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


Toralf Haag - CFO
Forward-looking

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.
Corporate

Agenda

1. Company overview
2. Segment overview
3. Key Opportunities
4. Full-Year 2015 Outlook
5. Mid-Term Guidance until end 2018
Lonza Overview

- Life sciences driven company
- Headquartered in Basel (Switzerland)
- Sales of CHF 3.640 billion in 2014
- Global operations:
  - 44 major sites
  - Employs ~9,800 people
- Global leader in specialty chemicals and custom manufacturing:
  - Hygiene / Antimicrobials
  - Water treatment
  - Active pharmaceutical ingredients both chemical and biological
  - Cell therapy
- Leading positions in product market niches:
  - Coatings & Composites
  - Food and Agro ingredients
  - Endotoxin detection
  - Cell-based research products
Global Footprint

Headquarter in Basel, Switzerland
44 major sites
Employs ~9,800 people
Lonza Segments

**Specialty Ingredients Segment**

**Our Markets:**
- Consumer Care incl. Personal Care & Preservation
- Nutrition
- Hygiene
- Agro Ingredients
- Water Treatment
- Industrial Solutions
- Wood Protection

**2014**
- Sales: CHF 2,154 mn
- CORE EBITDA: CHF 360 mn
- CORE EBIT: CHF 272 mn

**Pharma&Biotech Segment**

**Our Offers:**
- Custom Manufacturing
- Custom Development
- Bioscience Solutions

**2014**
- Sales: CHF 1,446 mn
- CORE EBITDA: CHF 385 mn
- CORE EBIT: CHF 245 mn

*¹ – CORE definition: see appendix
Technology Links Between Businesses

Pharma&Biotech

- CDO
- CMO
- Bioscience

Fine Chemistry
Fermentation
Chromatography
Cell Technologies
...

“Cracker Streams” (Visp)

Specialty Ingredients

- Consumer Care
- Personal Care
- Hygiene
- Nutrition & Health
- Agrochemical Solutions
- Water Technologies
- Industrial Solutions
- Wood Protection

Antimicrobials (Arch)
Lonza Target Markets

Pharma & Biotech
- Manufacturing Services for API CMO
- API – Development Services CDO
- Products & Consumables for Research & Production

Consumer Care
- Personal Care: Active Ingredients, Functionals & Preservatives
- Nutritional Ingredients (Vitamin B3)
- Hygiene: Antimicrobial Products

Agro Solutions
- Custom Manufacturing Services
- Fertilizers & Molluscicides
- Formulation Solutions for Crop Protection (Biocides)

Water Treatment
- Sanitizers & Other Treatment Chemicals for Pools & Spas
- Feeder Systems for Drinking Water
- Agricultural & Industrial Water Treatment

Industrial Solutions
- Biocides & Preservatives for Materials Protection
- High-Performance Materials for Electronics & Composite Industry
- Cracker (Verbund)
- Corrosions Inhibitors & Specialty Chemicals for Oil & Gas Applications
- Industrial Preservatives & Fire Retardants for Pretreatment & Surface Protection of Wood
- Wood Building Material Brand

Wood Protection
- Sanitizers & Other Treatment Chemicals for Pools & Spas
- Feeder Systems for Drinking Water
- Agricultural & Industrial Water Treatment

Offerings:
- Personal Care: Active Ingredients, Functionals & Preservatives
- Nutritional Ingredients (Vitamin B3)
- Hygiene: Antimicrobial Products
- Sanitizers & Other Treatment Chemicals for Pools & Spas
- Feeder Systems for Drinking Water
- Agricultural & Industrial Water Treatment
- Biocides & Preservatives for Materials Protection
- High-Performance Materials for Electronics & Composite Industry
- Cracker (Verbund)
- Corrosions Inhibitors & Specialty Chemicals for Oil & Gas Applications
- Industrial Preservatives & Fire Retardants for Pretreatment & Surface Protection of Wood
- Wood Building Material Brand

Capitalizing on Global Megatrends Across Markets

Growing World Population
Aging of Global Populations
Rapid Growth of Megacities
Growing Middle Classes in Emerging Countries
Lonza’s Target Markets and Its Technologies
Q1 2015 Qualitative Business Update

- Q1 started with an overall good momentum
- Business performance right on target, as expected
- FX effects under control and being managed through counter-measures and business performance
- Enhanced operational performance and ongoing portfolio optimizations in Pharma&Biotech
- Specialty Ingredients performance supported by an overall healthy market demand
Q1 2015 Operational Highlights

- Production ramp-up of recent investments providing projected volume growth:
  - Niacinamide plant in Nansha (CN)
  - Agro Ingredients plant in Visp (CH)
- Adaptations of large-scale microbial plant in Visp to accommodate different customers successfully underway
- Preparation to build-out assets for emerging technologies (e.g. cell and viral therapy in the U.S.) making good progress
Agenda

1. Company overview
2. Segment overview
3. Key Opportunities
4. Full-Year 2015 Outlook
5. Mid-Term Guidance until end 2018
Lonza Segments

**Specialty Ingredients Segment**

**Our Markets:**
- Consumer Care incl. Personal Care & Preservation
- Nutrition
- Hygiene
- Agro Ingredients
- Water Treatment
- Industrial Solutions
- Wood Protection

**2014**
- Sales: CHF 2,154 mn
- CORE EBITDA: CHF 360 mn
- CORE EBIT: CHF 272 mn

**Pharma&Biotech Segment**

**Our Offers:**
- Custom Manufacturing
- Custom Development
- Bioscience Solutions

**2014**
- Sales: CHF 1,446 mn
- CORE EBITDA: CHF 385 mn
- CORE EBIT: CHF 245 mn

*1 – CORE definition: see appendix*
Specialty Ingredients
Business Profile

Consumer Care

Personal Care
(Skin, scalp and hair care, cosmetics, cosmeceuticals, preservatives)
- Antidandruff agents (Omadine™)
- Emulsifiers & emollients
- Anti-aging products
- Preservatives against fungi and bacteria (household and institutional cleaning)

Hygiene
(Disinfecting and sanitization)
- Antimicrobial formulations, biocidal actives, preservatives, surfactants
- Food & Beverage, Home Care, Health Care (hospitals), Institutional (schools, restaurants, cruise ships), Industrial (food processing plants)

Nutrition
(Enhancing health & well-being)
- Niacin and Niacinamide (vitamin B3) – used in food, feed and pharmaceutical applications
- Carnipure™ and Carniking™ (L-Carnitine)
- ResistAid™ (used in dietary supplements & functional food/beverages)
# Specialty Ingredients

## Business Profile

### Agro Ingredients
- Custom Manufacturing of agro-chemical active ingredients, advanced intermediates & basic chemicals
- Molluscicides (Meta™, Axcela™) for slug & snail control
- Fertilizers
- Proprietary seed & fruit treatment (Frexus™)

### Water Treatment
(Residential as well as Industrial, Commercial & Municipal)
- Sanitizers
- Algaecides
- Feeder systems
- Biocides
- Slimicides
- Surfactants
- Corrosion inhibitors
Specialty Ingredients
Business Profile

Industrial Solutions

- Materials Protection (antimicrobials & protective agents)
- High-Performance Materials (components to electronics & aerospace industry)
- Performance Intermediates (HCN & Diketene/Ketene derivatives, basic chemicals)
- Oleo Chemical Derivatives (emulsifiers & lubricants)
- Oil & Gas (biocides)

Wood Protection

- Wood preservatives and treatments
- Fire retardants
- Water repellants
- Mold inhibitors
- Sapstain control solutions
Hygiene
- Solid quarter for disinfection products with performance above expectations (particularly wipe solutions and hard-surface cleaning products)
- Continued advancement of the innovation stream in disinfecting wipes and pre-registered formulated solutions for customers
- New solutions for anti-bacterial hand-soaps with major customers

Nutrition
- Vitamin B3 on target based on solid market demand in both human and animal nutrition
- Growing market demand for energy beverages and sports nutrition led to increasing demand for our Carnipure™ product offering

Personal Care
- Results above target for anti-dandruff and hair-conditioning business – driven by demand and innovation
- Interest continued to build in Regenistem™, our newly developed skin-care product
Business Highlights
Agro Ingredients and Industrial Solutions

Agro Ingredients
- Custom Manufacturing results overall on target with good capacity utilization
- Meta™ started successfully, and geographic expansion on target
- Formulation ingredients for crop-protection products and fertilizers gaining interest in the agro industry

Industrial Solutions
Coatings and Composites
- Solid demand from electronics and aerospace industries resulted in long-term supply agreements
- Antifouling paints, building products and antimicrobial solutions performed strongly

Performance Ingredients
- Slower start into the year
Wood Protection
- Record snowfall and cold winter in the U.S. leading to delayed deliveries while weakening currencies in Europe and Asia Pacific had a negative impact on the business
- In the EMEA region, the UK market continues to expand at a solid pace with upward trend in other regions of Europe
- Market continues to be stable in APAC

Water Treatment
- Recreational business started with improved sales into the year
- Solid sales in NAFTA and South Africa; FX had an impact on South America business
- Expected growth in North America for ICMS business with initiation of new market approaches
Our Markets:
- Consumer Care incl. Nutrition
- Personal Care & Preservation
- Hygiene
- Agro Ingredients
- Water Treatment
- Industrial Solutions
- Wood Protection

**2014**
- Sales: CHF 2,154 mn
- CORE EBITDA: CHF 360 mn
- CORE EBIT: CHF 272 mn

Our Offers:
- Custom Manufacturing
- Custom Development
- Bioscience Solutions

**2014**
- Sales: CHF 1,446 mn
- CORE EBITDA: CHF 385 mn
- CORE EBIT: CHF 245 mn

*1 – CORE definition: see appendix*
Lonza Custom Manufacturing
Business Profile

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

**Chemical Manufacturing:**
- Small molecules, conjugated antibodies (ADC), 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
Business Highlights
Custom Manufacturing

- Ongoing strong market demand in biologics and continuing good utilization
- Positive results from regulatory audits in Singapore, Portsmouth and Spain
- Viral Therapy commercialization plans and services continue to advance for several late-phase portfolio products
- Increased funding available for Cell Therapy and increased investments from big-pharma companies
Business Highlights
Custom Development & Bioscience Solutions

Custom Development Services
- Continued interest from customers across all regions and technologies for development and clinical manufacturing services
- Working closely with two European Innovation Clusters following the signing of collaboration agreements
- Multi-product GS Xceed™ license agreement signed with arGEN-X

Bioscience Solutions
- Further improved performance compared with 2014 and improved presence in China and APAC, despite continued low funding in Japan and Europe markets
- Research Products experienced first signs of a global recovery
- Testing Solutions performance according to budget and plan
# Pharma&Biotech Segment

## Customer Focused Market Approach

<table>
<thead>
<tr>
<th>Lonza’s Offerings</th>
<th>Licensing</th>
<th>BioResearch / Consumables</th>
<th>Development Services</th>
<th>Commercial Manufacturing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mammalian Cell</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Microbial Fermentation</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Small Organic Molecules</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>ADC</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>HAPI</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Peptides</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Viral Therapy</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Cell Therapy</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

- Licensing: Screening, Pre-clinic
- BioResearch / Consumables: All phases
- Development Services: Pre-clinic, Phase I – Phase III
- Commercial Manufacturing: Launch and Commercial

- Product Success Probability:
  - Clinical Phase: Screening, Pre-clinic
  - Production Scale: +
  - Launch and Commercial: +++

- Lonza’s Offerings:
  - Mammalian Cell: X
  - Microbial Fermentation: X
  - Small Organic Molecules: X
  - ADC: X
  - HAPI: X
  - Peptides: X
  - Viral Therapy: X
  - Cell Therapy: X
Agenda

1. Company overview
2. Segment overview
3. Key Opportunities
4. Full-Year 2015 Outlook
5. Mid-Term Guidance until end 2018
### 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

<table>
<thead>
<tr>
<th>1</th>
<th>Stronger Focus on Target Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B2B-marketing and sales approach</td>
</tr>
<tr>
<td></td>
<td>Expansion into emerging markets</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2</th>
<th>Near Term Cost Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Arch integration</td>
</tr>
<tr>
<td></td>
<td>Visp Challenge</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3</th>
<th>Longer Term Operational Improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Manufacturing / Administration / Supply Chain</td>
</tr>
<tr>
<td></td>
<td>Site / legal entity consolidation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4</th>
<th>Cash Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>De-leveraging</td>
</tr>
<tr>
<td></td>
<td>EBITDA growth, capex / NWC control</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5</th>
<th>Portfolio Management</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Business portfolio</td>
</tr>
<tr>
<td></td>
<td>Product portfolio</td>
</tr>
</tbody>
</table>
1. Company overview
2. Segment overview
3. Key Opportunities
4. Full-Year 2015 Outlook
5. Mid-Term Guidance until end 2018
FY 2015 Outlook

Based on the current macro-economic environment, constant exchange rates and anticipated worldwide growth rates, we expect:

- Sales growth, despite FX rate and raw material volatility
- CORE* EBIT growth of at least 5% due to portfolio optimizations, FX counter measures and further operational productivity improvements
- Ongoing optimizations of the worldwide production network are expected to lead to a further improved CORE RONOA of >15%

*CORE definition: see appendix
Agenda

1. Company overview
2. Segment overview
3. Key Opportunities
4. Full-Year 2015 Outlook
5. Mid-Term Guidance until end 2018
Lonza’s Target Markets and Its Technologies

Corporate

Pharma&Biotech
Consumer Care
Agro Ingredients
Industrial Solutions
Wood Protection
Water Treatment

Biological Technology

Fine Chemistry

Biological/Chemical Conjugation

Regulated Products/Services

Mid-Term Guidance Until End 2018 – 28 Apr 2015
Technology Links Between Businesses

**PHARMA & BIOTECH**
- CDO: Development Service
- CMO: Toll Manufacturing
- Bioscience: Products

**SPECIALTY INGREDIENTS**
- Consumer Care Offerings
- Agro Ingredients
- Industrial Solutions
- Wood Protection Offerings
- Water Treatment Offerings

**Antimicrobials (Legacy Arch)**
- Visp (CH) Chemical Network
Priorities – Specialty Ingredients

- Expand reach – globally and market-wise
- Share technology know-how from biopharma and specialty chemicals across different markets, industries and technologies to capitalize on synergies
- Become more operationally efficient

- Build on strong hygiene expertise to enter new markets
- Enter adjacent fields for Personal Care and Nutrition applications

Consumer Care

- Build up fermentation platform for agro-chemicals
- Penetrate target markets with additional offerings

Agro Ingredients

- Focus on high-value products in coatings and composites markets

Industrial Solutions

- Focus on next generation of metal-free wood protection products
- Introduce next generation of fire-retardant products

Wood Protection

- Build on #1 market position in residential water
- Expand reach and market share in industrial arena

Water Treatment
Priorities – Pharma&Biotech
A 5-Year Journey and Getting Fit for 2020+

- Realign business models to satisfy customers’ future needs
- Reduce volatility further
- De-risk portfolio further
- Reduce capital intensity

- Build on leading position in commercial manufacturing
- Explore opportunities to expand existing asset basis

- Realign the chemicals asset base to suit changing customer needs effectively

- Take advantage of leading position to bring emerging technologies to market (ADC, Viral Therapy, Cell Therapy)

- Grow from a solid basis and expand our product offerings

Biologics (Mammalian & Microbial)

Chemicals (Small Molecules, Peptides)

Emerging Technologies (CT, VT, ADC)

Bioscience Solutions

CT: Cell Therapy, VT: Viral Therapy, ADC: Antibody Drug Conjugates
Mid-Term Guidance Until End 2018

Based on current macro-economic environment, constant exchange rates and anticipated worldwide growth rates, we expect:

- CORE* EBITDA approaching CHF 1 billion in 2018, driven by:
  - Further portfolio optimization
  - Continuous strengthening of customer and target-market orientation
  - Increased implementation of cross-technology synergies
  - Higher share of businesses from new and emerging technologies
  - Further productivity improvements in our manufacturing and business services network

*CORE definition: see appendix
Mid-Term Guidance Until End 2018

- Targeting CORE* RONOA of 20% in 2018 (14.3% in 2014)

- Growing sales by low to mid-single digits on average per year until 2018, driven by:
  - Additional contribution from new technologies
  - Further productivity improvements in custom manufacturing
  - Supplementary build-out of service businesses
  - Growing market demand for innovative products in Specialty Ingredients, especially in consumer-related areas and in the specialty segment of our industrial business, namely Coatings and Composites
  - Stringent portfolio management with focus on higher value products
  - Expanded global reach

*CORE definition: see appendix
Calendar of Events & Contacts

Important Lonza Group Dates
22 July 2015 Half-Year 2015 Results
29 Oct 2015 Third-Quarter 2015 Business Update
27 Jan 2016 Full-Year 2015 Results
22 Apr 2016 Annual General Meeting

Contacts
Dirk Oehlers
Investor Relations
T +41 61 316 8540
F +41 61 316 9540
dirk.oehlers@lonza.com

Dominik Werner
Corporate Communications
T +41 61 316 8798
F +41 61 316 9798
dominik.werner@lonza.com
Further Information
CORE Results as Defined by Lonza

Lonza believes that disclosing CORE results of the Group’s performance enhances the financial markets’ understanding of our company 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 internally assessing the Group’s performance.
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 Segment
Offerings in the areas of:
- Custom Manufacturing both chemical and biopharmaceutical
- Custom Development
- Testing & Research

Specialty Ingredients Segment
Offerings in the areas of:
- Personal care
- Hygiene
- 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
Ongoing Operational Plan 2013-2015

Key Opportunities for Lonza

1. Stronger Focus on Target Markets
2. Near-Term Cost Reduction
3. Longer-Term Operational Improvements
4. Cash Focus
5. Portfolio Management

Running Projects 2012

Go-To-Market Excellence Initiative

Manufacturing Footprint Optimization

Business Service Excellence

Organizational Preparedness 2013

Executive Committee

Market-Oriented Business Units

2 R&T Organizations
- Pharma&Biotech
- Specialty Ingredients

2 Operational Units
- Pharma&Biotech
- Specialty Ingredients

Corporate Functions:
- Setting Standards

Regional Business Service Organizations:
- Executing Transformational Services
Roadmap – The Path to Sustainable, Profitable Growth on a Solid Basis

Cost Reduction
- Arch Integration
- Visp Challenge
- Corporate Function Review
- Net Working Capital Management

Operational Improvement
- Manufacturing Footprint
- Administrative Value Chain
- Organizational Review
- Control Capex Spending

Portfolio Management
- Products / Business Portfolio Analysis
- Smaller Technology Acquisitions and Divestments

Focus on Target Markets
- Addressing Megatrends
- Emerging Markets
- Market Approach

Capital efficiency, return on net operating assets (RONOA), substantially reduced CAPEX
Megatrends and Lonza’s Solutions

**Megatrends**

- Growing world population
- Ageing population in Western countries
- Movements of growing population into megacities
- Growing middle classes in BRIC-VISTA countries

**Resulting In:**

- Need for Clean Water
- Need for Food
- Need for Medication
- Need for Personal Care
- Need for Hygiene

**Lonza Technology and Product Offering**

- Water treatment systems including sanitizers and feeder systems
- Nutritional ingredients
- Agro chemical custom manufacturing
- Chemical and biotech manufacturing expertise & technologies
- Drug development services
- Fertilizers
- Personal care products
- Research & testing solutions for pharma markets
- Hygiene & preservation solutions
Focus Areas for Corp. Strategic Projects
Example of Market Integration in Agri-Feed and Food Industry

Agricultural Inputs
- e.g. Seeds, fertilizers, genetics

Agricultural Production
- e.g. Crops, cattle, poultry, fisheries

Raw Material Processing
- e.g. Food handling, 1° processing

F&B Manufacturing
- e.g. Final processing, ready-meals

F&B Wholesale and Retail
- e.g. Cash-and-carry stores, supermarkets

F&B Services
- e.g. Restaurants, canteens, cafes

Waste, Reuse and Recycling
- e.g. Food banks, waste management companies

Source: Arthur D. Little analysis
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
### Characteristics of Pharma & Biotech Businesses

- Capital intensity high
- High maintenance required
- CAPEX driven by new technologies and market demand
- Regulatory experiences
- QA/QC

### CORE Site Concept – Visp Example

#### Operations Units

<table>
<thead>
<tr>
<th>QA/QC</th>
<th>Eng.</th>
<th>EHS</th>
<th>Rep. / Maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste Treat.</td>
<td>Energy / Utilities</td>
<td>Supply Chain</td>
<td>Logistics</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Finance</th>
<th>Custom. Service</th>
<th>HR</th>
<th>Controlling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canteen</td>
<td>Fire Brigade</td>
<td>IT</td>
<td>Site Mngt</td>
</tr>
</tbody>
</table>

- **Specialty Ingredients Production Plants**

- **Pharma & Biotech Production Plants**

- **Corporate**
# The Antibody Drug Conjugates Example

<table>
<thead>
<tr>
<th>Operations Units</th>
<th>Operations Units</th>
<th>Operations Units</th>
<th>Antibody Drug Conjugates</th>
</tr>
</thead>
<tbody>
<tr>
<td>QA/QC</td>
<td>Eng.</td>
<td>EHS</td>
<td>Rep. / Maintenance</td>
</tr>
<tr>
<td>Waste Treat.</td>
<td>Energy / Utilities</td>
<td>Supply Chain</td>
<td>Logistics</td>
</tr>
<tr>
<td>Finance</td>
<td>Custom. Service</td>
<td>HR</td>
<td>Controling</td>
</tr>
<tr>
<td>Canteen</td>
<td>Fire Brigade</td>
<td>IT</td>
<td>Site Mngt</td>
</tr>
<tr>
<td>Operations Units</td>
<td>Operations Units</td>
<td>Operations Units</td>
<td>R&amp;T</td>
</tr>
</tbody>
</table>

**Specialty Ingredients Production Plants**

**Pharma & Biotech Production Plants**
Rationale for VispChallenge

- High Asset Utilization
- Complex Structure
- Suboptimal Portfolio
- Missing Market Orientation
- High Personal Resource Demand
- Low Profit Contribution per Asset
- Missing Effectiveness
- Inefficiency
- Low Asset Profitability

High

Low

Missing

Inefficiency
VispChallenge – Update

Efficiency and capacity utilization

- Cost reduction
- Challenge business model
- Optimization portfolio
- Optimization projects
- New business projects
  - LONZA 2020, Innovation

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- action definition
- implementation
- continuation
Key Opportunities for Lonza

1. Stronger Focus on Target Markets
   - B2B-marketing and sales approach
   - Expansion into emerging markets

2. Near Term Cost Reduction
   - VispChallenge
   - Corporate Functions review

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

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

Jun-15
**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
## 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

### 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**
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
### 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. Until end of 2013 debt was reduced substantially and was at a net debt/EBITDA ratio of 2.77x

**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
- Divestments of non-core assets (e.g. Performance Products – concluded in Dec. 2012)
## 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 Executive Committee.
Lonza is able to address key market segments

<table>
<thead>
<tr>
<th>Key Market Segments</th>
<th>How Lonza Addresses These Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharma / Biotech</td>
<td>❘ Lonza is a respected leader in offering services to those markets</td>
</tr>
<tr>
<td></td>
<td>❘ Broadening the offer and penetrating new markets is on the agenda (e.g. Therapeutic Services)</td>
</tr>
<tr>
<td>Personal Care / Hygiene</td>
<td>❘ Lonza gained critical mass through the Arch acquisition</td>
</tr>
<tr>
<td></td>
<td>❘ Making use of the excellent Lonza tech platforms to grow</td>
</tr>
<tr>
<td>Food Value Chain</td>
<td>❘ Agro business gained momentum based on Lonza-technologies</td>
</tr>
<tr>
<td></td>
<td>❘ Staying competitive and broadening the offer to the food/feed markets</td>
</tr>
<tr>
<td>Water</td>
<td>❘ The Water business unit covers already a variety of applications</td>
</tr>
<tr>
<td></td>
<td>❘ Technology transfers to growing segments are on the way</td>
</tr>
</tbody>
</table>

Lonza is well positioned to harness megatrends and to serve resulting market needs.
## Rollout of Lonza’s Technology Platforms

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

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

CORE RONOA in %

2013 | Reduction of NoA | Sales Growth Go-to-Market | Product Mix Improvement (Go-to-Market) | Further Cost Reductions + Productivity Improvements (Manufacturing Footprint, BSX) | Salary Increase | 2016

12.3% | | | | | | 16.0%

Capital Markets Day - May 2014
Net debt 2013-2014

Operative net debt reduction

Mio CHF

2'103
2'011
1'926
1'821

2013
2014 reported
before TL write-off
at constant currency exchange-rate

85
105
282
## Key Financial Figures

<table>
<thead>
<tr>
<th>CHF mn</th>
<th>FY 2014</th>
<th>FY 2013</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>3,640</td>
<td>3,584</td>
<td>1.6%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>737</td>
<td>647</td>
<td>13.9%</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>20.2%</td>
<td>18.1%</td>
<td>13.9%</td>
</tr>
<tr>
<td>CORE EBITDA</td>
<td>743</td>
<td>711</td>
<td>4.5%</td>
</tr>
<tr>
<td>CORE EBITDA Margin</td>
<td>20.4%</td>
<td>19.8%</td>
<td>4.5%</td>
</tr>
<tr>
<td>EBIT</td>
<td>423</td>
<td>253</td>
<td>67.2%</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>11.6%</td>
<td>7.1%</td>
<td>67.2%</td>
</tr>
<tr>
<td>CORE EBIT</td>
<td>475</td>
<td>436</td>
<td>8.9%</td>
</tr>
<tr>
<td>CORE EBIT Margin</td>
<td>13.0%</td>
<td>12.2%</td>
<td>8.9%</td>
</tr>
<tr>
<td>Financing Costs</td>
<td>(60)</td>
<td>(119)</td>
<td>(49.6%)</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>15.0%</td>
<td>17.0%</td>
<td>17.0%</td>
</tr>
<tr>
<td>Profit for the Period</td>
<td>237</td>
<td>87</td>
<td>172.4%</td>
</tr>
<tr>
<td>EPS (CHF) Basic</td>
<td>4.56</td>
<td>1.67</td>
<td>173.1%</td>
</tr>
<tr>
<td>EPS (CHF) Basic CORE</td>
<td>6.79</td>
<td>4.99</td>
<td>36.1%</td>
</tr>
<tr>
<td>Operational Free Cash Flow</td>
<td>476</td>
<td>519</td>
<td>(8.3%)</td>
</tr>
<tr>
<td>Change in Net Working Capital</td>
<td>(94)</td>
<td>42</td>
<td>(14.3%)</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>180</td>
<td>210</td>
<td>16.3%</td>
</tr>
<tr>
<td>CORE RONOA</td>
<td>14.3%</td>
<td>12.3%</td>
<td>(4.4%)</td>
</tr>
<tr>
<td>Net Debt</td>
<td>2,011</td>
<td>2,103</td>
<td>(4.4%)</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>9,809</td>
<td>9,935</td>
<td>(1.3%)</td>
</tr>
</tbody>
</table>

CORE definition: see appendix

2014 Full-Year Results – 21 January 2015
FY 2014 – Business Overview

- Lonza delivered expected results with CORE EBIT growth of 11% in CER (+9% reported) to CHF 475 mn, supported by both segments
- CORE EBITDA margin at 20.4%, exceeded original guidance given in 2012 for 2015, one year ahead of schedule
- CORE RONOA improved from 12.3% to 14.3% in 2014, reflecting the improvement of profitability and asset utilization
- Revenues grew by 3% to CHF 3.64 bn in constant exchange rates (+1.6% reported), negatively impacted by the poor weather conditions in the residential water treatment business, as well as the time-consuming, complex tech transfers and qualifications/validations and portfolio optimizations (e.g. Hopkinton shutdown)
- CORE EPS increased to CHF 6.79, an increase of 36.1%
- For third consecutive year, we demonstrate that the transformation is continuing and is making progress
- Headcount (FTE) reduction in 2014 by 1.3% to 9,809 (-126 positions)
- Based on strong cash flow and improved balance sheet, the Board of Directors is proposing an increased cash dividend of CHF 2.50 per share for 2014
FY 2014 – Operational Overview

- In our cGMP sites, 34 regulatory inspections and 169 customer audits were conducted successfully.
- Successfully executed process transfers from Hopkinton, MA (USA) to Visp (CH).
- New plant for niacinamide in Nansha (CN) started up as planned in H2; Guangzhou (CN) plant ceased operation.
- Second large-scale ADC facility in Visp started up as scheduled.
- Capacity expansion for Agro Ingredients in Visp (especially for bio-pesticide development and manufacturing) progressing as planned.
- Rigorous attention to safety matters resulted in 2014 being a record year, with all key targets exceeded.
FY 2014 – Additional Financial Highlights

- Revenues increased by 3% to CHF 3.64 bn in constant exchange rates (+1.6% in reported currency)
- Operational free cash flow remained high with CHF 476 mn
- Profit for the period increased by 172% to CHF 237 mn
- Financing costs reduced substantially due to lower interest rates
- Net debt reduction fully on track before the TL JV write-off of CHF 85.4 mn and negative currency impact of CHF 105 mn, ending at CHF 2.0 bn, which resulted in a net debt/EBITDA ratio of 2.7x
- Capital expenditure at CHF 180 mn (CHF 210 mn in 2013)
Specialty Ingredients

### Key Figures

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>% Changes YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHF (mn)</td>
<td>2,154</td>
<td>2.2</td>
</tr>
<tr>
<td>Sales</td>
<td>360</td>
<td>4.7</td>
</tr>
<tr>
<td>Margin</td>
<td>16.7</td>
<td></td>
</tr>
<tr>
<td>CORE*1 EBITDA (mn)</td>
<td>272</td>
<td>7.1 (13.0% in CER²)</td>
</tr>
<tr>
<td>Margin</td>
<td>12.6</td>
<td></td>
</tr>
</tbody>
</table>

- **Consumer Care** delivered solid results based on growing market demand and innovation
- Excellent performance of the **Agro Ingredients** business based on rising demand, new product launches and innovation
- **Industrial Solutions** performed as planned based on good demand for new products introduced
- **Water Treatment** was substantially impacted by unfavorable weather conditions
- **Wood Protection** delivered solid results coming from improved residential and industrial segments

---

1 – CORE definition: see appendix  
2 – CER: constant exchange rates

2014 Full-Year Results – 21 January 2015
## Pharma&Biotech

<table>
<thead>
<tr>
<th>Key Figures</th>
<th>2014</th>
<th>% Changes YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHF (mn)</td>
<td>1,446</td>
<td>1.4</td>
</tr>
<tr>
<td>Sales</td>
<td>385</td>
<td>9.1</td>
</tr>
<tr>
<td>CORE(^1) EBITDA</td>
<td>26.6</td>
<td></td>
</tr>
<tr>
<td>CORE(^1) EBIT</td>
<td>245</td>
<td>18.4 (15.2% in CER(^2))</td>
</tr>
<tr>
<td>Margin</td>
<td>16.9</td>
<td></td>
</tr>
</tbody>
</table>

### EBITDA and Margin Progression

<table>
<thead>
<tr>
<th>CORE EBITDA (CHF mn)</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORE EBITDA Margin</td>
<td>30%</td>
<td>25%</td>
<td>20%</td>
<td>15%</td>
<td>10%</td>
</tr>
</tbody>
</table>

- Solid out- and dual-sourcing trends resulted in firm contract signing for commercial and clinical-stage products across nearly all technologies, but mainly biopharma, in Custom Manufacturing
- Manufacturing demand resulted in robust capacity utilization and high number of successful product transfers, combined with successful customer audits and inspections by regulatory authorities
- Market interest in new technologies rising constantly (e.g. ADC, cell and viral therapy)

---

1 – CORE definition: see appendix
2 – CER: constant exchange rates