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Corporate

Lonza Reports Strong Momentum with Organic Growth of 8% Sales and 11% CORE EBITDA in H1 2018 – Double-Digit Organic Sales Growth for Businesses Along the Healthcare Continuum

Richard Ridinger – CEO
Rodolfo Savitzky – CFO

Half-Year Results 2018 | 25 July 2018

The background of the slide is an aerial night photograph of a large industrial facility, likely a Lonza plant. The facility is illuminated with numerous lights, creating a warm glow against the dark sky. In the foreground, there are several large white storage tanks and a network of pipes. The facility is situated near a river, and the surrounding area includes some green spaces and a road. In the distance, a city is visible, with its lights reflecting on the water. The overall scene is a mix of industrial activity and natural landscape.

- **Half-Year 2018 Summary**

- **Financial Highlights**

- **Capsugel Update**

- **Segment Update**

- **Pharma & Biotech**

- **Specialty Ingredients**

- **Outlook 2018 and Mid-Term Guidance 2022**

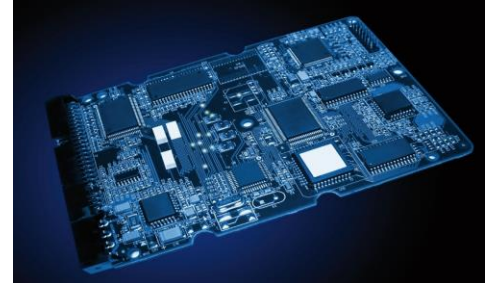
- **Appendices**



Lonza Reports Strong Momentum in H1 2018 (1/2)

Healthcare continuum leads the way with double-digit organic sales growth

- Outperformance in Pharma & Biotech in H1 2018, with margins up 270 bps, was combined with strong positive momentum in the newly formed Consumer Health division
- Legacy Capsugel businesses, now well integrated into Lonza, exceeded expectations for performance and synergistic potential in H1 2018
- Growth drivers in Consumer & Resources Protection added to robust momentum; but H1 was negatively impacted by more mature, cyclical parts of the portfolio
- Water business only gained good momentum in May and June with positive outlook from H2 2018 onward



Lonza Reports Strong Momentum in H1 2018 (2/2)

Healthcare continuum leads the way with double-digit organic sales growth

- All major investments that have already been announced are progressing as planned
- Full-Year 2018 sales outlook was upgraded
- Double-digit return on invested capital (ROIC) Mid-Term Guidance 2022 target was announced
- Capital Markets Day in September 2018 will provide further granularity on Lonza’s growth trajectory toward Mid-Term Guidance 2022 and its ongoing portfolio and business composition review, as well as explore initiatives to grow beyond 2022



Half-Year 2018 Financial Highlights (Pro-Forma)

Continuing Lonza's strong performance and organic growth

CHF million	HY 2018	% YoY	HY 2017 (Pro-Forma) ¹
Sales	3,079	8.2	2,845
CORE EBITDA	802	10.9	723
<i>CORE EBITDA Margin</i>	26.0		25.4
CORE EBIT	626	12.4	557
<i>CORE EBIT Margin</i>	20.3		19.6

¹ Reported Lonza Half-Year 2017 financial results (restated for IFRS 15) include Capsugel Half-Year 2017 financial results. This explanation applies to the terms "pro-forma," "like-for-like" and "organic," which are used as synonyms throughout this presentation

Successful First Year as a Combined Company

Integration of Capsugel, now a Lonza company, is progressing better than planned

- Former Capsugel businesses well integrated into Pharma & Biotech and Specialty Ingredients' Consumer Health division
- The healthcare continuum offerings of Lonza becoming even stronger through the combined companies
- Operational and commercial synergies starting to materialize as expected
- Innovative product offerings received strong customer interest, e.g. naturally colored capsules in consumer health markets and specialty polymer capsules for pharma industry with enhanced bioavailability
- Valuable contribution of former Capsugel CEO Guido Driesen during integration has helped set up a strong organization going forward



The new vegan on the block.

Capsugel
Vcaps® Gen C capsules

Fast-dissolving HPMC capsules



Capsugel | **Lonza**
Pharma & Biotech

- Gelatin-like dissolution*
- High robustness
- Seamless supply
- Excellent machinability

*In specific conditions

Made better. By science.™

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Pharma & Biotech

Continued outperformance with 14.7% organic sales growth and a 33.1% CORE EBITDA margin

CHF million	HY 2018	% YoY	HY 2017 (Pro-Forma) ¹
Sales	1,563	14.7	1,363
CORE EBITDA	517	24.9	414
<i>CORE EBITDA Margin</i>	33.1		30.4
CORE EBIT	425	29.6	328
<i>CORE EBIT Margin</i>	27.2		24.1

¹ Reported Lonza Half-Year 2017 financial results (restated for IFRS 15) include Capsugel Half-Year 2017 financial results. Specifically, Pharma & Biotech includes pharma part of former Capsugel businesses in HY 2017

Pharma & Biotech (1/2)

Buoyant demand for Lonza's offerings across different technologies and along the entire value chain

- Clinical Development & Manufacturing and Commercial Manufacturing services continued to drive business growth
- Commercial Mammalian and Microbial Manufacturing business continues to benefit from a robust customer base and strong demand, enabling the business to secure additional contracts in the mid- and long-term
- Lonza is extending its clinical development and manufacturing services in Slough (UK) with new hires, and the transfer of new and existing customers to Lonza's Hayward, CA (USA) site is progressing well
- Market demand for cell and gene therapies continued to be strong
- Lonza redefined its asset strategy for cell and gene therapies to focus on Centers of Excellence



Pharma & Biotech (2/2)

Buoyant demand for Lonza's offerings across different technologies and along the entire value chain

- Small-molecule businesses reported continued operational and commercial improvements
- Firm demand continued for Lonza's offerings in active pharmaceutical ingredients (API) development and manufacturing, as well as in dosage forms and delivery solutions to enhance bioavailability and efficacy of drugs
- Hard-capsules business saw robust performance in H1 2018 and is expanding in different regions
- New product offerings and increased customer interest in specialty polymer capsule solutions
- Bioscience product businesses continue to improve in production availability, and output and offerings have increased to meet demand of existing and new customers



Pharma & Biotech

All major investments that have already been announced are progressing as planned

- Portsmouth, NH (USA) mid-scale capacity expansion is receiving positive customer interest as expected; cell and gene therapy manufacturing is moving into Portsmouth as one of its Centers of Excellence
- Operationalization of the Singapore (SG) single-use bioreactor facility is developing according to timeline
- The opening of the world's largest dedicated cell-and-gene-therapy manufacturing facility in Pearland, Greater Houston, TX (USA) was well received; transfer of existing and new customers into the facility is on-going
- IBEX[®] Solutions program in Visp (CH) is progressing as planned



Agenda

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Specialty Ingredients

Strong momentum in consumer health offset by challenging environment for cyclical businesses

CHF million	HY 2018	% YoY	HY 2017 (Pro-Forma) ¹
Sales	1,497	2.5	1,461
CORE EBITDA	316	(3.7)	328
<i>CORE EBITDA Margin</i>	21.1		22.5
CORE EBIT	254	(5.2)	268
<i>CORE EBIT Margin</i>	17.0		18.3

¹ Reported Lonza Half-Year 2017 financial results (no impact from IFRS 15 restatement) include Capsugel Half-Year 2017 financial results. Specifically, Specialty Ingredients includes consumer health and nutrition part of former Capsugel businesses in HY 2017

Specialty Ingredients

Introducing a new external reporting structure

	HY 2018 Sales CHF million	HY 2018 CORE EBITDA CHF million	HY 2018 CORE EBITDA margin in %
Specialty Ingredients	1,497	316	21.1
Consumer Health ¹	536	153	28.5
Consumer & Resources Protection	678	130	19.2
Water Care	283	33	11.7

¹ Including consumer health and nutrition part of former Capsugel businesses

Specialty Ingredients – Consumer Health (1/2)

Strong H1 2018 boosted by good momentum in consumer health and nutrition markets with positive outlook for H2 2018

- The newly formed Consumer Health division performed extremely well, driven by robust momentum for nutritional ingredients for supplements and functional foods, and for delivery forms
- Offerings for institutional and household hygiene applications supported the strong performance in this segment and are expected to remain a growth pillar, too

Consumer Health CHF million	HY 2018	% YoY	HY 2017 (Pro-Forma) ¹
Sales	536	7.6	498
CORE EBITDA	153	24.4	123
<i>CORE EBITDA Margin</i>	28.5		24.7

¹ Reported Lonza Half-Year 2017 financial results (no impact from IFRS 15 restatement) include Capsugel Half-Year 2017 financial results. Specifically, Consumer Health includes consumer health and nutrition part of former Capsugel businesses in HY 2017

Specialty Ingredients – Consumer Health (2/2)

Strong H1 2018 boosted by good momentum in consumer health and nutrition markets with positive outlook for H2 2018

- In particular, consumer health and nutrition businesses reported outstanding sales momentum as expected through strengthened global reach of the combined sales force
- This businesses continued to build a robust launch pipeline of synergistic offerings and first combined concepts have reached the markets
- Expansion of production capacity in Lonza’s Greenwood, SC (USA) site to combine capsule production, ingredient production and finished dosage form development is progressing as planned
- Leveraging its global expertise in microbial control, Lonza is developing the next generation of preservative solutions in consumer products, anticipating latest and upcoming regulatory challenges and changing consumer preferences



Specialty Ingredients – Consumer & Resources Protection

Strong demand in composites offset by challenging environment for cyclical businesses

- Strong demand for composite materials from the aerospace and electronic industries continues, and momentum for microbial control solutions in industrial applications is ongoing
- Growth initiatives in the innovative and highly specialized solutions portfolios of engineered wood, crop protection and mold control to some extent balanced soft demand and the effects of discontinuations in some of the mature parts of the portfolio, like basic materials and intermediates
- A downward cycle for basic feed ingredients and raw-material price increases had a negative impact, as well as the weather-related delayed construction season in North America for the wood businesses, for instance
- Operational and commercial excellence initiatives are ongoing

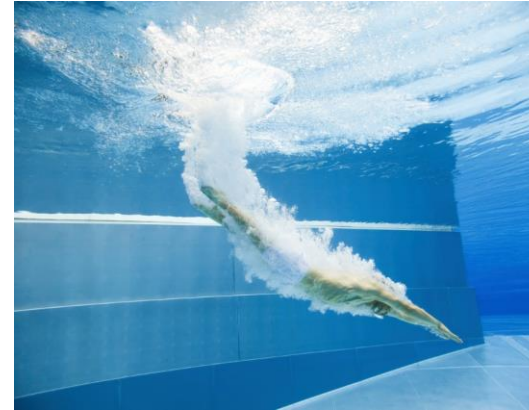


Consumer & Resources Protection CHF million	HY 2018	% YoY	HY 2017
Sales	678	1.3	669
CORE EBITDA	130	(19.3)	161
CORE EBITDA Margin	19.2		24.1

Specialty Ingredients – Water Care

Business gaining momentum in May and June supported by favorable weather and increasing market demand

- Water business was impacted by an extremely delayed seasonal start in North America
- Recent investments in innovative new offerings and the related brand restaging is strengthening the short- and mid-term outlook, supported by sales initiatives and expected new business in recreational water
- New business development efforts within the e-commerce space are fully on track with accelerating growth momentum
- Water Care’s industrial, commercial, municipal and surface water (ICMS) business is expected to be stronger from H2 2018 onward, too
- Restructuring, business model redesign and review of strategic options are progressing as planned



Water Care CHF million	HY 2018	% YoY	HY 2017
Sales	283	(3.7)	294
CORE EBITDA	33	(25.0)	44
<i>CORE EBITDA Margin</i>	11.7		15.0

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Outlook 2018

Full-Year 2018 outlook upgraded

Based on the strong performance in the first half-year 2018 – of the overall company and particularly of the businesses along the healthcare continuum – Lonza is upgrading the Full-Year 2018 outlook:

- **Mid- to high-single-digit sales growth on a comparable basis in line with Mid-Term Guidance 2022**
- **CORE EBITDA margin for Full-Year 2018 is expected to be comparable to the CORE EBITDA margin of 26% for Half-Year 2018**

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



Lonza Mid-Term Guidance 2022

Lonza’s updated Mid-Term Guidance 2022 includes an attractive return on invested capital (ROIC) target

- **Lonza confirms its Mid-Term Guidance until the end of 2022 and introduces ROIC as a new key performance indicator (KPI)**
- Lonza expects to continue the sustainable growth along and beyond the healthcare continuum to drive its position as a valued and preferred partner for its existing and new clients and to grow through innovation
- Smaller bolt-on acquisitions and revenue-secured CAPEX projects (e.g. IBEX[®] Solutions) are fully included



**Sales CHF
7.5 billion**



**CORE
EBITDA
Margin 30%**



**CORE
RONOA
35%**



**Double-
digit ROIC**

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

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Events Calendar & Contacts

- 24 - 26 Sep 2018 Capital Markets Day (Zurich, CH)
- 25 Oct 2018 Q3 2018 Qualitative Business Update
- 30 Jan 2019 Full-Year Results 2018
- 18 April 2019 Annual General Meeting
- 18 April 2019 Q1 2019 Qualitative Business Update



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Information about investor relations events is constantly updated on the website: <http://www.lonza.com/about-lonza/investor-relations>

The Healthcare Continuum Goes Across All Businesses

Delivering synergies by connecting technology platforms and fields of expertise

Pharma & Biotech

Consumer Health

**Consumer & Resources
Protection**



The healthcare continuum at Lonza spans all its businesses

Half-Year 2018 Financial Highlights (1/2)

Presenting Half-Year 2018 results – Full report accessible [online](#)

CHF million	HY 2018	HY 2017 (restated) ¹	% YoY
Sales	3,079	2,310	33.3
CORE EBITDA	802	570	40.7
<i>CORE EBITDA Margin</i>	26.0	24.7	
CORE EBIT	626	440	42.3
<i>CORE EBIT Margin</i>	20.3	19.0	
EBITDA	779	522	49.2
<i>EBITDA Margin</i>	25.3	22.6	
EBIT	519	366	41.8
<i>EBIT Margin</i>	16.9	15.8	
Financing Costs	(22)	(83)	(73.5)
<i>Tax Rate</i>	18.3	19.5	
Profit for the Period	405	227	78.4
EPS (CHF) Basic	5.41	3.70	46.2
EPS (CHF) Basic CORE	6.60	4.95	33.3

¹ Restated to reflect adoption of IFRS 15

Half-Year 2018 Financial Highlights (2/2)

Presenting Half-Year 2018 results – Full report accessible [online](#)

CHF million	HY 2018	HY 2017 (restated) ¹	% YoY
Operational Free Cash Flow	351	302 ²	16.2
Increase of Net Working Capital	285	57	
ROIC in %	7.9	NC ³	
Capital Expenditures	179	163	
CORE RONOA	31.5	31.2	1.0
Net debt	3,715	1,588	133.9
Debt-equity ratio	0.58	0.71 ⁴	(18.6)
Net debt / CORE EBITDA ratio ⁵	2.52	1.53	
Number of Employees	14,882	10,342	43.9

¹ Restated to reflect adoption of IFRS 15

² Including the acquisition of PharmaCell B.V. (NL) on 3 May 2017; excluding the acquisition of Capsugel on 5 July 2017

³ Not calculated, as ROIC for the first six months 2018 is not comparable with the 2017 comparative period, due to the Capsugel acquisition (see [Half-Year Results 2018 Report](#) with details on the ROIC calculation for the full financial year 2017)

⁴ Net debt and equity at 30 June 2017 excluded the cash resulting from the capital increase of CHF 3,061 million

⁵ Net debt/CORE EBITDA is calculated based on the CORE EBITDA of the last twelve months

Impact from IFRS 15 Restatement on 2017 Comparable Information

Changing external reporting for Half-Year 2018

CHF million	HY 2017 (reported)	IFRS 15 restatement	HY 2017 (restated) ¹
Sales	2,323	(13)	2,310
CORE EBIT	447	(7)	440
<i>CORE EBIT Margin</i>	19.2		19.0
CORE EBITDA	577	(7)	570
<i>CORE EBITDA Margin</i>	24.8		24.7

¹On 1 January 2018, the new comprehensive revenue recognition standard, IFRS 15 "Revenue from Contracts with Customers," took effect. Lonza is applying the full retrospective methodology to adopt IFRS 15 and enhance comparability. On 9 July 2018, Lonza published a [news release](#) regarding the impact from the IFRS 15 restatement on comparable information for 2017.

Lonza believes that disclosing CORE results of the Group's performance enhances the financial markets' understanding of the company because the CORE results enable better comparison across years.

Therefore, the CORE results exclude exceptional expenses and income related to e.g. restructuring, environmental-remediation, acquisitions and divestitures, 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.

In Lonza's [2018 Half-Year Results report](#), the reconciliation of IFRS to CORE results provides further details on the adjustments.

Additional Information and Disclaimer

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”, “guidance”, “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 2018 and Mid-Term Guidance 2022 herein may not prove to be correct. The statements in Outlook 2018 and Mid-Term Guidance 2022 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 2018 and Mid-Term Guidance 2022 as a result of the factors described above or other factors. Investors should not place undue reliance on the statements in Outlook 2018 and Mid-Term Guidance 2022. 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.

