

We work with passion, using advanced technologies, to transform life science into new possibilities for our customers

Lonza

2008 Full Year Results – 27 January 2009

Stefan Borgas

Chief Executive Officer

Disclaimer

- “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.”

2008 Full Year Results – Financial Highlights

- Performance growth driven by Exclusive Synthesis and Life Science Ingredients, and by cost and efficiency improvements overall:
 - EBIT up 12% on a comparable basis¹ to a record CHF 441 million
 - EBIT margins up by 0.8% percentage points to 15.0% of sales
 - Net income up 39% to CHF 419 million
- Balance sheet structure with investment grade profile due to conservative financing strategy:
 - Gearing stable at 76%
 - 80% of debt long-term financed at fixed rates – with staggered repayment timelines
 - Cash position of CHF 566 mn solely invested in fixed income money markets
 - Flexibility maintained allowing for mid-sized acquisition opportunities
- Average net working capital down to 19.9% from 21.5% of sales in 2007
- Number of employees rose by 9.7% since January 2008 to 8 462

¹ EBIT growth of 12% over the comparable basis of CHF 395 million for 2007

2008 Full Year Results – Key Financial Figures

CHF million	FY 2007	FY 2008	Change YoY
Sales	2'870	2'937	2.3%
EBITDA	682	691	1.3%
<i>EBITDA Margin</i>	23.8%	23.5%	
EBIT	408	441	8.1%
<i>EBIT Margin</i>	14.2%	15.0%	
Financing costs	(47)	(57)	
Gain on sale of assets held for sale	-	91	
<i>Tax rate</i>	16.6%	11.8%	
Net Income	301	419	39.2%
EPS (CHF) basic	6.33	8.81	39.2%
EPS (CHF) diluted	5.88	8.15	38.6%
Cash Flow before change in net working capital	562	530	(5.7%)
Change in net working capital	83	(281)	
Capital Expenditures (excluding customer financing)	(533)	(420)	(21.2%)
RONOA	14.1%	13.8%	
Net Debt	1 309	1 469	12.2%
Number of employees	7 711	8 462	9.7%

2008 Full Year Results – Strategic Highlights

■ Business situation

- Solid demand overall
- Weakness in industrial applications mostly balanced by cost improvement
- Financing difficulties in the research market mitigated by adapted business model
- Increased trend towards outsourcing

■ Growth execution

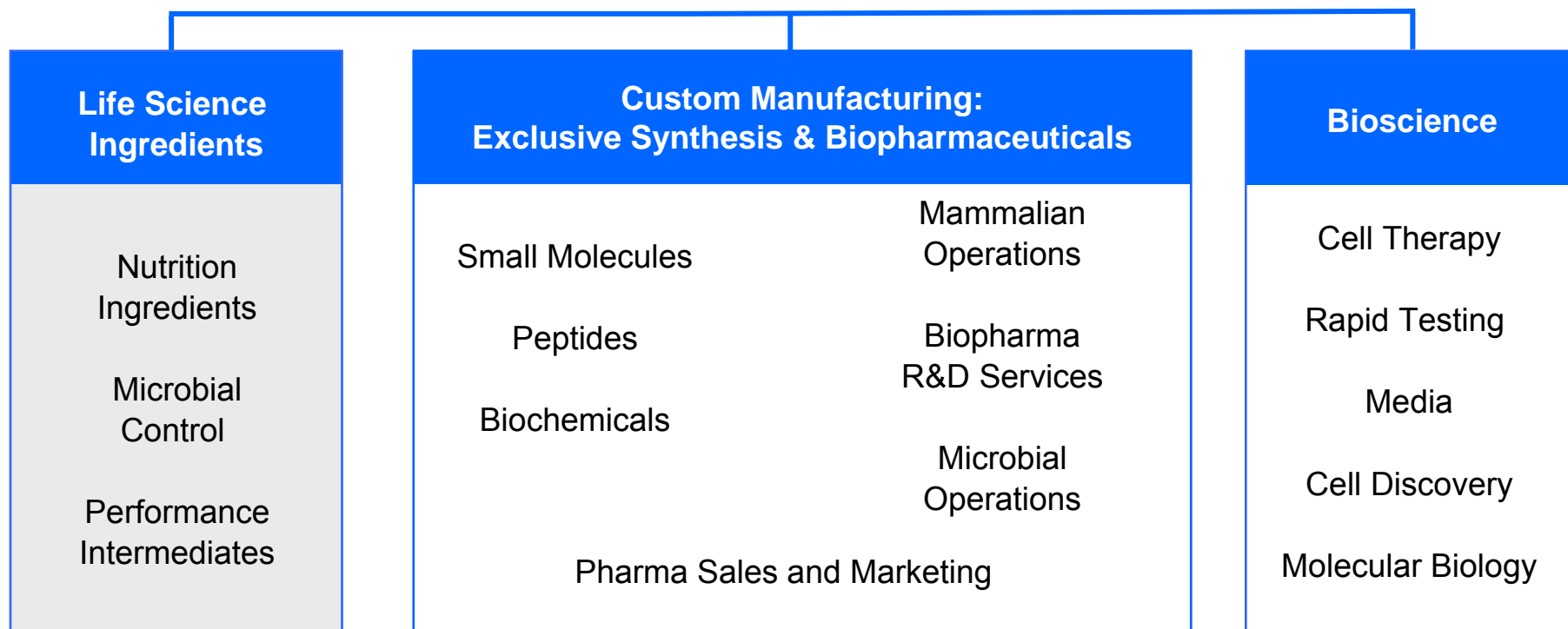
- Capital expenditure projects on or ahead of schedule and budget
- Contracts for new plants developing according to plan
- Cooperation signed to develop Biosimilars
- Pipeline deals underway
- Investment in innovation and R&D projects increased

■ Structural operations / portfolio changes

- Restructuring in Braine l'Alleud (BE), Riverside (USA) and Baltimore (USA) successfully completed
- Integration of amaxa completed
- Significant product pipeline expansion projects under full implementation

Lonza's Life-Science Platform

Lonza

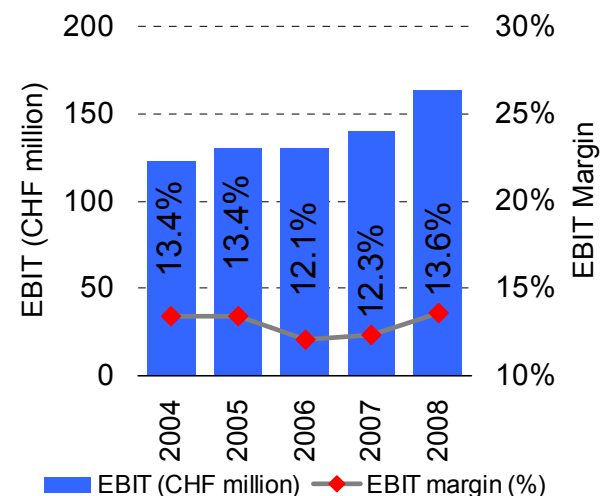


Life Science Ingredients

Key figures

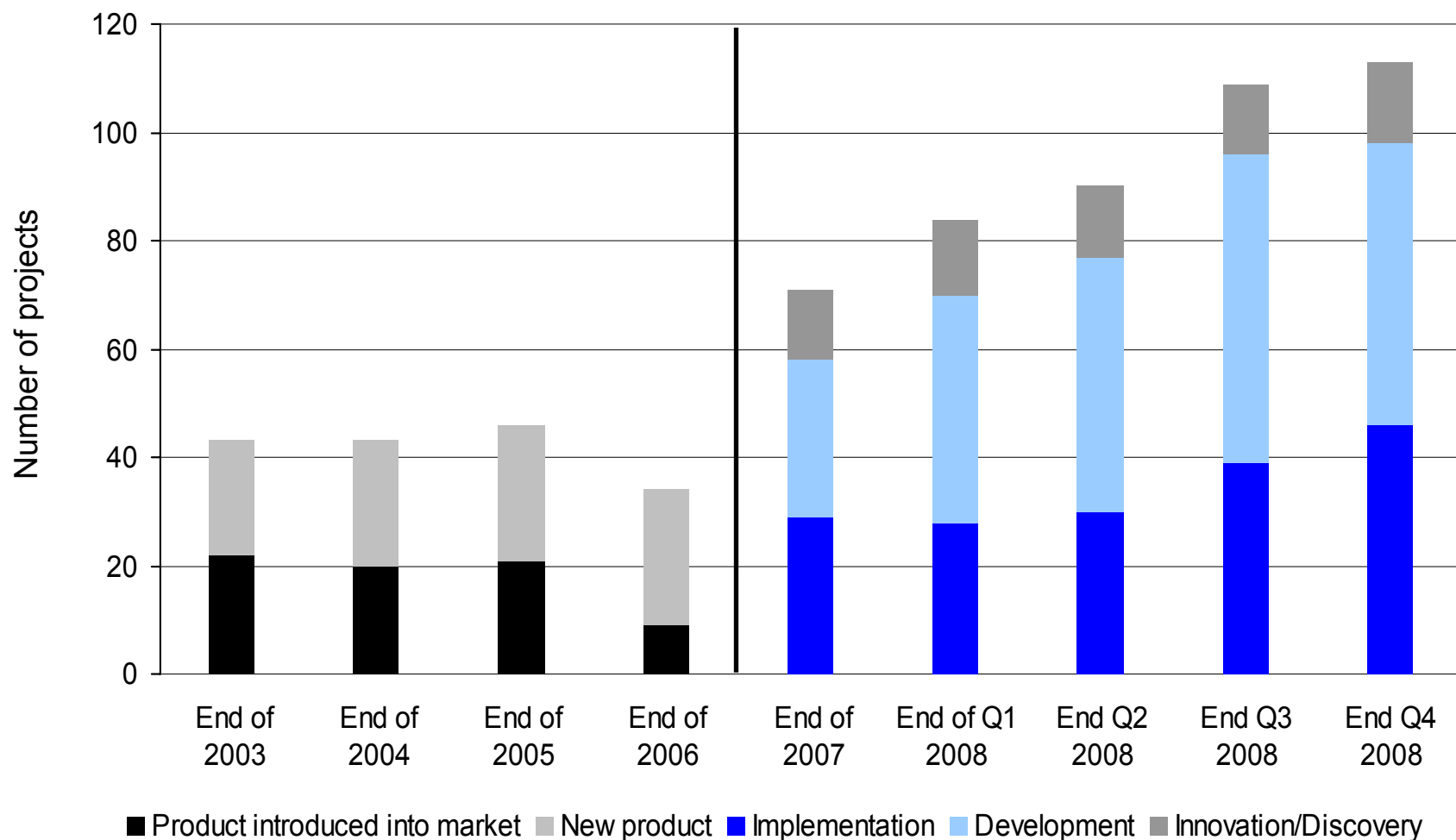
CHF million	2008	Change YoY
Sales	1'196	5.4%
EBIT	163	16.4%
Margin	13.6%	
EBITDA	230	11.7%
Margin	19.2%	

EBIT and margin progression



- Sales growth of 8.8% in local currencies
 - Positive performances in Nutrition Ingredients and Performance Intermediates
 - Microbial Control strongly affected by raw material cost and exchange rates
- EBIT and RONOA improvement supported by high asset utilization and very strict fixed cost measures
- General slowdown in Q4, particularly noticeable in industrial applications
- Good development of the R&D pipeline

Life Science Ingredients – Project Pipeline (New Products)



Life Science Ingredients (I)

Nutrition Ingredients

- **Nicotinates**
 - High demand in Feed and in Food until the end of Q3 2008
 - Customer de-stocking in Q4 2008 expected to last until the end of Q1 2009
- **Meta**
 - Strong sales volumes due to wet summer in the EU
 - Ongoing strong competition from China
 - New registrations achieved in China and Japan
- **L-Carnipure**
 - Strong demand in Food/Pharma balanced by a weaker performance in Feed
 - Plant under construction based on novel technologies
- **Other products**
 - Innovative environmentally-friendly vitamin K3 product launched
 - Larch arabinogalactan sales growth requiring capacity expansion

Life Science Ingredients (II)

Microbial Control

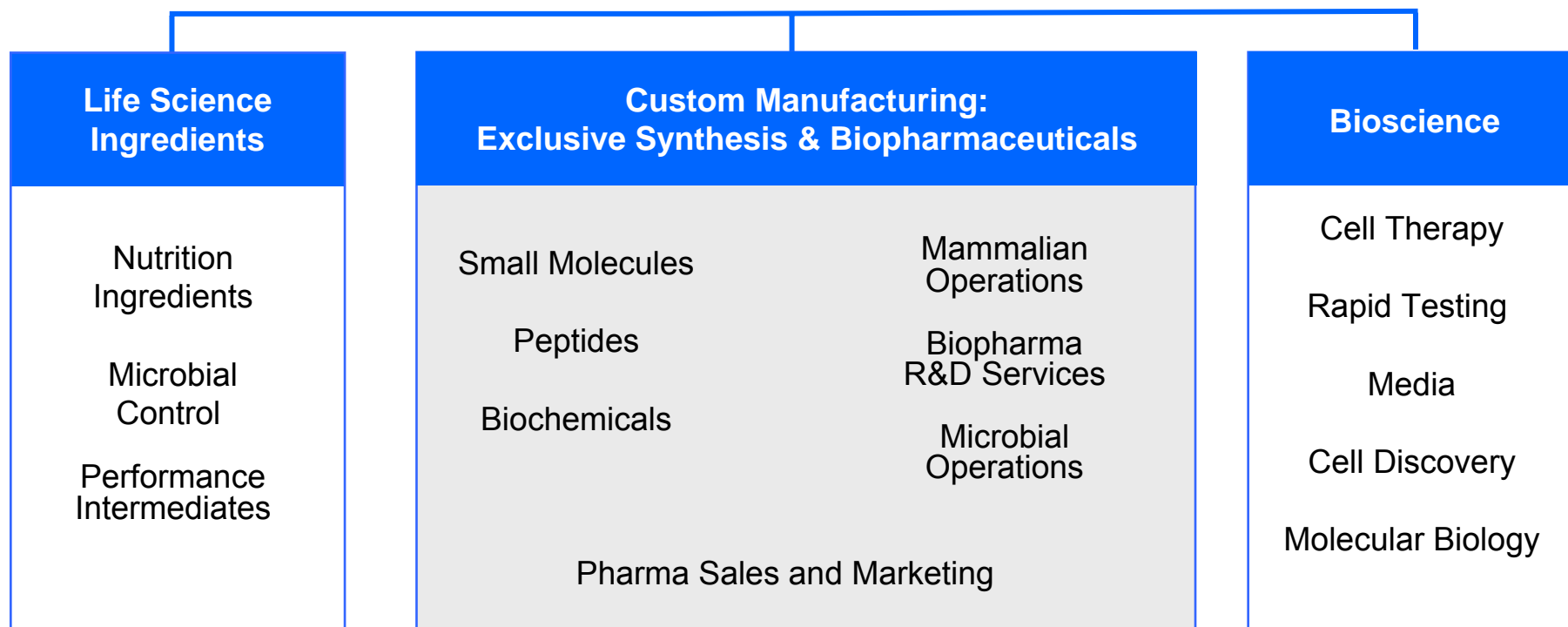
- Unprecedented increases in raw material cost gradually passed on to customers
 - Volume decline in Q4 2008
 - Decline in natural raw materials started in Q3, with chemicals following in Q4
- Hygiene and Water business at target level until Q4 2008
- Unsatisfactory performance of Carboquat® and of other industrial applications
- Strategic growth milestones on track

Performance Intermediates

- Volume and margins for diketene and HCN derivatives satisfactory until October, with a significant downturn experienced in the fourth quarter
- High-Performance Materials weakening for electronic applications, only partially compensated by aerospace applications
- Strong Agro performance throughout 2008 with a strengthening of the product pipeline and a positive outlook for 2009

Lonza's Life-Science Platform

Lonza

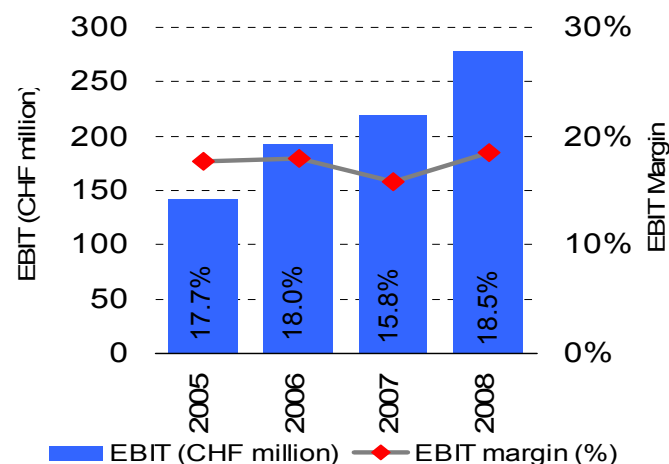


Exclusive Synthesis & Biopharmaceuticals

Key figures

CHF million	2008	Change YoY
Sales	1'512	8.9%
EBIT	279	27.4%
Margin	18.5%	
EBITDA	436	11.5%
Margin	28.8%	

EBIT and margin progression



- Significant pickup in Exclusive Synthesis driven by
 - Strong sales progression especially in Small Molecules
 - Strong EBIT progression on restructuring and portfolio effects
- Stable performance in Biopharmaceuticals despite
 - Retrofitting of Porriño
 - Some project postponements
- Expansion projects for both business units on track
- Important product pipeline expansion projects under full implementation

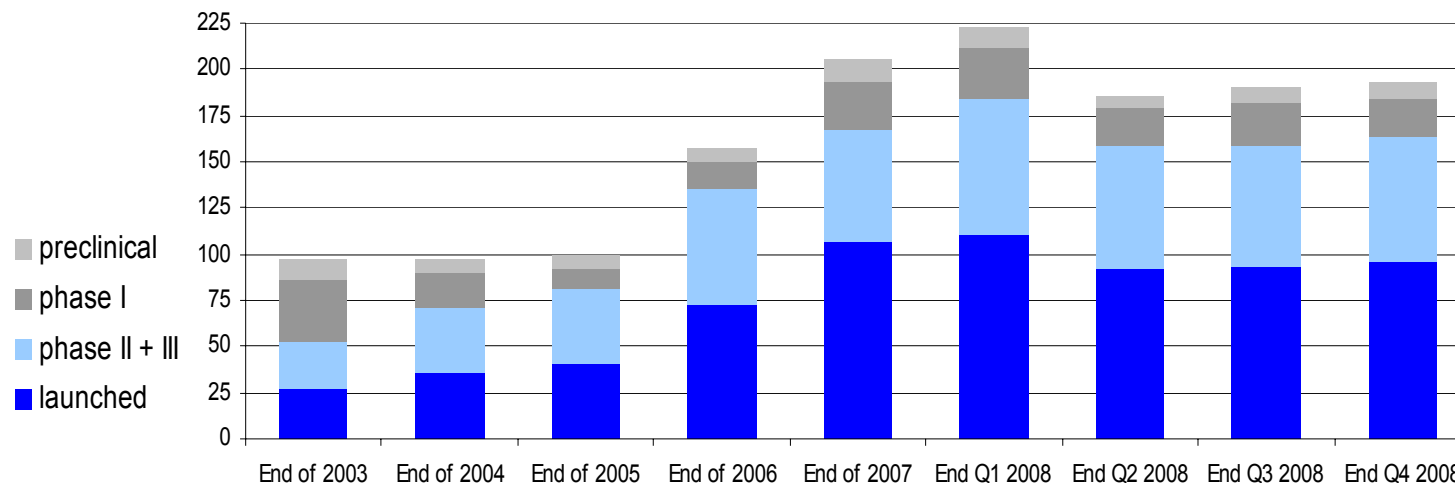
Exclusive Synthesis & Biopharmaceuticals

Exclusive Synthesis

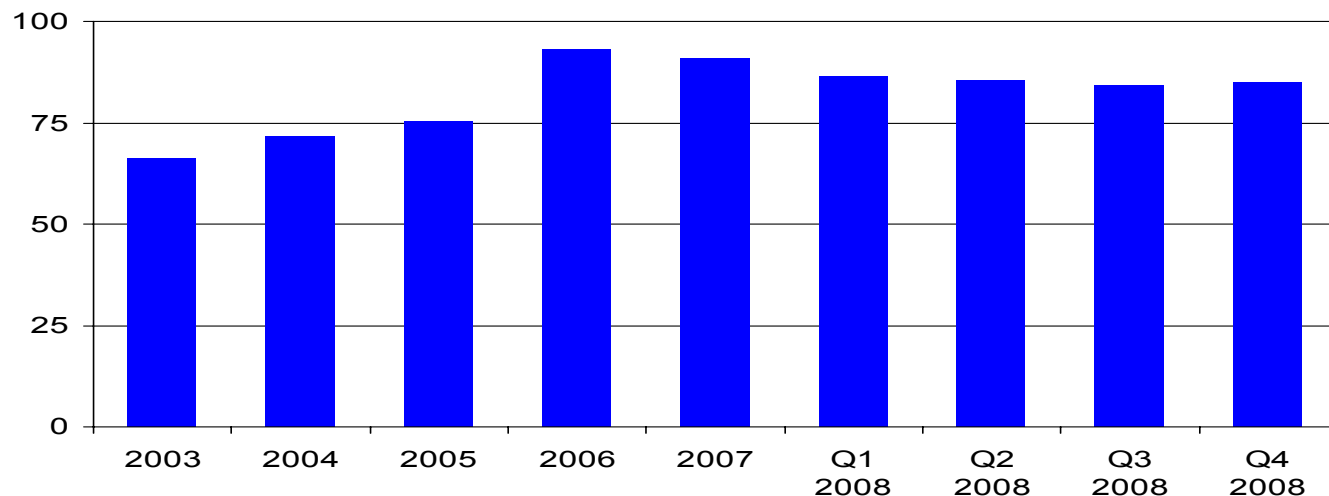
- Increased customer interest in outsourcing and longer-term relationships
- Extension of the production capacity and technology base on track
 - Nansha Small Scale Plant running successfully at high capacity utilization
 - First phase of large-scale cGMP plant in Nansha API went on line in Q4 2008
 - Antibody Drug Conjugates production started in Q2 and running as scheduled
 - Manufacturing of highly potent APIs started up in Q3 with the first products
- Operations
 - Riverside – turnaround achieved; new and strong leadership team in place
 - Braine – processes stabilized and productivity raised by over 80% since the acquisition
 - Kouřim – portfolio rejuvenation ongoing with further improvements required in 2009
 - Visp – productivity continues to be at a satisfactory high level
- Successful regulatory inspections in Visp, Riverside, Nansha and Braine

Exclusive Synthesis – Pipeline and Utilization

Project pipeline
Number of projects



Capacity Utilization
in %



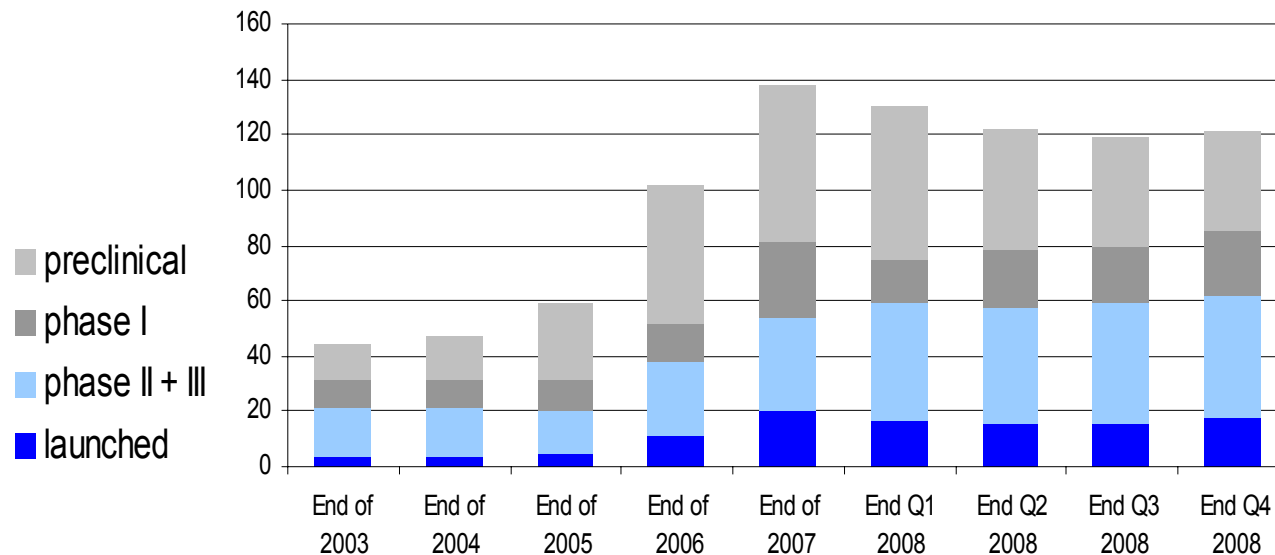
Exclusive Synthesis & Biopharmaceuticals

Biopharmaceuticals

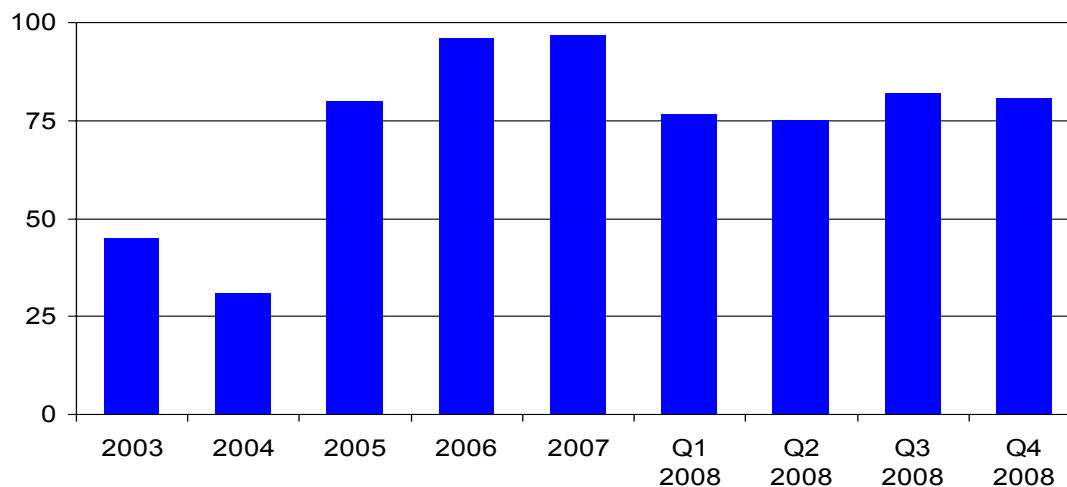
- Strong demand for Lonza's "Total Product Life Cycle and Pipeline Management" concept, supported by the increased trend towards outsourcing
- Singapore II fit-out started based on an above 55% contracted plant utilization at start-up planned in 2011
- Biopharma Services impacted by project delays and cancellations in early phases due to slowdown in funding for smaller biotechnology companies
 - New "tailor-made" solution offerings especially for small biotech
 - Many customer signatures turn the trend around in Q4 2008
- Operations
 - Lower capacity utilization in Portsmouth for 2009 due to customer caution – short-term "fillers" under evaluation
 - Porriño retrofitting finalized and start-up with three new customer projects
 - Consolidation of the US microbial operations in Hopkinton finalized with the new 2 000 L line starting up in Q1 2009
 - Successful regulatory inspections in Visp, Hopkinton and Portsmouth

Biopharmaceuticals – Pipeline and Utilization

Project Pipeline Number of projects



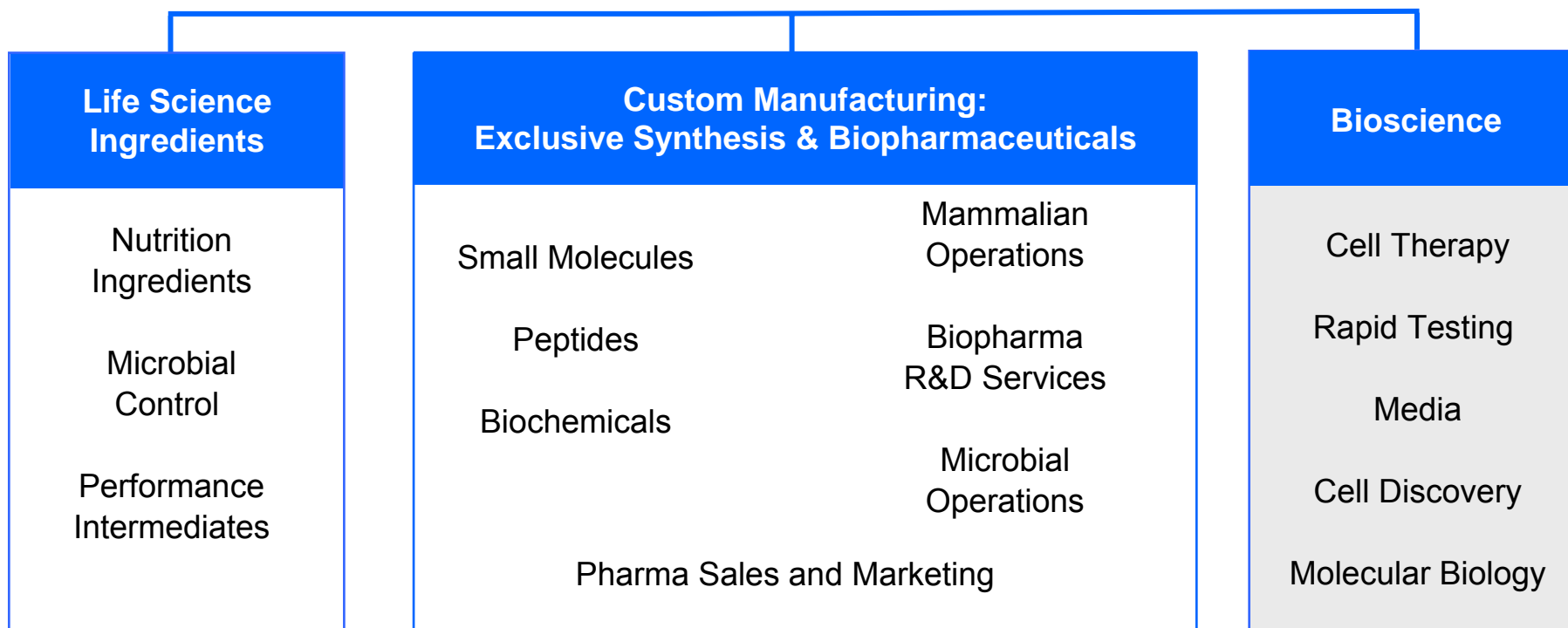
Capacity Utilization in %



Note: 2008 numbers include 40 000L of mostly idle capacity in Porriño, which is being transformed to a multi-purpose facility

Lonza's Life-Science Platform

Lonza



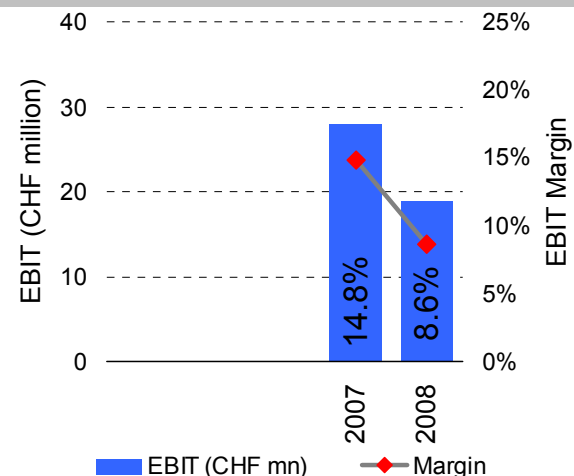
Bioscience

Key figures

CHF million	2008	Change YoY*
Sales	222	17.5%
EBIT	19	(32.1%)
Margin	8.6%	
EBITDA	33	(23.3%)
Margin	14.9%	

* Consolidated as of February 6, 2007

EBIT and margin progression



- Organic sales growth of 7.8% behind target due to lower than expected sales in Rapid Testing and project delays in Cell Therapy
- Operating profit impacted by higher spending directly related to implementation of long term strategy and integration charges
- Strategic milestones on track, with amaxa acquisition and capacity expansion in Cell Therapy and Media

Bioscience (I)

Cell Therapy

- Above-average growth over 2007
- Long-term agreement signed with Osiris Therapeutics, Inc. for Prochymal®, their leading adult stem cell therapy
- Five manufacturing clients successfully initiated clinicals, four allogeneic and one autologous
- Tech transfer signed and initiated for three new products in the second half of 2008
- Construction underway for new cell therapy cGMP manufacturing facilities in the US

Rapid Testing

- Endotoxin market growth negatively impacted by pharmaceutical cutbacks in quality control spending
- A reorientation of the salesforce delivered a stronger fourth quarter performance
- New recombinant assay (PyroGene®) for endotoxin detection has been accepted by US Pharmacopeia for inclusion in the US Pharmacopeial Forum
 - formal inclusion in the USP anticipated early 2010

Bioscience (II)

Media

- Above-average growth over 2007
- Launch of PowerCHO-GS™ for the Lonza GS-CHO expression system
- Product line extension through agreements signed with
 - Crucell (for the manufacturing and distribution of PERMEXCIS™ medium)
 - CELLution (for distribution of their Single Use Bioreactor CELL-tainer®)
- Capacity expansions underway in Verviers (BE) and Walkersville, MD (USA)

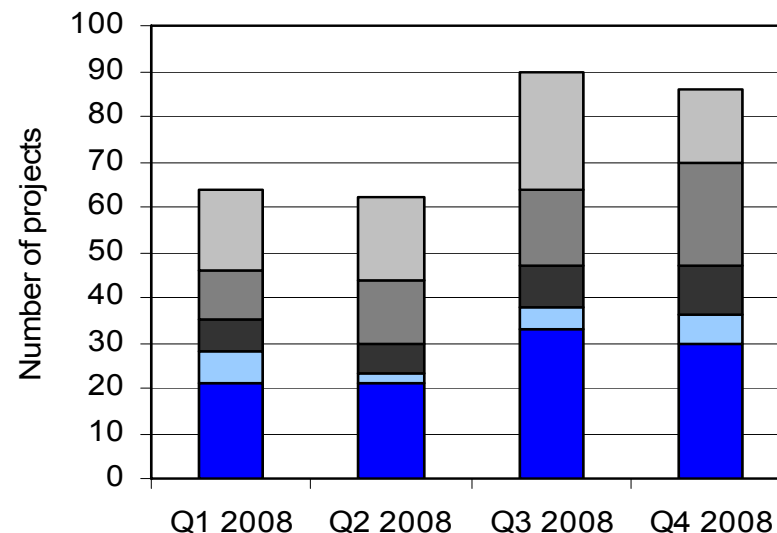
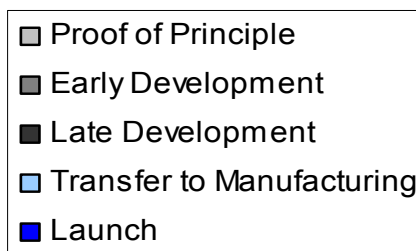
Cell Discovery & Molecular Biology

- Sales slightly behind objectives primarily due to R&D budget constraints among US customers
- Significant expansion of the product portfolio
 - Eight new primary / adult stem cells launched in 2008
 - Acquisition of amaxa, worldwide leader in transfection for difficult to transfect cell lines, to strengthen offering in cell analysis
 - “Stellaray” cell analysis product range launched in Q3
- Integration process of amaxa was finalized in December, six months ahead of plan
- Cell Discovery and Molecular Biology businesses separated to strengthen focus and drive strategies

Bioscience Project Pipeline – New Products and Therapeutic Clients

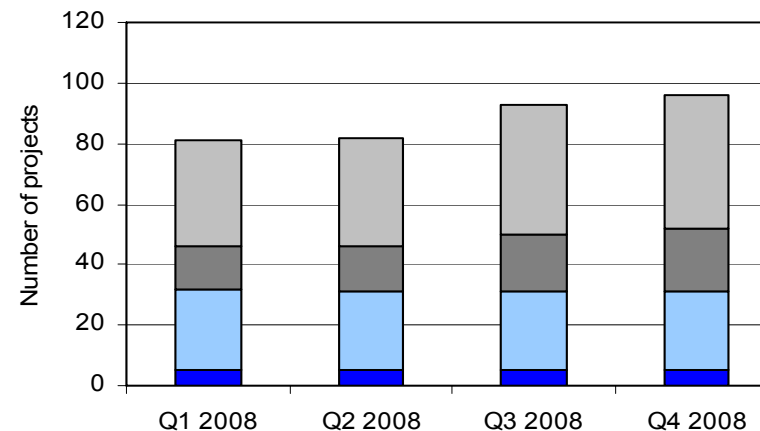
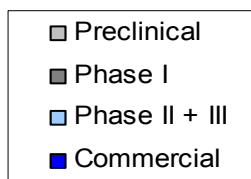
New Products

(Cell Discovery, Molecular Biology, Rapid Testing, Media)



Therapeutic Clients

(Cell Therapy, Media)



2009 Priorities

- **Overall, we will focus on pipeline expansion and cost management**
- **Life Science Intermediates**
 - Nutrition Ingredients and Microbial Control pipeline developments
 - Further develop main markets in Asia
 - Operational excellence and fixed cost control
- **Biopharmaceuticals**
 - Strengthen our product pipeline
 - Execution of capital projects
 - Efficiency and productivity improvement with operational excellence
- **Exclusive Synthesis**
 - Development of the product pipeline
 - Pursue sourcing and supply chain improvements
 - Strengthen R&D efficiency
- **Bioscience**
 - Sales pipeline
 - Align cost build up with growth rate
 - R&D output

Summary, Status and Outlook

■ 2008 Status

- Performance on track due to the good balance of the portfolio of businesses
 - Nutrition Ingredients, Performance Intermediates and Small Molecules above expectations
 - Biopharma Services and Bioscience below
- Significant strategic progress over the last 12 months
 - Extension of the custom manufacturing model to the joint development of product pipelines with customers
 - Establishment of a partnership to develop a selected number of biosimilars

■ Outlook

- EBIT growth in the mid to high teens on average until 2013
- Project pipeline fully aligned to support growth expectations – 80% of capacity expansions committed today

Calendar of Events and Contacts

■ Important Lonza Group Dates

- 8 April 2009 Annual General Meeting
- 23 April 2009 First Quarter 2009 Business Update
- 22 July 2009 Half Year 2009 Results
- 27 January 2010 Full Year 2009 Results

■ Contacts

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We work with passion, using advanced technologies, to transform life science into new possibilities for our customers

Lonza

2008 Full Year Results – 27 January 2009

Stefan Borgas

Chief Executive Officer

Additional information – Adjusted EBIT for continuing businesses

Published 2007 EBIT **CHF 408 million**

Adjustments for:

EBIT from purified isophthalic acid (PIA) plant

- CHF 32 million

Book gain from sale of the PIA plant

- CHF 29 million

Restructuring provision Microbial Biopharma.

+ CHF 14 million

Bioscience integration cost

+ CHF 8 million

Goodwill impairment Lonza Braine SA

+ CHF 9 million

Asset impairment Lonza Inc. Riverside

+ CHF 7 million

DHA write-off

+ CHF 10 million

Adjusted 2007 EBIT for continuing businesses **CHF 395 million**

Published 2008 EBIT **CHF 441 million**

Adjustments for:

Release of a negative goodwill due to a step-acquisition in Lonza Singapore Tuas Pte Ltd

+ CHF 14 million

One-off integration and start-up cost
(amaxa, Nansha, HAPI, ADC, Porriño)

- CHF 14 million

Adjusted EBIT for continuing businesses **CHF 441 million**