



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

Q3 2014 Qualitative Business Update – 31 October 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.



Q3 2014 – Qualitative Business Overview

- After three quarters of 2014, Lonza has improved both profits and return on assets versus prior year
- All of the businesses except Water Treatment improved and performed better than last year, mostly compensating for the weaker-than-expected Water Treatment results
- In Specialty Ingredients the market orientation further enhanced a solid market position
- In Pharma&Biotech several inspections passed successfully
Product transfers were on a good track
- Strong free-cash flow generation, supported by ongoing CAPEX discipline, resulted in net debt reduction as scheduled
- Transformational initiatives continued to gain traction, bringing bottom-line benefits

Q3 2014 – Operational Highlights

- Strategic option review of the Wood Treatment business was completed. This business unit will remain part of Lonza as it continues to add value
- New vitamin B3 plant in Nansha (CN) started up successfully and will improve competitiveness significantly
- The Board of Directors decided to write off the former Teva-Lonza biosimilars joint venture, resulting in a CHF 83 mn non-cash-related impairment

Lonza Segments

Lonza

Specialty Ingredients Segment

Our Markets:

Consumer Care incl.
Personal Care
Nutrition
Hygiene

Agro Ingredients

Water Treatment

Industrial Solutions

Wood Protection

H1 2014 ^{*1}

Sales:	CHF 1,106 mn
CORE EBITDA:	CHF 201 mn
CORE EBIT:	CHF 161 mn

Pharma&Biotech Segment

Our Markets:

Custom Manufacturing

Custom Development

Bioscience Solutions

H1 2014 ^{*1}

Sales:	CHF 674 mn
CORE EBITDA:	CHF 167 mn
CORE EBIT:	CHF 100 mn

Business Highlights

Consumer Care

Personal Care

- Solid performance of the anti-dandruff business
- New product launches in 2014 experienced solid market acceptance and demand

Hygiene

- Firm demand for Hygiene/Hard Surface disinfection continued in Q3
- Successful entry into the Medical Instrument Disinfection market

Nutrition

- Commercial start-up of the vitamin B3 Niacinamide facility in Nansha (CN) progressed successfully and in accordance with plan
- Market pricing increased globally with the exception of the important animal feed market
- The Carnipure business remained stable in Q3

Business Highlights

Agro Ingredients and Industrial Solutions

Agro Ingredients

- Solid performance in chemical and biotechnological custom manufacturing with high capacity utilization
- Successful launch of 4 new innovative active crop protection products
- Meta™ sales exceeded last year's level driven by favorable weather conditions and successful launches of Axcela™ in additional geographic regions

Industrial Solutions

- Coatings and Composites
 - Stable market demand for building products and good new business opportunities in metal working fluids, antifouling paints and plastics
 - Generally firm demand from the electronics and aerospace industry
- Performance Ingredients
 - Stable demand across all relevant markets for HCN- and Diketene Derivatives
 - PMDA saw high utilization based on solid market demand

Business Highlights

Water Treatment and Wood Protection

Water Treatment

- Business substantially impacted by long winter and poor summer in the Northern Hemisphere
- Revenues far below expectations and even below the same period last year

Wood Protection

- Solid and further improved performance in Q3 with housing market experiencing a good upwards trend
- Strategic options review was completed. BU will remain in Lonza based on the following:
 - Good momentum
 - Positive business outlook
 - Increased internal valuation
 - External offers during carve-out process did not reflect internal evaluation

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Business Highlights

Custom Manufacturing

- Business progressed for most technologies through contracts for late- and early-phase projects
- Capacity utilization and output improved compared with last year
- Accelerated manufacturing demand from customers resulted in several successfully passed inspections
- Product transfers were on good track
- Further projects secured for 2nd ADC facility in Visp
- Viral Therapy commercialization plans and services continued to advance for several late-phase portfolio products
- Cell Therapy experienced increase in big pharma licensing technologies

Business Highlights

Custom Development and Bioscience Solutions

Custom Development Services

- New service for rational vaccine design and development launched
- Licensing options for Chemical Microreactor Technology (MRT) now available
- Four additional commercial products using GS Expression Technology have been approved in 2014

Bioscience Solutions

- Research Products improved further, driven by strong interest in Transfection technology in the U.S. and our recently launched pluripotent stem cell hPSC cultures system L7™
- MODA™, the paperless QC solution, continued to enjoy strong performance
- Testing Solutions experienced a somewhat weaker Q3

Outlook

- Based on constant exchange rates, we see the following for 2014:
 - CORE EBIT growth of ~10%, despite the weaker-than-expected water results, bringing revenue growth to under 5%
- CAPEX will be below CHF 250 mn in 2014
- Strong free-cash flow generation enables debt reduction as planned
- Further guidance for 2015 will be presented during our FYR 2014 presentation on 21 January 2015
- Mid-term guidance until 2018 will be provided during our Q1 2015 qualitative business update on 28 April 2015

Calendar of Events & Contacts

Important Lonza Group Dates

31 Oct 2014 Third-Quarter 2014 Business Update

21 Jan 2015 Full-Year 2014 Results

08 Apr 2015 Annual General Meeting

28 Apr 2015 First-Quarter 2015 Business Update

22 July 2015 Half-Year 2015 Results

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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 ^{*1}	% 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%)

^{*1} – Restated as a result of IAS19 and divestiture of Performance Products

^{*} – CORE definition: see appendix