Corporate

News Release

Lonza Group Ltd
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Lonza Delivers Solid Performance in Q3; Cost Improvement Programs on Track

- **Overall business performance on expected level despite difficult macro-economic challenges**
- **Increased market demand for new technologies**
- **"Focus and Deliver" strategy remains key driver for the business**
- **VispChallenge on track to deliver productivity improvement of CHF 100 million by 2015**
- **Plan to re-establish full competitive strength of Visp operations initiated. This will include reduction of staff. The majority will consist of internal transfers, early retirements and discontinuation of temporary contracts. Reductions will be partially extended over a period of two years.**
- **Arch integration progressing as planned: 90% of synergy measures implemented**
- **Successful, long-term refinancing of bridge loans secured with very favorable conditions**
- **Overall business on track to meet 2012 full year targets**

Basel, Switzerland, 31 October 2012 – Lonza's business performance was in line with expectations in the third quarter 2012 with on target capacity utilization by all sectors, despite some macroeconomic challenges and tight inventory control at customers. The successful, long-term refinancing of bridge loans with very favorable conditions further strengthens the balance sheet. Looking ahead, management expects to deliver the company's full year targets for 2012.

"The third quarter was characterized by ongoing Focus & Deliver initiatives throughout the company. Underlying business growth is on track with newly signed contracts and increasing market demand for our new technologies," comments Lonza CEO Richard Ridinger. "While we are making good progress in our short-term cost reduction programs, we were also able to drive our deleveraging with the long-term refinancing of our bridge loans. Also, I am pleased with the progress we are making integrating the Arch business, with 90% of synergy measures already implemented."

Demand in **Custom Manufacturing** was steady, resulting in good capacity utilization in both chemical and biological plants. The outsourcing trend was solid and produced newly signed contracts, including two long-term commercial-scale contracts in Biological Manufacturing for already launched products. There was strong market demand and new customer interest for technologies such as antibody drug conjugates, highly active pharmaceutical ingredients and GS Xceed™ (next generation GS System™). Successful FDA audits took place in Visp and Singapore in the third quarter.

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Microbial Control delivered according to expectation in the third quarter. Demand in North America and Europe was softer due to macroeconomic uncertainties, with customers also closely monitoring inventories. New applications and approvals such as new hygiene applications and new products in the shale oil and gas business had a positive impact. Integration of the business is on track to deliver synergies of USD 50 million by the end of Year 2 and additional revenues of USD 40 million by Year 3 through cross-selling activities. 90% of all integration synergy measures are implemented. Also, innovation projects based on the newly combined portfolio are making good progress.

Capacity utilization in the **Life Science Ingredients** sector remained high in the third quarter. Strong demand was driven mainly by agro-chemical business. Nutrition Ingredients demonstrated stable demand in food and pharma applications, but weaker demand in feed applications due to livestock reduction in North America caused by the drought which brought upon record high grain prices. LSI continued to suffer from strong price and margin pressure on Niacin. High Performance Intermediates performed as planned.

Bioscience delivered on target in the third quarter with strong development in Cell Therapy and a solid performance by the Research & Testing business. Increasing demand for therapeutic solutions prompted the initiation of construction for additional capacity in Walkersville and Houston.

Cost Improvement Programs: VispChallenge and Corporate Functions Review
In 2011, Lonza initiated VispChallenge, a program to secure the future of the Visp, Switzerland site. Although Visp has good capacity utilization and is the largest of Lonza's sites, the profitability over the past few years has been unsatisfactory. The site is not only heavily exposed to competitive pressure from low-cost manufacturers, unfavorable exchange rates (continuously strong Swiss franc) and higher oil prices and energy cost, it is also exposed to a suboptimal product portfolio as well as to a challenging site complexity. Ensuring a competitive portfolio and cost structure for Visp is fundamentally required to remain attractive for new products, investments and technologies.

"With our VispChallenge program we want to assure that Visp remains a long-term competitive and profitable site with attractive work places. We will focus all activities on value creation, by reducing the complexity of the site, improving the cost structure and flexibility. This will also include a review of business models and optimization of the portfolio. These measures will help increase profitability and make Visp a competitive site. These critical measures will unfortunately also require a reduction of 400 positions within 24 months," said Richard Ridinger.

The reduction will be managed carefully, and for the majority of positions, Lonza will offer employees internal transfers to open positions and new businesses. Also, natural attrition, early retirements and a reduction of the number of temporary workforces will help reduce some of the impact. Required layoffs will be in line with the dismissal protection due to the lengthening of working hours (end 2012 for individual work contracts (EAV) and end February 2013 for Collective Work contracts (KAV)). As required in Switzerland, a social plan has been

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prepared and consultation with unions will be conducted over the next weeks. The final results are expected in November 2012.

Following this productivity improvement program in Visp, Lonza will review its global manufacturing footprint and introduce similar improvement programs to other sites globally.

Also, in the summer 2012, a review of Corporate Functions structure was initiated to optimize and adapt corporate service offerings and to realize sustainable improvements and savings. This program will lead to a reduction of 100 positions worldwide over 24 months. This measure will help increase efficiencies of services delivered to the business globally.

About Lonza
Lonza is one of the world's leading suppliers to the pharmaceutical, healthcare and life science industries. Products and services span its customers' needs from research to final product manufacture. It 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 also the world leader in microbial control providing innovative, chemistry-based and related solutions to destroy or to selectively inhibit the growth of harmful microorganisms. Its activities encompass the areas of water treatment, personal care, health and hygiene, industrial preservation, materials protection, and wood treatment. In addition, Lonza is a leader in cell-based research, endotoxin detection and cell therapy manufacturing. Furthermore, the company is a leading provider of value chemical and biotech ingredients to the nutrition and agro markets.

Lonza is headquartered in Basel, Switzerland and is listed on the SIX Swiss Exchange and secondary listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Lonza is not subject to the SGX-ST's continuing listing requirements. Lonza is subject to the listing rules of the SIX Swiss Exchange, which do not have specific requirements equivalent to the listing rules of the SGX-ST in respect of interested person transactions, acquisition and realizations, and delisting. In 2011, the company had sales of CHF 2.69 billion. Further information can be found at www.lonza.com.

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