



## Science and Technology for Pharma&Biotech, Nutrition and Well-Being

Q1 2014 Qualitative Business Update – 24 April 2014

Richard Ridinger – CEO

# Disclaimer

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.



## Q1 2014 – Qualitative Business Overview

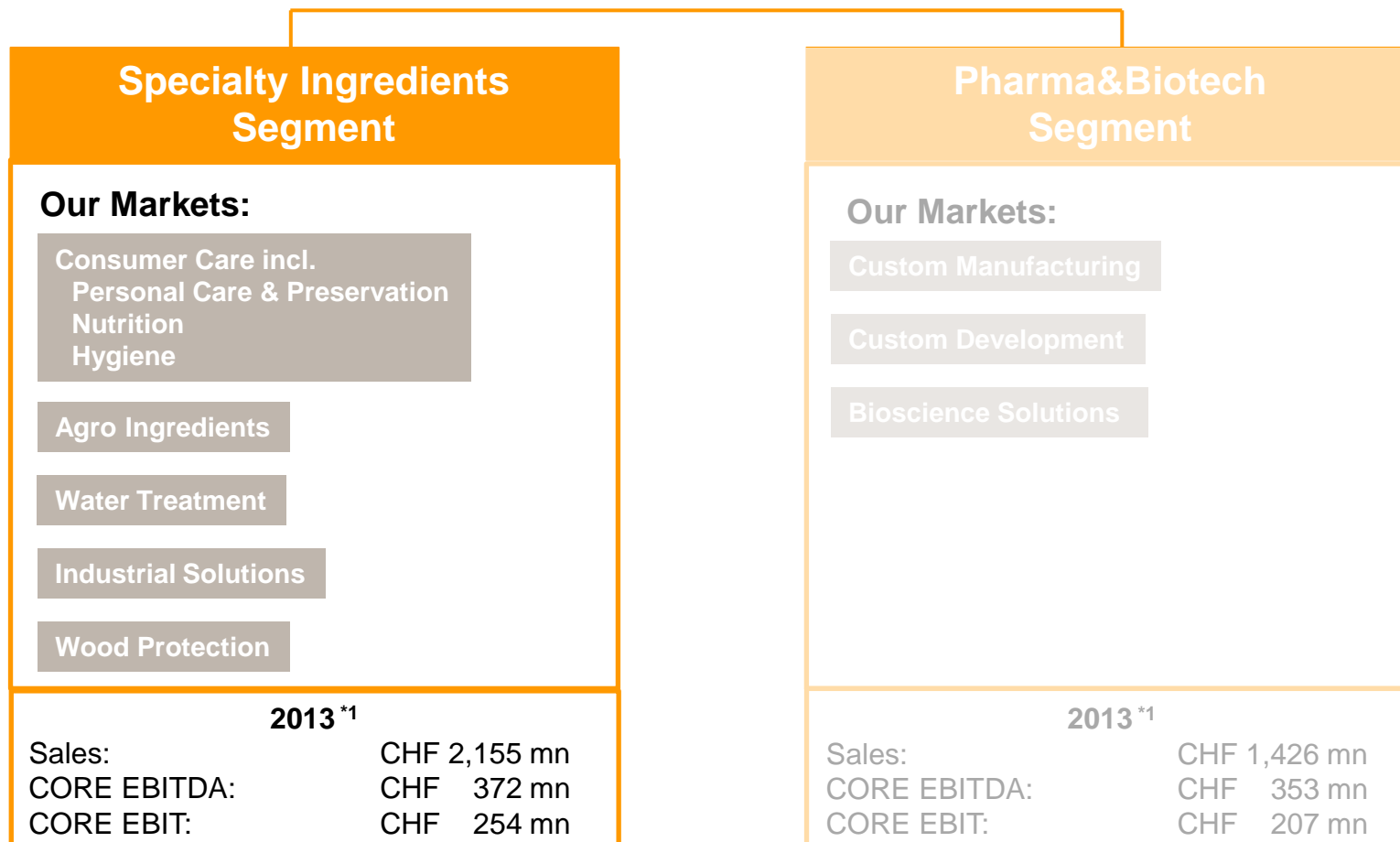
- The year 2014 started with a good momentum, which lead to better performance than the previous year period, according to expectations
- We are delivering as expected on our growth targets
- Operational improvements and quality initiatives remain high on the agenda
- Currency exchange impacts in Q1 have been compensated by productivity improvements

## Q1 2014 – Operational Highlights

- The new Agro Intermediates plant (started up in late 2013) experienced good utilization
- Expansion of the ADC facility in Visp (CH) on track
- Niacinamide plant in Nansha (CN) construction progresses as planned. Guangzhou (CN) plant ceasing operation as planned
- Cell Therapy facility in Singapore facility successfully completed inspection by the Singapore Health Science Authority (HSA) and received GMP manufacturing certificate
- Wood Protection Strategic Review - Information Memorandum sent out end Q1 and meeting broad market interest
- SAP integration of former Arch systems started up successfully in January with no deviations

# Lonza Segments

## Lonza



\*1 – CORE definition: see appendix

# Business Highlights

## Consumer Care Market

- Solid performance in home and personal care based on sound demand
- Three new products for hair and skin care successfully introduced in Q1
- Hygiene business delivered planned performance in Q1
- Thrust into disinfecting wipes for consumer retail brands continues as planned
- Nutrition business with encouraging start, notwithstanding the competitive landscape on vitamin B3
- L-Carnipure sales increased versus last year with strong development in some emerging markets and a recapture of the hair care business

# **Business Highlights**

## **Agro Ingredients and Water Treatment**

### **Agro Ingredients**

- High capacity utilization in all major production trains
- Industry interest in Lonza's development and manufacturing capabilities continued to increase and resulted in a steadily growing pipeline and strong growth in commercial sales

### **Water Treatment**

- Good demand and profitability improvement in Brazil but translational exchange rate impacted reported results severely
- Continuing success of new product "hth Mineral Brilliance 10in1" in South America and introduction in the northern hemisphere

# Business Highlights

## Industrial Solutions and Wood Protection

### Industrial Solutions

- Overall, businesses enjoyed good demand
- Coatings & Surface treatment above expectations with new product launches for exterior paint protection and to replace obsolete arsenic in compounds for plastic

### Wood Protection

- After severe weather conditions in the US winter, positive outlook from key drivers and indicators:
  - US housing starts forecast to be highest since 2007 despite slow start in Q1
  - Continued growth in US home-improvement spending
- Strategic review project proceeding according to plan with numerous interested parties – Information Memorandum sent out end Q1



# Lonza Segments

## Lonza



\*1 – CORE definition: see appendix

# Business Highlights

## Custom Manufacturing

- Good demand up-take across our offerings and technologies, especially in mammalian
- Completion of various commercial agreements for monoclonal antibodies (mAbs)
- Singapore – after qualification and validation in 2013, positive contributions start to kick-in
- Extended partnership with Pharmacyclics (clinical and commercial IMBRUVICA™ supply)
- Start-up of second large-scale ADC facility in Visp on track for Q2 2014; interest and commitments for capacity remain strong
- Good pipeline in Cell and Viral Therapy with increased funding through public and large pharma investments continuing

# Business Highlights

## Custom Development and Bioscience Solutions

### Custom Development Services

- Strong demand for mammalian cell-line construction programs in Slough and Singapore with project portfolio balanced between new customers and existing customers moving into later stages of clinical development
- Microbial Development Services successfully executed process transfer of four customer projects from Hopkinton, MA (USA) to Visp
- Cell Therapy pipeline is strong and includes projects in all phases of clinical development and increasing involvement of large pharma

### Bioscience Solutions

- Strong recovery of European research business, but Lonza continued to experience conservative spending in the US research market
- Expected good performance of Media
- Solid performance of MODA, Paperless QC Micro Solution

# Outlook

- Productivity improvement projects emphasizing organic growth and quality matters are fully on track
- The year 2014 started with good momentum and steadily growing project and product pipeline
- Based on constant exchange rates, we are on track to deliver in 2014:
  - Revenue growth of ~5%
  - CORE EBIT growth of ~10%
- CAPEX will remain below CHF 300 m in 2014

# Calendar of Events and Contacts

## Important Lonza Group Dates

24 Apr 2014 First-Quarter 2014 Business Update

21 May 2014 Capital Markets Day in Visp (CH)

24 July 2014 Half-Year 2014 Results

31 Oct 2014 Third-Quarter 2014 Business Update

## Contacts

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# Appendices

## **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 Financial Figures

CHF mn	FY 2013	FY 2012 <sup>*1</sup>	% Change YoY
Sales	3'584	3'741	(4.2%)
EBITDA	647	620	4.4%
<i>EBITDA Margin</i>	18.1%	16.6%	
CORE EBITDA	711	657	8.2%
<i>CORE EBITDA Margin</i>	19.8%	17.6%	
EBIT including Hopkinton phasedown	253	316	(19.9%)
<i>EBIT Margin</i>	7.1%	8.4%	
CORE EBIT	436	392	11.2%
<i>CORE EBIT Margin</i>	12.2%	10.5%	
Financing Costs	(119)	(111)	(7.2%)
<i>Tax Rate</i>	17%	18%	
Profit for the Period	87	156	(44.2%)
EPS (CHF) Basic	1.67	3.01	(44.5%)
EPS (CHF) Basic CORE	4.99	4.50	10.9%
Operational Free Cash Flow	519	465	11.6%
Change in Net Working Capital	42	141	
Capital Expenditures	210	310	(32.3%)
<i>RONOA (before Hopkinton phasedown)</i>	5.9%	7.0%	(15.7%)
<i>RONOA (including Hopkinton phasedown)</i>	8.7%	7.0%	(24.3%)
<i>CORE RONO</i>	12.3%	11.0%	11.8%
Net Debt	2'103	2'301	(8.6%)
Number of Employees	9'935	10'789	(7.9%)

<sup>\*1</sup> – Restated as a result of IAS19 and divestiture of Performance Products

\* – CORE definition: see appendix