

Corporate



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

Investor Relations – June 2013

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# Lonza

## Forward-looking

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# Lonza Overview

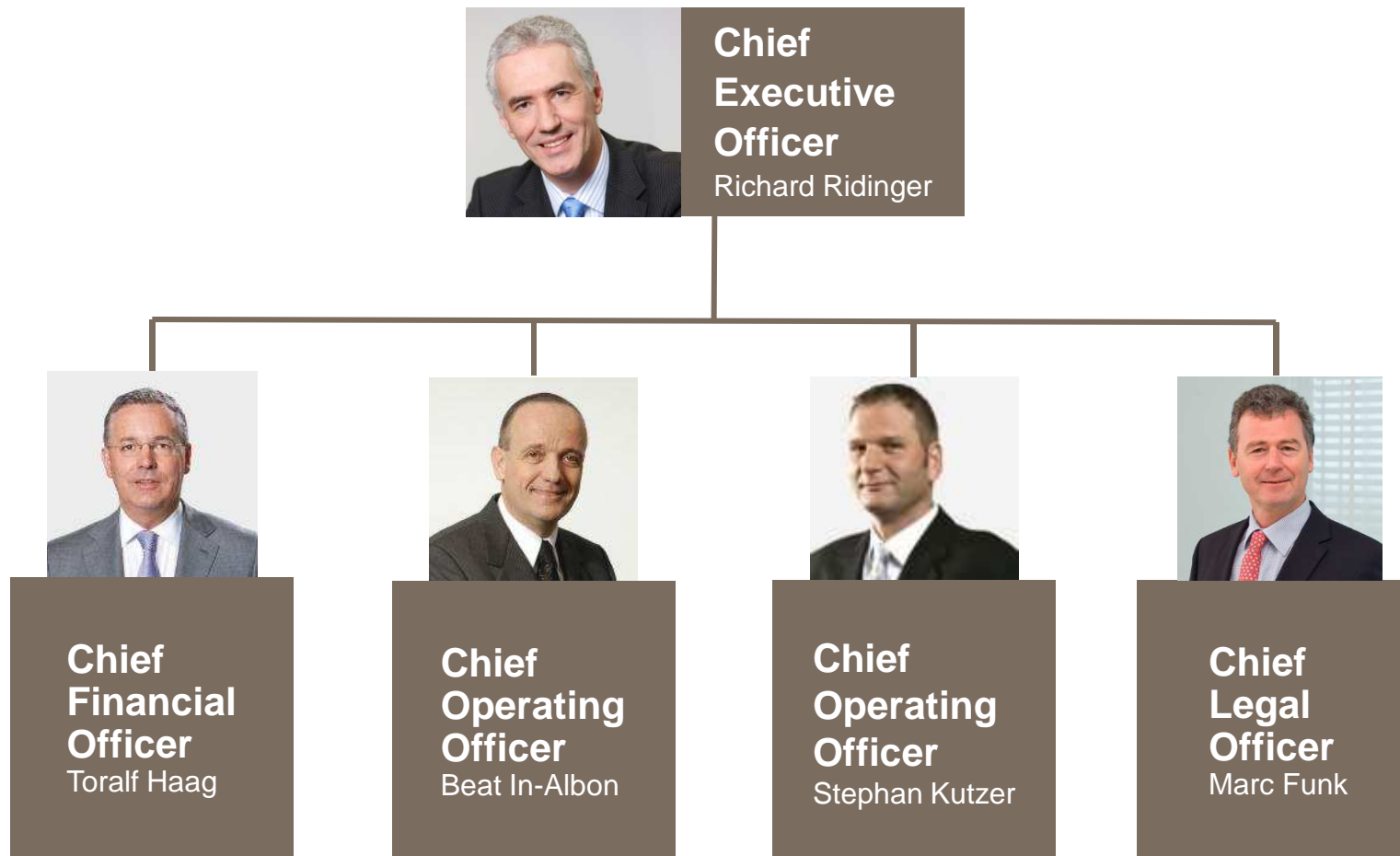
- Life sciences driven company
- Headquartered in Basel (Switzerland)
- Sales of CHF 3.925 billion in 2012
- Global operations:
  - 45 major sites
  - Employs over 10,000 people
- Global leader in microbial control and custom manufacturing:
  - Hygiene
  - Water treatment
  - Active pharmaceutical ingredients both chemical and biological
  - Cell therapy
- Leading positions in product market niches:
  - Endotoxin detection
  - Cell-based research products
  - Nutrition ingredients
  - Performance intermediates



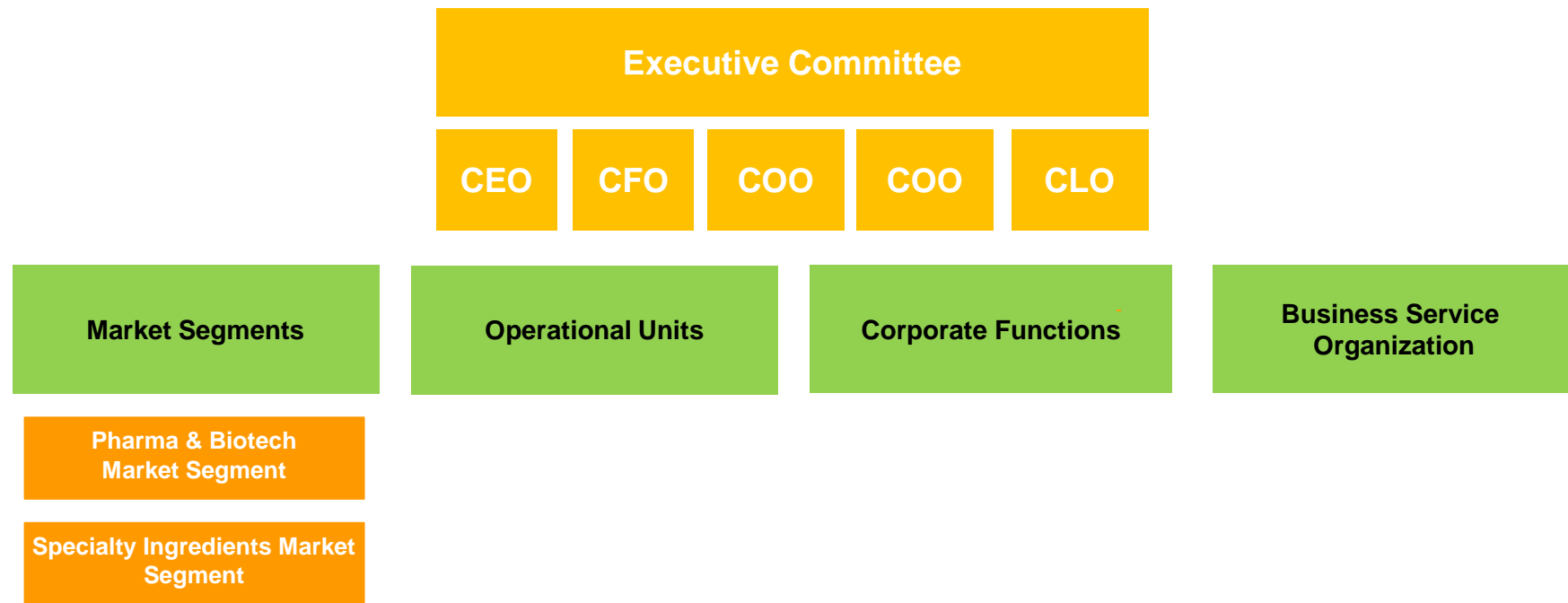
# Global Footprint



# Executive Committee



# New Organization Lonza



# Our Markets

Our products are:

- Consumed by people for health and well-being
- Used by consumers to ensure well-being
- Used in the development and production of drugs and ingredients

## Pharma & Biotech Market Segment

Offerings in the areas of:

- Custom Manufacturing both chemical and biopharmaceutical
- Custom Development
- Testing & Research

## Specialty Ingredients Market Segment

Offerings in the areas of:

- Personal care / cosmetics
- Hygiene & preservation
- Nutrition
- Agriculture
- Water treatment
- Industrial solutions
- Materials protection
- Oil and gas
- Wood treatment



Increasingly regulated environment

- Strong regulatory track record
- Long-lasting relationships with authorities

Long customer approval times

- Strong long-lasting ties with > 250 pharma groups
- Long-term business planning and commitment

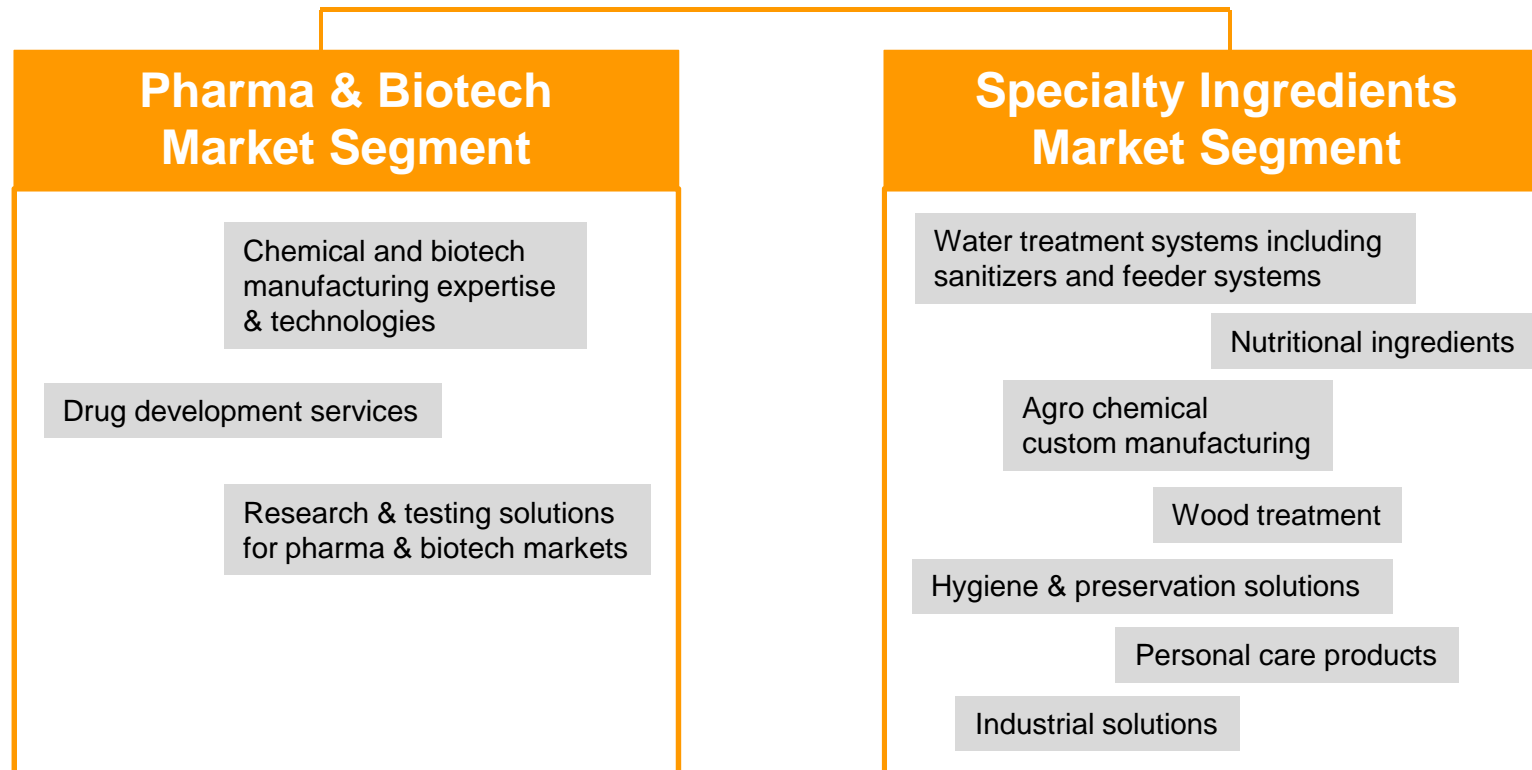
Strong need for innovation

- Process innovation
- Manufacturing excellence



# Market Segments Lonza

## Lonza

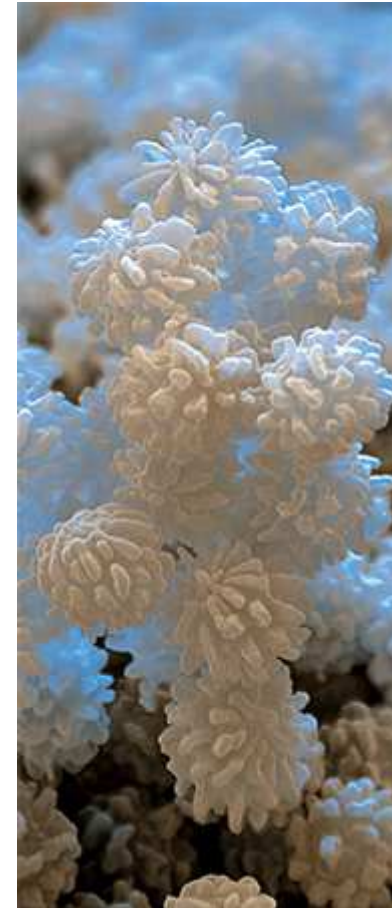




## 2012 – An Important Year Strategically

In 2012 Lonza has experienced significant changes such as:

- The successful integration of the largest acquisition in our history, creating a new sector, an expanded global footprint and growing market segments to serve
- A broad new initiative, “Focus & Deliver”, including three major projects: Arch Integration, VispChallenge and Corporate Functions Review
- Changes in Leadership with a new CEO and new members to the Management Committee
- Debt reduction fully on track
- The successful divestiture of the Brandenburg, KY (USA) facility



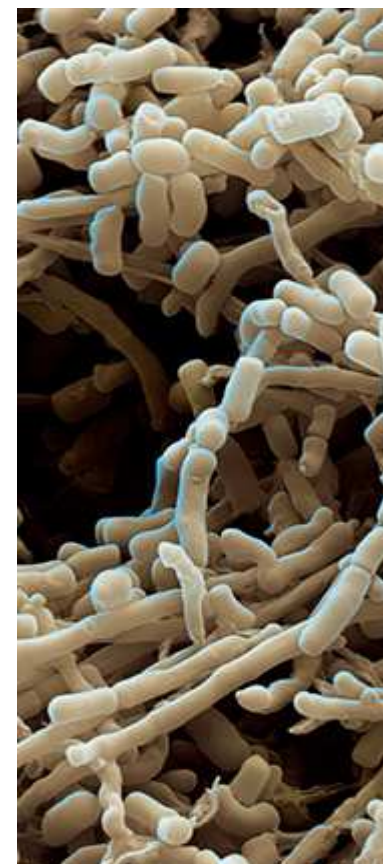
## 2012 – Underlying Growth in Sales and EBITDA

- Solid sales growth with stable market demand
- “Focus and Deliver” remain key principles in all businesses
  - Portfolio management progressing well / first streamlining executed
  - VispChallenge intensified with head count reductions started
  - Arch Integration being finalized with majority of measures implemented
- Microbial Control performed as expected and has strengthened its market position further
- Although revenue increased in Custom Manufacturing the EBIT was impacted by ramp-up cost of new large-scale biological site in Singapore and quality related expenses in Hopkinton
- Significant free-cash flow generation despite dividend payment with deleveraging fully on track as guided
- 15% EBIT growth delivered



## 2012 – Financial Highlights

- EBIT increased to CHF 335 mn by 28.4% (after acquisitions) or 14.7% (before acquisitions)
- Operational free cash flow significantly increased to CHF 506 mn by 298.4%
- Net debt reduced from CHF 2.647 mn to CHF 2.301 mn by 13.1%, resulting in a gearing of 96% and a net debt/EBITDA ratio of 3.35 (before restructuring and Arch integration charges)
- NWC in relation to sales decreased to 23.5% in 2012 (23.9% in 2011)
- Capital expenditure at CHF 310 mn



# Key Financial Figures

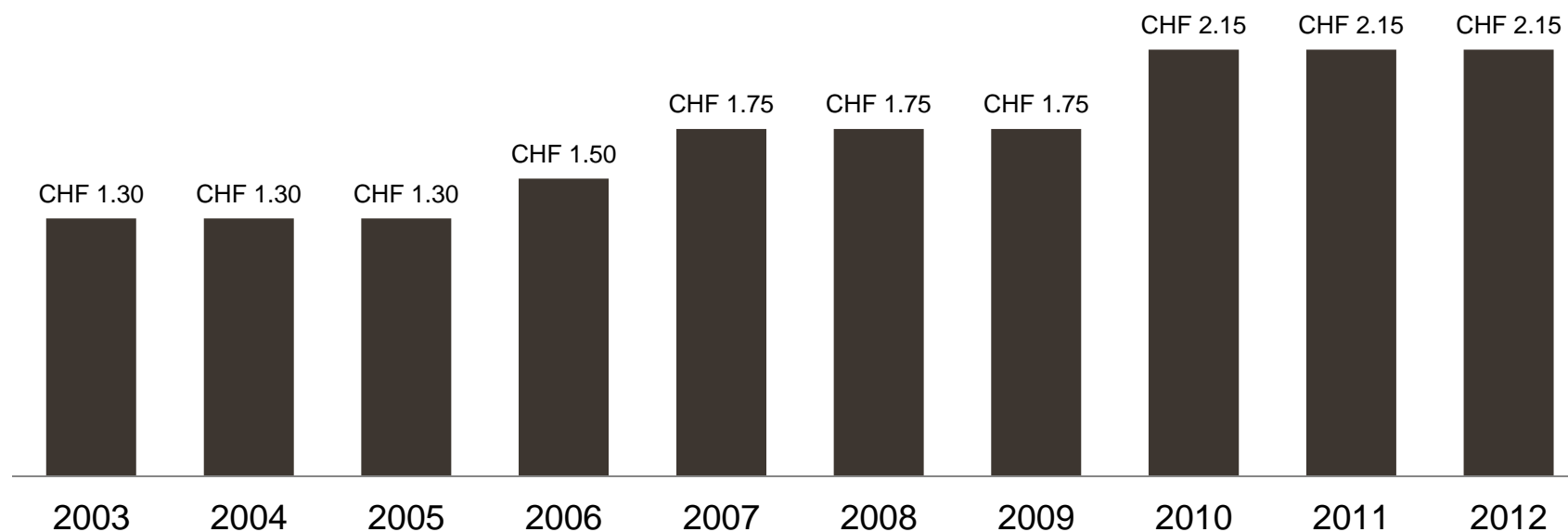
CHF mn	FY 2011	FY 2012	Change YoY*
Sales	2'692	3'925	45.8%
EBITDA	537	640	19.2%
<i>EBITDA Margin</i>	19.9%	16.3%	
EBIT	261	335	28.4%
<i>EBIT Margin</i>	9.7%	8.5%	
Financing costs	(86)	(114)	
<i>Tax rate</i>	12.0%	18.0%	
Net Income	154	182	18.2%
EPS (CHF) basic	2.98	3.52	18.1%
EPS (CHF) basic CORE	4.36	4.81	10.3%
Operational Free Cash Flow	127	506	298.4%
Change in net working capital	(126)	154	
Capital Expenditures	267	310	16.1%
RONOA	6.9%	7.5%	
Net Debt	2'647	2'301	(13.1%)
Number of employees	11'001	10'789	(1.9%)

\* in %

## Financial Results by former sector organization

<b>FY 2012 (in CHF mn)</b>	<b>Custom Manufacturing</b>	<b>Microbial Control</b>	<b>Life Science Ingredients</b>	<b>Bioscience</b>
Sales	1,320	1,625	742	228
Growth	1.8%	234.4%	6.5%	12.9%
EBITDA	323	202	100	34
Growth	(17.8%)	1,342.9%	(4.8)%	21.4%
EBIT	182	138	31	15
Growth	(20.2%)	1,725%	(22.5)%	15.4%

## Attractive Long-term Shareholder Returns



**Dividends per share rising since 2003;  
2012 proposal: constant payout at CHF 2.15 per share**

## First Quarter 2013 Milestones

- Lonza business performance overall on track
- Good performance in Specialty Ingredients market segment with slow start in the Pharma & Biotech market segment as anticipated and communicated at FYR
- Successful placement of a CHF 300 mn straight bond at favorable conditions
- VispChallenge project on track
- Expansion of ADC production capacity in Visp under construction
- New market focused organization taking shape
- Project for reduction of site and administration complexity started and on track
  - Swords, Ireland site (43 positions) to be closed in Q2 2013
  - Streamlining of Corporate Functions as announced in Q3'12 led to a headcount reduction of 60 people so far
- CAPEX below last year levels



# The Two Segments in Q1 2013

## **Specialty Ingredients market segment**

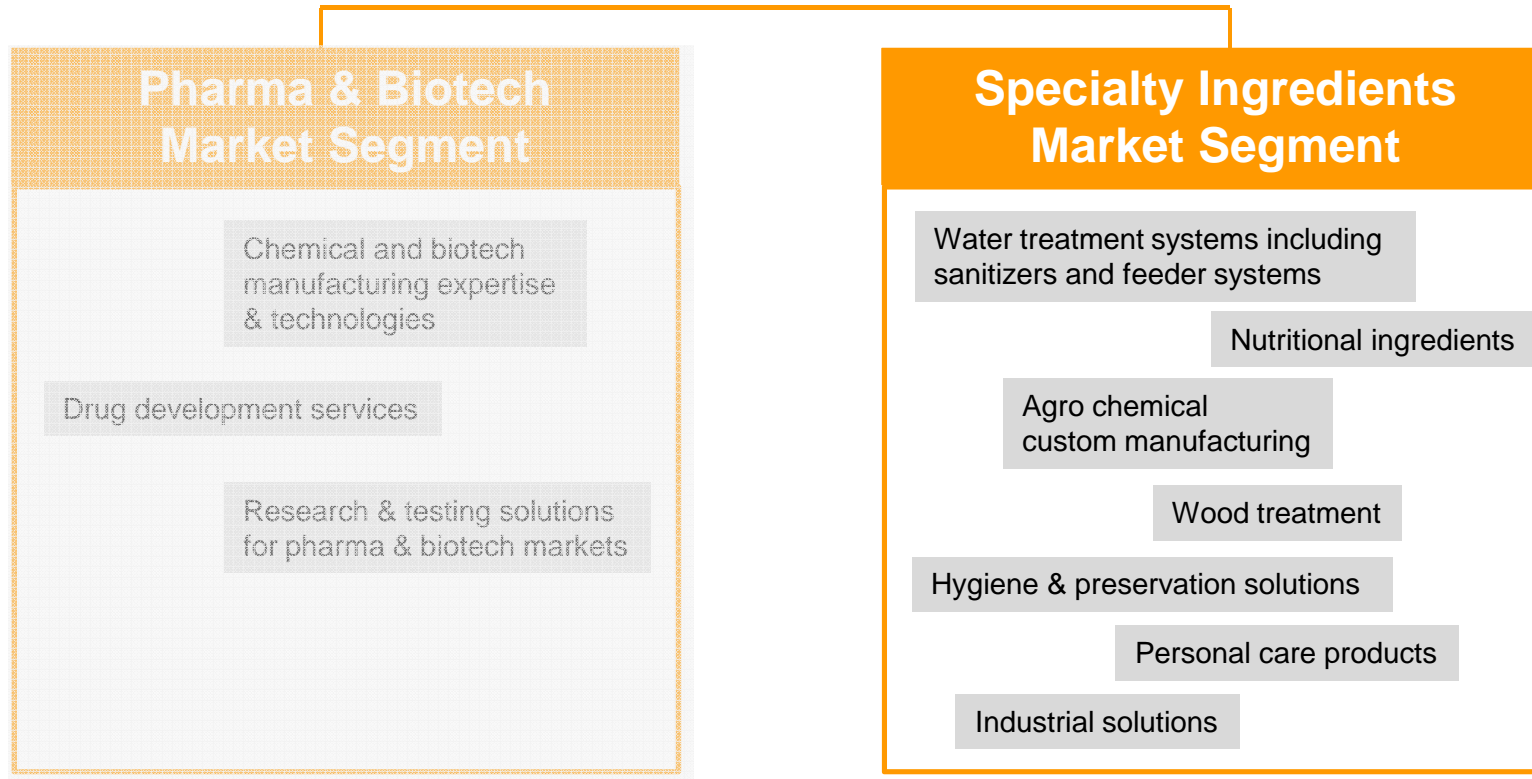
- Good start into 2013 with decent overall market demand in most areas
- Good growth and high asset utilization in Agro
- In Personal Care new innovative products were launched
- All growth projects are on track

## **Pharma & Biotech market segment**

- Good pipeline development across all technologies
- Lower capacity utilization as expected. Continuous ramping-up of the entire network in the quarters ahead
  - Project delay at customers
  - Continued ramp-up of new technologies (ADC, cell therapy, peptides change to large-scale manufacturing)
  - Higher product changeover due to new project introductions

# Market Segments Lonza

## Lonza



# Specialty Ingredients Business Profile

<b>Water Treatment (sanitizers and feeder systems)</b>	<ul style="list-style-type: none"><li>■ Surface water treatments</li><li>■ Industrial and commercial water sanitizers, feeders and systems</li><li>■ Papermaking slimicides and specialty additives</li><li>■ Industrial cooling water biocides</li></ul>
<b>Oil &amp; Gas</b>	<ul style="list-style-type: none"><li>■ Specialty chemicals for upstream oil and gas activities<ul style="list-style-type: none"><li>■ Drilling</li><li>■ Production</li><li>■ Stimulation</li></ul></li><li>■ Unconventional oil and gas recovery</li><li>■ H<sub>2</sub>S Scavenger, emulsifiers, biocides, specialty corrosion inhibitors and additives</li></ul>
<b>Materials Protection</b>	<ul style="list-style-type: none"><li>■ Wood preservatives and treatments</li><li>■ Marine antifouling paint biocides</li><li>■ Metalworking fluid formulations and lubricants for powdered metal</li><li>■ Plastics protective agents, lubricants, and other additives</li></ul>

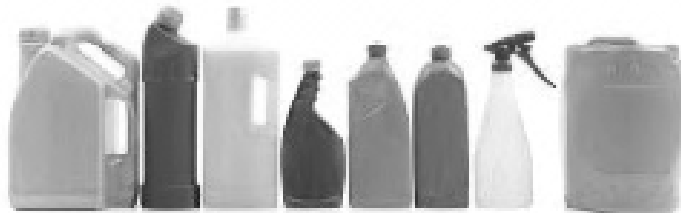


# Specialty Ingredients Business Profile

## Hygiene + Preservation

(Cleaning, disinfecting, sanitization and preservation solutions)

- Household / Hospital / Consumer
- Industrial / Cleanroom
- Food safety
- Animal care
- Agriculture
- Professional services
- Institutional/Janitorial
- Eye care and medical product ingredients



## Personal Care

(Skin care, hair care, bath & shower, natural cosmetics, cosmeceuticals)

- Natural and organic cosmetic ingredients
- Cosmetic preservatives
- Biotechnological actives
- Antidandruff agents for shampoos



# Specialty Ingredients Business Profile

<b>Nutrition Ingredients</b>	<ul style="list-style-type: none"><li>■ Niacin and Niacinamide (vitamin B3) – used in food, feed and pharmaceutical applications</li><li>■ Carnipure™ and Carniking™ (L-Carnitine)</li></ul>
<b>Agro Chemicals</b>	<ul style="list-style-type: none"><li>■ Custom Manufacturing of agro-chemical active ingredients</li><li>■ Meta™ (Metaldehyde) is a specific active ingredient, acting as molluscicide, used for slug- and snail-control in Agriculture and Home &amp; Garden markets</li></ul>
<b>Industrial Solutions</b>	<ul style="list-style-type: none"><li>■ Diketene derivatives for vitamins, pharmaceuticals, agrochemicals, colorants</li><li>■ Hydrocyanic acid derivatives for vitamins, optical brighteners, agrochemicals, adhesives</li><li>■ High Performance Materials for the advanced composite and electronics industry</li></ul>



# Specialty Ingredients Market Segment (I)

## Q1 2013 Update

### Personal Care

- Preservative and Specialties sales are tracking slightly ahead of target
- Introduction of new and innovative products for anti-aging, anti-acne active and a natural preservative in cosmetic products

### Hygiene

- Solid performance in primary markets (Europe and USA) with improved margins
- Wide range of disinfectant grade products effective against Influenza virus Type A
- Increasing interest for disinfecting wipes against hospital acquired infections

### Nutrition

- Niacin market demand as expected, pricing remained at low level
- L-carnitine on target

# Specialty Ingredients Market Segment (II)

## Q1 2013 Update

### Agro Offerings

- Good growth and high utilisation of assets
- Good order book visibility throughout year end
- Meta™ experienced strong first quarter in preparation for spring season in home + garden
- Capacity expansion for multipurpose plant in Visp is on track for start up at the end of Q4

### Water

- Europe with good start due to timing of sales
- Slow start to the US season due to high inventory levels at distributors and poor weather in March
- Continued interest in and new installations of our Pulsar Feeders into the industrial, commercial and municipal markets



# Specialty Ingredients Market Segment (III)

## Q1 2013 Update

### Wood Treatment

- The wood offerings experienced a better first quarter compared to prior year especially in the North American housing market
- Wood protection market holding firm in EU despite ongoing poor market conditions
- New and expanded business with the two world largest DIY retail chains for the North American wood business

### Industrial Chemicals

- High Performance Materials from electronics sector saw strong demand
- New Lonzacure™ products developed and qualified with our customers for structural elements in aerospace
- HCN/Diketene derivatives with strong demand but price pressure from competition ex China and India

### Materials Protection

- Slow start in US markets due to high inventories at customers, compensated by strong demand in EU
- Lonza stands ready to supply a highly effective antimicrobial replacement to plastics and vinyl producers (arsenic-based OBPA preservative no longer available in Europe)

# Specialty Ingredients

## Potential Challenges Ahead and Mitigants

### Key Challenges

- Niacin (vitamin B3) range margins are under pressure due to aggressive competition
- Volatile raw material prices

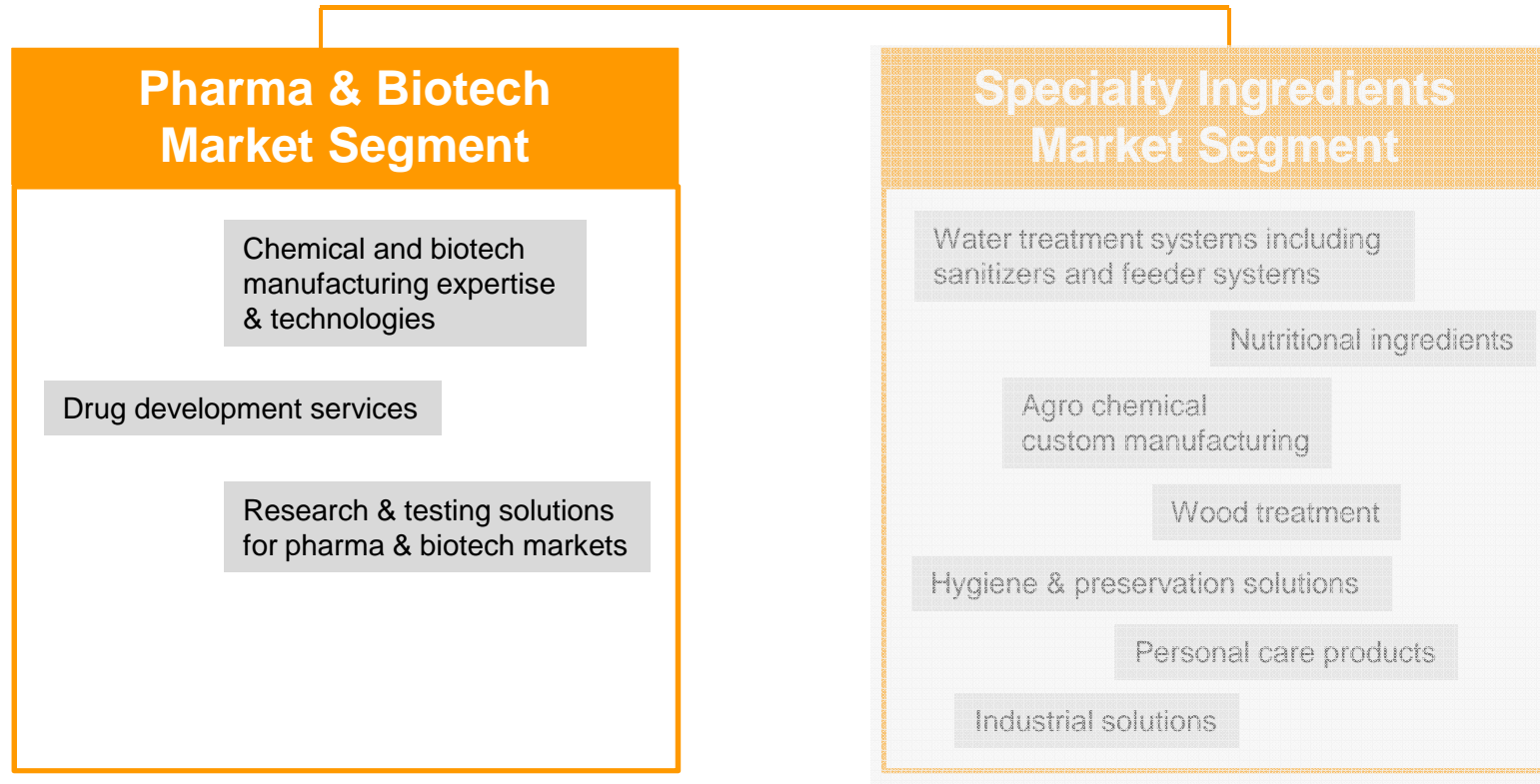


### Key Mitigants

- Cost competitiveness is key to maintain market leadership
- Maintain high asset utilization
- Launch / acceleration of several initiatives to offset effect of Niacin competitive pressures including streamlining the project pipeline
- Accelerate China investment projects
- Expand / optimize portfolio (amongst other – especially agrochemicals)

# Market Segments Lonza

## Lonza



# Lonza Custom Manufacturing Business Profile

- Development and custom manufacturing of active pharmaceutical ingredients providing integrated life-cycle management

## **Chemical Manufacturing:**

- Small molecules, conjugated antibodies, highly active pharmaceutical ingredients (HAPI), peptides, cytotoxics

## **Biological Manufacturing:**

- Monoclonal antibodies and recombinant proteins
- Active substances and intermediates

## **Development Services:**

- Production platforms and technology
  - Feed systems
- Nine production facilities in Belgium, China, Czech Republic, Singapore, Spain, Switzerland, the United Kingdom and the USA



# Lonza Bioscience Market Offerings

- Customers in pharmaceutical, biopharmaceutical, biotechnology and personal care companies, as well as academic and government research institutions.
- Core technologies of primary cells and media, transfection, bioassays, mycoplasma detection and prevention, as well as endotoxin detection
- Cell culture, transfection and pluripotent stem cell services
- Endotoxin and mycoplasma detection testing services, recertification and sterilization services
- Extensive expertise around the critical needs of regulated manufacturing environments
- Custom products and services for production of biologics
- Strong scientific and technical support
- Worldwide distribution through network of direct sales and distributors



# Pharma & Biotech Market Segment (I)

## Q1 2013 Update

### Custom Manufacturing Services

- Lower capacity utilization as expected – continuous ramping-up of the entire network in the quarters ahead
- Various long-term supply agreements for small molecule products and FDA approval received for key Visp product
- Expansion of antibody drug conjugates plant in Visp on track
- Good pipeline development in biological manufacturing
- Resolving Hopkinton manufacturing issues remains key priority in close collaboration with authorities and customer
- Strong cell and viral therapy pipeline with high number of new product candidates and for new clients
- Cell therapy plant in Singapore on-line and first GMP lots produced

# Pharma & Biotech Market Segment (II)

## Q1 2013 Update

### Custom Development Services

- Custom Development with good overall demand in Q1
- XS Microbial Technologies™ becoming a catalyst for new projects acquired in Q1
- Applied Protein Services (APS) expanding footprint into Asia
- High demand for development and scale-up services using proprietary micro-reactor / continuous flow technology (MRT) continued to attract customers in Q1

### Bioscience Offerings

- Testing Solutions on target with strong growth in Asia-Pacific
- Good performance of Media business
- Long-term Sartorius collaboration on track
- Cell Biology offering continues to perform strongly, supported by new products
- Sequestration impacts U.S. academic and governmental sales
- In Europe, Research and Testing businesses suffer from deteriorated economic situation



# Custom Manufacturing Services Potential Challenges Ahead and Mitigants

## Key Challenges

- Hopkinton warning letter and other potential FDA warnings
- High capex requirements
- Dependence on individual products that could be withdrawn or have lower than expected market penetration
- Unfavourable product mix in Chemical Manufacturing
- Currency headwinds at the Visp site



## Key Mitigants

- Issues raised in the warning letter are being addressed
- Investments in new technologies will yield attractive margins and growth prospects
- Strong and growing pipeline driven by outsourcing trend
- Increase focus on more attractive products, maintain / increase capacity utilization and improve productivity
- Significant investments in Singapore and China

# Bioscience Offerings

## Potential Challenges Ahead and Mitigants

### Key Challenges

- Challenging market environment constraining the Research business due to lower government funding
- MODA™ sales depending on CAPEX to be made by pharma customers



### Key Mitigants

- Launch of new products (e.g. stem cell technology)
- Initiative to streamline portfolio of 4,000 line items to a niche offering with attractive margins and growth
- Improve distribution channels
- Growth development in Asia-Pacific

# Lonza's Strategy Remains Intact and...

We strive to be the leading supplier using science and technology to improve the quality of life

We work with passion, using advanced technologies, to transform life science into new possibilities for our customers

**Leaders**

We focus on the customers' R&D and manufacturing needs in clearly defined life-science markets

**Project Managers**

We make optimal use of and further develop high-tech biology and chemical technology platforms

**Experts**

We sustain operational excellence in innovation, leadership, operations and all processes that are valued by our customers

**Safety**

We are influential  
We are enterprising  
We are connected

**Environment**

**Creating a platform for long-term, sustainable, above average, profitable growth**

## ... Delivers Through Strong Growth from Within

### Major Capex Projects:

CHF <200m p.a. (2013)

#### Examples:

- Conjugates - Visp
- Microbial - Visp
- Development Services - Slough
- Niacin- China
- Agrochemicals - Visp
- Flexibilization of Biopharma large and small scale plant
- Round-up acquisitions

### Maintenance Capex:

~ CHF 150m p.a.

**EBITDA**  
Return on Investment  
on average  
**30%**

Increase current  
EBITDA level

### Market Position:

- Mammalian/Microbial: #1
- Microbial Control: #1
- Services: #1
- APIs: #1
- Chemical Specialties: #1
- Life Science Ingredients: >50% market share in a growing number of niches
- Bioscience: #1 position in a number of market niches

- Significant free operational cash flow (>CHF 200 mn p.a.)
- Technology and portfolio driven small- and mid-size acquisitions
- Significant portfolio / productivity and rationalization initiatives

# Key Opportunities

## Key Opportunities for Lonza

- 1 **Stronger Focus on Target Markets**
  - B2B-marketing and sales approach
  - Emerging markets expansion
- 2 **Near Term Cost Reduction**
  - Arch integration
  - VispChallenge
  - Corporate Functions review
- 3 **Longer Term Operational Improvements**
  - Manufacturing / Administration
  - Site / legal entity consolidation
- 4 **Cash Focus**
  - De-leveraging
  - EBITDA growth, capex / NWC control
- 5 **Portfolio Management**
  - Business portfolio
  - Product portfolio

2013

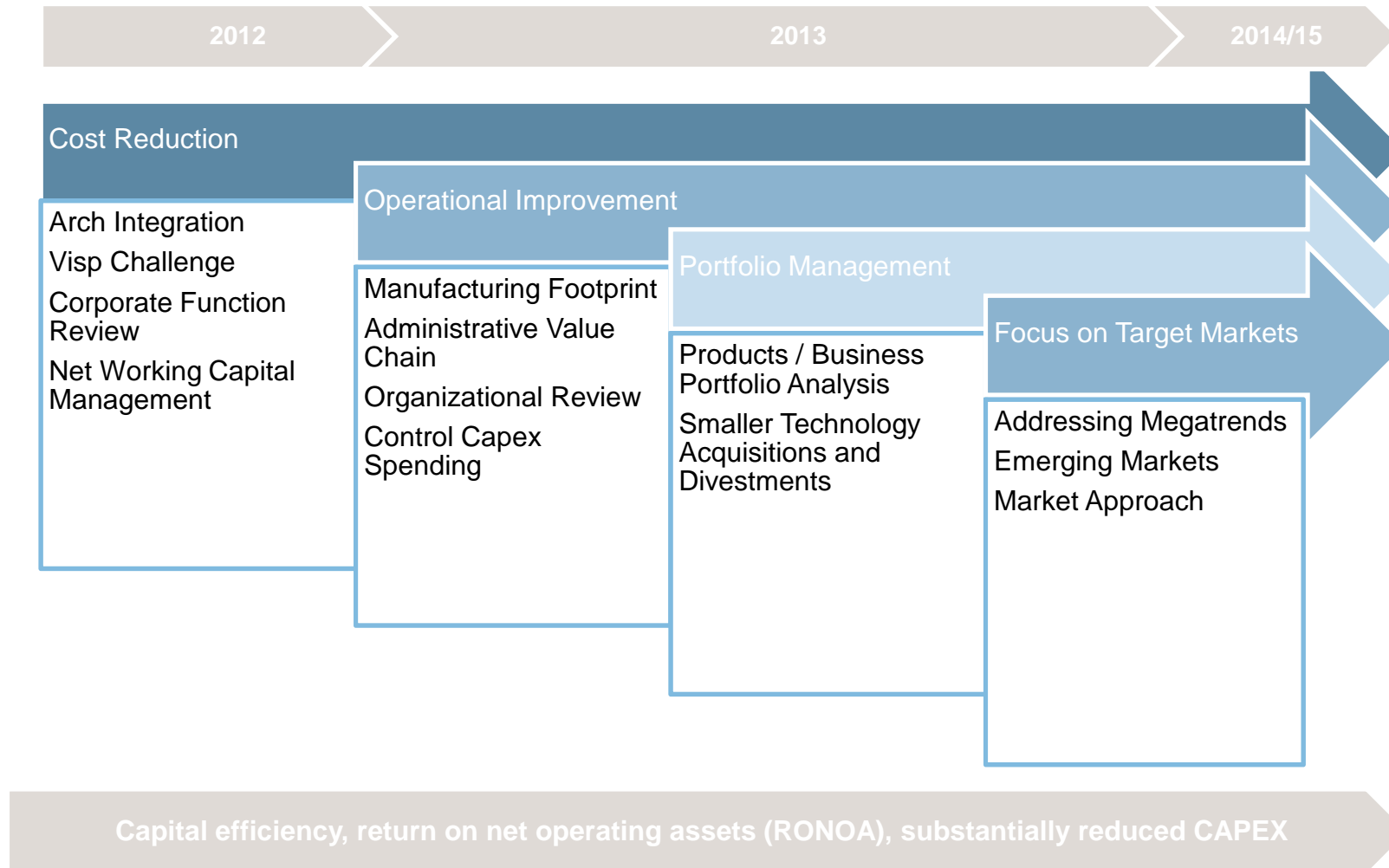
- EBIT 2013 = EBIT 2012 plus ~10%

2015\*

- Mid single-digit annual sales growth
- EBITDA margin: 20% (today 16.3%)

\* based on current fx and business composition

# Roadmap – The Path to Sustainable, Profitable Growth on a Solid Basis



# VispChallenge – Update

Efficiency and capacity utilization

Cost reduction

Challenge business model  
Optimization portfolio

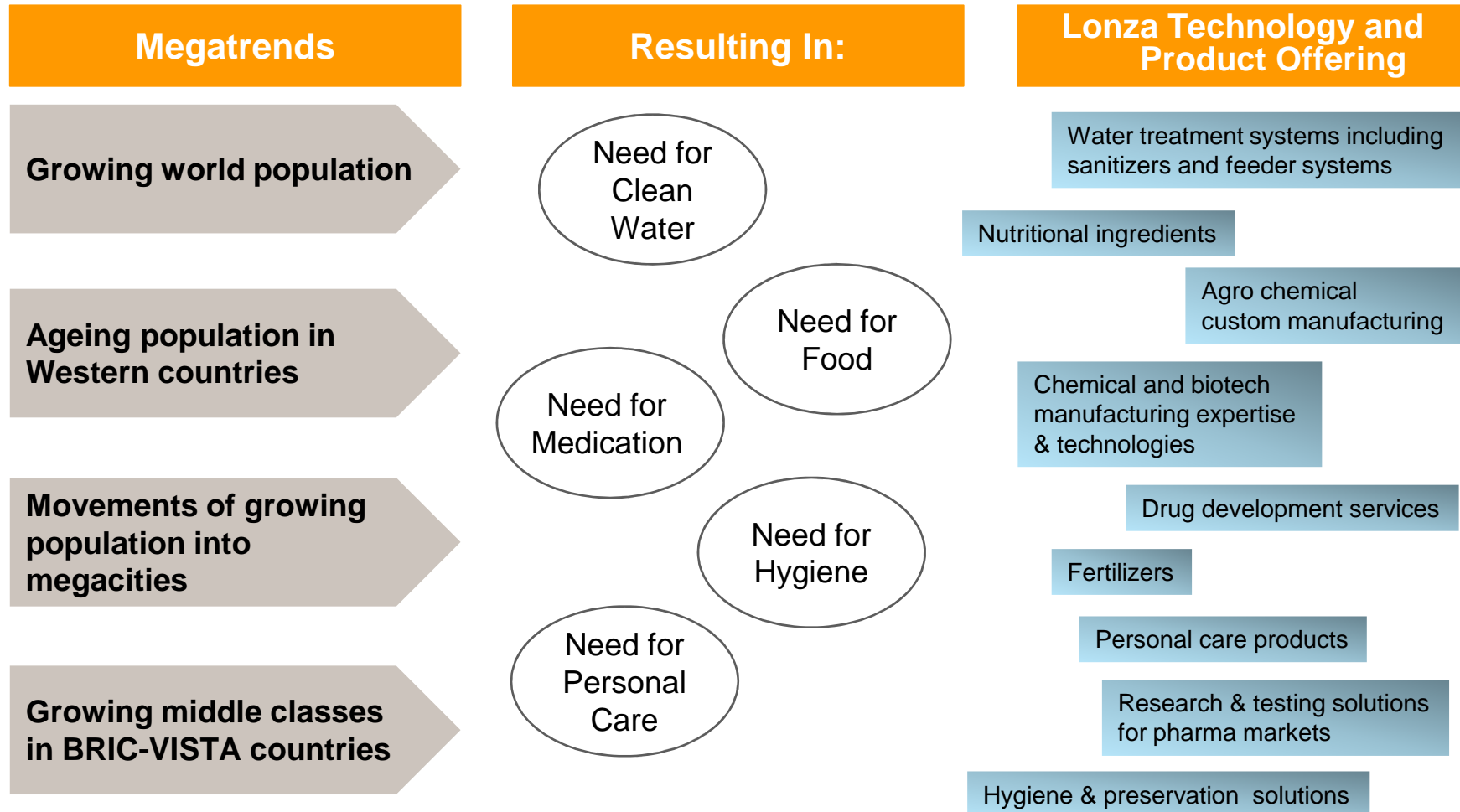
Optimization projects

New business projects  
LONZA 2020, Innovation



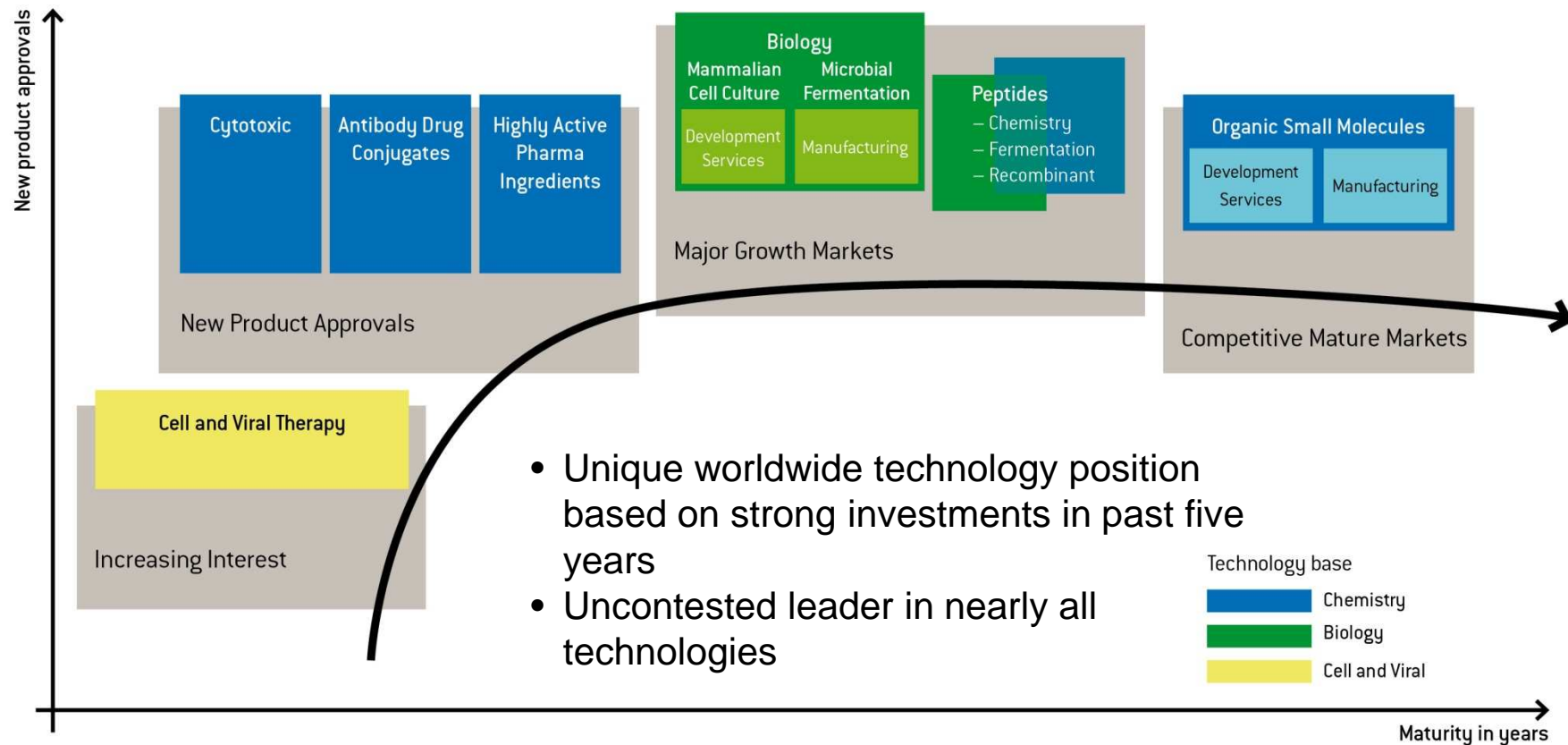
action definition
  implementation
  continuation

# Megatrends and Lonza's Solutions





# Lonza Custom Manufacturing: Unique Technology Portfolio for the Pharma Markets



- Unique worldwide technology position based on strong investments in past five years
- Uncontested leader in nearly all technologies

Technology base

- Chemistry
- Biology
- Cell and Viral

## Summary & Outlook

- Lonza business performance overall on track
- Good performance in Specialty Ingredients market segment. Slow start in the Pharma & Biotech market segment as anticipated
- Reorganization and improvement projects on track
- Update on manufacturing footprint evaluation and implementation to be expected after Q2
- Solid financial situation with placing of a straight bond at favorable conditions
- Confirmation of January guidance - as guided at FYR 2012, H2'13 will be stronger than H1'13
- 2013 EBIT guidance growth of around 10% reiterated

# Calendar of Events and Contacts

## Important Lonza Group Dates

- 25 July 2013 Half-year 2013 results
- 31 Oct 2013 Third quarter 2013 business update
- 23 Jan 2014 Full-year 2013 results
- 16 Apr 2014 Annual General Meeting
- 24 Apr 2014 First quarter 2014 business update

## Contacts

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**Further Information**

**Lonza**

# VispChallenge – Problem Analysis

- Visp is largest of Lonza's sites in terms of employees and sales
- Site in 2012 with good capacity utilization however with unsatisfactory profitability

Low profitability caused by:

- Competitive pressure
- Exchange rates
- Suboptimal product portfolio
- Site complexity (business processes, organization)
- Changing industrial environment (regulations, consolidation, etc.)
- Oil price and energy costs



Need for action:

Competitive portfolio and cost structure are fundamental requirements to remain attractive for new products, investments and technologies

## VispChallenge – Goals

- Long-term competitive and profitable site with attractive working places
- Increase profitability (CHF 100 mn productivity improvement)
- Focus all activities on value creation
- Review and adapt portfolio



Make Visp fit for the next generation

# VispChallenge – Measures

Reduce complexity, improve cost structure and flexibility:

- Streamline Visp site service and manufacturing organization and offering
- Simplification of cost center structure and cost allocation
- Simplify processes in supply chain, maintenance, quality assurance, etc.

Increase focus..... (examples):

- Reduce external non-core activities (e.g. engineering activities)
- Focus on value add projects

Review business models:

- E.g. market and customer focused CMO and CDO approach

Optimize portfolio (examples):

- Verbund flexibilization, basic chemicals portfolio optimization
- Asset utilization of multi purpose plants
  - Agro
  - Small Molecules

## VispChallenge – Personnel Impact

- Measures will lead to a reduction in workforce of 400 positions in Visp within 24 months
- Ease of personnel impact through:
  - Internal transfers to open positions and new business
  - Natural attrition
  - Discontinuation of temporary contracts
  - Early retirements
  - Restructuring layoffs in line with the dismissal protection due to the lengthening of working hours (end 2012 for EAV and end February for KAV)
- Social plan prepared, consultation with unions constructively done



# Key Opportunities for Lonza

## Key Strengths of Lonza

- Excellent technology platforms
- Leading edge capabilities in biologics as well as process chemistry
- Global asset footprint
- Highly engaged and committed workforce
- Ability to be an innovation partner
- Access to new market segments following the acquisition of Arch
- #1 position in Custom Manufacturing and Microbial Control

## Key Opportunities for Lonza

- 1 Stronger Focus on Target Markets**
  - B2B-marketing and sales approach
  - Expansion into emerging markets
- 2 Near Term Cost Reduction**
  - Arch integration
  - VispChallenge
- 3 Longer Term Operational Improvements**
  - Manufacturing / Administration / Supply Chain
  - Site / legal entity consolidation
- 4 Cash Focus**
  - De-leveraging
  - EBITDA growth, capex / NWC control
- 5 Portfolio Management**
  - Business portfolio
  - Product portfolio

**1**

# Stronger Focus on Target Markets

## Situation

- Lonza has a market focus in the traditional target market pharma industry
- The company has strong science, technology and regulatory expertise because of the long-lasting activities in the pharma-market
- The existing know how can be used and lead to new business in other market segments
- The go-to-market approach needs to be adjusted



## Consequences

- Sharpened / enhanced customer and market focus will be the driving force going forward
- Stronger emphasis on B2B-marketing excellence and sales excellence
- Innovations need to be more market driven
- Penetration of new geographic markets where the major growth takes place
- Development of entry strategies for new markets

**2**

**Near Term Cost Reduction**

**Situation**

**Visp Challenge**

- A significant number of cost and sales improvement projects are on-going
- Highly utilized production assets
- Investment projects for new business on the way
- Even stronger focus needed

**Arch Integration**

- Dedicated management for the Integration project
- Organization aligned and implemented
- Integration well on track



**Consequences**

- **New Management Committee member Beat In-Albon** appointed to oversee Visp Challenge with full empowerment
- **Visp Challenge scope expanded** to all activities at the Visp site
- **Review of manufacturing product portfolio and transformation of the technology portfolio at Visp**
- **Strong focus on delivering synergies** as promised with dedicated management
- **Management attention on not losing any business** during the integration phase

**3**

## Longer Term Operational Improvements

### Situation

- M&A – activities have been on top of the agenda of Lonza for the recent years.
- Measurable Operational Efficiency improvements needs to come into the focus now. Visp Challenge started the way for all other business units and sites, including corporate structure worldwide.



### Consequences

- M&A is on low priority while improvement will start in the area of:
- The global manufacturing footprint
  - Administrative efficiency
  - The site and legal entity structure
  - Increased asset productivity

**4****Cash Focus****Situation**

- On-going acquisitions and significant investments, especially in Asia, have led to a net debt/EBITDA of 3.7 by the end of 2011. In 2012 debt was reduced substantially and was at a net debt/EBITDA ratio of 3.35 (before restructuring and Arch integration charges)

**Consequences**

- Deleveraging is high on the agenda
- No equity increase needed for refinancing reasons
- Stronger focus on EBITDA – generation to increase permanently the incoming cash flow
- Capex Management and Working Capital Control get a stronger weight in targets of the company
- Disinvestments of non-core assets (e.g. Performance Products)

**5****Portfolio Management****Situation**

- Latest with the integration of the former Arch businesses, Lonza is active in a broad variety of market segments
- Within the market segments there is a need for actively managing the different levels of the product portfolio ranging from innovation to market standard products

**Consequences**

- Core segments will drive strategy and structure
- Profitable growth perspective through match between market potential and Lonza technologies and capabilities
  - Innovation driven segments
  - Profitable specialty character for product and services
  - Business Portfolio management remains ongoing task for Lonza Board and Management Committee

# Lonza Is Able to Address Key Market Segments

## Key Market Segments

**Pharma / Biotech**

**Personal Care / Hygiene**

**Food Value Chain**

**Water**

## How Lonza Addresses These Segments

- Lonza is a respected leader in offering services to those markets
- Broadening the offer and penetrating new markets is on the agenda (e.g. Therapeutic Services)
- Lonza gained critical mass through the Arch acquisition
- Making use of the excellent Lonza tech platforms to grow
- Agro business gained momentum based on Lonza-technologies
- Staying competitive and broadening the offer to the food/feed markets
- The Water business unit covers already a variety of applications
- Technology transfers to growing segments are on the way

**Lonza is well positioned to harness megatrends and to serve resulting market needs**

# Rollout of Lonza's Technology Platforms

Key Technologies	Pharma / Biotech	Personal Care / Hygiene	Food Value Chain	Water
Fermentation	e.g.: Mammalian, microbial, development services, L-carnitine			
Fine Chemistry	e.g.: Synthesis, conjugates, peptides, HAPI, cytotoxics, microreactor, Niacin			
Preservation		e.g.: Antimicrobials		
Cell / Viral Therapy	e.g.: Therapeutics			
Testing	e.g.: Endotoxin, Moda, "paperless"			

**Lonza is able to broaden offering to serve market needs based on strong existing technologies**



# Guidance on Business Results Revisited

## Situation

- Guidance historically given primarily on EBIT level
- Some guidance / commentary on other metrics on an intermittent basis

## Consequences

We will provide mid term-guidance on:

- Revenues
- EBITDA

Rationale

- EBITDA guidance in line with industry practice and our cash focus

Parameters for guidance to reflect industry standard and focus on cash generation

# Outlook and Growth Drivers

## Focus and delivery are key:

- Microbial Control integration until mid-2013
- Good order book visibility and good capacity utilization in Custom Manufacturing
- Project pipeline contribution to growth
- EPS growth fuelled by Arch acquisition
- Portfolio / Productivity / Rationalization initiatives

## And beyond 2013:





- Technology driven new business opportunities
- Expansion in emerging markets (BRICS)
- Improved shareholder returns via
  - Sustainable free cash flow generation
  - Tax-free dividend



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# Lonza – former organization

## Lonza

1 Microbial Control	2 Custom Manufacturing	3 Life Science Ingredients	4 Bioscience
 <p>Hygiene + Preservation Water Treatment Material Protection Personal Care Wood Treatment</p>	 <p>Biological Manufacturing Chemical Manufacturing Development Services</p>	 <p>Nutrition Ingredients Performance Intermediates</p>	 <p>Therapeutic Services Research + Testing Solutions</p>
<p><b>2012</b> Sales: CHF 1.625 mn EBITDA: CHF 202 mn EBIT: CHF 138 mn</p>	<p><b>2012</b> Sales: CHF 1.320 mn EBITDA: CHF 323 mn EBIT: CHF 182 mn</p>	<p><b>2012</b> Sales: CHF 742 mn EBITDA: CHF 100 mn EBIT: CHF 31 mn</p>	<p><b>2012</b> Sales: CHF 228 mn EBITDA: CHF 34 mn EBIT: CHF 15 mn</p>

**Lonza is a high-tech specialty business with multiple strong pillars**

41%

34%

19%

6%

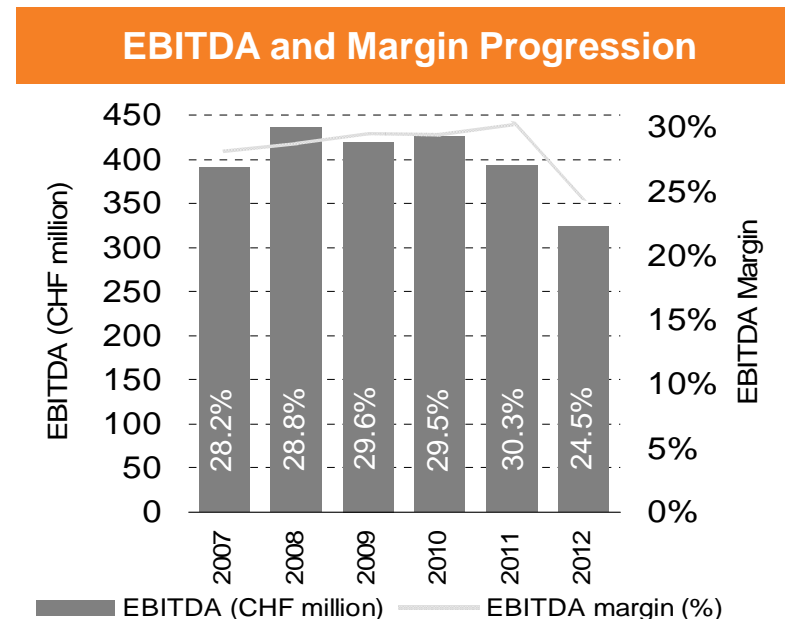
# Lonza Microbial Control Financial Highlights 2012

Key Figures		
CHF (mn)	2012	Changes YoY*
Sales	1.625	234.4
EBITDA	202	1.342,9
<i>Margin</i>	12.4%	
EBIT	138	
<i>Margin</i>	8.5%	

- Solid business performance in nearly all business units despite macro-economic headwinds especially in Q4
- Successful new businesses based on enlarged active substances and innovation
- Integration completely on track and delivering anticipated results

# Lonza Custom Manufacturing Financial Highlights 2012

Key Figures		
CHF (mn)	2012	Changes YoY*
<b>Sales</b>	1.320	1.8
<b>EBITDA</b>	323	(17.8)
<b>Margin</b>	24.5%	
<b>EBIT</b>	182	(20.2)
<b>Margin</b>	13.8%	

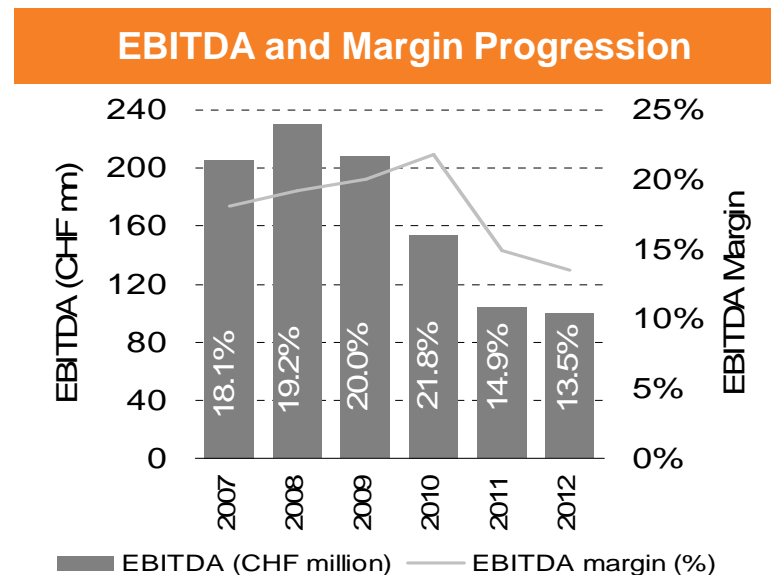


- Capacity utilization lower than in 2011 due to Singapore start-up, Hopkinton production issues and product approval delays
- Sales and EBIT growth mainly impacted by slower than expected Singapore ramp-up and quality related expenses in Hopkinton
- New technologies see growing customer demand

\* in %

# Lonza Life Science Ingredients Financial Highlights 2012

Key Figures		
CHF (mn)	2012	Changes YoY*
<b>Sales</b>	742	6.5
<b>EBITDA</b>	100	(4.8)
<b>Margin</b>	13.5%	
<b>EBIT</b>	31	(22.5)
<b>Margin</b>	4.2%	

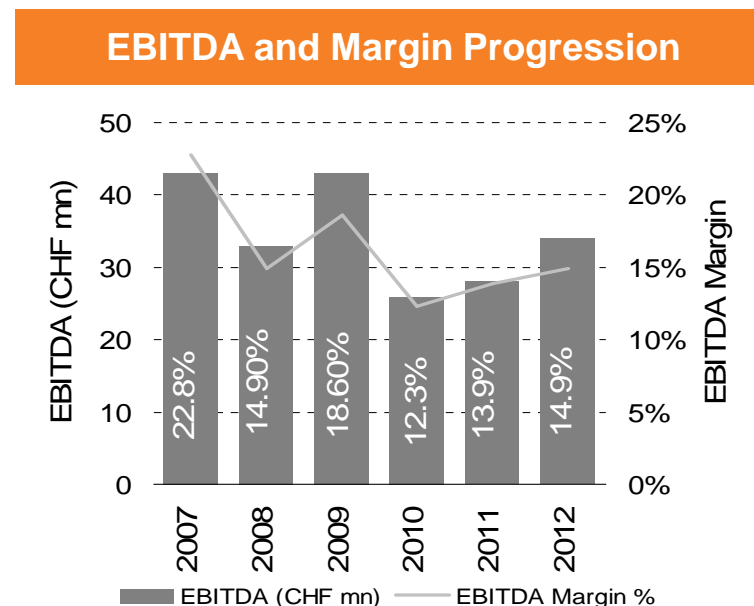


- Improved business performance despite difficult market parameters
- Solid market demand, request for high quality products and supply reliability resulted in high capacity utilization
- Growth projects started up successfully

\* in %

# Lonza Bioscience Financial Highlights 2012

Key Figures		
CHF (mn)	2012	Changes YoY*
<b>Sales</b>	228	12.9
<b>EBITDA</b>	34	21.4
<b>Margin</b>	14.9%	
<b>EBIT</b>	15	15.4
<b>Margin</b>	6.6	



- Strong sales increase in Cell & Viral Therapy, Therapeutic Media and Asia
- Research & Testing solutions remains impacted by volatile economy and low academic spending in USA and Europe
- Start-up of Phase III manufacturing in Singapore Cell Therapy facility successful

\* in %