


Analyst Conference Call  
Basel, 19 May 2003


**Lonza**



Lonza revises 2003 outlook

- Tough market conditions in most business lines
  - Difficult business environment in Exclusive Synthesis continues
  - Biologics impacted by recent clinical trial failures at customers
  - Negative impact of higher raw material and energy prices and unfavorable exchange rates on Organic Fine and Performance Chemicals business
  - Lower volumes and higher raw material prices in our Polymer Intermediates business

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- A decorative banner is located below the title, featuring a horizontal strip of various images including laboratory equipment, chemical structures, and industrial scenes.
- Half year 2003 operating earnings approximately 20% below last year
  - Significant improvement expected for second half year driven by
    - Company-wide restructuring initiatives
    - New projects and refilling of order books
    - Lower raw material prices
  - 2003 operating earnings (pre-exceptionals) will not exceed 2002 figures

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- Streamlining of operating personnel structure
  - Reduction of overhead cost in all business sectors and service functions
  - Improvement of cost structure by about CHF 100 million over a 12 month period
  - Restructuring cost of 50 million
  - 500 jobs affected mainly in the US and Europe (90 in Switzerland)

A decorative banner with a collage of chemical and industrial images, including laboratory glassware and machinery, is positioned below the title bar.

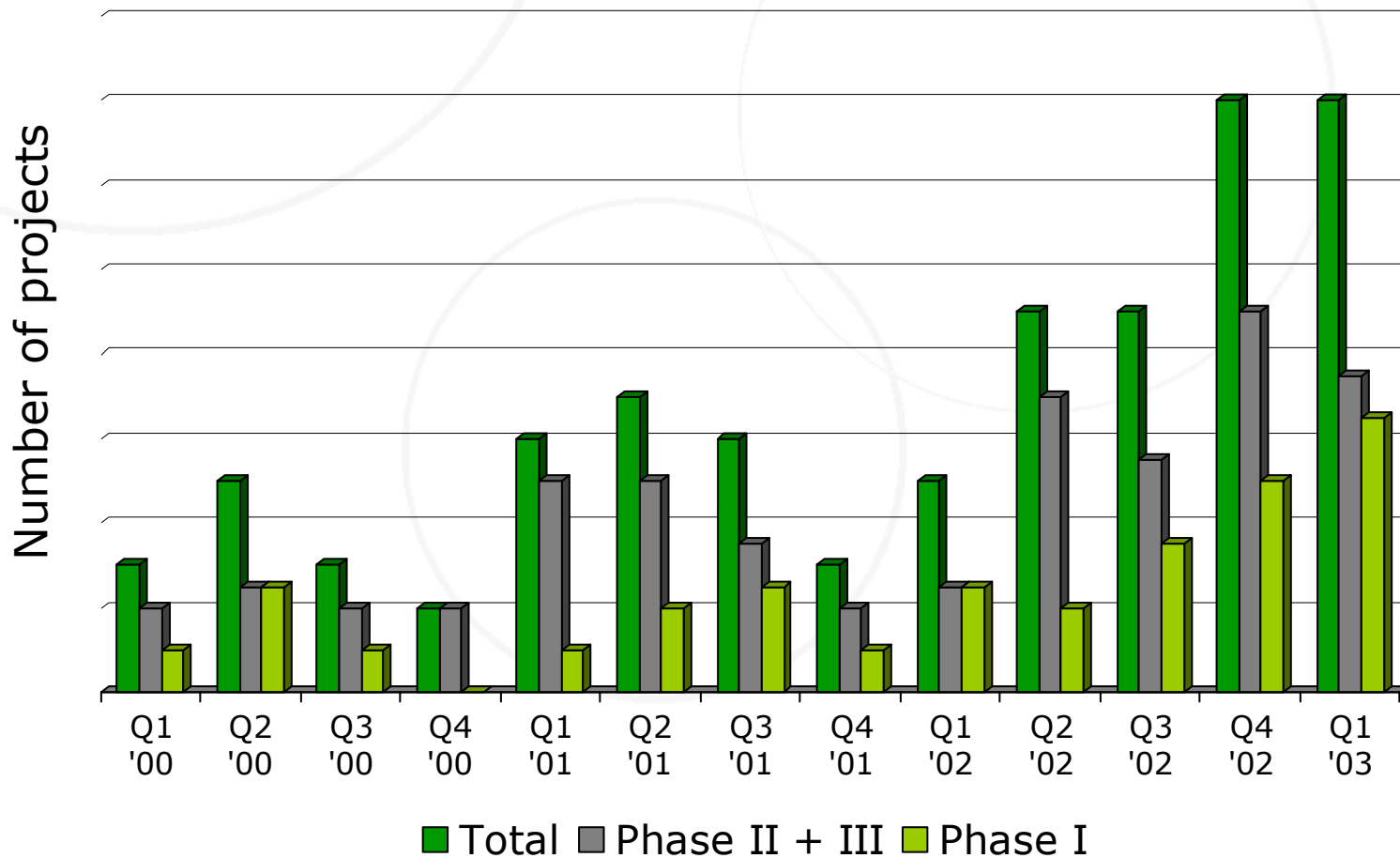
## Exclusive Synthesis I

- Market conditions in chemical custom manufacturing remain at last years level
  - New product approvals did not increase significantly
  - De-stocking at customers continues
  - Continued delays of expected product approvals and unfavorable product mix

## Exclusive Synthesis II

- Product pipeline is growing
  - Number of started R&D projects more than doubled in the last 12 month
  - Peptides and Oligonucleotides projects doubled over the last 12 months developing into a substantial business line
  - Number of active projects in R&D up by >50% since 2001 covering all clinical phases and in market supply
- Capacity utilization of our large reactors in both Riverside, PA (US) and Visp (Switzerland) continuously increasing

# Development of R&D Pipeline



■ Overall > 50 projects

## Significant change in market conditions

### ■ Lonza Biologics

- Reduced number of products being pursued due to lack of cash in small biotech
- Increased competition from new capacity (small and medium scale)
- Increased product failures and delays in late stage clinical trials at customers

A decorative banner with a collage of scientific and industrial images, including microscopes, laboratory equipment, and green plants, is positioned below the title bar.

## Lonza Biologics I

- Lonza Biologics affected by recent customers' product failures and delays late in clinical development
  - Negative impact on utilization of 2000/5000 liter fermenters in Slough (UK) and Portsmouth, NH (US) for 2003
  - Take or pay contractual payments by customers will offset most of the profit shortfall in 2003
  - Targeted back-up products have faced delays in the clinics
  - Strong efforts underway to replace order book for 2004

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## Lonza Biologics II

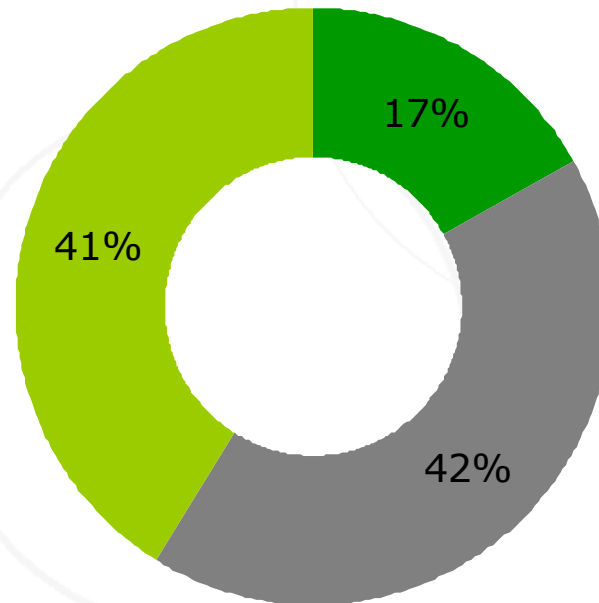
- Large scale build out in Portsmouth not affected by the recent product failures
  - Significant long-term manufacturing agreement signed with large pharmaceutical company for several products with several indications
  - Together with previously announced Alexion agreement, roughly 90% of the capacity is now under contract on a long-term basis
  - Expansion project in Portsmouth remains on schedule (time and cost)



## Lonza Biologics III

- Growth potential for Biologics remains
  - Expansion of development labs completed
  - Shortened development timelines will speed up refilling of pipeline
  - Competitive edge with GS-expression technology achieving  $>2.8$  g/liter expression levels
  - New R&D projects started in last 6 months 50% higher than in previous periods

# Current Project Mix in Biologics



- in-market and pre-registration
- pre-clinical and clinical phase I
- clinical phase II and III

- Overall > 40 projects in Biotechnology

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## Organic Fine and Performance Chemicals

- Sales Volumes on target, no loss in market shares
- Negative impact due to higher raw material and energy prices and unfavorable exchange rates in the first 4 months
- Expect stronger second half based on lower raw material and energy prices

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## Polymer Intermediates

- Most product lines affected by slow demand and higher raw material prices
- Expect margin recovery in second half as a result of lower raw material cost
- Volumes are expected to pick-up in second half as customers are currently de-stocking

# Re-design of custom manufacturing business model under evaluation

**Lonza**

- Expansion of R&D offering by combining all our technical skills in the early clinical development phases (chemical, mammalian, microbial) into one global Technology Services business
- Consequently integrate all cGMP production activities into a single Custom Manufacturing business

## ■ Goals:

- Offering broad range of cutting edge technologies to capture business in early phases with increasing opportunities to fill large reactors
- Strengthening of the market penetration and coverage
- Improve operating efficiencies
- Realize additional CHF 50 million in savings by end of 2004

- Together with the half year results to be communicated on 23 July 2003 we will provide details on the business model and the impact of changed market conditions on 2005 targets