

Leading supplier to the life science industry

Lonza

Business update: Third quarter 2011

28 October 2011

Stefan Borgas
Chief Executive Officer

Forward-looking statements

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. Investors are cautioned that all forward-looking statements involve risks and uncertainty and are qualified in their entirety. The actual results may differ materially in the future from the forward-looking statements included in this presentation due to various factors. Furthermore, except as otherwise required by law, Lonza Group Ltd disclaims any intention or obligation to update the statements contained in this presentation.



Third quarter 2011 highlights

Lonza overall

- Satisfactory customer demand across most businesses
- Continuing strong translation and transaction effects due to strong Swiss franc
- Good capacity utilization in Custom Manufacturing particularly in biology
- Life Science Ingredients impacted by higher raw material prices and competition
- Continue to expect underlying sales and EBIT growth in 2011

- Successfully closed the acquisition of Arch earlier than expected - creates the world's leading Microbial Control business
- Secondary listing on Singapore Stock Exchange reflects the strategic importance of Asia to Lonza's growth ambitions

Third quarter 2011 highlights – cont.

Lonza Life Science Ingredients

- Good market demand but margins substantially impacted by FX and competition
- Raw material volatility is delaying margin recovery
- Microbial Control continues to see volume growth in strategically important regions and markets. Industrial applications have seen slightly weaker demand

Lonza Custom Manufacturing

- Good capacity utilization in both Chemical and Biological Manufacturing
- Increased project pipeline and continued strong performance in Development Services
- Singapore plant operations approaching break-even level

Lonza Bioscience

- Cell Therapy – early phase project pipeline growing strongly
- Weakness in research markets has led to lower than anticipated sales

Singapore Stock Exchange listing

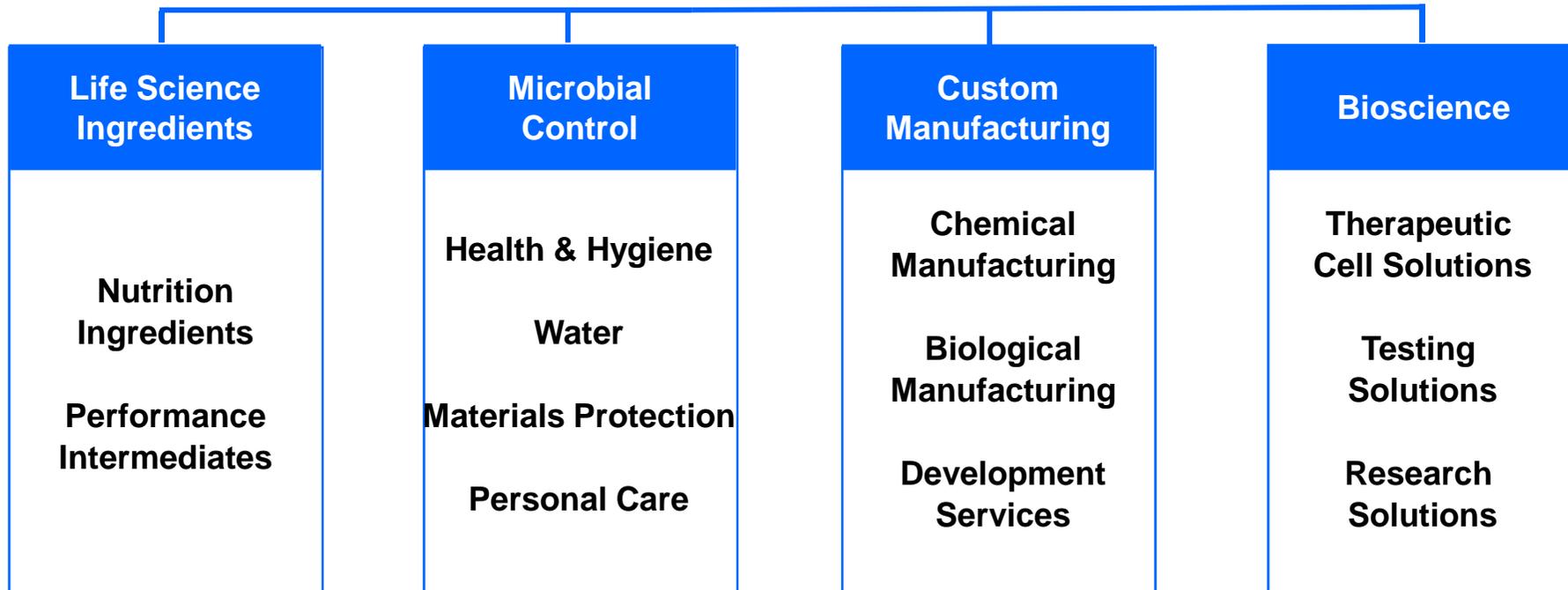
- Shares listed on 21 October 2011
- The secondary listing gives Lonza access to the Asian capital markets
 - Future equity and capital needs might be met here
 - External growth could be facilitated by creating an acquisition “currency”
- The listing demonstrates Lonza’s growing engagement in Asia
- SGX-ST stock code: O6Z

Lonza in BRICS

- **Brazil**
 - Arch provides strong new market presence - important cross-selling opportunities
- **India**
 - 2009 Acquisition of Simbiosys (Lonza Bioscience)
 - 2010 Land purchase in Hyderabad – built-up R&D center in Hyderabad
- **China**
 - Start up of new L-carnitine plant in Nansha
 - 2010 Opening of the Shanghai sales and supply chain office
 - 2010 Start up of a small-scale peptide plant in Nansha
 - 2011 Oct – new PMDA plant in Nanjing operational
 - 2011 Headquarter of Life Science Ingredients moved to China
 - 2013 Third nicotinates plant in Nansha planned to be operational
- **Singapore**
 - Second biopharmaceutical plant (4 x 20 k capacity) completed.
 - 2011 Construction of a Cell Therapy plant started – due to come on stream in H2 2012
 - 2011 Investment in mAb R&D facility granted
- **South Africa**
 - First pharmaceutical product application, for the registration of Efavirenzketla (efavirenz) in the Republic of South Africa (RSA)

Lonza's interconnected life-science platform

Lonza

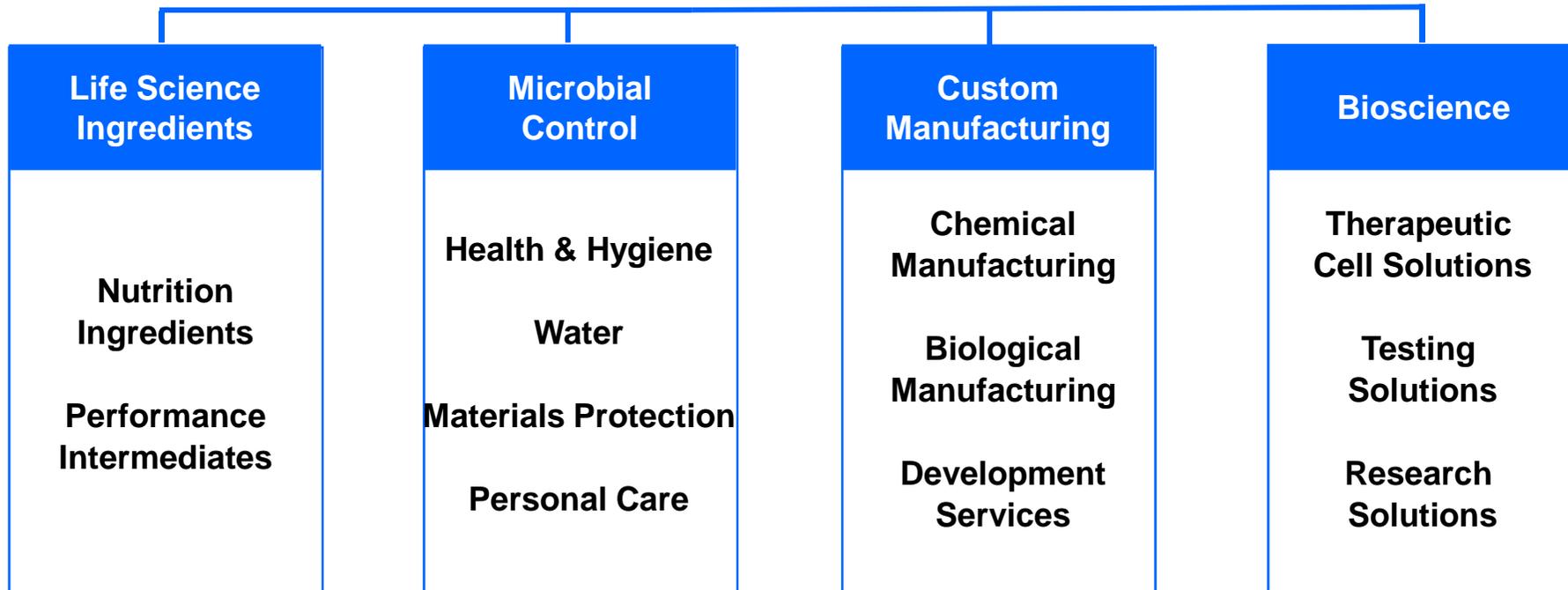


Lonza Microbial Control

- Acquisition of Arch successfully completed on 21 October
- Creates world's leading Microbial Control business with combined sales of CHF ~1.4 bn with leadership in water and hygiene, and additional growth potential in materials protection and personal care
- New combined business sector Lonza Microbial Control formed. Headed by Jeanne Thoma, sector leadership team in place
- Integration of Arch proceeding at pace
- Lonza moves closer to attractive end consumer markets
- Customers will benefit from innovative microbial control formulations based on a broad portfolio of registered and approved actives
- Confirmed cost synergy of at least USD 50 mn (in year two) and cross selling growth potential of USD 40 mn (by year three)

Lonza's interconnected life-science platform

Lonza



Life Science Ingredients (I)

Summary

- Satisfactory underlying demand growth in most markets
- Margins continue to be impacted by strong Swiss franc and competition
- Raw material volatility is delaying margin recovery
- Research pipeline streamlined to provide focus on larger opportunities

Nutrition Ingredients

- Nicotinates (vitamin B3) market demand stable but pressure on margins
- Carnitine: The technical and regulatory factors behind the plant delay have been resolved, sales pipeline is now starting to build
- Meta™ (metaldehyde) sales are below expectations due to unfavourable weather conditions in the EU and the US

Life Science Ingredients (II)

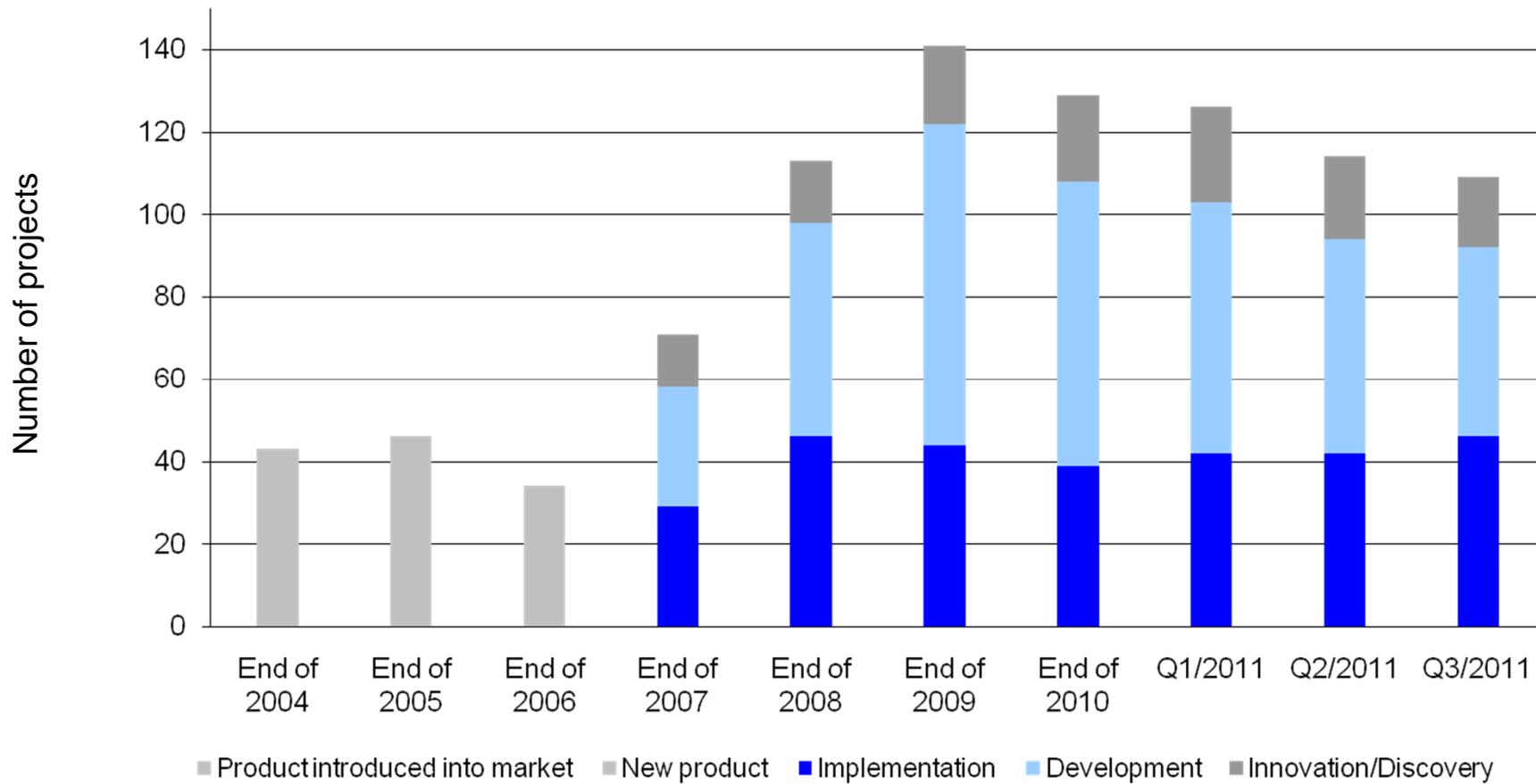
Microbial Control

- Traditional markets (US, EU) saw volume growth and higher sales in constant currencies
- Margin pressure due to volatile raw material prices in combination with lack of growth in industrial applications
- Business in Asia continues to expand - good growth in China and recovery in Japan
- September sales into industrial markets weak for the first time

Performance Intermediates

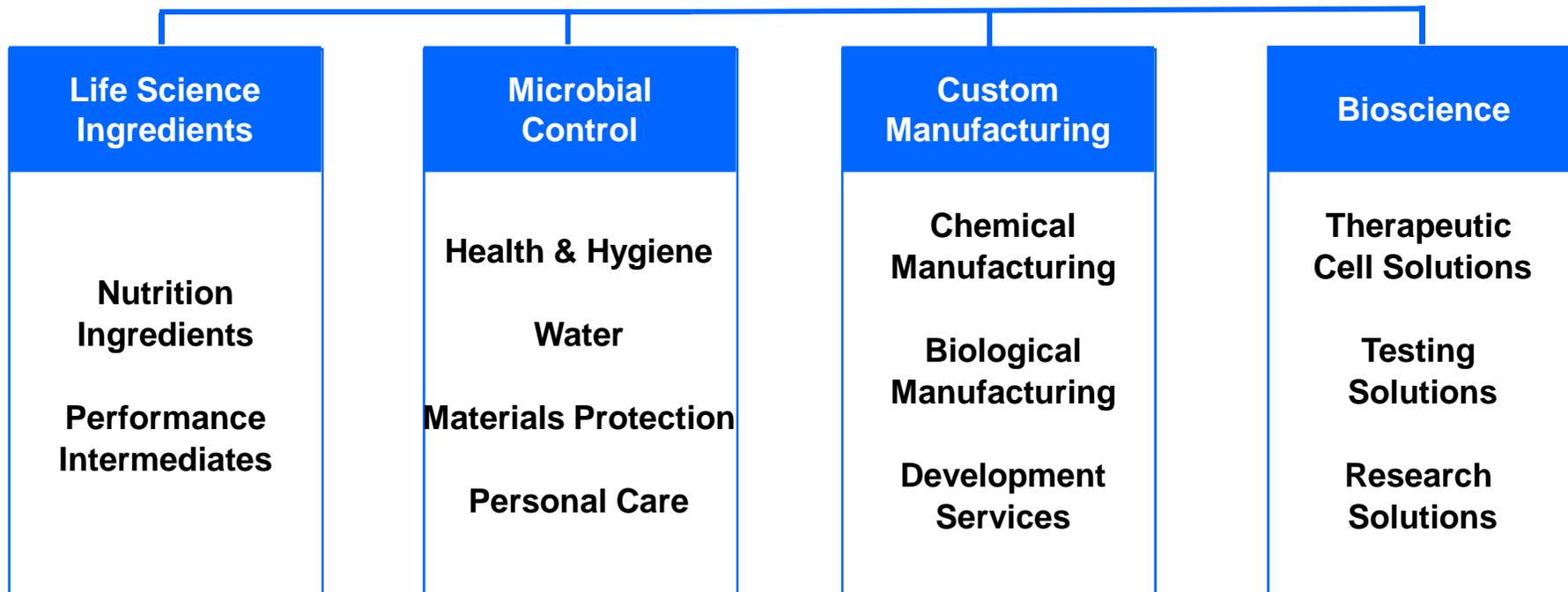
- High Performance Materials and Basic Chemical business continues to benefit from strong volume demand in electronics, aerospace and construction industries
- Start-up of new PMDA production plant in Nanjing in September - first commercial deliveries started in October
- Improved demand for agro custom manufacturing offering. Plant utilization will continue to be high into 2012
- Significant negative margin impact from strong Swiss franc in Visp

Project pipeline (new products)



Lonza's interconnected life-science platform

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Business highlights

Summary

- Sales growth in constant currencies in line with expectations
- Increased capacity utilization in Biological Custom Manufacturing due to continued high demand
- Project portfolio continues to grow in both chemistry and biology
- All growth projects are on track

Chemicals

- Good capacity utilization and strong pipeline development across all technologies
- Unfavorable product mix throughout 2011
- Good progress in China
 - Business development for generics expansion into China initiated
 - Nansha - small and large-scale manufacturing experiencing high demand for local, emerging and global pharma customers - secured long-term API commercial supply agreements
 - Successful peptides validation program on large scale in Nansha (CN)
- Customers received FDA approvals for innovative products in small molecules and ADC

Business highlights

Biologics

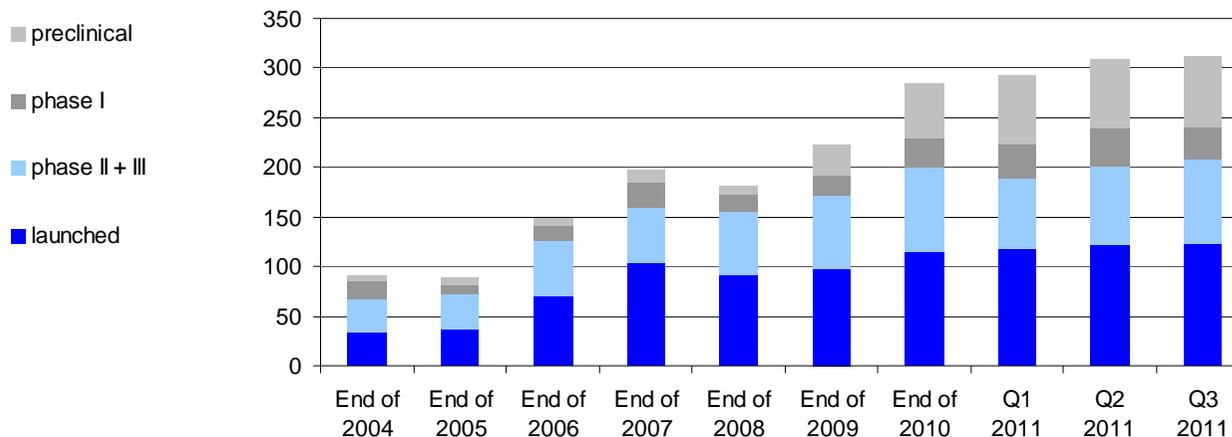
- Increased capacity utilization
- Important new contract signings
- Good progress in Asia
 - Strong contribution to pipeline growth especially from Japan
 - Lonza Singapore completed 20,000L fermenter process validation for its first customer on time
- FDA warning letter for Hopkinton site
 - Rapid and full response to FDA
 - Review of systems at all sites taking place
 - Will lead to batch delays in Hopkinton

Development Services

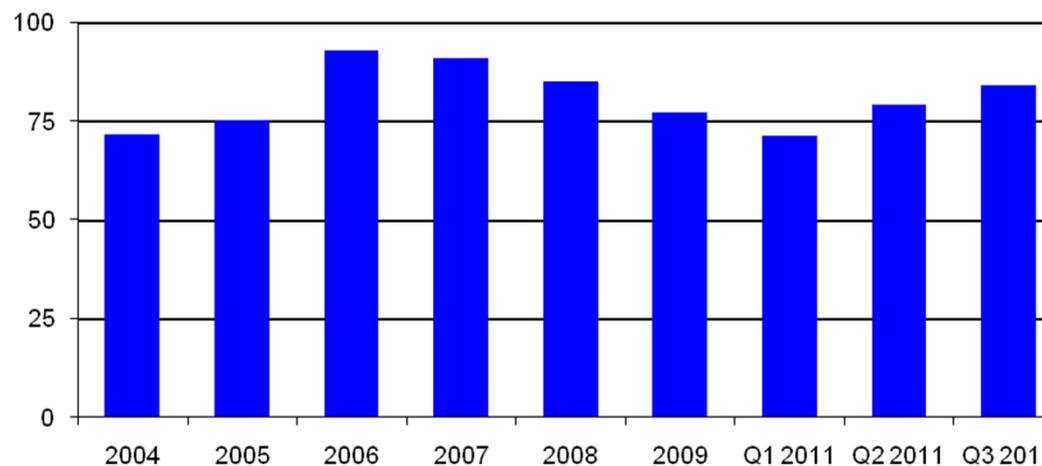
- Next generation GS System™ available for services and licensing in early 2012
- Promising new contract signing
- New development platform in Singapore planned to be on line in H1 2012

Chemical Manufacturing – Pipeline and utilization

Project pipeline (Number of projects)



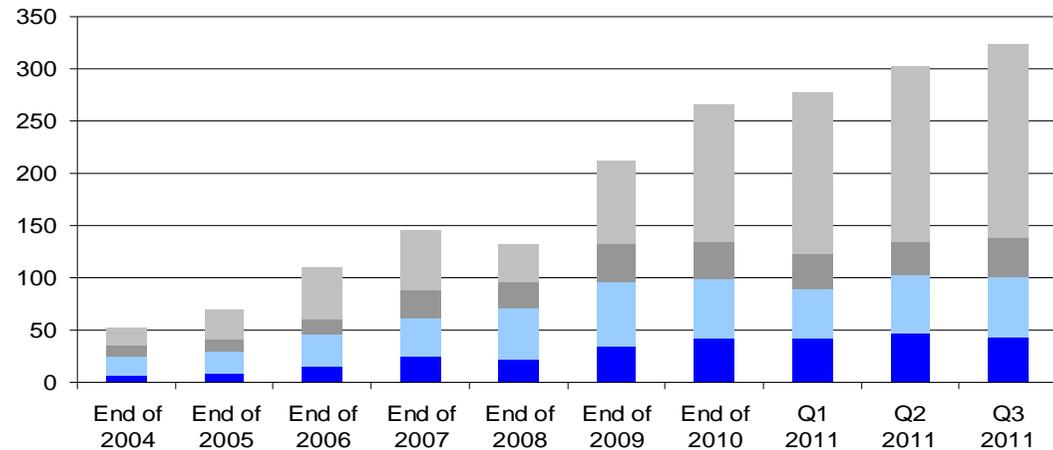
Capacity utilization (in %)



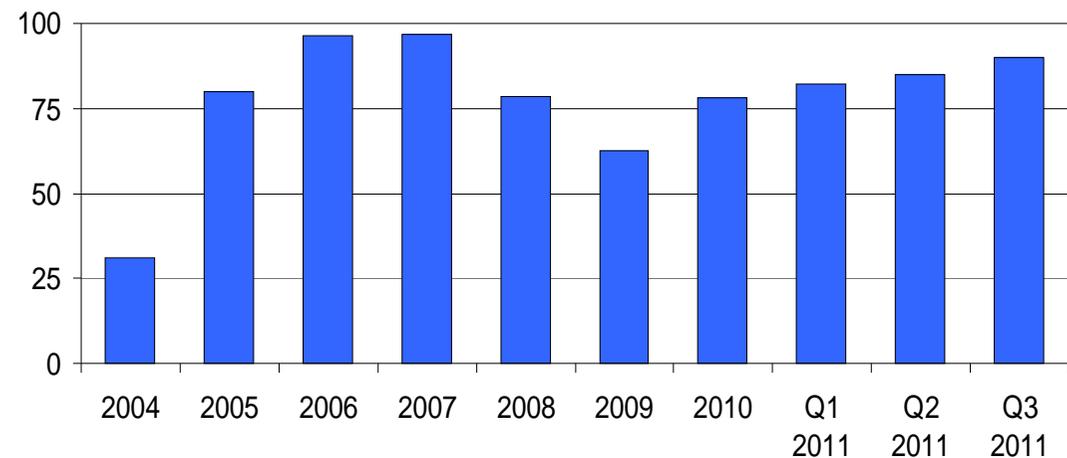
Biological Manufacturing & Development Services: Pipeline and utilization

Project pipeline (Number of projects)

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



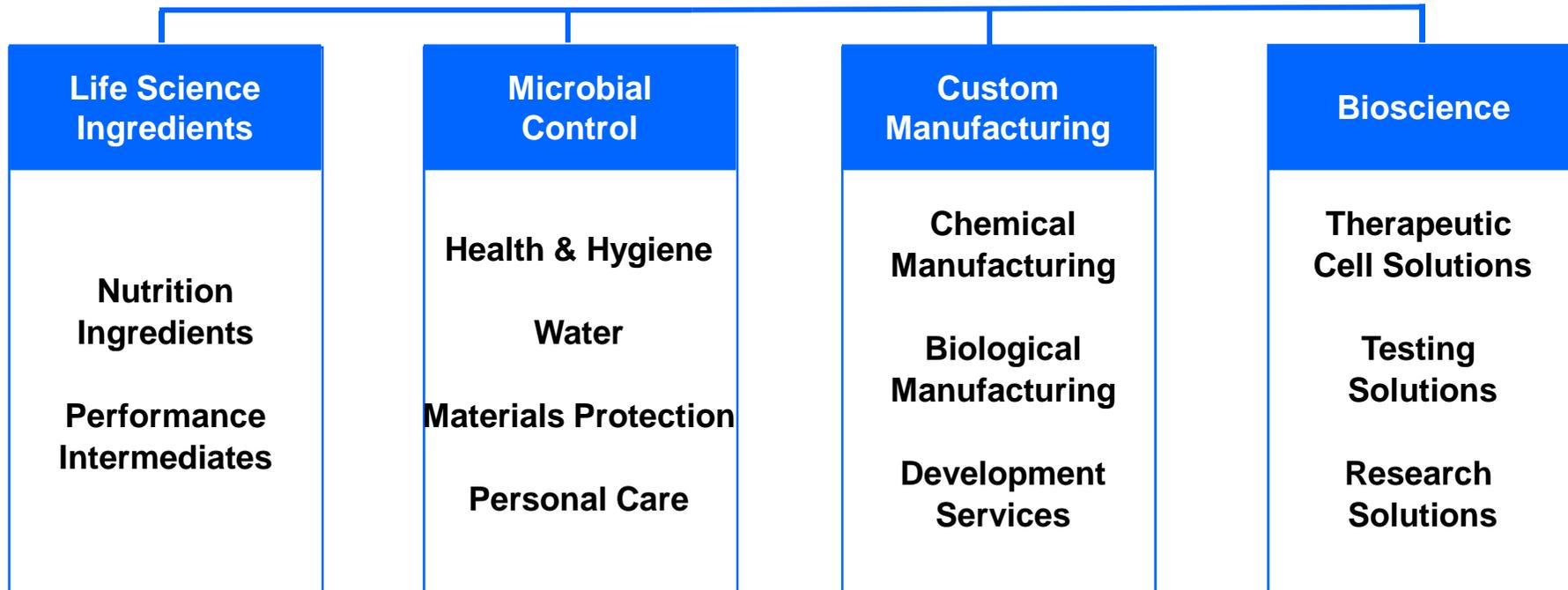
Capacity utilization* (in %)



* excluding Singapore

Lonza's interconnected life-science platform

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Bioscience

Summary

- Solid growth but still below expectations
- Research products negatively impacted by reduced government spending
- Strategic relationship signed with Mesoblast (Australia) in Cell Therapy

Research Solutions

- Solid development in EU and Asia
- Lower US government spending continues to affect the business negatively
- New 4D-Nucleofector™ successfully entered market with strong sales growth in EU & Asia

Therapeutic Cell Solutions

- Increased sales but business remains impacted by major customers' short term development delays
- Singapore Cell Therapy project on track for first productions in H2/2012 (Mesoblast)
- Strong interest in development services in Cell Therapy and Viral Therapy

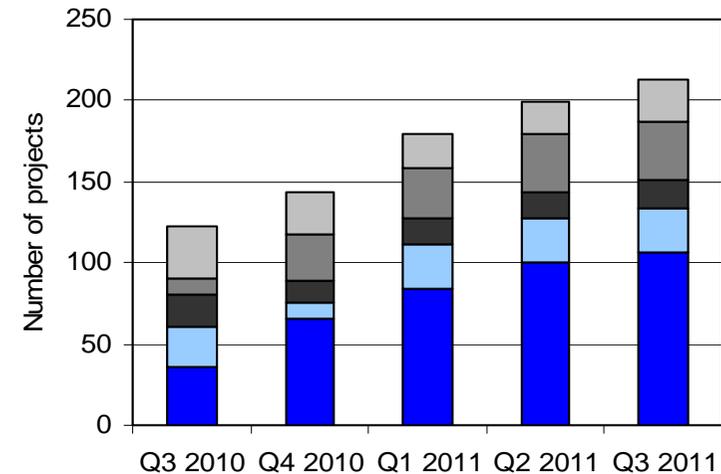
Testing Solutions

- Positive sales development in Endotoxin Testing
- Moda contract signing behind plan
- microCompass™ II delayed due to problems at our collaboration partner

Bioscience project pipeline – New products and therapeutic clients

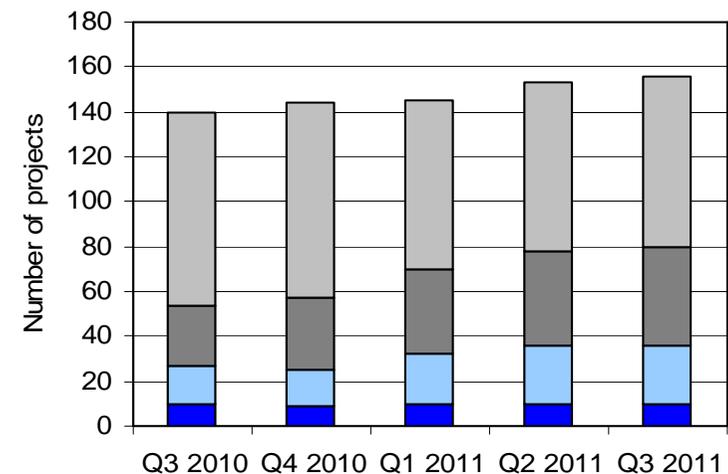
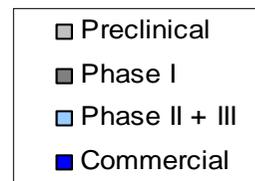
New products

(Research Solutions, Testing Solutions & Therapeutic Cell Solutions)



Therapeutic clients

(Therapeutic Cell Solutions)



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Calendar of events and contacts

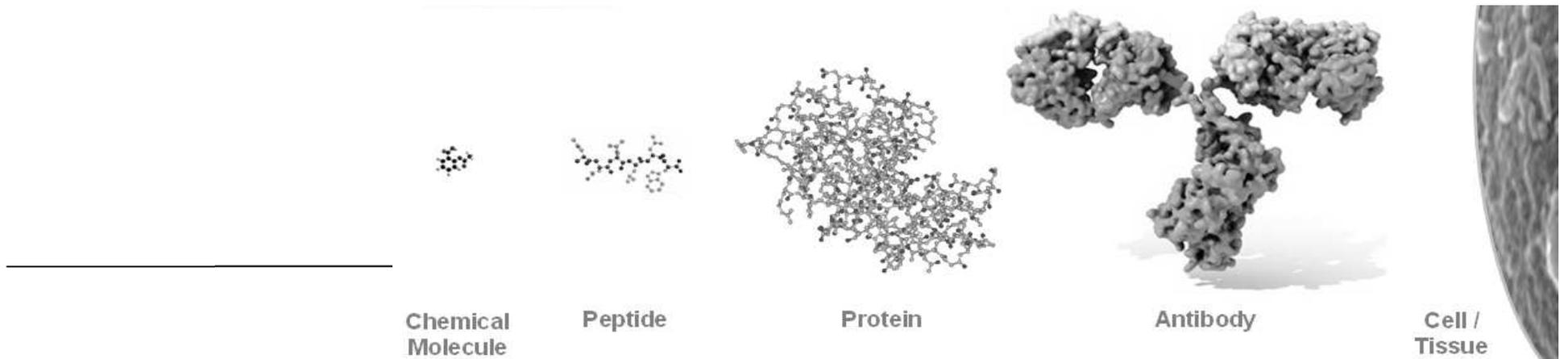
- **Important Lonza Group dates**

- 25 January 2012 Full year results 2011
- 03 April 2012 Annual General Meeting
- 25 April 2012 First quarter 2012 business update
- 25 July 2012 Half year 2012 Results
- 31 Oct 2012 Third quarter 2012 business update

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