

Conference Call, 17 October 2006

**Lonza**

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**Business Update: Third Quarter 2006**

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.”

## Q3 Business Status and 2006 Outlook

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- Strong YTD business performance with short and mid-term targets well on track.
- On target to achieve earnings expectations for full year 2006.
- Portfolio management activity, including IPO of Polynt SpA, is proceeding according to plan.
- Gearing level reduced to 70% due to strong cash flow performance.

## Q3 Business Status

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- **Exclusive Synthesis & Biopharmaceuticals**

Biopharmaceuticals profitability above expectations primarily driven by strong manufacturing performance and strong demand in Biopharma services.

Exclusive Synthesis with stronger H2 performance; overall slightly below budget.

- **Organic Fine & Performance Chemicals**

High raw material and energy cost passed on to customers lead to higher than expected sales and thus deliver expected EBIT improvement over 2005.

- **Polymer Intermediates**

Polynt SpA IPO (European operations) authorized by the Italian market regulators and announced on October 11<sup>th</sup> with road show under way. Business performance based on demand, fully in line with expectations.

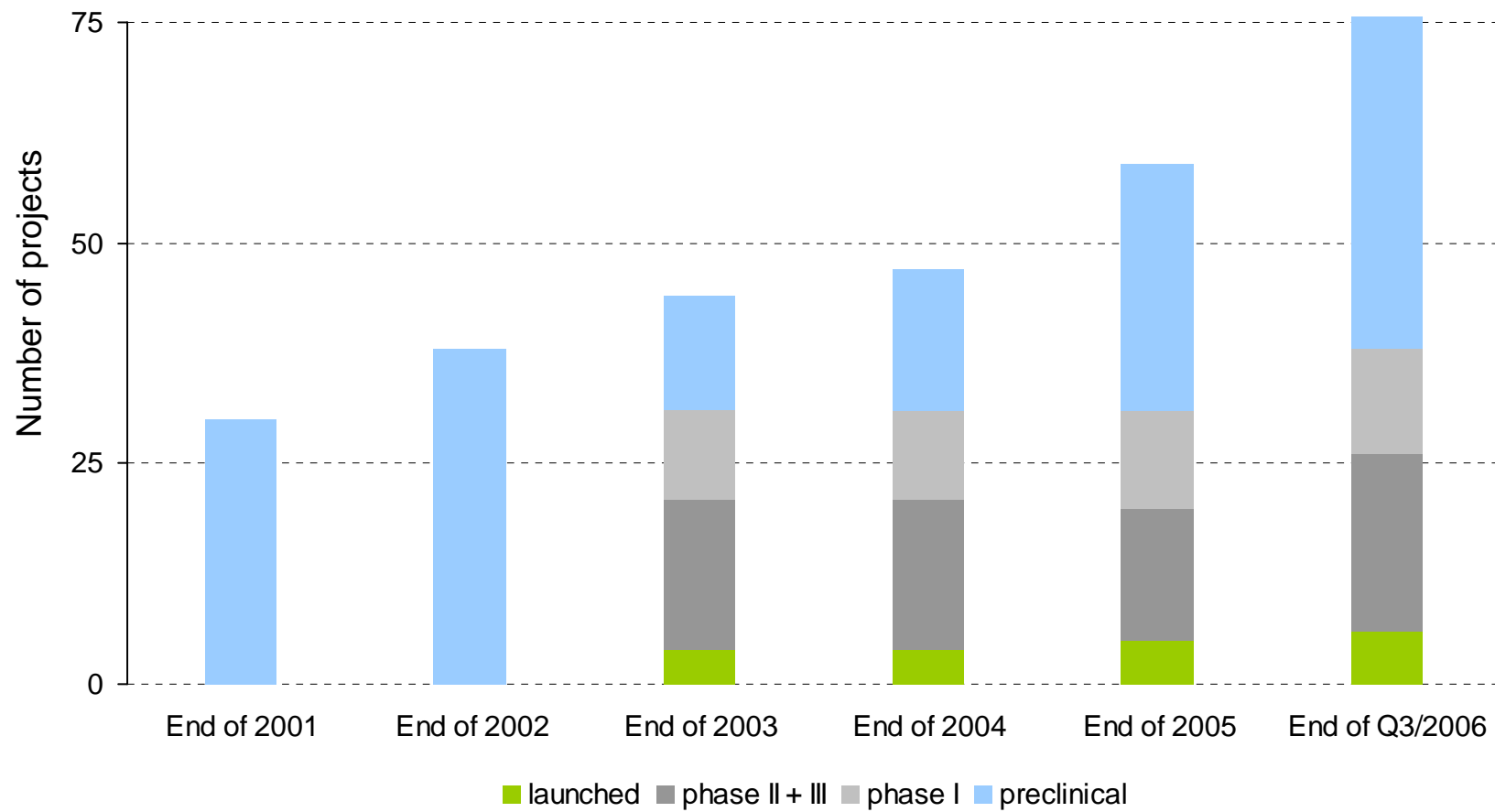
## Exclusive Synthesis & Biopharmaceuticals

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### Biopharmaceuticals

- Strong performance improvement mainly due to the high utilization and success rate of all – small, mid and large scale – manufacturing capacities
- Strong demand for Biopharma services and GS Technology platform
- Fourth 20'000L reactor in Portsmouth is fully operational after flawless start-up
- Expansion projects status:
  - Strong mid-scale demand has started the engineering for the conversion of the mothballed 2'000L line to a 5'000L line
  - Singapore shell construction and negotiations on track
- The 2 x 15'000L microbial lines in Visp (CH) are mechanically completed with planned start-up of the first line at the beginning of 2007
- The new 500L mammalian bioreactor line for clinical material in Slough (UK) is almost completed and will be operational Dec 2006
- European Regulators have approved the manufacturing of BMS' Orelncia® in Portsmouth

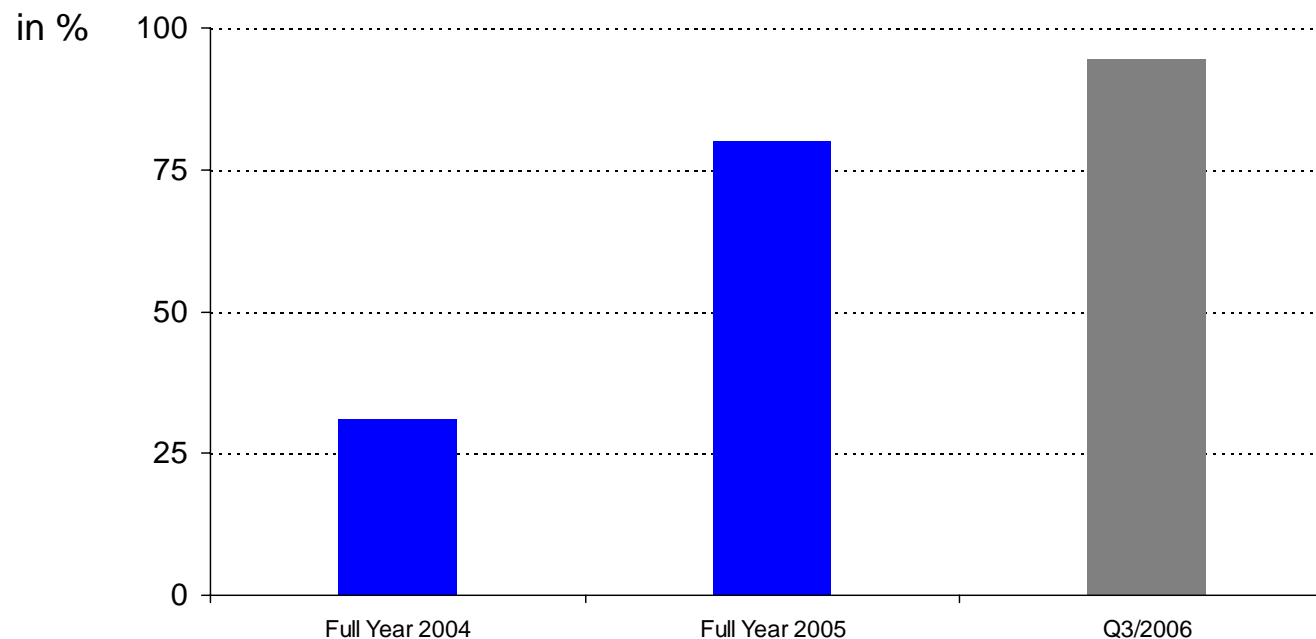
# Biopharmaceuticals – Project Pipeline



## 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

# Exclusive Synthesis & Biopharmaceuticals

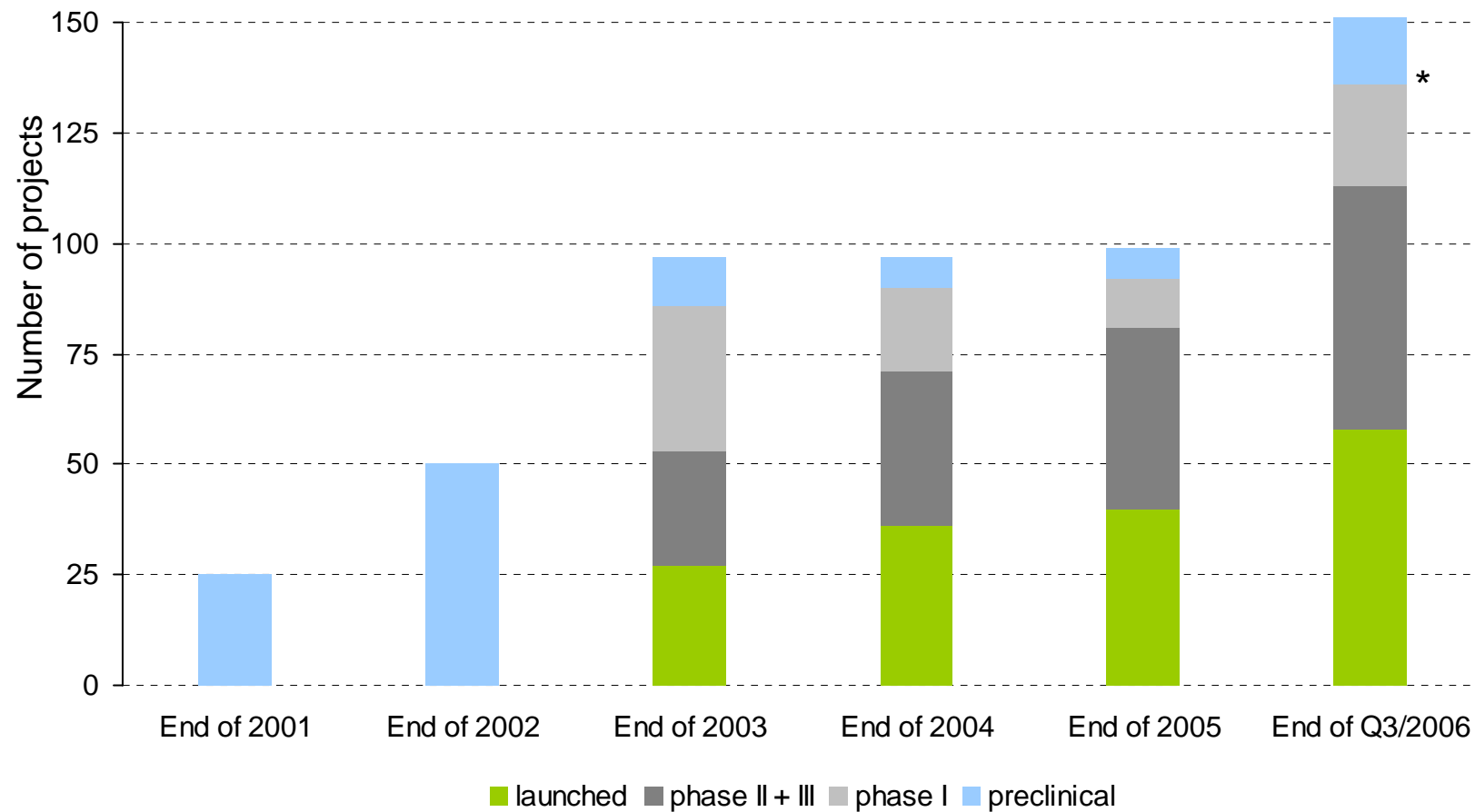
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## Exclusive Synthesis

- Margins remain under pressure due to difficult market conditions influenced by Asian competition and global overcapacity.
- Sales growth driven by good product development and pipeline delivery.
- New API plant in Visp (CH) will start on schedule in Q4/2006.
- Early year operational challenges under control.
- Capacity utilization outlook remains strong.
- Peptide customers and contracts have been transitioned and long term outlook confirmed.
- R&D pipeline remains strong in all areas: phase-mix, size, and project quality.
- Expansion of capabilities in Asia:
  - Continued successful delivery of R&D center in Nansha (China)
  - Construction of small scale plant under way; start-up planned for Q3/2007
  - Planning for API plant almost completed with very strong customer interest (start up mid-2008)

# Exclusive Synthesis – Project Pipeline

## Chemical Synthesis and Biotransformation

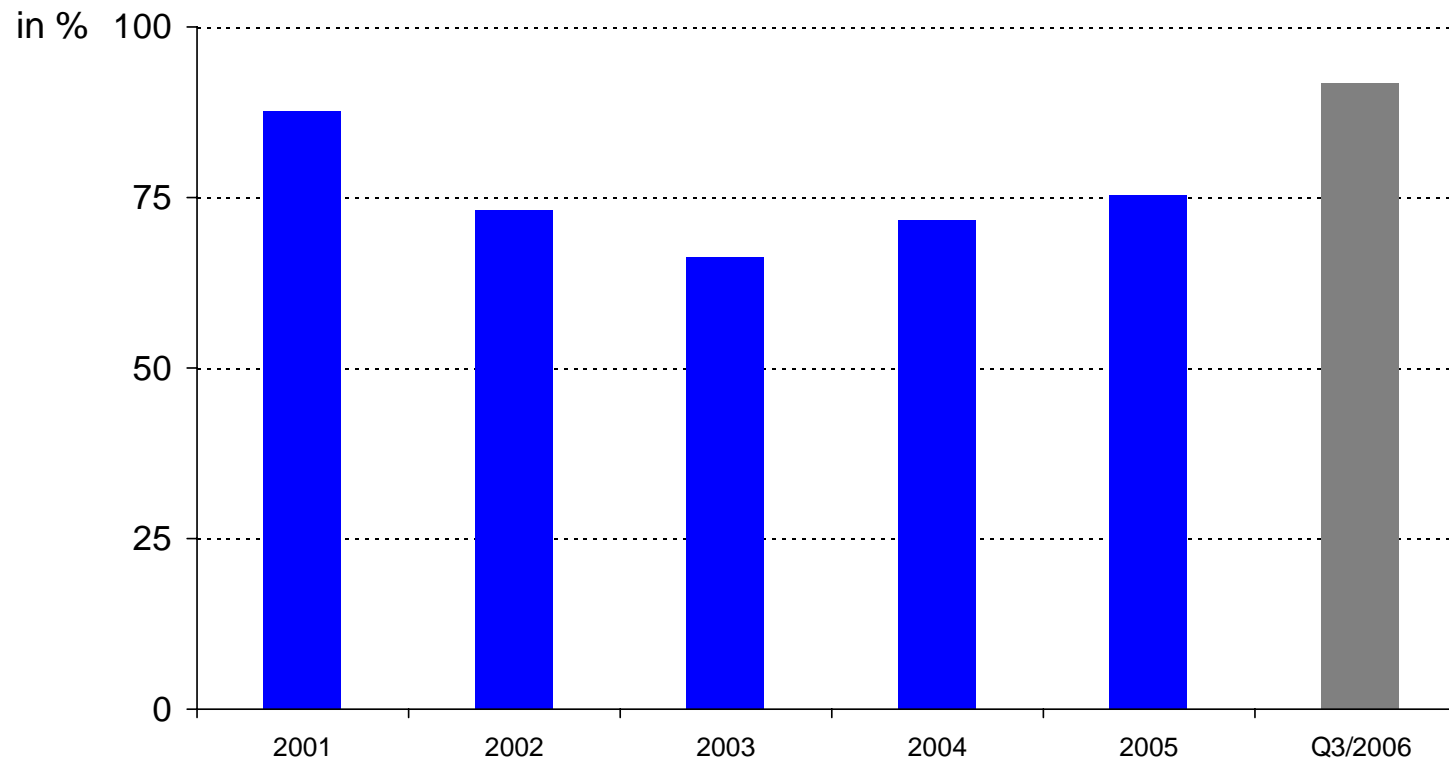


\* includes peptide acquisition

## Exclusive Synthesis – Capacity Utilization

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■ Exclusive chemical synthesis (GMP qualified assets)\*



\* excludes Lonza Braine

# Organic Fine & Performance Chemicals

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## Nutrition

- Nicotinates business on track, with necessary price increases over the next months planned
- Stable sales of vitamin intermediates
- Strong demand for both Carniking® (feed) and L-Carnipure® (food); with unchanged price competition from China
- Demand for Meta® metaldehyde (molluscicide) returned to expected levels, pressure from Chinese competition is increasing
- LAG business has been successfully integrated, and long term planning is under development

## Hygiene / Personal Care

- Hygiene and Personal Care businesses improved in Q3 versus Q2, in line with strengthening Global demand
- Integrated LaraCare® 200 (galacto-arabinin) skin care active line under Lonza Personal Care portfolio as a result of Larex acquisition

# Organic Fine & Performance Chemicals

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## Preservation / Wood / Water

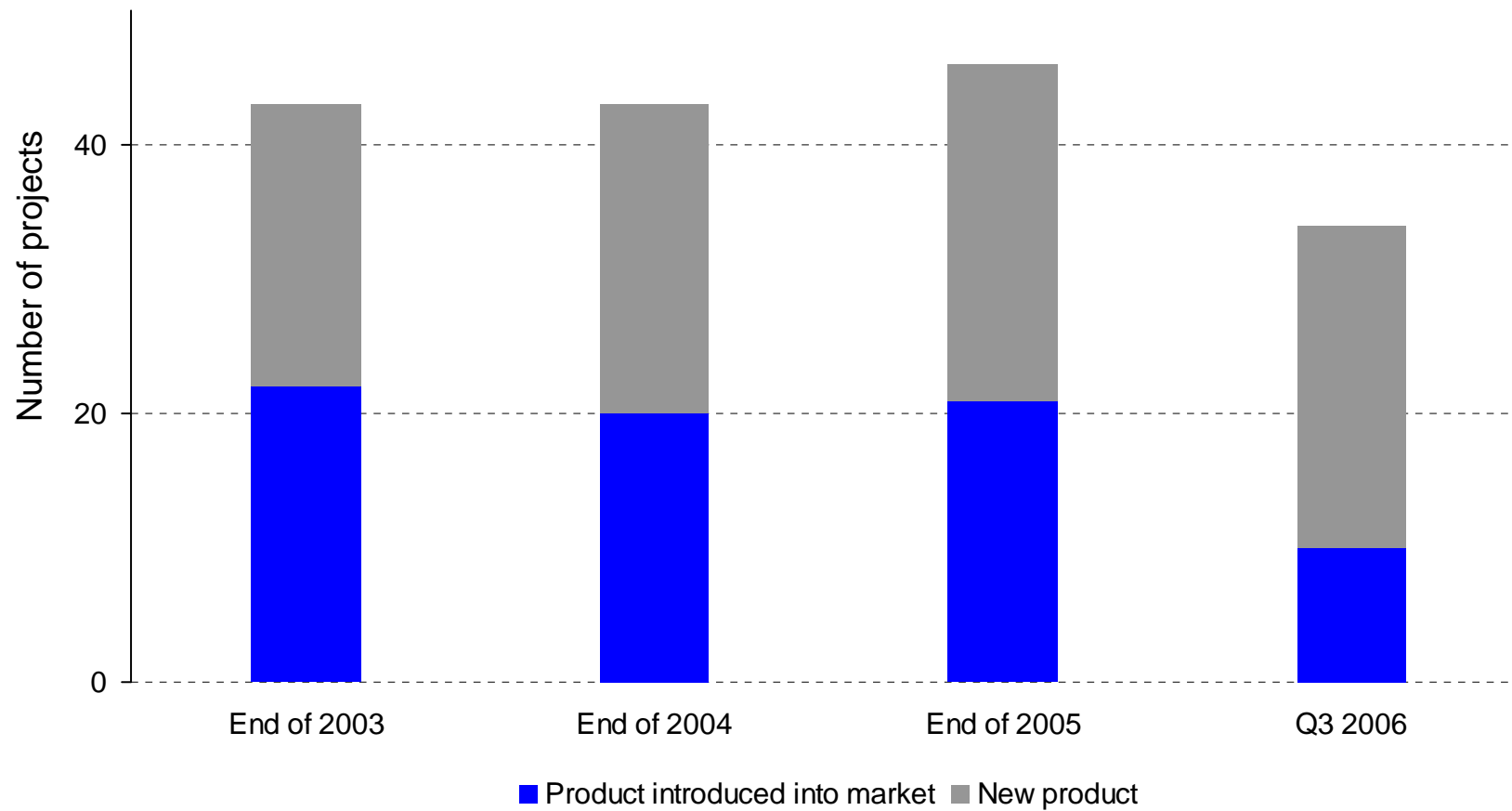
- Strong demand for Carboquat® (protection for pressure treated wood)
- Demand for patented Equinox® technology now represents a leading technology for enhancing microbiological control in paper manufacturing.

## Industrial Specialties

- Softening demand and weakening pricing for Diketene derivatives.
- High-performance materials in growth mode due to Cyanate Esters.
- Sales for electronics applications above expectations with high capacity utilization rate.
- Good demand for intermediates for agro applications, according to expectations.

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

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# Polymer Intermediates

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## Polynt SpA

- Phthalic anhydrides and general-purpose plasticizers:
  - Increased sales of plasticizers with improved margins.
  - Phthalic anhydride pricing follows the trend of ortho-xylene cost.
- Maleic anhydride and derivatives:
  - Volumes and margins above target thanks to balanced supply/demand.
  - Positive trend for derivatives and demand for catalysts in line with expectations.
- Trimellitic anhydride and special plasticizers:
  - Increased sales of special plasticizers business compensates for lower Trimellitic anhydride performance.
- Resins and Compounds:
  - Stable business with compounds while resins suffer slower demand from the electro-electronic segment.

## Purified Isophthalic Acid (Singapore)

- Profitability at the end of Q3 has further improved, due to more balanced demand / supply situation that allows higher margins.
- Plant running smoothly, in line with budget, capacity expansion prepared for January 2007.

## Q3 Business Status and 2006 Outlook

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- The existing guidance is reaffirmed:
  - Sales growth from 7% to 10% p.a.
  - EBIT growth at low double digits
  - Project pipeline fully aligned with expectations
  - Sales and profitability growth sustainable into 2012

