

News Release

Lonza Group Ltd
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Lonza Business Update Third Quarter 2009

- **Recent accumulation of unexpected cancellations, postponements and price-volume reductions will lead to an operational EBIT of CHF 360-380 million for the full year 2009**
- **Immediate implementation of comprehensive measures will deliver CHF 60-80 million cost reduction over the next two years**
- **Life science growth strategy remains intact**

Basel, 29 October 2009 – Lonza Group Ltd (SIX: LONN) today announces that the third quarter was characterized by an accumulation of unexpected events since the end of September 2009 which will reduce operational EBIT towards a level of CHF 360-380 million for the full year 2009 (excluding any one time re-engineering costs):

- Cancellations and postponements in large-scale biopharmaceutical custom manufacturing
- 18 month delay of a lead customer project in cell therapy due to clinical disappointments
- Continued low order level in Exclusive Synthesis due to key customers reducing net working capital
- Continued reduced demand for Nutrition Ingredients combined with significantly lower pricing for the fourth quarter
- On-going margin pressure in Microbial Control and Performance Intermediates

We will address these issues by the following operational improvement measures that will be implemented in a re-engineering project in the next 12-18 months:

- Reduce fixed costs by CHF 60-80 million over the next two years through consolidation of business units and divisions in order to simplify business processes and reduce overhead
- Reduce number of Management Committee members from seven to six with Lonza Custom Manufacturing being solely led by Stephan Kutzer; furthermore, Uwe Boehlke will lead the new consolidated division that includes Corporate Services and Human Resources.
- Adapt biopharmaceutical large-scale capacities in order to be able to competitively fill large-scale plants with smaller volume products (clinical phase II/III)
- Continue to expand the project pipeline in Custom Manufacturing as started in 2009 and increase longer-term customer collaborations
- Further increase resources in sales and business development and align the organization to customer projects
- Reduce Capex from the originally targeted CHF 500 million in 2010 to below CHF 400 million and to a similar amount in 2011
- Net working capital will be reduced again to reach our target of 20-25% of sales by the end of 2010

This environment of high volatility is expected to continue for the next few years. Lonza's strategy remains intact and its business model will continue to deliver long-term growth.

The above measures will start to generate significant free cash flow in 2010. The increased financial flexibility will enable us to evaluate specific expansion possibilities in our life-science focused value chain. Lonza will continue to drive growth initiatives in the form of strategic investments and organic growth projects

For more detailed information, please refer to the third quarter 2009 update presentation published today. <http://www.lonza.com/group/en/company/news/newsreleases.html>

About Lonza

Lonza is one of the world's leading suppliers to the pharmaceutical, healthcare and life science industries. Its products and services span its customers' needs from research to final product manufacture. Lonza is the global leader in the production and support of active pharmaceutical ingredients both chemically as well as biotechnologically. Biopharmaceuticals are one of the key growth drivers of the pharmaceutical and biotechnology industries. Lonza has strong capabilities in large and small molecules, peptides, amino acids and niche bioproducts which play an important role in the development of novel medicines and healthcare products. Lonza is a leader in cell-based research, endotoxin detection and cell therapy manufacturing. Lonza is also a leading provider of value chemical and biotech ingredients to the nutrition, hygiene, preservation, agro and personal care markets.

Lonza is headquartered in Basel, Switzerland and is listed on the SIX Swiss Exchange. In 2008, Lonza had sales of CHF 2.937 billion. Further information can be found at www.lonza.com.

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