

## News Release

**Lonza Delivers Strong Results Following Continuing Success of Transformation Efforts**

- **Lonza is delivering strong results with CORE EBIT growth of 11.2% to CHF 436 million, in line with our guidance**
- **Solid CORE EBIT results stem from the continued success of product portfolio optimization and from the execution of efficiency-improvement programs**
- **CORE EBITDA margin increased from 17.6% in 2012 to 19.8% in 2013**
- **Operational free cash flow was maintained at a high level of CHF 519 million**
- **Net debt reduction was on target, with debt reduced by ~CHF 200 million to CHF 2 103 million, resulting in a net debt/EBITDA ratio of 2.77x**
- **Lower revenues resulted from lower Water Treatment sales, product portfolio optimization measures, unfavorable exchange rate translation effects, weaker Pharma&Biotech sales in the first half and the phasedown of the Hopkinton, MA (USA) site**
- **The carve-out process of the Wood Protection business began on 1 January 2014**
- **Headcount (FTE) was reduced in 2013 by 7.9% to 9 935 (-854 positions) in line with our previously announced restructuring program**
- **The Board of Directors is proposing a cash dividend of CHF 2.15 per share for 2013**

Basel, Switzerland, 23 January 2014 – Lonza announced today that it remained on track to deliver long-term sustainable growth with solid CORE EBIT results 11.2% higher in 2013, in line with guidance. These results reflect the continued success of product portfolio optimization and execution of efficiency-improvement programs throughout the global organization.

In 2013, operational free cash flow was maintained on a high level at CHF 519 million. All businesses in Lonza's two market segments – Specialty Ingredients and Pharma&Biotech – generated operational free cash flow.

Specialty Ingredients delivered a strongly positive performance, with substantially increased profitability in total and in nearly all markets. Specialty Ingredients' sales were driven by strong demand for agrochemical offerings and good demand for industrial solutions, as well as the successful conclusion of the Arch integration. These positive developments helped to balance the significantly lower revenues in the Recreational Water business, where the unseasonable weather led to a weak result in all major regions.

In Pharma&Biotech, important new long-term contracts were signed for commercial and late-stage products for our biological and chemically derived products. Manufacture of these new products began in the second half of 2013 and raised capacity utilization of core assets to the planned levels for the period. Revenues were lower, influenced by product portfolio optimizations and the initiation of some major projects to prepare the ground for future growth. The first quarter saw a scheduled production stop for the build-out at our antibody drug conjugates (ADC) plant in Visp (CH). Our large-scale mammalian cell culture facility in Singapore implemented multiple plant adaptations; and we began the phasedown of our Hopkinton, MA (USA) microbial biologics plant, which is progressing as planned.

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“In 2013, Lonza experienced the most significant transformation in the last 15 years of the company’s history. We’re pleased that even while this major transformation was taking place, we achieved all our operational targets in line with our guidance,” said **Richard Ridinger, Lonza’s CEO**. “Our accelerated shift from a product-focused organization to a market-driven one comes from ongoing transformation initiatives like Go-to-Market Excellence. We’re also optimizing our global manufacturing footprint and reducing complexity and costs with operational improvements. These steps, as well our continued financial discipline, will make us even more competitive in the long term.”

### Financial Summary

- CORE EBIT increased by 11.2% to CHF 436 million
- CORE EBITDA margin increased from 17.6% in 2012 to 19.8% in 2013
- Operational free cash flow was maintained on a high level at CHF 519 million
- Net debt was reduced by ~CHF 200 million to CHF 2 103 million. This resulted in a gearing of 99% and a net debt/EBITDA ratio of 2.77x
- Net working capital in relation to sales increased to 25.3% in 2013 from 23.5% in 2012
- Capital expenditure was down by 32.3% to CHF 210 million, from CHF 310 million in 2012
- A CHF 300 million straight bond was successfully placed with favorable conditions

### Outlook

The transformation of Lonza will continue in 2014, including business processes such as the market-oriented positioning through concentration on key markets, the focus on responding to global megatrends and the portfolio optimization, all of which were initiated in 2013 and are progressing well. We will continue to work on our manufacturing network and the reduction of complexity overall. Available capacities will experience higher utilization, resulting in an improved return on net operating assets (RONOA).

With the launch of the carve-out process for our Wood Protection business, we will evaluate all strategic options for the future development of this business.

The further reduction of debt remains high on the agenda, and our high level of operating free cash flow will enable the company to further reduce net debt as planned. Our capital expenditure forecast for 2014 will again be below CHF 300 million, including maintenance capital expenditure. Also, 2014 will see an even stronger emphasis on our comprehensive quality infrastructure.

On this basis – as well as on the basis of new technologies now in commercial manufacturing, new long-term contracts signed, good order-book visibility, further ongoing portfolio optimization, further optimization of our manufacturing footprint and a stable macroeconomic environment – we are confident in providing the following outlook:

- For 2014, CORE EBIT growth will be approximately 10 %
- For 2014, revenue growth will be approximately 5 %
- For 2015, our mid-term targets are unchanged

The Full Year Report 2013 can be found on lonza.com:

<http://www.lonza.com/about-lonza/investor-relations/financial-reports.aspx>

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### **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 chemical and biological active pharmaceutical ingredients. 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"). In 2013, the company had sales of CHF 3.584 million. Further information can be found at [www.lonza.com](http://www.lonza.com).

### **Forward-Looking Statements**

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.

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