

Corporate



Science and Technology for Pharma & Biotech, Nutrition and Well-being

Q3 2013 Qualitative Business update - 31 October 2013

Richard Ridinger - CEO

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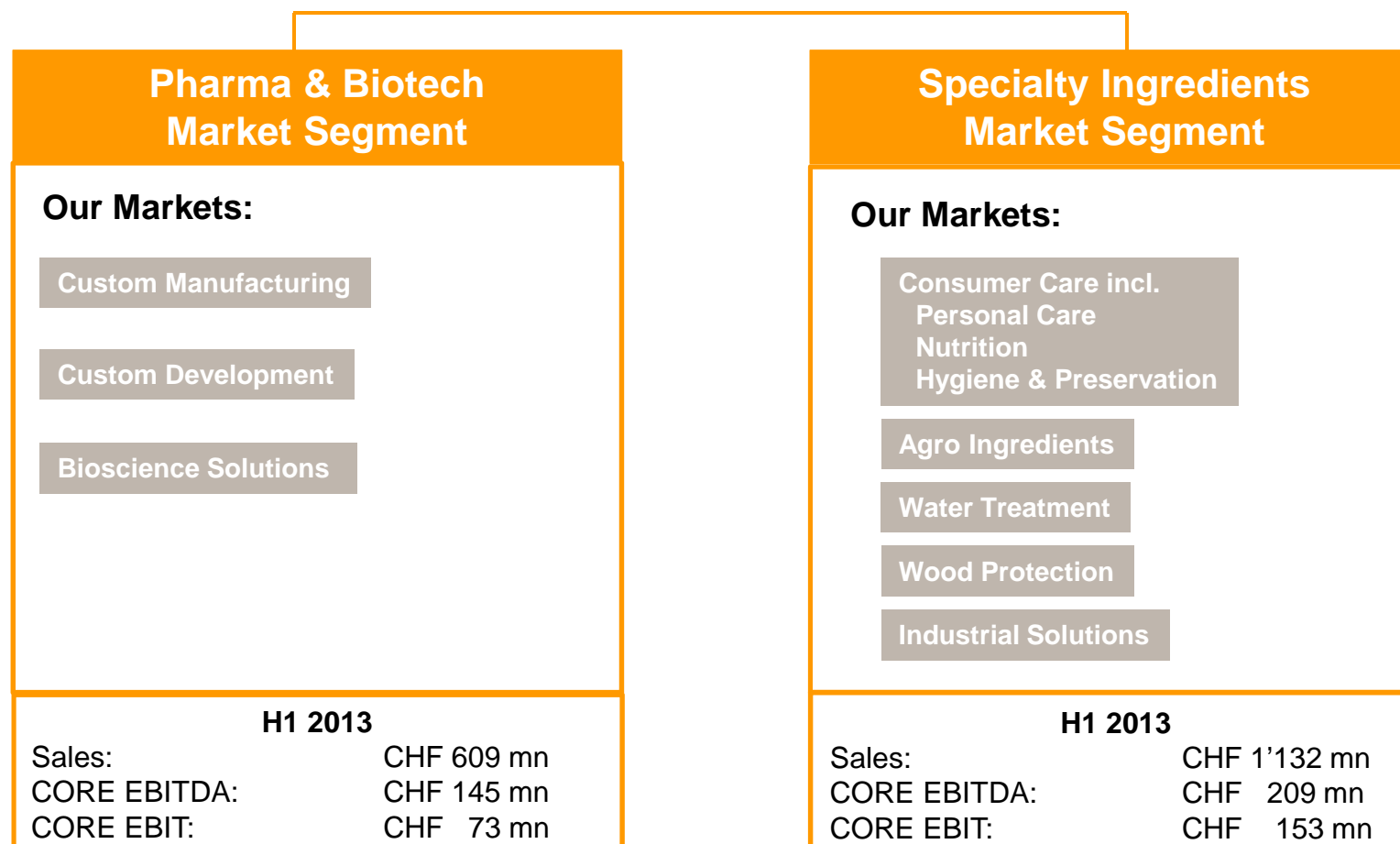
Forward-looking

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. Investors are cautioned that all forward-looking statements involve risks and uncertainty and are qualified in their entirety. The actual results may differ materially in the future from the forward-looking statements included in this presentation due to various factors. Furthermore, except as otherwise required by law, Lonza Group Ltd disclaims any intention or obligation to update the statements contained in this presentation.



Market Segments Lonza

Lonza



Third Quarter 2013 Milestones

- The numerous transformational activities to increase productivity, to reduce complexity and to transform business portfolio are fully on track
- Overall business performance remains on track as anticipated
 - Specialty Ingredients delivers good performance despite continued weak recreational water market
 - Pipeline development of Pharma&Biotech market segment on track
- US Government shutdown and timing impact sales to academic institutions, outstanding product registrations and Hopkinton resolution
- Investments in growth projects and expansions are on target
- CAPEX will remain below CHF 250 mn in 2013
- Headcount (FTE) reduction in 2013 by 744 to 10'045

Specialty Ingredients Market Segment (I)

Personal Care

- Continued strength in preservatives, especially in new multi-national customer product introductions
- Increasing number of cosmetic product launches incorporating specialty products for anti-aging and moisturization in high-end products
- Rochester, NY and Suzhou, CN successfully accommodated Swords products

Nutrition

- Niacin prices stabilized step-by-step with sales on expected levels
- Sales impacted by the H7N9 virus in the poultry segment in Asia
- The immune supplement, Alomune™, was introduced into the US retail segment

Hygiene & Preservation

- Ongoing global strength in the Home Care and Industrial & Institutional markets with stabilizing prices in Europe
- Hard Surface Disinfection products launched in the US (Institutional Customers)
- Accelerating global expansion into formulated solutions for antimicrobial wipes focusing on health care and private-label segments

Specialty Ingredients Market Segment (II)

Agro Ingredients

- Agro Custom Manufacturing saw high capacity utilization
- The capacity expansion project in Visp is fully on track (start-up end 2013)
- Meta™ experienced a continuous strong demand especially in Europe
 - Geographic expansion into new markets is running according to plan
- Formulated ingredients: Ready-to-use preservation agents (Proxel™) experienced again a strong market demand

Water Treatment

- Demand for recreational water treatment continued to be impacted by unseasonal weather in the US
- Early buy programs for the northern hemisphere has been initiated but is hitting head winds due to existing inventories due to the lackluster season of 2013
- The Industrial and Municipal water markets continue to progress as planned

Specialty Ingredients Market Segment (III)

Wood Protection

- Global Wood protection experienced improved volumes especially from Europe and North America in construction, agricultural and industrial markets
- In North America residential and Do-it-yourself sales were impacted by record rainfall
- Asia Pacific sales remained solid but softer towards the end of the quarter due to regional economies and competition
- Carve-out project started

Industrial Solutions

- Material Protection business performed well across almost all application areas
Demand continues to be strong in Japan, China and South America
- High Performance Materials (electronics, aerospace) had good demand as expected
- Demand for Basic Chemicals continued to be in line with expectations

Pharma&Biotech Market Segment (I)

Custom Manufacturing

- Pipeline development for long term assets commitment on track
- Both microbial and mammalian technology offerings continue to generate customer interest and demand
- Secured new contracts for small molecule products
- Continuous high demand for full service integrated ADC offering from mAb manufacture to conjugation in Slough and Visp
- On track with build-out of additional commercial scale ADC capacity in Visp
- Both gene therapy and viral vaccines continued strong pipeline growth, including first “big pharma” contract
- Strong Cell Therapy pipeline driven by increased funding available to companies in this area through public market and large pharma investment
 - In Singapore first GMP lots for Mesoblast
- In the first 3 quarters of 2013 Lonza underwent 16 regulatory inspections and follow-up discussions with regulatory agencies for both products and sites
- Phasedown of Hopkinton, MA on track

Pharma&Biotech Market Segment (II)

Custom Development

- Mammalian business expanding with worldwide interest in GS Xceed™ Gene Expression System
- Asia now represents 25% of GS Xceed™ Research Evaluation Agreements
- Expanded Microbial Capabilities – adding new customers to the pipeline
- Lonza's Cell Therapy Process Development Services – building a pipeline for Cell Therapy manufacturing

Bioscience Solutions

- Continued solid performance
- U.S. and European markets suffer from poor Academic funding and conservative spending of pharma and biotec industry
- Media business is on track, driven by progressing long-term Sartorius Collaboration
- Research Products is facing challenging market environment and fierce competition in Europe and the US
- Endotoxin sales demonstrated growth over 2012 with strong growth in Asia

Summary and Outlook

- Overall business performance remains on track as anticipated
- Lonza continues to work on the execution of the numerous transformational activities to increase productivity, to reduce complexity and to transform business portfolio
- The majority of batches in the Pharma&-Biotech segment are scheduled to be released as usual in Q4
- Based on our remaining order book visibility Lonza reiterates its 2013 CORE EBIT guidance growth of approximately 10%
- Revenues in 2013 will be on a comparable level as 2012 (restated)

Calendar of Events and Contacts

Important Lonza Group Dates

31 Oct 2013 Third Quarter 2013 business update

23 Jan 2014 Full-Year 2013 results

16 Apr 2014 Annual General Meeting

24 Apr 2014 First Quarter 2014 business update

14 May 2014 Capital Markets Day in Slough, UK

24 July 2014 Half-Year 2014 results

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Further Information

Lonza

CORE results as defined by Lonza

Lonza believes that understanding in the financial markets of the Group's performance is enhanced by disclosing core results of performance because the core results enable better comparison across years. Therefore the core results exclude exceptional items such as restructuring charges, impairments and amortization of acquisition-related intangible assets which can differ significantly from year to year. For this same reason, Lonza uses these core results in addition to IFRS as important factors in assessing the Group's performance.

Key Opportunities

Key Opportunities for Lonza

- 1 Stronger Focus on Target Markets**
 - B2B-marketing and sales approach
 - Emerging markets expansion
- 2 Near Term Cost Reduction**
 - Arch integration
 - VispChallenge
 - Corporate Functions review
- 3 Longer Term Operational Improvements**
 - Manufacturing / Administration
 - Site / legal entity consolidation
- 4 Cash Focus**
 - De-leveraging
 - EBITDA growth, capex / NWC control
- 5 Portfolio Management**
 - Business portfolio
 - Product portfolio

2013

Reiteration of given guidance:

- CORE EBIT 2013 growth =
- CORE EBIT 2012 plus ~10%

2015*

- Mid single-digit annual sales growth
- EBITDA margin: 20% (2012: 16.6%)

* based on current fx and business composition

Roadmap – The Path to Sustainable, Profitable Growth on a Solid Basis

