Corporate

Lonza Group Ltd
Muenchensteinerstrasse 38
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www.lonza.com

News Release

Lonza Progresses Well with Transformational Activities and Delivers Better Than Expected Half Year CORE EBIT

- **In the first half of 2013, the two market segments, Specialty Ingredients and Pharma&Biotech, performed better than expected on a CORE EBIT basis**
- **Company anticipates CHF 100 million reduction in cost base from optimized global manufacturing footprint and further optimizations by 2016**
- **Decision to concentrate and consolidate our future Microbial Biologics assets and activities in our Visp (CH) site. As a result, our Microbial Biologics plant in Hopkinton, MA (USA) will be phased down. This phasedown will not affect our obligations to existing Hopkinton customers**
- **Teva and Lonza announce mutual decision to discontinue biologics joint venture. This will reduce Lonza's committed investments in the next three years by more than CHF 150 million**
- **Carveout of Wood Treatment business with all strategic options to be considered**
- **Based on cost savings and on orders booked for Custom Manufacturing, Lonza confirms guidance on CORE EBIT growth of approximately 10 % for 2013 and is set for further solid growth in 2014 and beyond**

Basel, Switzerland, 25 July 2013 – In the first half of 2013, Lonza successfully executed several previously announced strategic tasks and initiated activities to deliver long-term sustainable growth. From a results perspective, the two market segments, Specialty Ingredients and Pharma&Biotech, performed better than expected on a CORE EBIT basis in the first half of 2013.

Specialty Ingredients delivered a good performance, with substantially increased profitability in nearly all subsegments and in total. Positive developments such as the very strong demand for the agrochemical offerings, the good demand for high-performance products as well as the successful conclusion of the Arch integration balanced the significantly lower revenues in the recreational water business where the cold and rainy weather led to a record low in the first six months, after a record high for the same period in the prior year.

In Pharma&Biotech new long-term custom manufacturing contracts were signed in the first half of the year and as a result production at the large-scale facility for mammalian cell culture in Singapore was adjusted to accommodate customer requirements. At the large-scale antibody drug conjugates (ADC) plant in Visp, there was a scheduled production shutdown in the first quarter to facilitate the planned expansion of capacity which is required to serve growing customer demand. In Hopkinton we focused on operational improvements and less on acquiring new projects. These unusual items resulted in lower revenues in the first half of 2013.

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Lonza CEO Richard Ridinger comments: "At the start of the year I announced transformational steps as part of our focus & deliver initiative. Today I am very pleased to report that we have made significant progress in many areas. The successful reorganization of the company which we initiated in the first quarter will help us to move Lonza from a product oriented to a market oriented organization.

Following in-depth evaluations for the adjustment of our site footprint, our global expert team came up with sound proposals to improve our cost base by CHF 100 million between 2012 and 2016 through site consolidations, fixed cost reductions and production process improvements. Following the closure of our Swords site in Ireland in the second quarter of 2013 we decided also to cease our activities in St. Beauzire in the fourth quarter of 2013. On 24 July 2013, the Board of Directors decided to concentrate and consolidate our future Microbial Biologics assets and activities at our Visp site, where we have successfully operated small and large-scale assets for that technology for many years, and to phase down our Microbial Biologics plant in Hopkinton, and approved an impairment of CHF 69 million which is booked in the first half of 2013. These three site activities will lead to a headcount reduction of approximately 250 FTE by year end; we will make sure that this necessary reduction in the workforce will be handled in a socially responsible way.

Following the sale of our Performance Urethanes business at the end of 2012, we have continued in the first half, to review our business portfolio. Today we announce the decision to begin the carveout process for our Wood Treatment business. We will evaluate all strategic options for this business and for its future development. In addition – following a strategic review of the Teva-Lonza Joint Venture (TL-JV) – we have decided together with Teva to discontinue the joint venture between our two companies.

In all these actions, our aim is to secure Lonza's long-term sustainable growth and to serve our customers with a sound and innovative portfolio and the most robust and efficient network possible. I am confident these changes will get us there."

Financial Summary

- CORE EBIT increased by 9.8% to CHF 213 million
- EBIT before Hopkinton impairment increased by 11.0% to CHF 181 million
- EBIT including Hopkinton impairment stands at CHF 112 million
- Revenues at CHF 1744 million (-11.2%) or -6.8% without Performance Products (divested in 2012)
- Operational free cash flow at CHF 68 million (CHF 284 million in the first half of 2012) due to high seasonal inventory levels in the Water and the Custom Manufacturing businesses
- Net debt decreased by 4.5% to CHF 2 417 million (compared to the first half of 2012) after payment of dividend. Net debt/EBITDA at 3.33x
- Capital expenditures at CHF 86 million, down 39.0%
- Successful placement of a CHF 300 million straight bond at favorable conditions

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Outlook
Lonza has started to further strengthen its market position through concentration on key markets, product portfolio optimization, and a focus on serving global megatrends. With our improved manufacturing network in place, available capacities will be highly utilized over the next few years, resulting in an increased return on net operating assets.

Debt reduction remains a priority. All businesses are generating operating free cash flow, and this is enabling the company to further reduce net debt as planned. Capital expenditure remains at a forecast level of below CHF 300 million in 2013, including maintenance capital expenditures. Lonza has also refinanced on very favorable conditions via a straight bond. Based on new long-term contracts signed, good order book visibility, the initiated optimization of the global manufacturing footprint, the ongoing business portfolio optimizations and no macroeconomic changes, we are confident to provide the following outlook:

- For 2013 – Reiteration of CORE EBIT growth of approximately 10%
- For 2014 – Lonza expects further double-digit CORE EBIT growth
- For 2015 – Lonza reiterates the target of an EBITDA margin of 20% and a net debt/EBITDA ratio of ~2×

The full Half Year Report 2013 can be found on lonza.com:
http://www.lonza.com/about-lonza/investor-relations/financial-reports.aspx

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 2012, the company had sales of CHF 3’925 million. Further information can be found at www.lonza.com.

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