

## Leading Supplier to the Life Science Industry

# Lonza

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**Business Update: First Quarter 2012**

**4 May 2012**

**Rolf Soiron**  
Chairman

## Forward-looking Statements

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*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.*



## First Quarter 2012 Highlights

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- Overall business on track to meet FY 2012 targets
- Custom Manufacturing - continued pipeline development and new contracts signed ranging from pre-clinical to commercial products
- Arch integration fully on track: 75% of synergy measures implemented; 50% EBIT benefit expected in 2012 – Microbial Control order intake on target
- Life Science Ingredients - promising development in agro sales but continued price pressure in Nicotines
- Bioscience - promising pipeline development for Cell Therapy products
- Debt reduction measures (capex control and net working capital reduction) being implemented
- Improved focus on core strategic projects
- Visp Challenge project on track to deliver CHF >100 mn in productivity improvements over 3 years
- Richard Ridinger started as new CEO on 1 May 2012

# Lonza's interconnected platform

## Lonza

Sales 2011: CHF 2,505mn  
 EBITDA 2011: CHF 559mn  
 EBIT 2011: CHF 292mn

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### Custom Manufacturing

Chemical Manufacturing  
 Biological Manufacturing  
 Development Services



Sales 2011: CHF 1,297mn  
 EBITDA 2011: CHF 393mn  
 EBIT 2011: CHF 228mn

### Microbial Control

Hygiene & Preservation  
 Water Treatment  
 Material Protection  
 Personal Care  
 Wood Treatment



Sales 2011: CHF 486mn  
 EBITDA 2011: CHF 14mn  
 EBIT 2011: CHF (8)mn  
Pro forma 2011:  
 Sales 2011: CHF 1553mn  
 EBITDA 2011: CHF 165mn (before integration cost)

### Life Science Ingredients

Nutrition Ingredients  
 Performance Intermediates



Sales 2011: CHF 697mn  
 EBITDA 2011: CHF 104mn  
 EBIT 2011: CHF 40mn

### Bioscience

Therapeutic Cell Solutions  
 Testing Solutions  
 Research Solutions



Sales 2011: CHF 202mn  
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## Business Highlights

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### Summary

- Good capacity utilization in both Chemical and Biological Manufacturing
- Increased project pipeline
- Continued strong performance in Development Services

### Chemicals

- Strong overall market interest has led to a large number of project wins
- Utilization of early phase assets at good level and also remaining satisfactory within all peptide manufacturing sites (Braine, Nansha, Visp) based on new contracts signed
- Secured significant long-term supply agreements for already marketed small molecule products
- Approval for 250L HPAPI expansion in Visp in 2012 – will be built to meet identified customer demand
- Establishment of Easy Access™ to improve the availability of samples and development services for Antibody Drug Conjugates (ADC)

## Business Highlights

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### Biologics

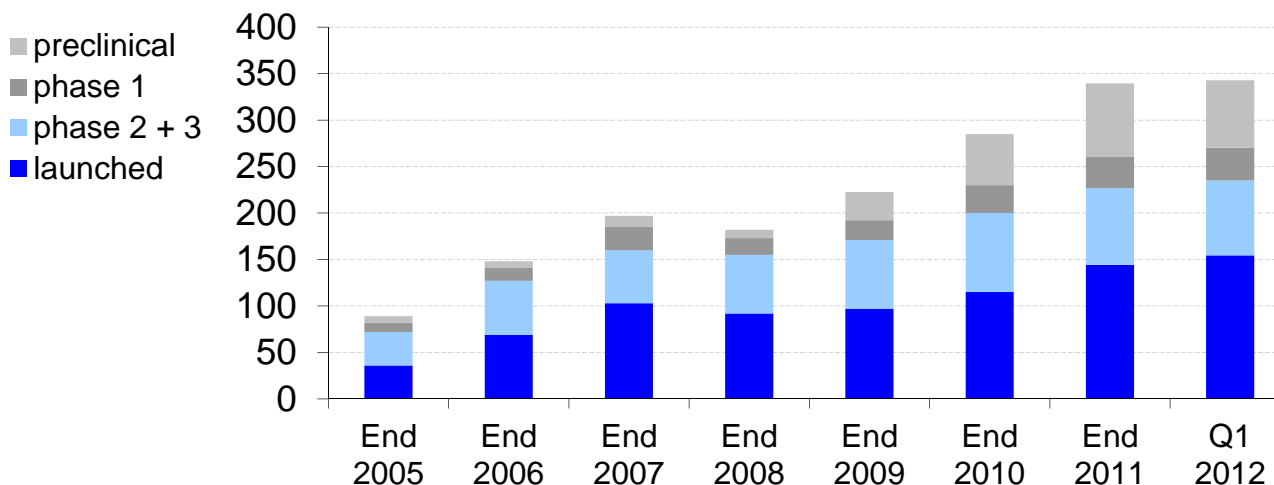
- Steady pipeline development since beginning of the year
- New contracts signed ranging from pre-clinical to commercial products
- Slough expansion progressing - completion on track for end of 2012
- Full response to FDA findings in Hopkinton submitted
- Small biotech business development initiative - virtual 360 degree tours and new value propositions to facilitate customer contact wins

### Development Services

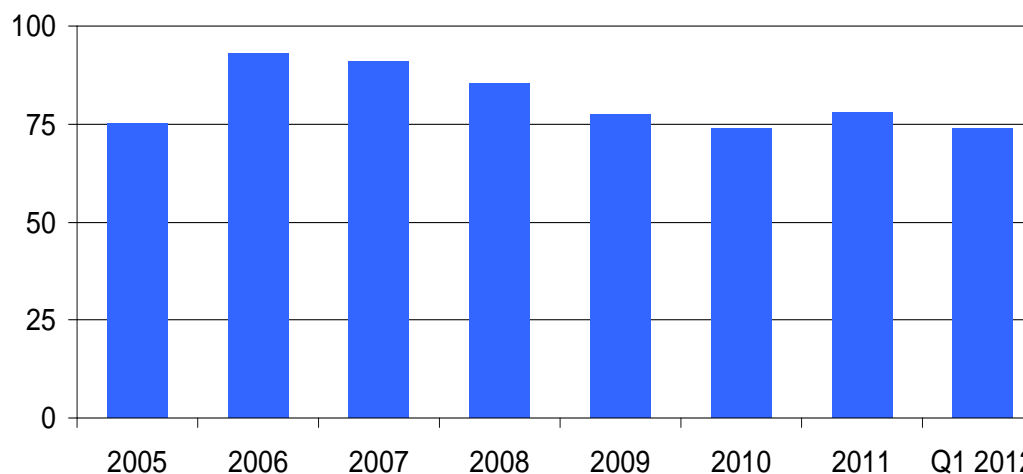
- Ongoing strong demand for all Light Path™ service offerings
- New small scale microbial fermenter being installed in Visp facility - on-line in Q1 2013
- New Development Services platform in Singapore on track to be on line in H2 2012

# Chemical Manufacturing – Pipeline and Utilization

**Project Pipeline**  
(Number of projects)



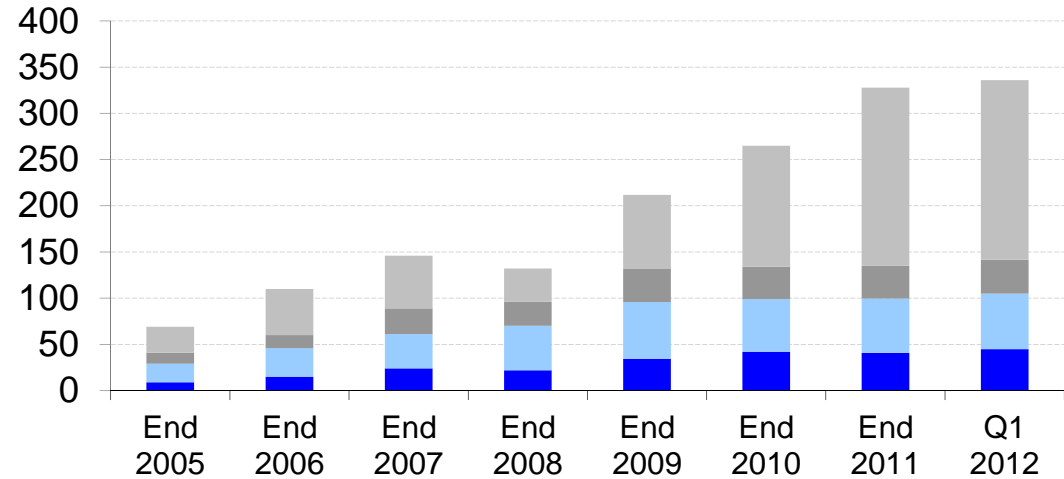
**Capacity Utilization**  
(in %)



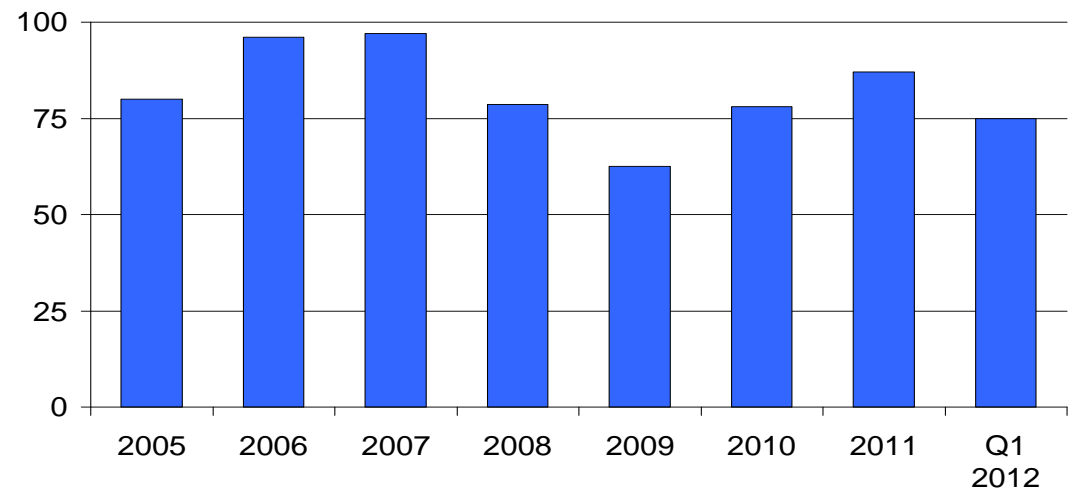
# Biological Manufacturing & Development Services: Pipeline and Utilization

## Project Pipeline (Number of projects)

- preclinical
- phase 1
- phase 2 + 3
- launched



## Capacity Utilization\* (in %)



\* Including Singapore as of Q1 2012



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# Microbial Control Q1

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- **Overall**

- The business is well on target for Q1 2012
- Strong performance in North America for Hygiene, Materials Protection, Wood Treatment and Oil & Gas business
- EU and Asian businesses improved in March
- Raw material prices are expected to increase further in Q2

- **Water Treatment**

- South Africa had a strong finish to the seasonal recreational water business
- Early order patterns in the recreational water business indicate sales to be on target in North America and EU
- Industrial: Oil & Gas sales are on target in North America but slightly below target in Europe

# Microbial Control Q1 - Continued

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- **Wood Treatment**

- Business remains on target, in line with the US housing market
- Higher sales compensated for negative FX impacts

- **Material Protection**

- Sales of antifouling products under pressure in Asia due to weaker overall demand
- Sales for automotive and building materials strong across all regions

- **Personal Care**

- EU + Asia performance according to plan
- Strong efforts in innovation have resulted in several industry awards for our ReGeniStem™ product

- **Hygiene & Preservation**

- Formulated products sales have continued to grow with differentiated offerings
- The newly integrated portfolio is already offering synergistic effects in formulated disinfecting liquids and wipes

## Integration Update

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- Integration fully on track with our original expectations
- Key assumptions reiterated
  - Sustainable cost synergies of USD 50 mn from year 2
    - 75% synergy measures implemented
    - 50% EBIT effective in 2012
  - Cross selling of USD 40 mn from year 3
- Standard processes have now been widely implemented across the organization: Finance, IT, Supply Chain, EHS, Regulatory, HR, Communications, Legal, Manufacturing, etc.
- Over the next 18 to 24 months the innovation focus will be on developing new formulations

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# Life Science Ingredients

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## Summary

- Good overall market demand
- Profitability still not satisfactory
- Niacin pricing pressure continues
- Promising development of agro sales
- Raw material volatility continues to impact margins

## Nutrition Ingredients

- Nicotinates (vitamin B3) market demand stable. Margins have been impacted by aggressive competition from China and India and higher raw material prices
- Carnitine: strong demand in both food and feed grades. Delayed start-up of Nansha plant added pressure to margins
- Meta™ (metaldehyde) sales impacted by high inventory levels at customers (remaining from 2011). Recovery started in March
- Move into the production of own formulated slug-pellets

## Performance Intermediates

- Demand for our high performance materials products was satisfactory across the board
- Higher than targeted net sales in agro due to ongoing strong demand for intermediates and active ingredients
- HCN derivatives performed well due to high asset utilization

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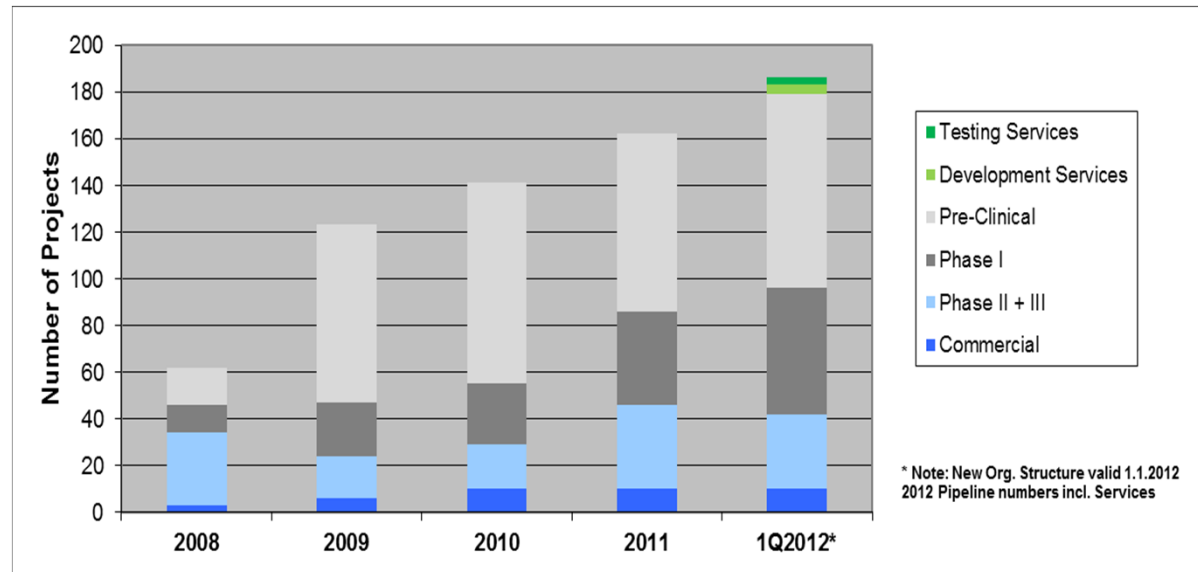
## Summary

- Business on target due to strong Cell Therapy development & solid Research business
- Substantial ongoing development of Cell & Viral project pipeline
- Growing sales in Asia
- Singapore Cell Therapy project on track to come on stream in H2 2012
- Development of testing service business (e.g. Mycoplasma testing & Moda) below expectations
- Academic and governmental institutional spending remains cautious
- Nucleofactor™ Kits sales above expectations, but instrument sales in EU and US slower than expected



# Bioscience Project Pipeline – New Products and Therapeutic Clients

## Therapeutic Clients & Services



## Summary

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- Lonza's business sectors are focused on target delivery
- Custom Manufacturing capacity utilization on track
- Productivity improvements remain key for Life Science Ingredients
- Microbial Control has started 2012 well and integration is on track
- Guidance "EBIT 2011 plus 10-15% confirmed"
- CEO Richard Ridinger started on 1 May

# Calendar of Events and Contacts

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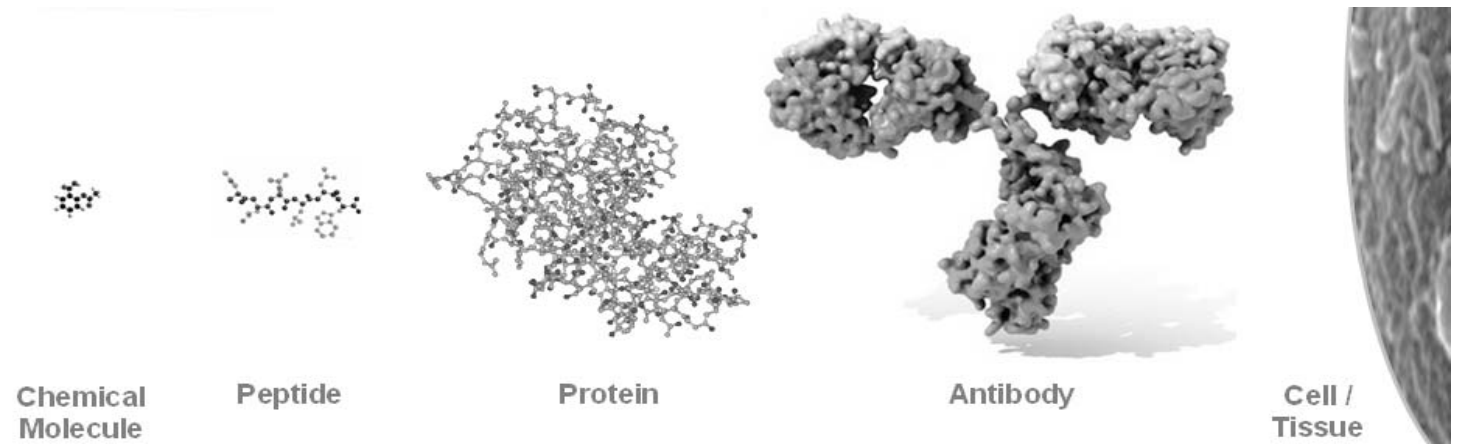
- **Important Lonza Group Dates**

- 25 July 2012                      Half Year 2012 Results
- End October 2012                Market Capital Day
- 01 Nov 2012                        Third quarter 2012 business update
- January 2013                        Full Year Results 2012

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