

Press Release

Lonza Half-Year Business Performance Fully on Track

- Business is fully on track with a CORE EBIT growth of 13.1% compared with the first half of 2013 despite currency headwinds
- Revenue grew by 7.0% in constant exchange rates, 3.2% in the reported currency
- Pharma&Biotech made good progress in all three Business Units in the first half of 2014
- Specialty Ingredients had a good performance with an especially strong contribution from Consumer Care and Industrial Solutions
- Ongoing transformational initiatives towards a leaner and more market-driven organization show positive impact, and we have identified further upside potential from all Business Units
- Net debt has been reduced by CHF 300 million compared with the first half of 2013

Basel, Switzerland, 24 July 2014 – In the first half of 2014, Lonza's Specialty Ingredients and Pharma&Biotech segments both delivered a sound performance despite currency headwinds and are fully on track to deliver the growth targets. Compared with the same period in 2013, sales growth of 3.2% to CHF 1.8 billion and CORE EBIT growth of 13.1% to CHF 241 million are coming from the implementation of growth projects and from restructuring activities.

Richard Ridinger, CEO of Lonza, said, "These are satisfying results; and they show that we're on the right path with our transformational initiatives, which are already delivering first benefits and making us more market oriented and competitive. Our hard work on operational improvements and quality initiatives across the company in all regions is also demonstrating results."

Pharma&Biotech Segment

Our Pharma&Biotech segment reported a strong first half of the year with substantially higher sales and increased profitability. While different technologies in the three Business Units showed good progress, the segment experienced particularly strong momentum from the demand for mammalian biopharma and Antibody Drug Conjugates (ADCs). These positive developments were supported by a solid project pipeline across the board in our unique technology offerings.

The capacity utilization across the entire network was at budgeted levels in the first half of 2014 and is expected to improve going forward. Lonza continues to benefit from a good market positioning and our ability to meet growing customer interest in future technologies such as ADCs, Cell Therapy and Viral Therapy. Our continuous quality updating supports our productivity targets and fulfills our customers' requirements.

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Specialty Ingredients Segment

Our Specialty Ingredients segment had a solid performance in the first half of 2014 with the strongest contribution coming from Consumer Care, which includes Personal Care & Preservation, Nutrition and Hygiene. Industrial Solutions and Agro Ingredients both have developed well and achieved a result above last year's level. In the Northern Hemisphere, weather conditions did not improve over last year; consequently, the Water Treatment business performed on similar levels as 2013.

The Specialty Ingredients segment continues to benefit from the ongoing positive impact of cost reductions and productivity improvements. Sound market demand in the major markets resulted in continued high asset utilization in most technologies. Some innovative new product launches across Specialty Ingredients that answer to the needs and requirements in our markets are expected to contribute positively in the future.

The strategic evaluation process of the Wood Protection business is on its way. We will update the financial markets as soon as a decision has been made to either divest the business or to go for other strategic options. From a business perspective, Wood Protection continued to improve performance as expected compared with the first half of 2013.

Financial Summary

- CORE EBIT growth of 13.1% to CHF 241 million
- Sales increased by 7.0% in constant exchange rates (3.2% in reported currency) to CHF 1.8 billion
- Profit for the period increased by 242% to CHF 140 million
- Capital expenditure of CHF 70 million (18.6% lower than in the first half of 2013)
- Operational free cash flow grew by 82.4% to CHF 124 million
- Net debt reduction of CHF 304 million to CHF 2,113 million. This resulted in a gearing of 102% and a net debt/EBITDA ratio of 2.81x (3.33x end of June 2013)
- CORE RONOA at 14.5% compared with 11.8% in the first half of 2013

Outlook

Our ongoing transformational initiatives towards a more market-driven organization are having a positive impact, and we have identified additional upside potential from all Business Units going forward. We will now also increase our focus on exploiting these opportunities systematically. All businesses have a solid product and project pipeline supporting future growth. The broad technology toolbox we have available enables us to serve our markets and customers with market-leading solutions.

Based on a positive performance in the first half of 2014 and based on current market conditions and constant exchange rates, Lonza reiterates its Full-Year 2014 outlook with a CORE EBIT growth of ~10% and sales growth of ~5%. The capital expenditure in 2014 will remain well below CHF 300 million.

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About Lonza

Lonza is one of the world's leading and most-trusted suppliers to the pharmaceutical, biotech and specialty ingredients markets. We harness science and technology to create products that support safer and healthier living and that enhance the overall quality of life.

Not only are we a custom manufacturer and developer, Lonza also offers services and products ranging from active pharmaceutical ingredients and stem-cell therapies to drinking water sanitizers, from the vitamin B compounds and organic personal care ingredients to agricultural products, and from industrial preservatives to microbial control solutions that combat dangerous viruses, bacteria and other pathogens.

Founded in 1897 in the Swiss Alps, Lonza today is a well-respected global company with more than 40 major manufacturing and R&D facilities and approximately 10,000 employees worldwide. The company generated sales of about CHF 3.6 billion in 2013 and is organized into two market-focused segments: Pharma&Biotech and Specialty Ingredients. Further information can be found at www.lonza.com.

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