds and Resins
  - Good volumes and margins of resins based on strong demand from construction sector in Southern Europe
  - Performance of compounds on last year's level

# Polymer Intermediates

## Raw Material Trends 04/05



# Lonza's Vision, Culture and Goals\*

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**Vision:** Our passion is to deliver sustainable value to our customers

**Culture:** Our culture is centered on trust and our people's entrepreneurship

**Competencies:** Drive, develop, decide and deliver

## Realize ambitious financial targets

### ■ 2006

- EBIT targets of CHF 300-400m

### ■ 2008 – 2010 (medium term)

- Sales increase to CHF3bn (~10% p.a. growth)
- EBIT up to CHF500m (average growth of >15% p.a.)
- Net debt around current levels

\* communicated together with 2004 Full Year Results and Growth Strategy on 26 Jan 2005

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**Lonza**

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**Business Update Q3 / 2005**



# Calendar of Events + Contacts

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## ■ Important Lonza Group Dates

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|------------------------|------------------------------------|
| ■ 25 January 2006      | 2005 Full Year Results             |
| ■ 18 April 2006        | Q1/2006 Business Update            |
| ■ 26 July 2006         | 2006 First Half Year Results       |
| ■ 27/28 September 2006 | Investor Relations Event in Slough |
| ■ 17 October 2006      | Q3/20006 Business Update           |

## ■ Investor Relations Contact

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