A conceptual graphic for a corporate presentation. It features a light blue world map in the background. A large, thin red circle is centered on the map. Inside this circle, a smaller red circle is centered on Europe. Within that, a series of four concentric red circles are centered on a dark blue vertical line that points upwards from a stylized building. The building has a grid pattern and the word 'Lonza' on top. To the left of the map, there is a vertical bar with a light brown top section and a darker brown bottom section. The word 'Corporate' is written in the top section.

Corporate

# 2016 Full-Year Results

25 January 2017

Richard Ridinger - CEO

The Lonza logo, consisting of the word 'Lonza' in a bold, black, sans-serif font.

# Additional Information, Disclaimer and Forward-Looking Statements

Lonza Group Ltd has its headquarters in Basel, Switzerland, and is listed on the SIX Swiss Exchange. It has a secondary listing on the Singapore Exchange Securities Trading Limited (“SGX-ST”). Lonza Group Ltd is not subject to the SGX-ST’s continuing listing requirements but remains subject to Rules 217 and 751 of the SGX-ST Listing Manual.

Forward-looking statements contained herein are qualified in their entirety as there are certain factors that could cause results to differ materially from those anticipated. Any statements contained herein that are not statements of historical fact (including statements containing the words “outlook”, “believes,” “plans,” “anticipates,” “expects,” “estimates” and similar expressions) should be considered to be forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty. There are a number of important factors that could cause actual results or events to differ materially from those indicated by such forward-looking statements, including the timing and strength of new product offerings; pricing strategies of competitors; the company’s ability to continue to receive adequate products from its vendors on acceptable terms, or at all, and to continue to obtain sufficient financing to meet its liquidity needs; difficulty to maintain relationships with employees, customers and other business partners; and changes in the political, social and regulatory framework in which the company operates, or in economic or technological trends or conditions, including currency fluctuations, inflation and consumer confidence, on a global, regional or national basis. In particular, the assumptions underlying Outlook 2017 herein may not prove to be correct. The statements in Outlook 2017 constitute forward-looking statements and are not guarantees of future financial performance. Lonza’s actual results of operations could deviate materially from those set forth in Outlook 2017 as a result of the factors described above or other factors. Investors should not place undue reliance on the statements in Outlook 2017. Except as otherwise required by law, Lonza disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after this report was made.



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- Segment Overview – Specialty Ingredients
- Capsugel Acquisition
- Outlook 2017

# Full-Year Results 2016

## Highlights

- **Positive Results Across the Board:** Sales grew by 8.7% to CHF 4.13 billion with excellent CORE EBIT of CHF 651 million (+24.2%)
- **Remarkable Pharma&Biotech Results:** Sales grew by 15.9%, leading to substantially higher CORE EBIT of CHF 400 million, up 40.8%
- **Strong Improvement in Specialty Ingredients:** Sustained strong performance posted for the fifth year in a row with CORE EBIT increasing by 8.1%
- **Increased Dividend for Shareholders:** Dividend of CHF 2.75 per share for 2016 proposed by Lonza's Board of Directors
- **Enhanced Structure for EC and Changes to BoD:** Fridtjof Helemann, CHRO, appointed to EC; Thomas Ebeling resigns from and Albert Baehny nominated to BoD

# Financial Results

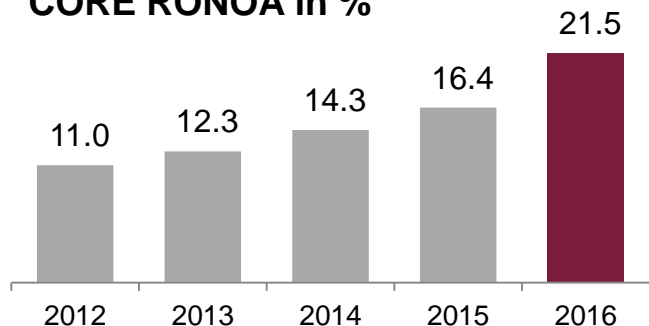
All KPIs Significantly Improved

- **Sales** growth of 8.7% in reported currency (8.2% in constant exchange rates) to CHF 4.13 billion
- **CORE EBITDA** growth of 15.8% to CHF 918 million
- **CORE EBIT** growth of 24.2% to CHF 651 million
- **CORE EPS** growth of 23.8% to CHF 8.43 (CHF 6.81 in 2015)
- **CORE RONOA** improved significantly to 21.5% (16.4% in 2015)
- Deleveraging on track with solid cash generation, resulting in a **net debt/EBITDA** ratio of 1.73x, despite the InterHealth acquisition

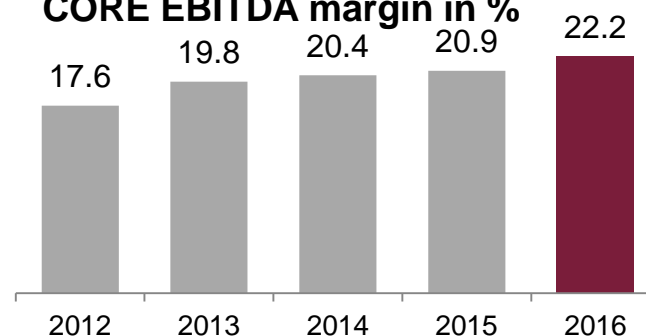
# Steady and Continued Improvement

from Full-Year 2012 to 2016

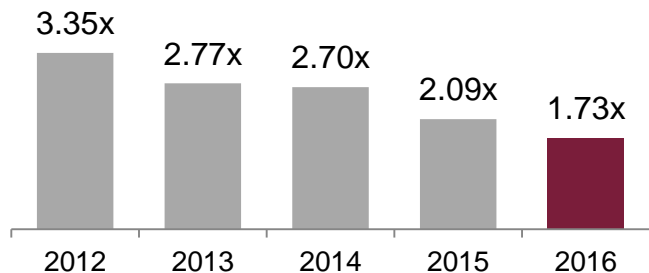
**CORE RONOA in %**



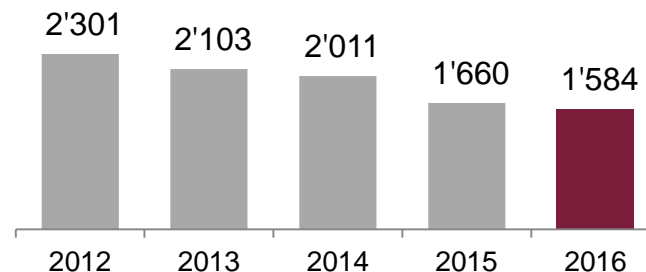
**CORE EBITDA margin in %**



**Net Debt / EBITDA**



**Net Debt in CHF million**



# Full-Year 2016 Financial Highlights

CHF mn	FY 2016	FY 2015	Change YoY
Sales	4,132	3,803	8.7%
CORE EBITDA	918	793	15.8%
<i>CORE EBITDA Margin</i>	<i>22.2%</i>	<i>20.9%</i>	
EBITDA IFRS	848	780	8.7%
CORE EBIT	651	524	24.2%
<i>CORE EBIT Margin</i>	<i>15.8%</i>	<i>13.8%</i>	
EBIT IFRS	486	428	13.6%
CORE RONOA	21.5%	16.4%	
Operating Free Cash Flow	408	667	-38.8%



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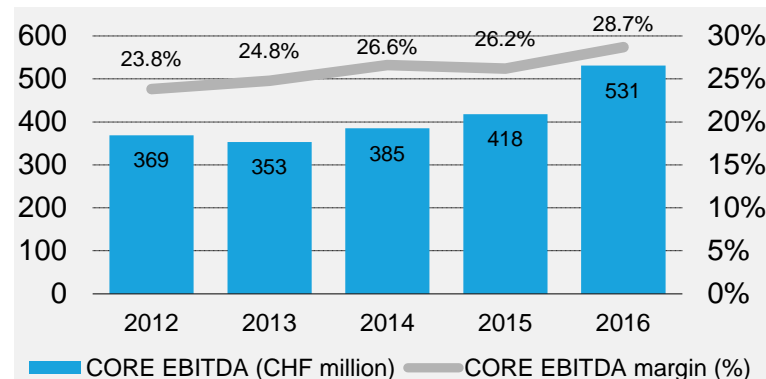
# Pharma&Biotech Financials

Full-Year 2016

## Key Figures

CHF mn	FY 2016	FY 2015	% YoY
Sales	1,849	1,596	15.9
CORE EBITDA	531	418	27.0
<i>Margin</i>	28.7%	26.2%	
CORE EBIT	400	284	40.8
<i>Margin</i>	21.6%	17.8%	
CORE RONOA	23.9%	15.6%	

## CORE EBITDA and Margin Progression



- Remarkable sales increase of 15.9% (15.8% in constant exchange rates)
- Exceptional CORE EBIT development was driven by commercial excellence and strong operational execution
- Several major long-term, strategic manufacturing agreements announced, including Kodiak Sciences, bluebird bio and Clovis Oncology

# Pharma&Biotech

Mammalian Manufacturing, Chemical and Microbial Manufacturing



## Mammalian Manufacturing

- Strong momentum in mammalian was complemented by a significant upwards trend in all other technologies / modalities
- Expanded capacity using single-use disposable technology at our Tuas site in Singapore
- Continued to address long-term market needs with innovative business models

## Chemical and Microbial Manufacturing

- Made considerable progress, further developing new business models and securing long-term commitments
- Sold peptides business, a niche business for Lonza, to focused competitor in field

# Pharma&Biotech

Clinical Development & Licensing, Emerging Technologies and Bioscience Solutions

The logo for Pharma&Biotech B2B is a blue circle with the text 'Pharma&Biotech' in white and 'B2B' below it. The words 'PHARMA&BIOTECH' are written in a semi-circle around the bottom of the circle.

Pharma&  
Biotech  
B2B

PHARMA&BIOTECH

Commercial Manufacturing,  
Clinical Development Services,  
Products (Consumables,  
Tests, Media, Equipment)

## Clinical Development and Licensing

- Continued strong growth in early-phase small-molecule market; extensive project pipeline gives confidence in future
- Added several new products using our GS Gene Expression System™, bringing total number of approved therapeutics to 31, representing 32% of all FDA-approved biologics in 2016
- Started operation of our new Drug Product Services Laboratories in Basel (CH) in October

# Pharma&Biotech

Clinical Development & Licensing, Emerging Technologies and Bioscience Solutions

Pharma &  
Biotech  
B2B

PHARMA & BIOTECH

Commercial Manufacturing,  
Clinical Development Services,  
Products (Consumables,  
Tests, Media, Equipment)

## Emerging Technologies

- Made excellent progress in cell and viral therapy technologies, which resulted in a substantial pipeline increase
- Strong demand from well-funded biotech and big pharma customers

## Bioscience Solutions

- Delivered solid growth compared with last year, based on favorable product portfolios
- Acquired Triangle Research Labs (TRL), further strengthening position as leader in cell discovery

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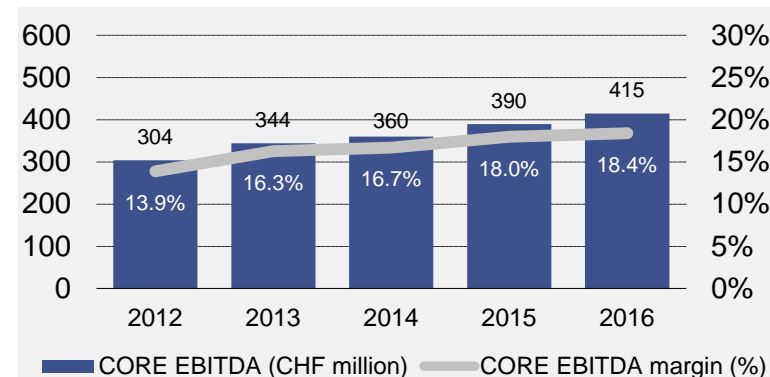
# Specialty Ingredients Financials

Full-Year 2016

## Key Figures

CHF mn	FY 2016	FY 2015	% YoY
Sales	2,250	2,167	3.8
CORE EBITDA	415	390	6.4
<i>Margin</i>	<i>18.4%</i>	<i>18.0%</i>	
CORE EBIT	322	298	8.1
<i>Margin</i>	<i>14.3%</i>	<i>13.8%</i>	
CORE RONOA	22.8%	20.5%	

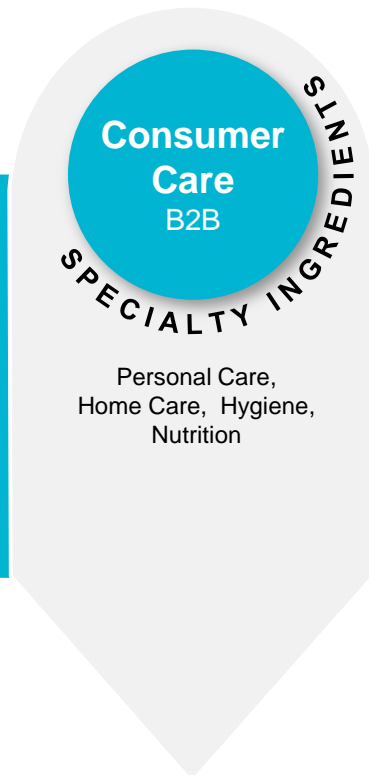
## CORE EBITDA and Margin Progression



- Sustained strong performance with sales increase of 3.8% (3.1% in CER)
- CORE EBIT growth of 8.1% to CHF 322 million resulted from continued successful operational and value-chain improvements
- Good progress made with ongoing improvements in product mix and portfolio optimization

# Specialty Ingredients

## Consumer Care

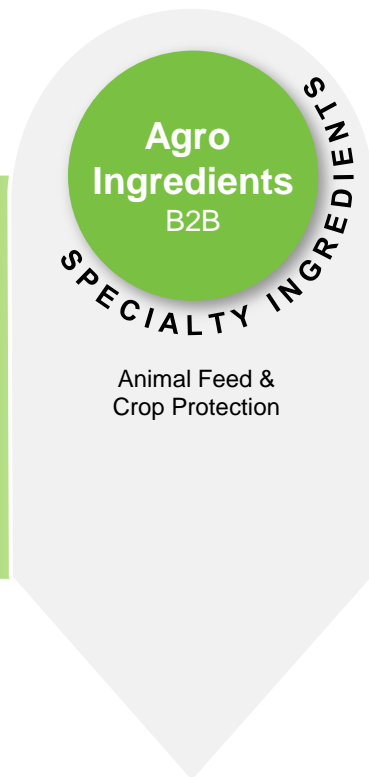


### Sales Growth Driven by Nutrition and Hygiene

- Acquired InterHealth Nutraceuticals to strengthen current offerings and help expand into new areas, such as cognitive and diabetic health
- Continued to see strong performance in human nutrition portfolio, driven by L-Carnitine, vitamin B3 compounds and food emulsifiers
- Grew Hygiene business by focusing on continuous replacement of Triclosan in handwash additives with new, innovative solutions
- Personal Care continued to strengthen footprint and offerings in emerging markets

# Specialty Ingredients

## Agro Ingredients



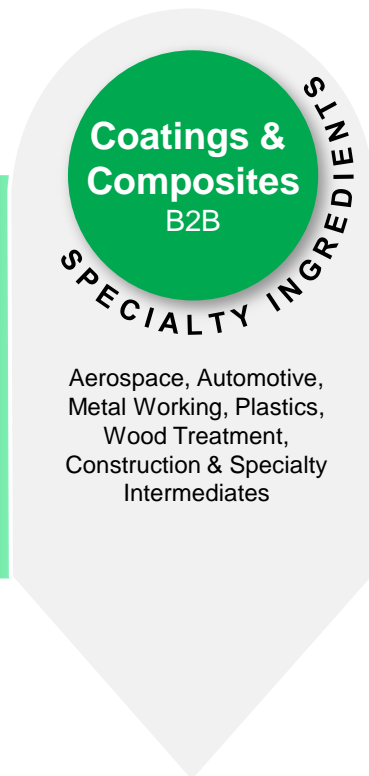
### Industry Downturn Has Impact on Agro Ingredients

- Had a solid start into first quarter of 2016, thereafter softer demand for rest of the year, as expected
- Experienced slowdown based on over-stocking in end markets and reduced investments by agrochemical industry
- Focused business on specialty applications and products
- Recorded solid growth in specific molluscicide product for slug and snail control



# Specialty Ingredients

## Coatings and Composites



### Good Performance Driven by Wood Protection

- Experienced solid market demand across most offerings
- Fueled by strong U.S. and Canadian economies, Wood Protection business in North America led way with sales growth in solid wood preservation markets
- Observed growth across all relevant markets for Performance Intermediates
- Achieved positive growth in Building Products

# Specialty Ingredients

## Water Treatment



### Sales Improved Compared with Last Year

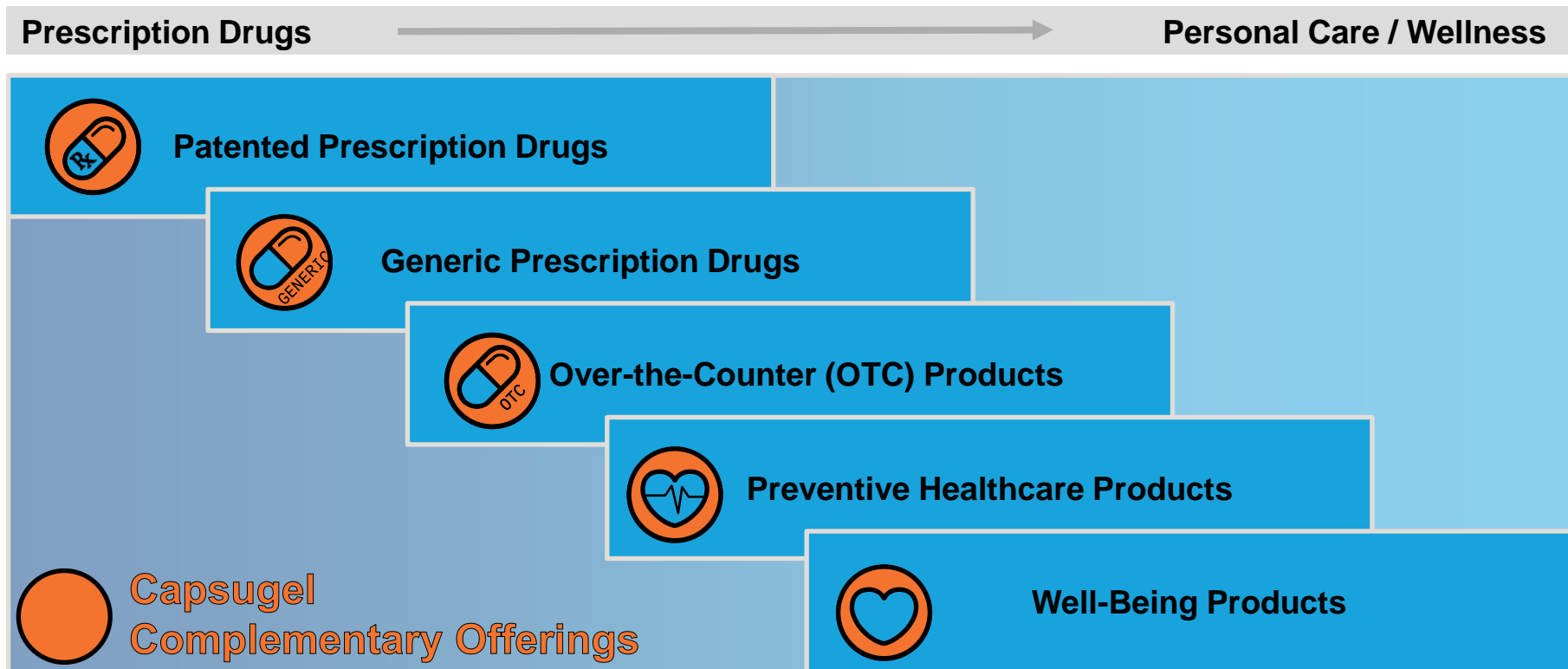
- Delivered improved results in Residential Water business compared with last year, due to good performance in North America
- Made continued progress with Industrial, Commercial, Municipal and Surface Water (ICMS) business in South American markets
- Continued to decrease the weather dependency of the Water Treatment business portfolio by strengthening and enlarging the ICMS portfolio

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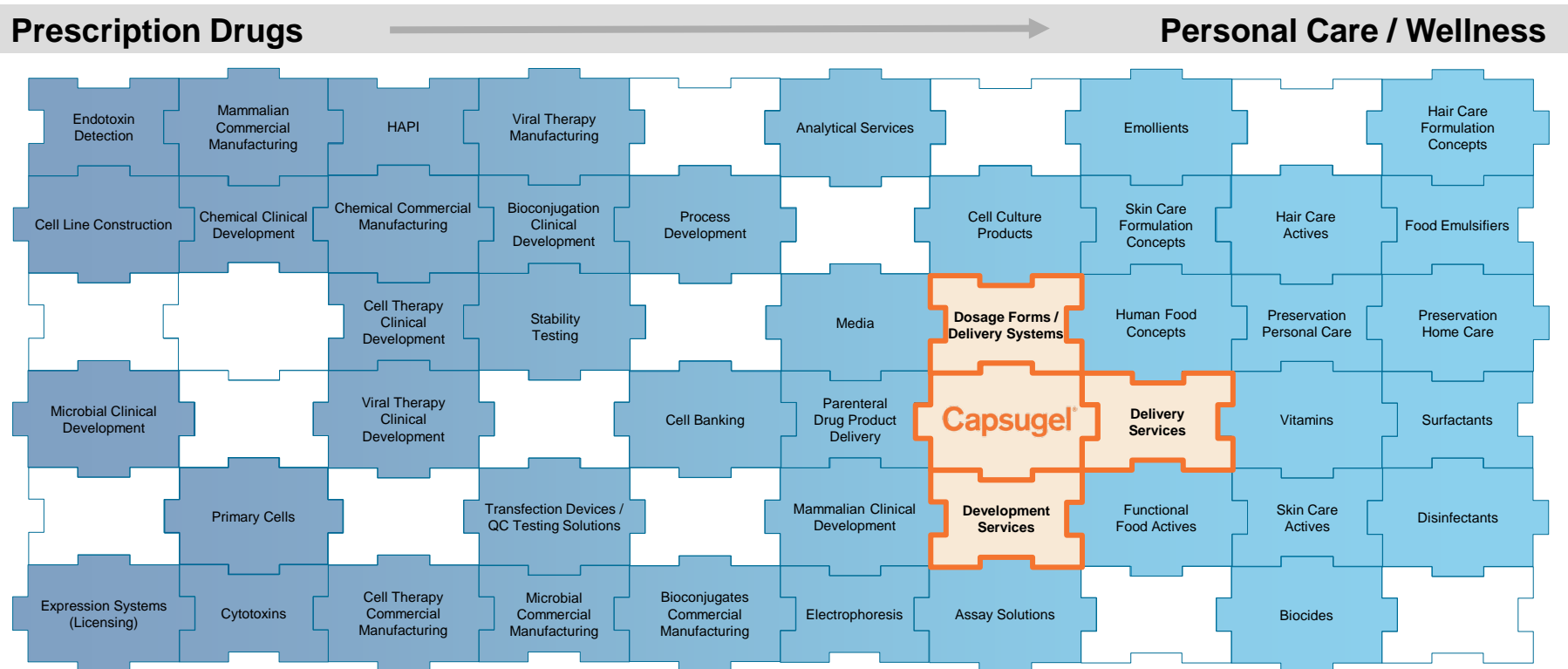
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- Full-Year Results and Financial Highlights 2016
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- Segment Overview – Specialty Ingredients
- **Capsugel Acquisition**
- Outlook 2017

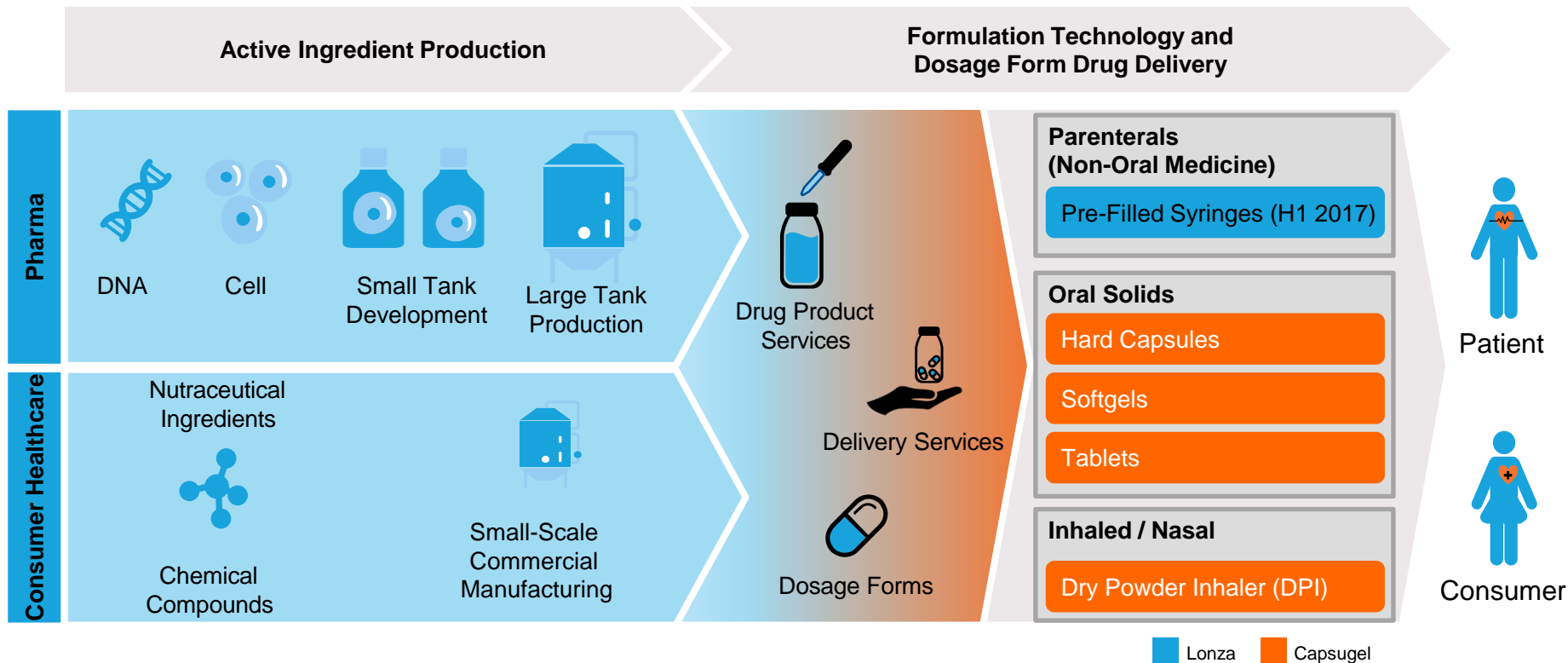
# Acquisition Highly Complements Lonza's Healthcare Continuum



# Adding Oral Delivery Technologies to Our Healthcare Continuum



# Creates a Fully Integrated Development, Manufacturing and Delivery Technology Partner



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- Full-Year Results and Financial Highlights 2016
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- Capsugel Acquisition
- **Outlook 2017**

# Outlook 2017

Stand-Alone Lonza (Not Including Pending Capsugel Acquisition)

Based on the sound foundation laid in 2016 for the future, Lonza is announcing the following outlook for 2017. These targets are on a Lonza standalone basis:

- Sales growth of mid-single digits
- CORE EBITDA of CHF 1 billion
- Double-digit CORE EBIT growth
- CORE RONOA above the 21.5% achieved in 2016

This outlook is based on the present macro-economic environment, current visibility and constant exchange rates for the most important currencies in which Lonza is trading





# Mid-Term Guidance Updated in Course of 2017

Pending Closing of Capsugel Acquisition

The mid-term guidance will be reviewed in the course of 2017. Depending on the timing of the Capsugel acquisition closing, Lonza intends to provide an update:

- as part of the half-year results report on 26 July 2017
- or latest by the Q3 business update on 27 October 2017



# Calendar of Events & Contacts

- **25 Apr 2017** Annual General Meeting, Basel (CH)
- **24 Mar 2017** Tentative publication date Annual Report 2016
- **25 Apr 2017** Annual General Meeting 2017
- **26 Apr 2017** First-Quarter 2017 Business Update
- **26 July 2017** Half-Year 2017 Results
- **27 Oct 2017** Third-Quarter 2017 Business Update



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# Appendix

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# Full-Year 2016 Key Financial Figures

<i>CORE EBIT Margin</i>	15.8%	13.8%	
EBITDA	848	780	8.7%
<i>EBITDA Margin</i>	20.5%	20.5%	
EBIT	486	428	13.6%
<i>EBIT Margin</i>	11.8%	11.3%	
Net Financing Costs	-112	-85	
<i>Tax Rate</i>	19.3%	19.0%	
Profit for the Period	301	277	8.7%
EPS (CHF) Basic	5.73	5.30	8.1%
EPS (CHF) Basic CORE	8.43	6.81	23.8%
Operational Free Cash Flow	408	667	-38.8%
Decrease in Operating Net Working Capital	78	139	
Capital Expenditures	-366	-264	38.6%
<i>CORE RONOA</i>	21.5%	16.4%	
Net Debt	1'584	1,660	-4.6%
Number of Employees	10'130	9,829	

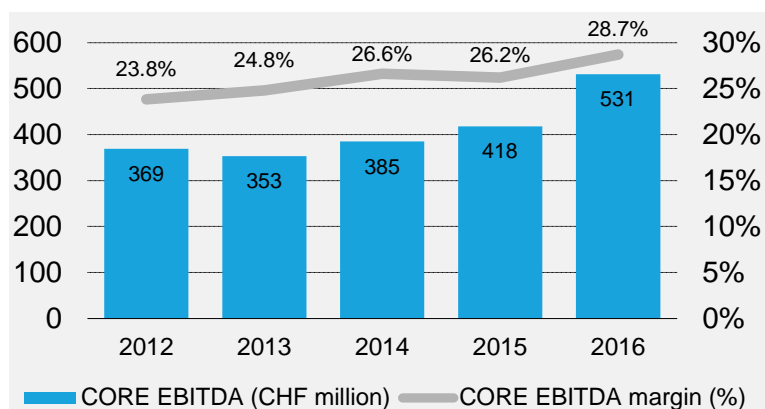


# Successful Continuous Improvement

in Both Segments Full-Year 2016

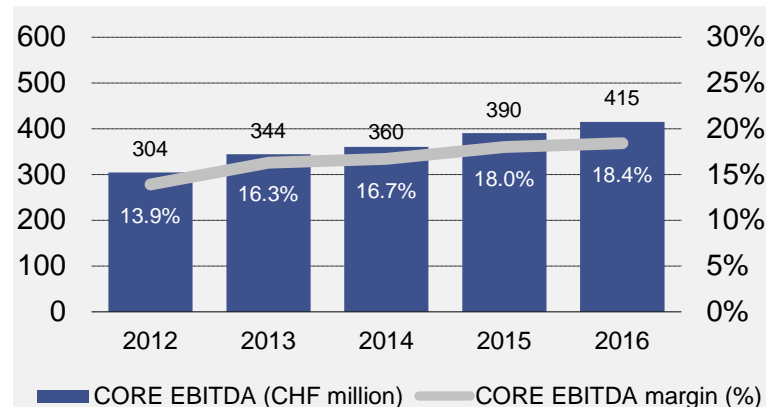
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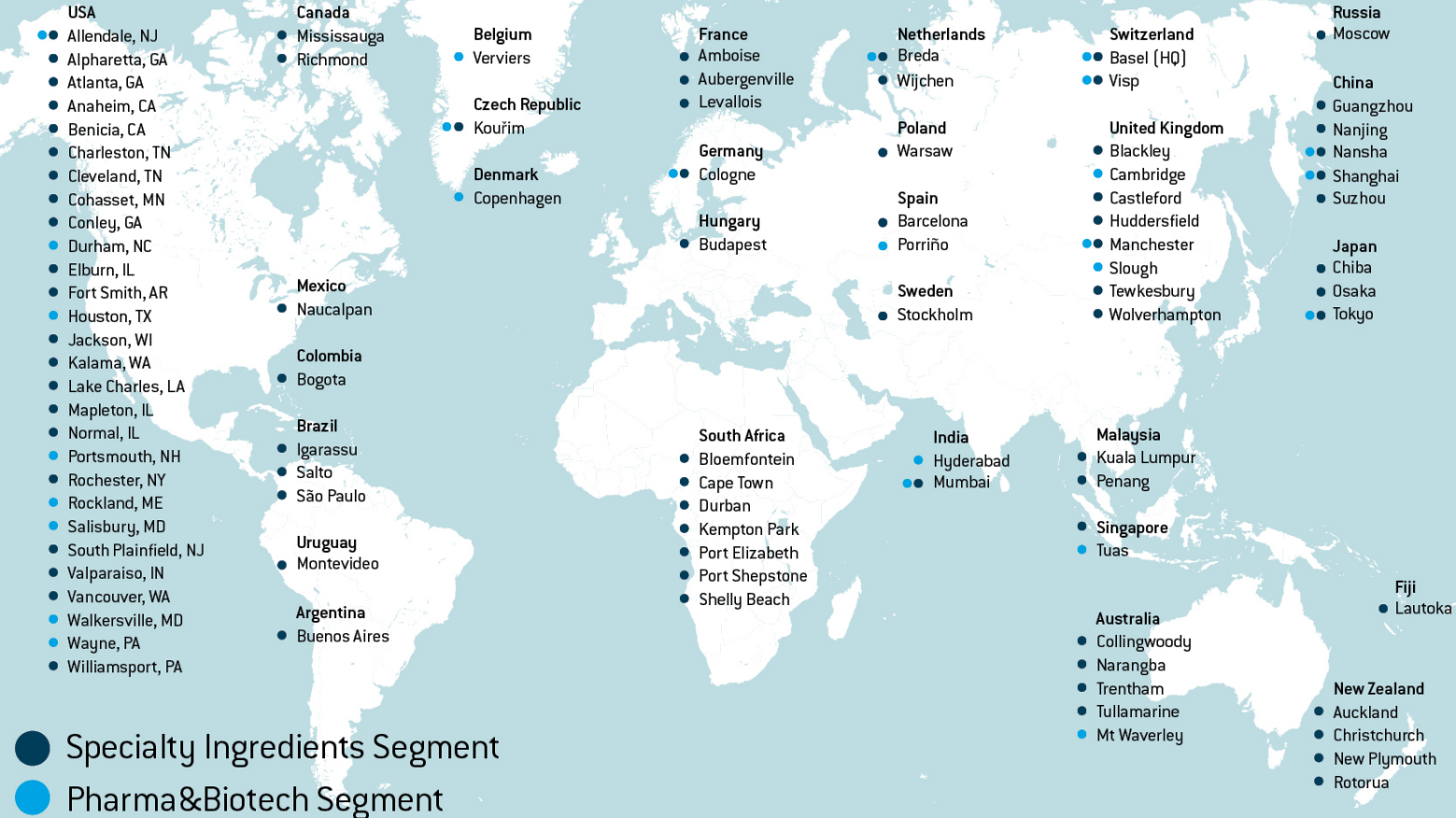


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CORE EBIT	322	8.1
<i>Margin</i>	14.3%	
CORE RONOA	22.8%	



# Closer Than You Think™



# 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, acquisition-related costs, environmental-remediation costs, 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.