

Corporate



Lonza Reports Record First Quarter

Q1 2016 Qualitative Business Update – 26 April 2016

Richard Ridinger – CEO

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.

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.



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- **Qualitative Business Overview**
- Segment Overview – Specialty Ingredients
- Segment Overview – Pharma&Biotech
- Outlook 2016

Q1 2016 – Reports Record First Quarter

- Business performance above target - positive start to 2016 with a good momentum continuing into the second quarter
- Double-digit CORE EBIT growth expected for first half of 2016
- Pharma&Biotech with further uptake in demand and strong operational performance
- Specialty Ingredients with strong results through ongoing progress in portfolio management
- Continued progress in deleveraging the company

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- **Segment Overview – Pharma&Biotech**
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Segment Overview – Pharma&Biotech

- Pharma&Biotech with strong demand across all technologies
- Earnings improvement due to strong operational performance and ongoing cost discipline
- The strong momentum in Biologics translates into a promising pipeline going forward
- Lonza plans further “brown-field expansion” projects to meet high demand



Pharma&Biotech – Commercial Manufacturing



Pharma&
Biotech
B2B

PHARMA&BIOTECH

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

Commercial Manufacturing

- Sales growth driven by high demand in Mammalian Manufacturing
- Strong operational performance was an important element of the good results
- The ongoing momentum in Biologics translates into a promising pipeline going forward

Pharma&Biotech – Clinical Development and Bioscience



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

Clinical Development Services

- Strong market demand in all areas
- Higher-than-expected growth in Emerging Technologies specifically in cell and viral therapies
- Announced expansion of offerings to include Drug Product Services in order to become one-stop-shop service provider for our customers

Bioscience Solutions / Products

- Further improvement compared with previous year – driven by product introductions and strong demand in all sub-segments

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- **Segment Overview – Specialty Ingredients**
- Outlook 2016

Segment Overview – Specialty Ingredients

- Specialty Ingredients delivered robust results throughout all markets
- Ongoing progress in portfolio management
- Focus on higher-value activities



Specialty Ingredients – Consumer Care



Steady growth with improvement of portfolio to higher value

- Growth driven by ongoing demand in Hygiene business
- Profitability further improved due to better mix and above-average growth in higher margin businesses
- L-Carnitine application in Nutrition and vitamin B3 solutions for cosmetic applications further accelerating demand

Specialty Ingredients – Agro Ingredients



Growth better than expected– but dampened outlook for coming quarters anticipated

- Continued sales growth, due to better-than-expected molluscicides demand and continued demand in specialties formulations and crop protection
- As communicated during full-year results, softer demand in next quarters anticipated

Specialty Ingredients – Coatings & Composites



Steady growth driven by specialties

- Overall demand stable across all relevant markets
- Materials businesses including Wood Protection business above target
- Integration of Diacon and Zelam products gaining acceptance and traction

Specialty Ingredients – Water Treatment



Solid sales development

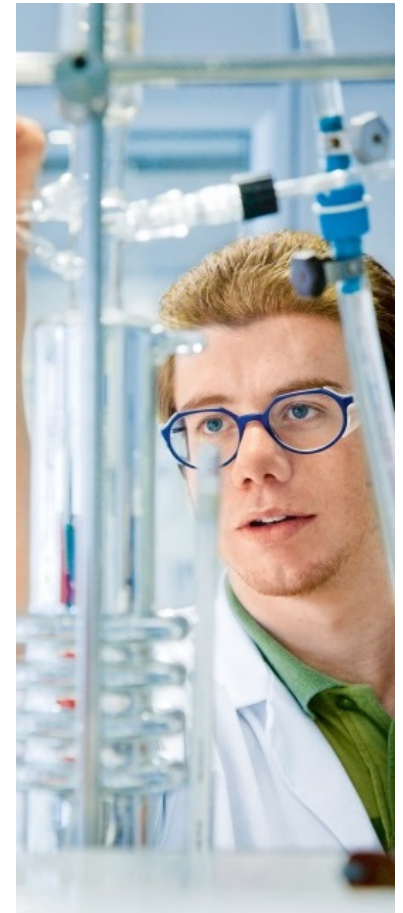
- Residential on track
- Industrial, Commercial, Municipal and Surface Water with good performance overall

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- **Outlook 2016**

Outlook 2016

- Based on the positive start to 2016 and the good momentum already continuing into the second quarter, we expect double-digit CORE EBIT growth for first half of 2016
- The record-setting performance of the company led to a healthy balance sheet in the first quarter and will support the continued deleveraging of the company
- The full-year guidance 2016 will be reviewed as part of the H1 2016 results reporting



Calendar of Events & Contacts

- **26 Apr 2016** First-Quarter 2016 Business Update
- **20 Jul 2016** Half-Year 2016 Results
- **27 Oct 2016** Third-Quarter 2016 Business Update
- **27 Oct 2016** Capital Markets Day in Portsmouth, NH (USA)
- **25 Jan 2017** Full-Year 2016 Results
- **25 Apr 2017** Annual General Meeting, Basel



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Appendices

Full-Year 2015 Financial Highlights

CHF mn	FY 2015	FY 2014	Change YoY
Sales	3,803	3,640	4.5%
CORE EBITDA	793	743	6.7%
<i>CORE EBITDA Margin</i>	20.9%	20.4%	
CORE EBIT	524	475	10.3%
<i>CORE EBIT Margin</i>	13.8%	13.0%	
EBITDA	780	737	5.8%
<i>EBITDA Margin</i>	20.5%	20.2%	
EBIT	428	423	1.2%
<i>EBIT Margin</i>	11.3%	11.6%	
Financing Costs	(85)	(60)	
<i>Tax Rate</i>	19.0%	15.0%	
Profit for the Period	277	237	16.9%
EPS (CHF) Basic	5.30	4.56	16.2%
EPS (CHF) Basic CORE	6.81	6.79	0.3%
Operational Free Cash Flow	667	476	40.1%
Change in Net Working Capital	139	(94)	
Capital Expenditures	264	180	46.7%
<i>CORE RONO</i>	16.4%	14.3%	
Net Debt	1,660	2,011	(17.5%)
Number of Employees	9,829	9,809	0.2%

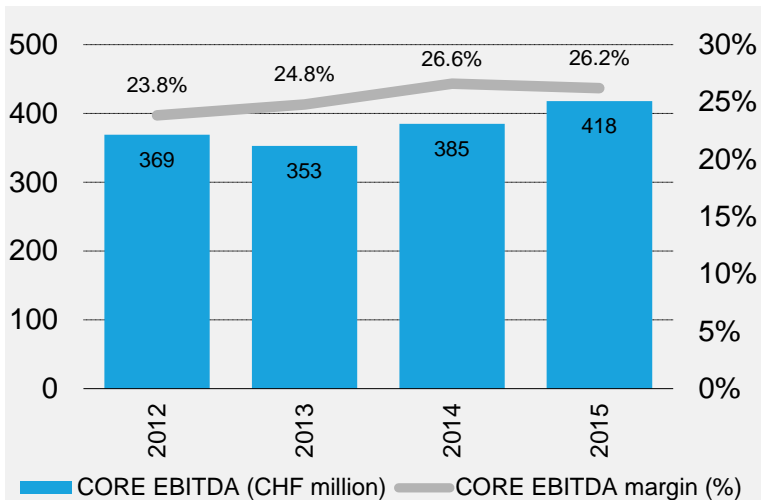
CORE definition: see appendix



Successful Continuous Improvement in Both Segments

Pharma&Biotech

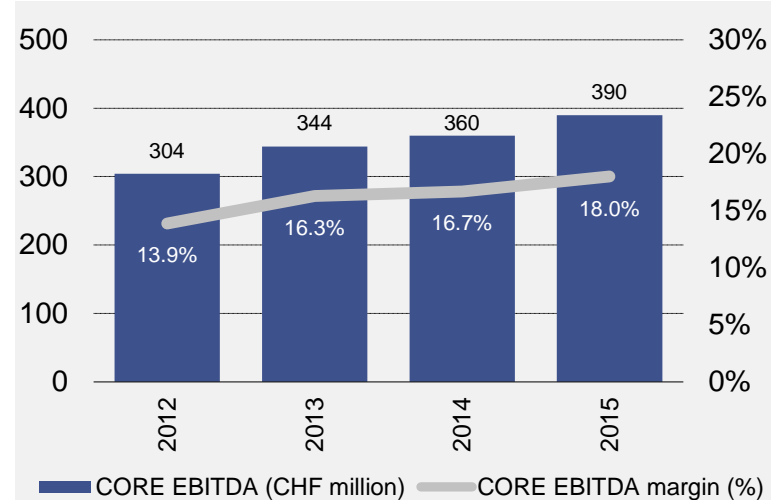
CHF mn	FY 2015	% YoY
Sales	1,596	10.4
CORE EBITDA	418	8.6
<i>Margin</i>	26.2%	
CORE EBIT	284	15.9
<i>Margin</i>	17.8%	
CORE RONOA	15.6%	



CORE definition: see appendix

Specialty Ingredients

CHF mn	FY 2015	% YoY
Sales	2,167	0.6
CORE EBITDA	390	8.3
<i>Margin</i>	18.0%	
CORE EBIT	298	9.6
<i>Margin</i>	13.8%	
CORE RONOA	20.6%	



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.