

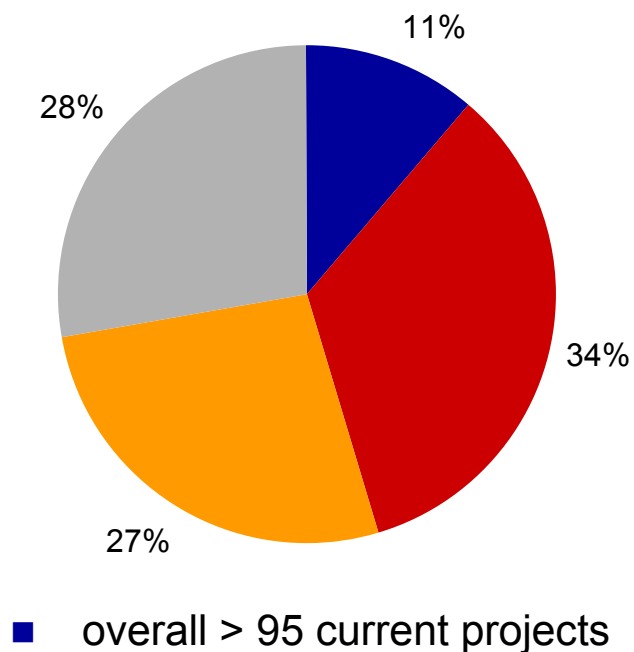
# Quarterly Business Update

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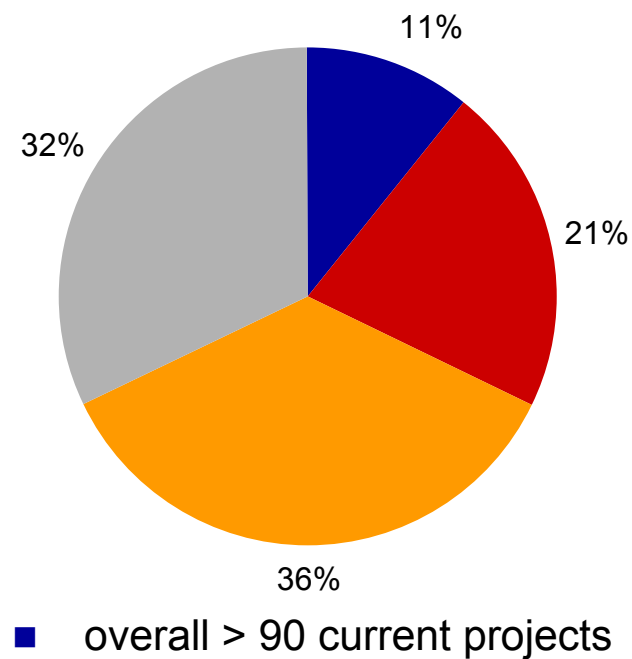
Conference Call, 15 April 2004

# Custom Chemical Synthesis and Biotransformation Project Pipeline Small Molecules I

Year-end 2003



End of Q1/2004



■ Preclinical    ■ Phase I  
■ Phase II + III    ■ Launched

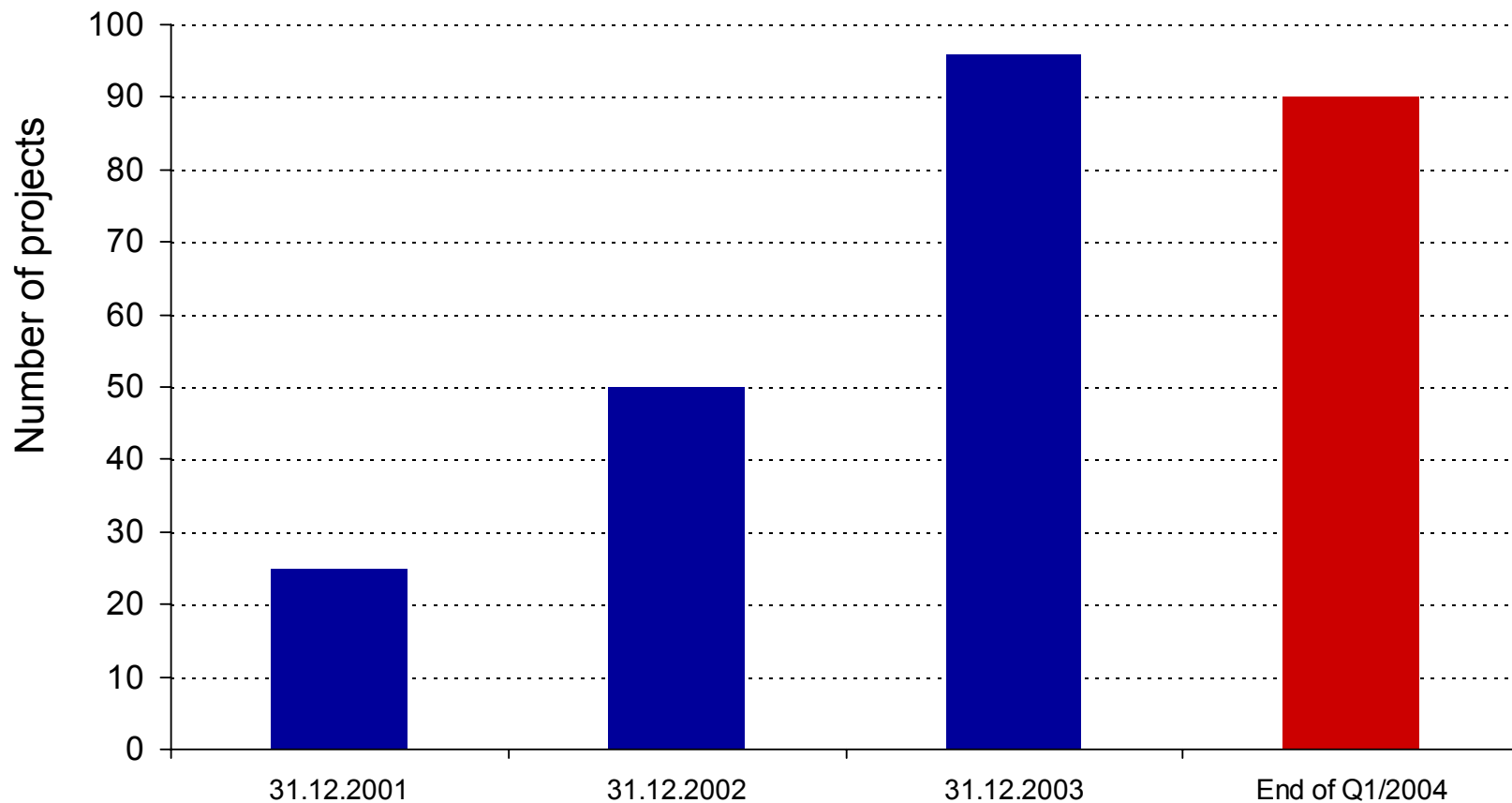
## Custom Chemical Synthesis and Biotransformation Project Pipeline Small Molecules II

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- Number of projects at historic high levels
- Quality of portfolio improved as number of phase II, III & launched projects increase
- Customer base widened
- Overall quality better at Q1/04
- Confidence rebuilding about ability to optimally fill large reactors over next 12-24 months.

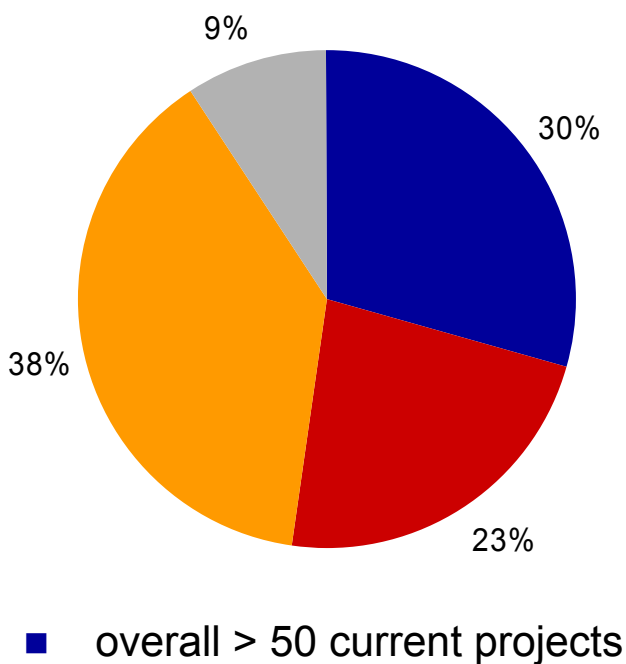
# Custom Chemical Synthesis and Biotransformation Project Pipeline Small Molecules III

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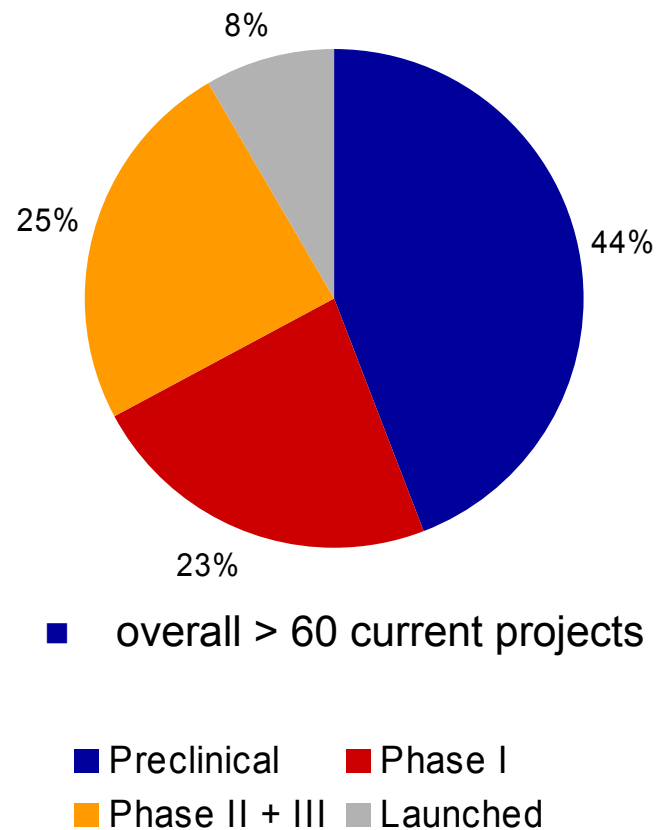


# Biopharmaceuticals Project Pipeline Large Molecules I

Year-end 2003



End of Q1/2004



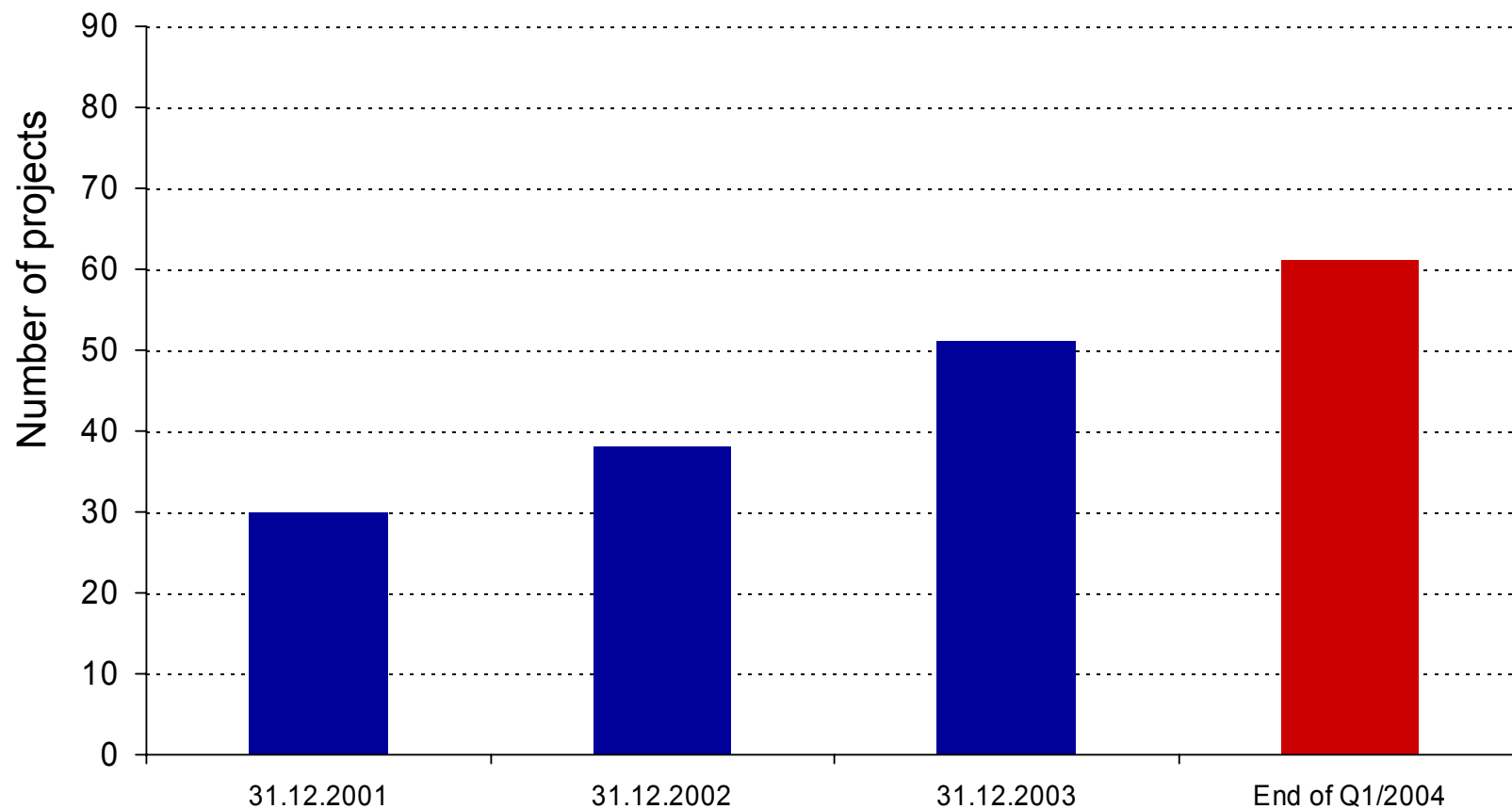
## Biopharmaceuticals Project Pipeline Large Molecules II

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- Project pipeline focuses much more on early phase activities due to importance of process development needs of customers and Lonza's technology base
- In addition to project pipeline, a large number of proposals are currently under discussion regarding utilization of 2000L and 5000L reactors
- 2000L and 5000L capacity
  - No improvement in H1/04
  - Increased level of interest in 5000L
    - ◆ Too early to assess impact on H2/04
    - ◆ 2005 utilization potential better now than at 31.12.03

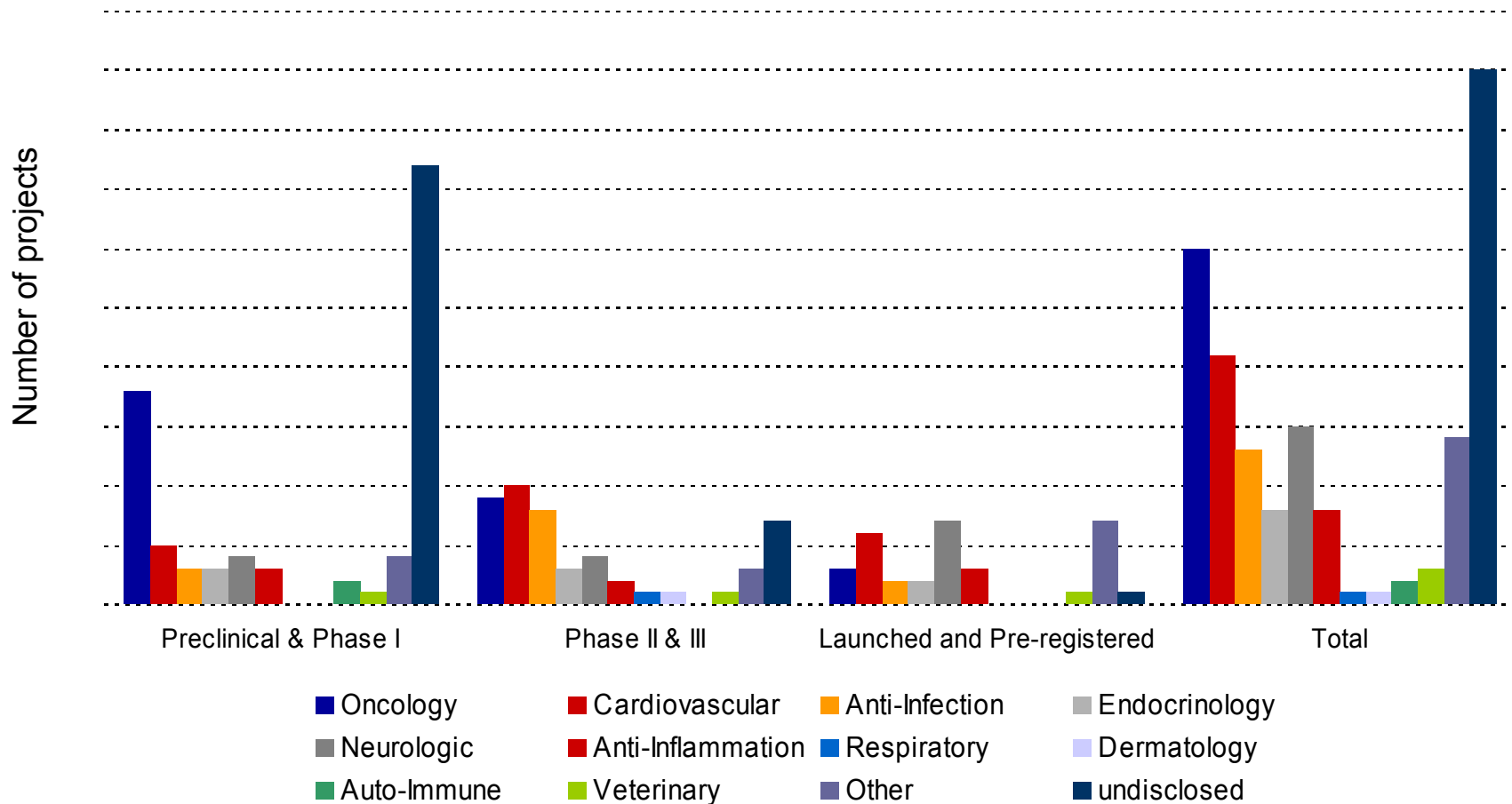
# Biopharmaceuticals Project Pipeline Large Molecules III

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# Custom Manufacturing Pipeline by Therapeutic Category I

(>150 Projects)



## Custom Manufacturing Pipeline by Therapeutic Category II

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- Undisclosed therapeutic category higher compared to year-end 03 reflecting more early stage projects
- Therapeutic profile basically unchanged reflecting research focus of the pharma industry

## Custom Manufacturing: Small and Large Molecules Pipeline Value

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### Approximate time to launch

- pre-clinical: 7 – 10 years
- phase I: 6 – 8 years
- phase II + III: 2 – 6 years
- launched: 1 – 3 years

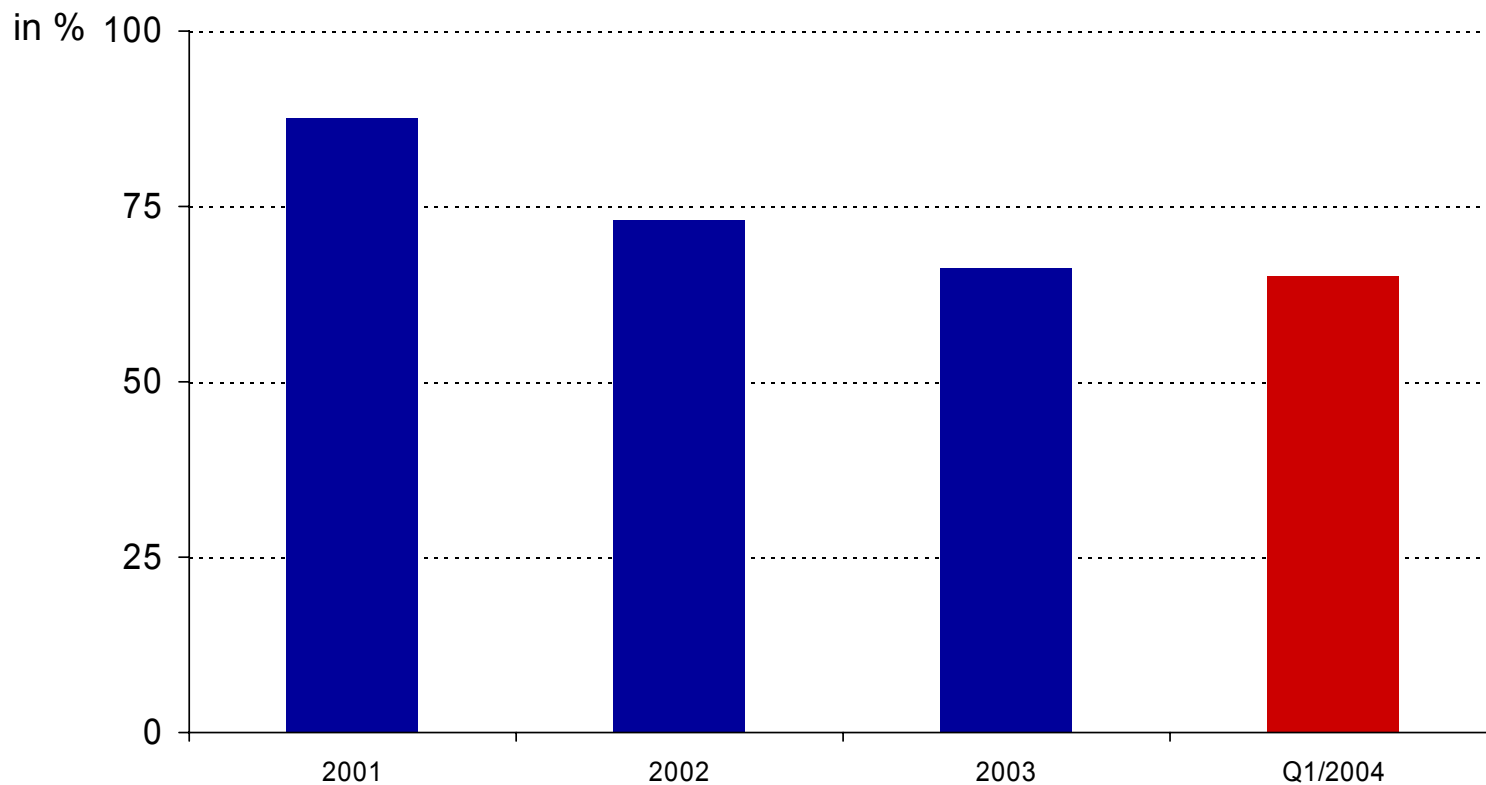
### Pipeline Value

- Projects at peak sales are typically in a range between CHF 5 – 20 million in both small and large molecules
- Pipelines include potential peak sales projects in excess of CHF 50 million
- Total value of pipeline / peak sales potential just considering phase II + III and launched
  - Small molecules: > CHF 450 million
  - Large molecules: > CHF 300 million

# Capacity Utilization I

## Small Molecules (excl. Biotransformation)

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## Capacity Utilization II

### Small Molecules (excl. Biotransformation)

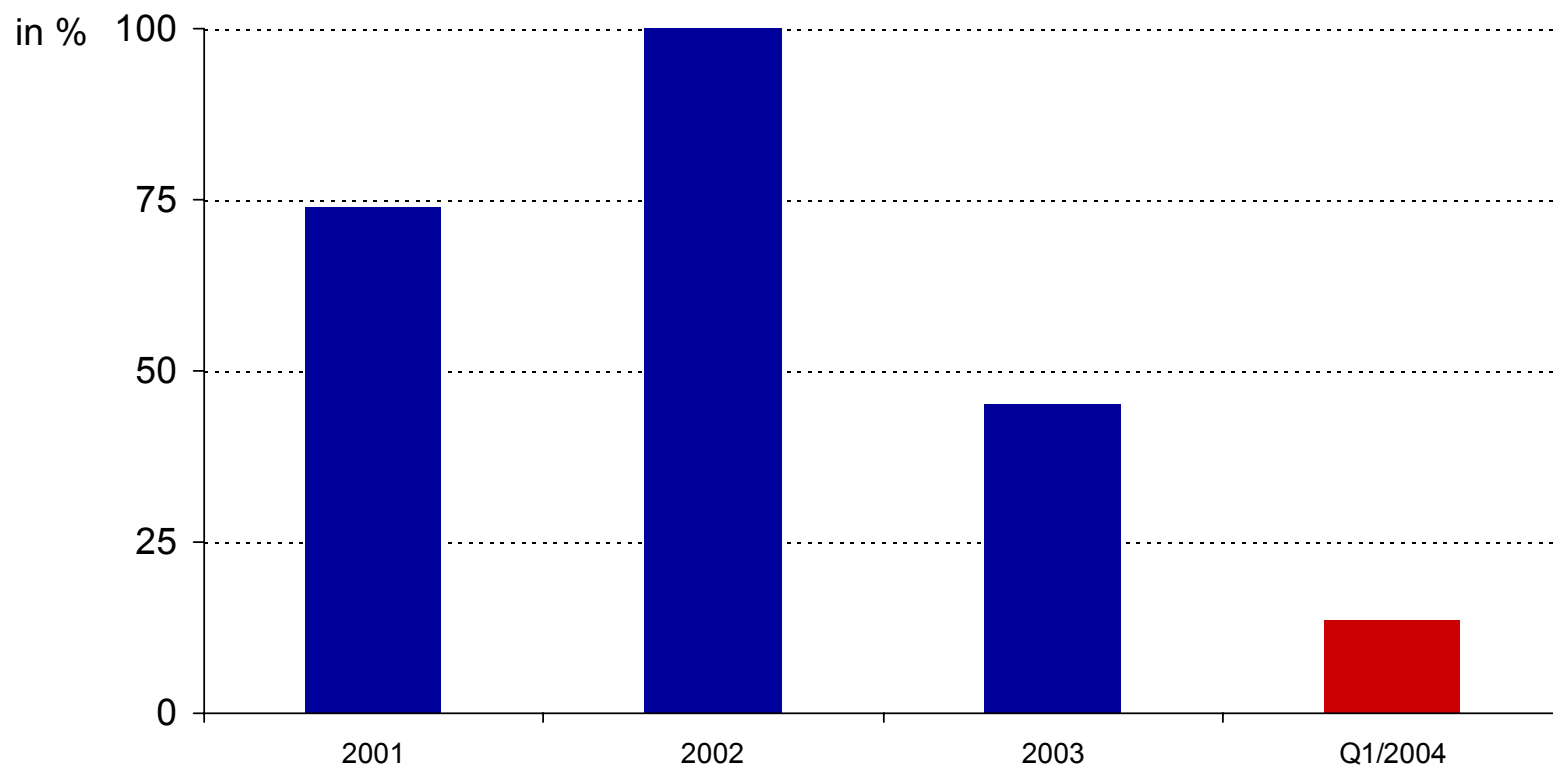
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- Utilization Q1/04 at slightly lower levels than average 2003
- Operating performance benefiting from cost reduction
- Q2/04 utilization expected at higher levels than Q1
- Overall capacity utilization for 04 as a minimum at 03 level but with margin compression (compensated by cost reduction program)

# Capacity Utilization III

## Biopharmaceuticals

- 3 x 2000 L fermenter and 2 x 5000L fermenter



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

## Large Scale Built Out in Portsmouth, NH on Track

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- Cell simulation runs: Feb – April 2004
- Validation activities ongoing: completion end of June 2004
- Technology transfer underway with two major customers (Genentech for Rituxan and large pharma customer)
  - Transfer of process technology and analytical methods
  - Raw materials identified and sourced
  - Documentation preparation ongoing
  - Daily interaction with both customers
  - Pilot scale runs have been completed in Slough
  - 1000L and 4000L scale run completed in Portsmouth at Q1/04
  - 20000L fermentation and harvesting completed at 12.04.04
  - Commercial production: July 2004

Business Update  
Organic Fine & Performance Chemicals and  
Polymer Intermediates

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# Business Update

## Organic Fine & Performance Chemicals

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- Business conditions improving overall, both in US and Europe
- Strong competition continues out of low cost countries
- Not able to fully pass through high raw material and energy prices to customers
- Sales volume in Nicotinales at last year's level but negatively impacted by chicken flu
- Meta sales below last year due to dry summer/fall; recovery expected H2
- Demand for industrial intermediates good but prices under pressure
- High sales volume in Carboquat (wood treatment)
- Overall 04 performance better than H2/03

## Business Update

### Polymer Intermediates

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- Weak US\$ and the high raw material cost continue to affect ability to export out of Europe
- Asian and American competitors limit ability to pass through raw material price hikes
- Raw materials at historical highs and highly volatile, pushed by crude oil price and tightness of supply
- Volumes in good demand from China while the European markets show stable demand.
- Capacity utilization at 90%+ levels
- Indications are that earnings guidance in this business will be achieved

## Group Earnings Guidance 2004\*

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- Confirmation of group earnings guidance 2004
  - Rebasing the business to market conditions
  - Custom manufacturing impacted by remaining tough business environment in Exclusive Synthesis and low capacity utilization in Biologics as refilling of 2000L/5000L continuing
  - High raw material and energy prices continue to negatively impact the chemical activities
  - No non-recurring items in 2004
  - Minimum operating income: CHF 225 million
  - Minimum EPS: CHF 3.00

\* published on 20 January 2004 together with 2003 Results

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- Important Lonza Group Dates

- 21 July 2004      Release of Half Year Results
- 29 October 2004      Quarterly Project Pipeline and Capacity Utilization Update

- Investor Contacts

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# Quarterly Business Update

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Conference Call, 15 April 2004