

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

**Lonza**

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**Business Update: Third Quarter 2008**  
**27 October 2008**

Stefan Borgas  
Chief Executive Officer

## 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.”

# Third Quarter 2008 – Business Highlights

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- Business situation
  - Portfolio strength and cost savings not fully compensating for worsened macroeconomic climate in H2
  - Solid demand in most businesses
    - Financing difficulties of small/start-up customers having some impact in Bioscience and Biopharma Services
  - Additional optimization and efficiency projects initiated
  - Developing larger new business opportunities
  - Current economic conditions increase the trend towards outsourcing
    - Gaining new customers at increased rate
  
- Financial situation
  - No negative impact from current financial crisis due to conservative financing strategy
  - 80% of debt long-term financed at fixed rates – with staggered repayment timelines
    - Convertible bond (CHF 430 mn), expires 2009
    - Straight bond (CHF 300 mn), expires 2010
    - Syndicated loan (CHF 500 mn), expires 2012
  - Cash position solely invested in fixed income money markets
  - Balance sheet structure with investment grade profile allows for additional financing needs, even short-term

# Third Quarter 2008 – Strategic Highlights

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- Growth execution
  - Capital expenditure projects on or ahead of schedule and budget
  - Contracts for new plants developing according to plan
  - Additional and significant new mid-term opportunities identified, for example:
    - Biosimilars
    - Customer cooperation
  - Continued investment in innovation and R&D projects
  
- Structural operations / portfolio changes
  - Riverside (USA) back to satisfactory performance level
  - Braine (BE) on track, with strong operational performance improvement
  - Hopkinton (USA) ahead of schedule
  - Proceeds for the remaining stake in Polynt S.p.A. received
  - Integration of amaxa on track

# Life Science Ingredients (I)

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## Summary

- Continued strong sales and EBIT performance
- Solid volume growth continues for nicotines, industrial specialties, and agrochemicals
- Market environment for the Microbial Control business remains tight
- Favorable sales mix, full asset utilization, and price increases that compensate raw material cost increases, contribute to EBIT improvement
- Strong R&D Pipeline supports overall business growth

## Nutrition Ingredients

- Nicotines
  - Business performance above expectations
  - Successful plant revision in Visp
  - Good progress in new niacin process development
- Meta: Strong demand, and all registration actions on track
- Vitamin K3: Optimization project running according to plan
- Arabinogalactan: Increased production capacity as of H2 2009

# Life Science Ingredients (II)

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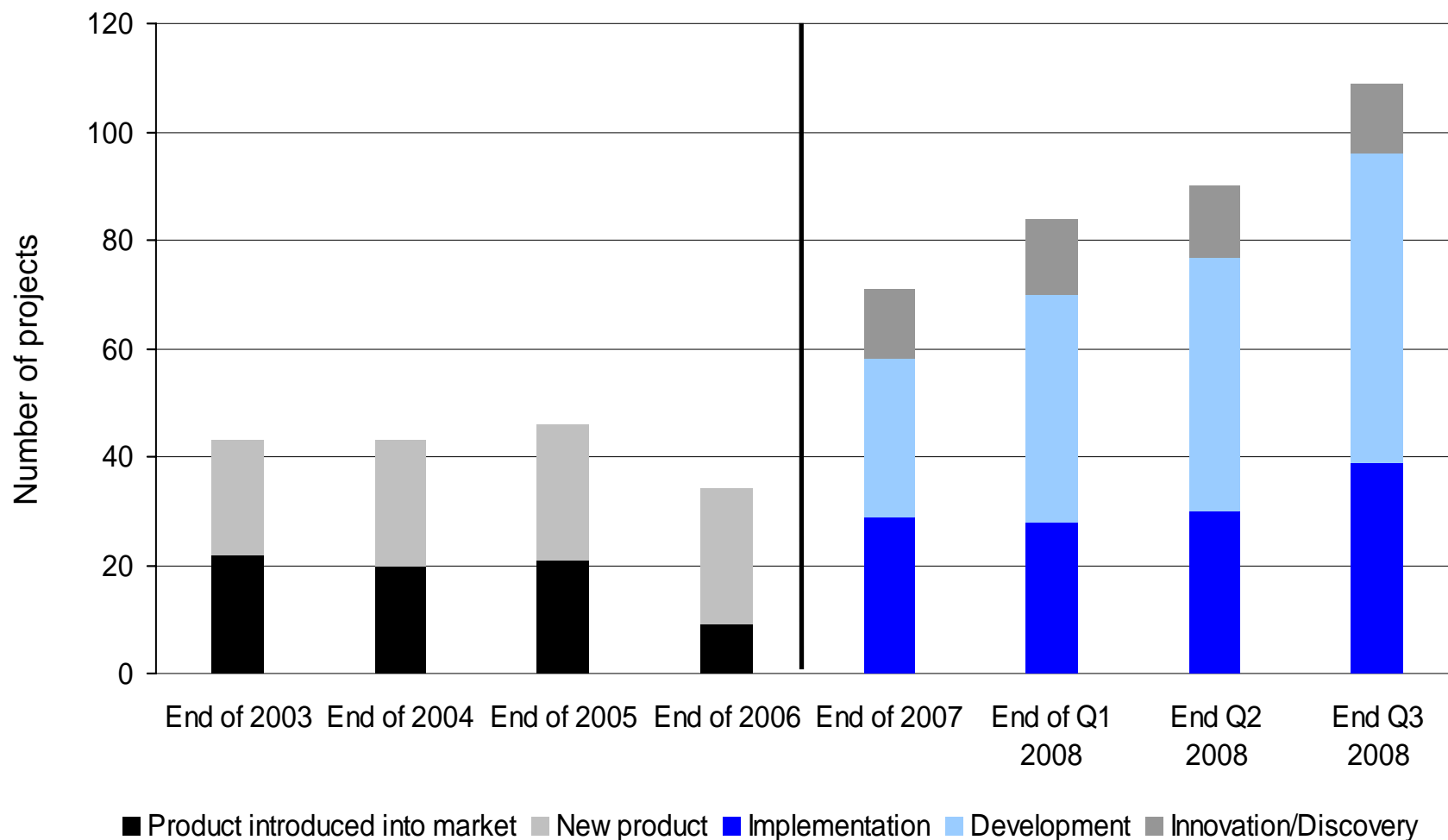
## Microbial Control

- Market conditions remain tight:
  - Carboquat® weak due to difficult US housing market and conversion to alternative technologies
  - Slow down of hygiene and industrial specialty products
  - Prices increases have led to some volume losses, but providing counter-balance to a significant part of raw material cost increases
- Strategic growth milestones on track
  - New service offering and forward integration into formulations were initiated in Q3
  - The Nanjing site is on schedule to begin manufacturing in Q2 2009

## Performance Intermediates

- Positive results from operational improvements, price increases and strong demand continued in Q3
- High-Performance Materials and Diketene markets are softening
- Strong Agro performance on high asset utilization, strong demand, and growing pipeline
- Growth initiatives with new products and technologies are promising

# Life Science Ingredients – Project Pipeline (New Products)



# Exclusive Synthesis & Biopharmaceuticals

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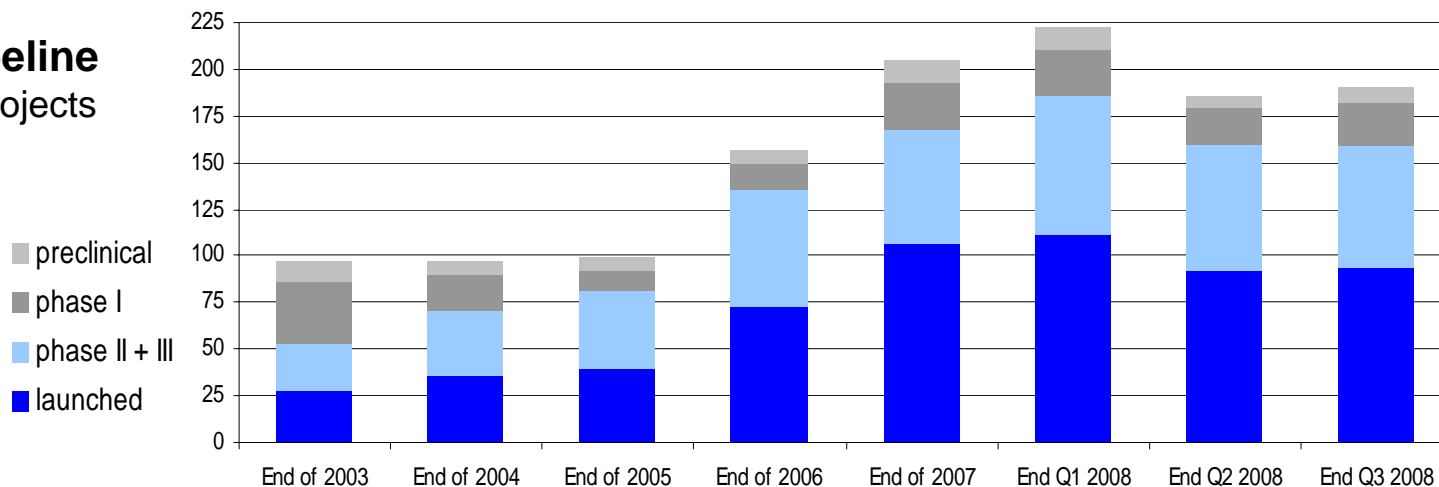
## Exclusive Synthesis

- Increased customer interest in outsourcing and longer-term relationships
- Growth from new products on track but experiencing a reduction in sales of mature products
- Extension of the production capacity and technology base on track
  - Nansha small scale plant loaded and successfully delivered multiple campaigns this year
  - Nansha API phase I expansion project is undergoing qualification and prepared to start Q4 2008
  - Small and large scale manufacturing of conjugates in Visp is running flawlessly
  - Successful start-up in the large scale HAPI facility in Visp
- Operations
  - Installed multi-purpose equipment in Kourim and recently signed customer contracts support expansion into oral biopharma business
  - Riverside continues improving and stabilizing
  - Performance in Visp continues to be at a satisfactory high level
  - Completed several successful technology transfers into Nansha operations
  - Braine production ramp-up delivering 50% productivity increase, with potential productivity upside for 2009

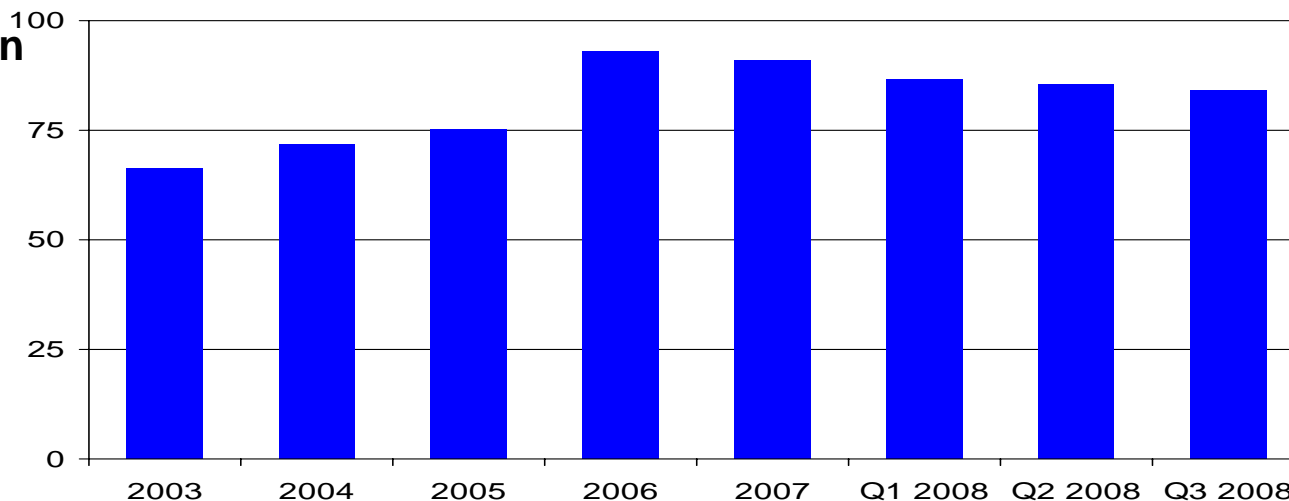


# Exclusive Synthesis – Pipeline and Utilization

**Project pipeline**  
Number of projects



**Capacity Utilization**  
in %



# Exclusive Synthesis & Biopharmaceuticals

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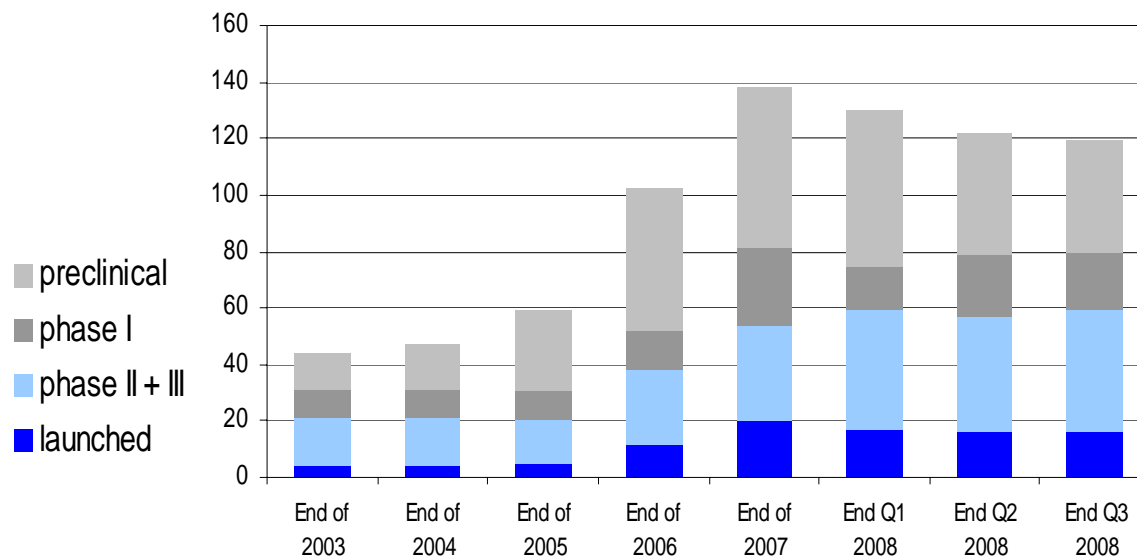
## Biopharmaceuticals

- Continued strong interest and demand for Lonza's "Total Product Life Cycle and Pipeline Management" concept
- Contract status supports microbial and mammalian expansion projects
  - Singapore II fit-out started based on an above 55% contracted plant utilization at start-up
  - Pipeline negotiations with new customers have moved forward according to expectations
- Biopharma Services impacted by several project delays and cancellations in early phases due to slow-down in funding for smaller biotechnology companies
  - Several new customer signatures indicate change in trend
  - Many negotiations with small and larger biotech companies support a strengthening of the outsourcing trend
- Operations
  - The new 5 000L reactor in Portsmouth is online and operational, but impacted by project delays in the second half
  - Porrino Multi Purpose Conversion finalized; validation and engineering batches started
  - Consolidation in Hopkinton is finalized; new 2 000 L reactor will be on-line in Q1 2009
  - Baltimore was shut down in Aug 08 as planned
  - Overall success rate is above 94%
  - Successful regulatory inspections in Hopkinton and Portsmouth

# Biopharmaceuticals – Pipeline and Utilization

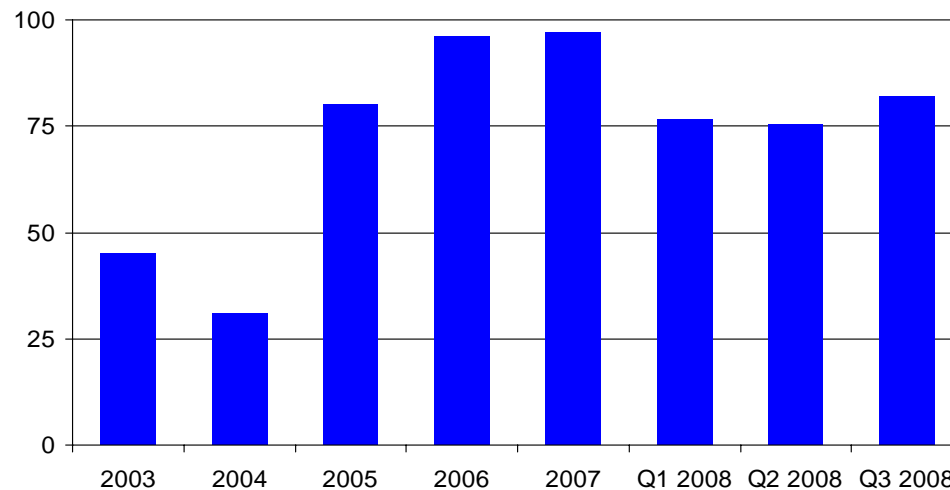
## Project Pipeline

Number of projects



## Capacity Utilization

in %



Note: 2008 numbers include 40 000L of mostly idle capacity in Porriño, which is being transformed to a multi-purpose facility

# Bioscience (I)

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## Summary

- Sales growth behind target due to reduced demand in Rapid Testing and project delays in Cell Therapy
- Operating profit behind target due to higher spending directly related to implementation of long term strategy
- Strategic milestones on track, with amaxa acquisition and capacity expansion in Cell Therapy and Media

## Cell Therapy

- Strong growth of over 50% versus same period 2007
- During the 3rd quarter signed and began tech transfer for two new products
- Construction underway for new cell therapy cGMP manufacturing facilities in the US
- European and Asia expansion in final planning stages

## Rapid Testing Systems

- Growth impacted by cutback in testing due to customer cost reduction initiatives
- Awaiting decision on inclusion of new recombinant assay (PyroGene®) for endotoxin detection in US Pharmacopeia

## Bioscience (II)

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### Media

- Sales growth improving in Europe with new contracts under negotiation
- Agreement signed with Crucell for global manufacture and sales of Permexcis media for the Per.C6 expression system
- Initiated powder media capacity upgrade at the Verviers, Belgium site

### Cell Discovery

- Sales in line with objectives
- amaxa acquisition progressing as planned, with business review indicating higher than planned synergies
- Agreement signed with Bar Harbor to add new gene expression array product line

### Molecular Biology

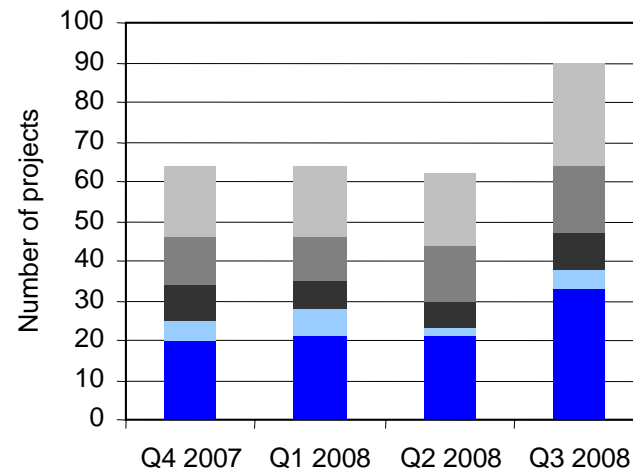
- YTD Sales are running slightly under plan
- Launched 2 new custom products for screening services companies
- Signed contract with major bulk customer for custom packaging of agarose

# Bioscience Project Pipeline – New Products and Therapeutic Clients

## New Products

(Cell Discovery, Molecular Biology, Rapid Testing, Media)

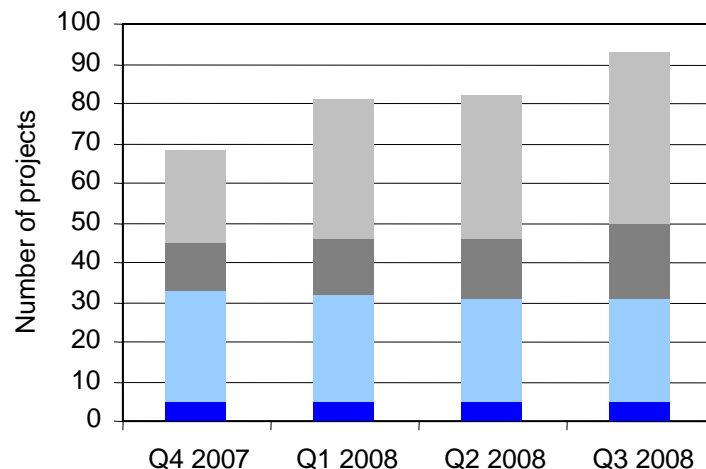
- Proof of Principle
- Early Development
- Late Development
- Transfer to Manufacturing
- Launch



## Therapeutic Clients

(Cell Therapy, Media)

- Preclinical
- Phase I
- Phase II + III
- Commercial



# Summary, Status and Outlook

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## ■ YTD 2008 Status

- Performance largely on track despite macroeconomic challenges
  - Biopharma Services and Bioscience below expectations
- Similar challenges expected to continue in 2009
- Extension of custom manufacturing model to the joint development of product pipelines with customers ongoing
- New significant strategic opportunities identified

## ■ Outlook

- EBIT growth mid to high teens until 2013 on average
- Project pipeline fully aligned to support growth expectations – 80% of capacity expansions committed today
- Strong EPS growth in 2008 due to the successful sale of the minority stake in Polynt S.p.A.

# Calendar of Events and Contacts

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## Important Lonza Group Dates

- 28 January 2009 Full-Year Report 2008
- 8 April 2009 Annual General Meeting
- 28 April 2009 First Quarter 2009 Business Update

## Contacts

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