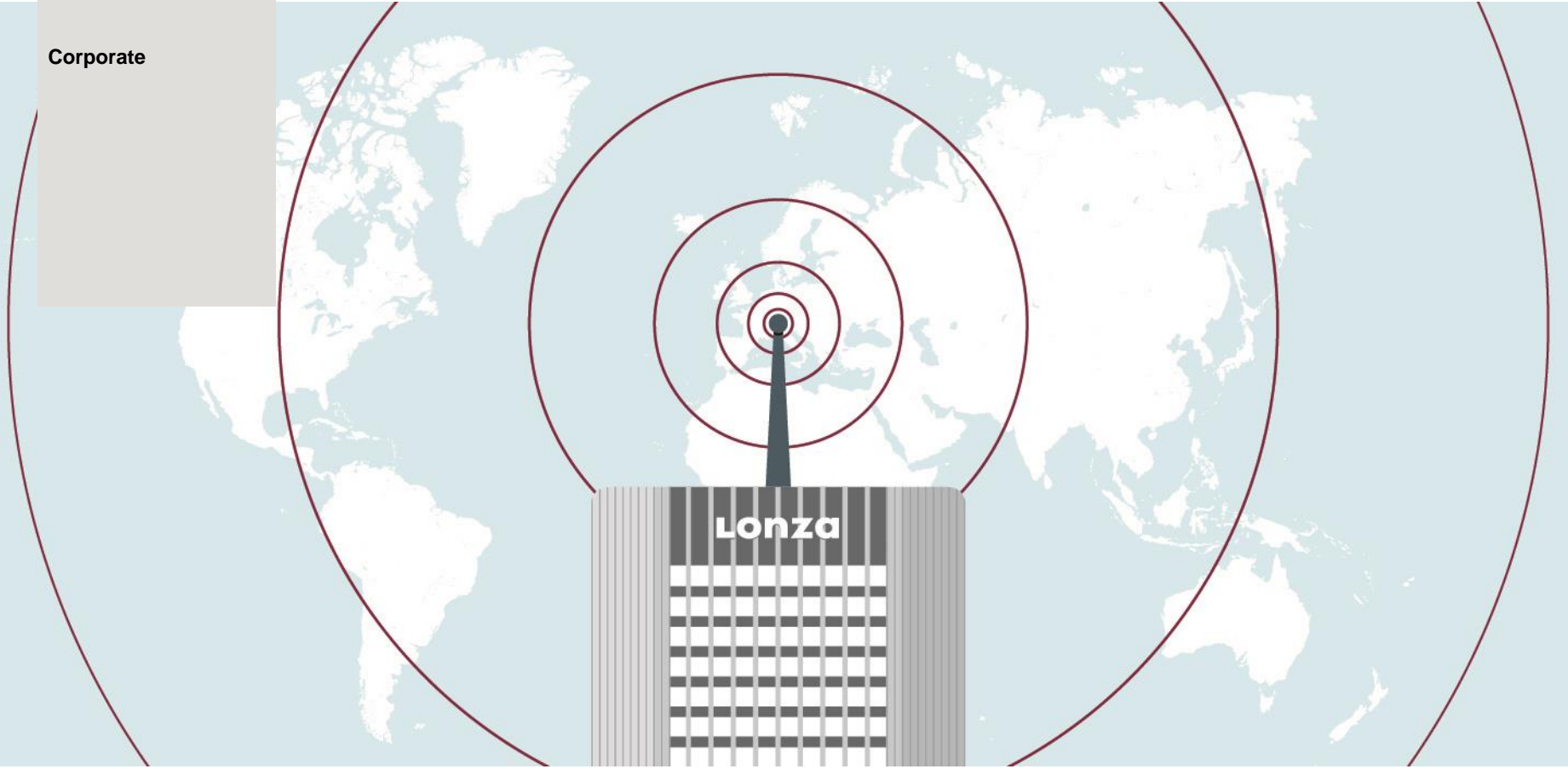


Corporate



## **Lonza Reports Best First Half in History with Continued Strong Momentum**

**2016 Half-Year Results – 20 July 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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- **Half-Year Results 2016 and Highlights**
- Segment Overview – Pharma&Biotech
- Segment Overview – Specialty Ingredients
- Reflection on the Last Four Years
- Outlook 2016



Half-Year Report **16**

## Half-Year 2016 – Best First Half in History

- 20% CORE EBIT growth and 6% sales growth
- Both Pharma&Biotech and Specialty Ingredients segments improved their profitability
- Pharma&Biotech's outstanding operational performance across all assets bolstered the strong half-year results
- 2016 guidance raised: Double-digit CORE EBIT growth expected for 2016
- Stable cash flow generation and de-leveraging ongoing
- Net debt was further reduced by CHF 337 million

# Half-Year 2016 Financial Highlights

CHF mn	HY 2016	HY 2015	Change YoY
Sales	2,019	1,904	6.0%
CORE EBITDA	447	391	14.3%
<i>CORE EBITDA Margin</i>	<i>22.1%</i>	<i>20.5%</i>	
EBITDA IFRS	443	375	18.1%
CORE EBIT	312	260	20.0%
<i>CORE EBIT Margin</i>	<i>15.5%</i>	<i>13.7%</i>	
EBIT IFRS	292	192 <sup>1</sup>	52.1%
Profit for the Period	194	111	74.8%
CORE RONOA	20.3%	16.1%	
Operating Free Cash Flow	264 <sup>2</sup>	299	-11.7%
Net Debt	1,505	1,842	-18.3%

<sup>1</sup> Includes impairment of CHF 36 million, as well as settlement and write-offs of CHF 9 million related to the Koufim site.

<sup>2</sup> before acquisition

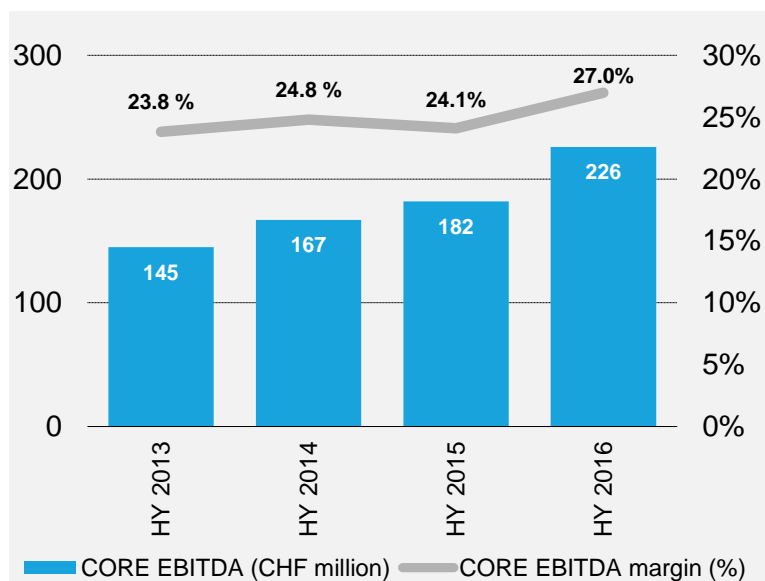
CORE definition: see appendix



# Significant Improvement in Both Segments

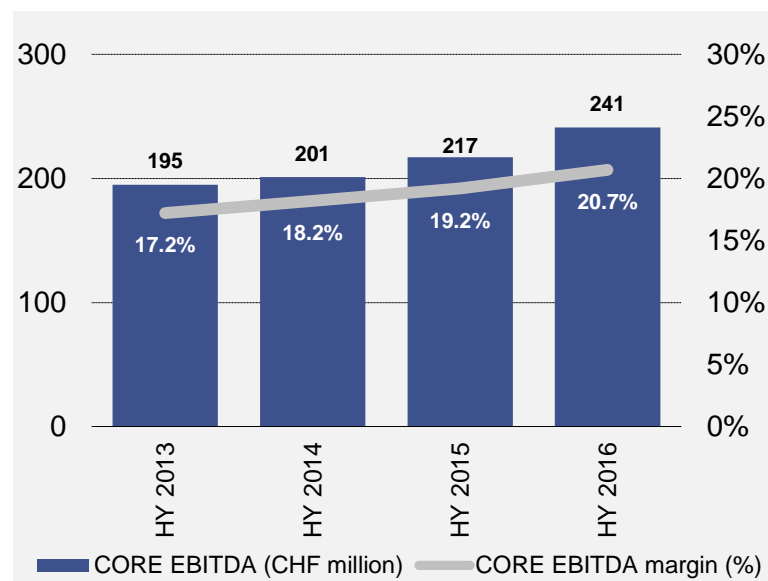
## Pharma&Biotech

CHF mn	HY 2016	HY 2015	% YoY
Sales	838	754	11.1
CORE EBITDA	226	182	24.2
<i>Margin</i>	27.0%	24.1%	
CORE EBIT	159	117	35.9
<i>Margin</i>	19.0%	15.5%	



## Specialty Ingredients

CHF mn	HY 2016	HY 2015	% YoY
Sales	1,165	1,131	3.0
CORE EBITDA	241	217	11.1
<i>Margin</i>	20.7%	19.2%	
CORE EBIT	194	172	12.8
<i>Margin</i>	16.7%	15.2%	



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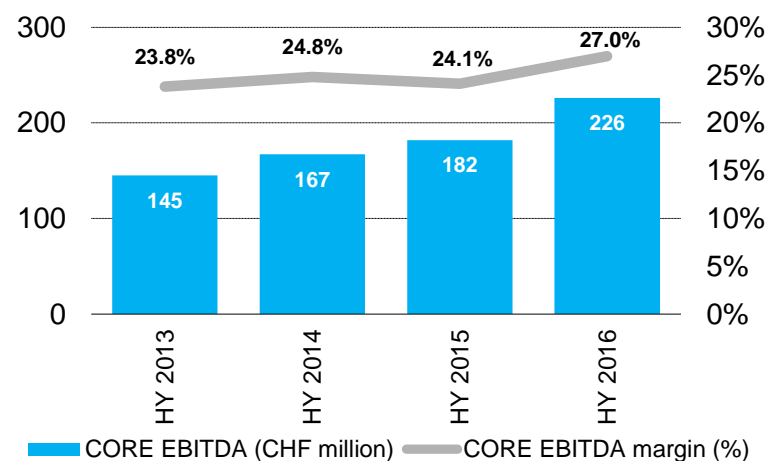
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# Pharma&Biotech Financials HY 2016

## Key Figures

CHF mn	HY 2016	HY 2015	% YoY
Sales	838	754	11.1
CORE EBITDA	226	182	24.2
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CORE EBIT	159	117	35.9
<i>Margin</i>	<i>19.0%</i>	<i>15.5%</i>	

## CORE EBITDA and Margin Progression



- Strong performance driven by outstanding operational performance across all assets
- Particular momentum coming from the Commercial Mammalian Manufacturing business
- Made-to-stock Bioscience Solutions business with strong growth in sales and profits
- Excellent performance expected to continue also in the second half



# Pharma&Biotech – Commercial Manufacturing

A circular logo with a blue background and white text. The text reads "Pharma& Biotech" in a large font, with "B2B" in a smaller font below it. The words "PHARMA&BIOTECH" are written in a smaller font around the bottom edge of the circle.

**Pharma&  
Biotech**  
B2B

PHARMA&BIOTECH

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

## Commercial Manufacturing

- Outsourcing and dual-sourcing trend by the industry is fully intact
- Sales growth again driven by high demand in mammalian manufacturing
- The customer base has broadened further with new contracts of significant length being signed
- Manufacturing of 20 commercial biologics drug substances

# Pharma&Biotech – Clinical Development and Bioscience

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

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

## Clinical Development Services

- Clinical Development & Licensing (CDL) business ahead of market growth benefiting from continued strong demand for tier 1 CMO development and manufacturing services
- Emerging Technologies with strong growth – success of changing business models seen in the long-term agreement with bluebird bio, Inc.
- New Drug Product Services facility is set to open its doors in Basel in the fourth quarter of 2016

## Bioscience Solutions / Products

- Market demand favorable; delivered solid growth compared with the same period last year

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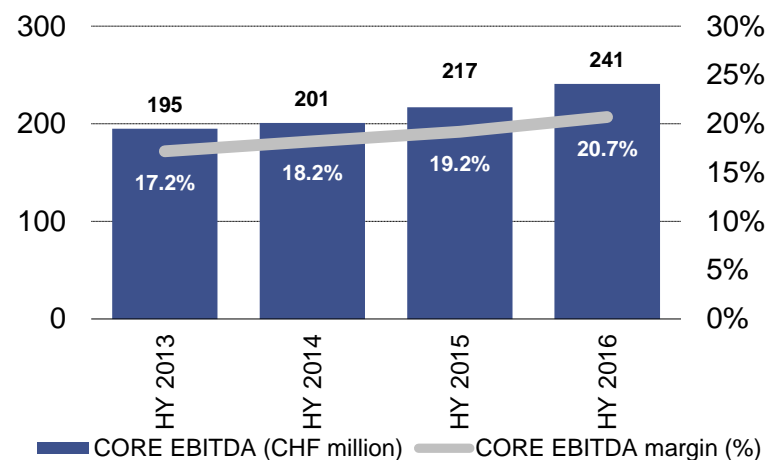
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# Specialty Ingredients Financials HY 2016

## Key Figures

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## CORE EBITDA and Margin Progression



- Sales development in line with plans; progress resulted from focus on higher-value activities, product mix and portfolio optimization, as well as operational and value-chain improvements
- Highly specialized part of Specialty Ingredients businesses experienced robust growth momentum, over-compensating for the seasonality in Agro and Feed markets in the second quarter

# Specialty Ingredients – Consumer Care



## Steady Growth with Improvement of Portfolio to Higher Value

- Hygiene business experienced good demand and increased market acceptance of new and innovative solutions based on new formulations
- High-end Personal Care portfolio is growing well, driven by good ongoing momentum
- Vitamin B3 and L-Carnitine in nutritional applications enjoyed solid market demand
- Efforts will be focused on formulation development and strengthening our consumer value proposition and claim support

# Specialty Ingredients – Agro Ingredients



## First Half Better than Expected – But Dampened Outlook for Coming Quarters Anticipated

- Solid start into first quarter of current year, softer demand in second quarter, as expected
- Slowdown based on over-stocking in end markets and reduced investments by agrochemical industry
- Molluscicides experienced solid growth in our global expansion target areas, especially in Southeast Asia, South Africa and Latin America

# Specialty Ingredients – Coatings & Composites



## Steady Growth Driven by Specialties

- Solid market demand across most offerings, especially in electronics and aerospace industry
- Wood Protection business in North America led way with sales growth in solid wood preservation markets, fueled by strong U.S. and Canadian economies
- Diacon and Zelam contributed topline sales in mold control and engineered wood preservation markets; integration on track

# Specialty Ingredients – Water Treatment



## Good Start into U.S. Pool Season

- Good performance compared with last year – even with Memorial Day being one week later than last year and with severe weather conditions in the Midwest



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Half-Year Report **16**

# CEO Richard Ridinger

## Looking Back After 1,541 Days in Office

“ With Lonza, I joined a company with many great strengths and assets, such as excellent technology platforms, a global footprint, high-quality product offerings, a broad customer base and, of course, a highly committed and skilled workforce. While the overall strategy remains absolutely valid, I have identified a number of key opportunities that will help the company to return on a profitable growth path.

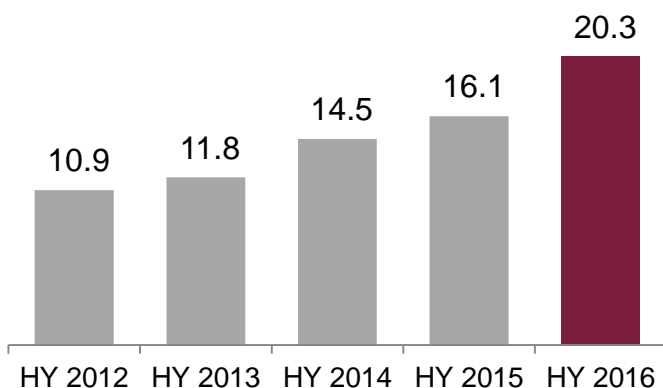
June 2012

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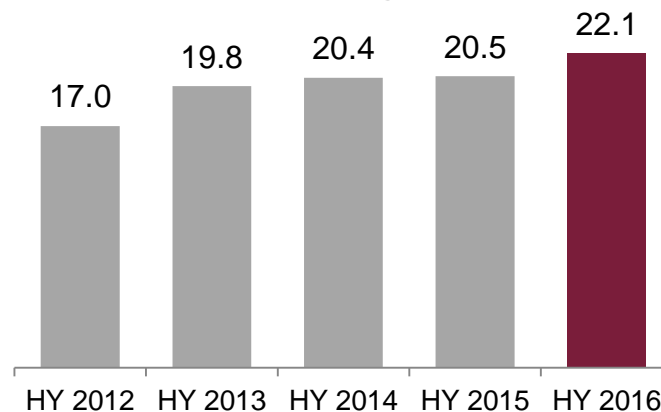


# Steady and Continued Improvement from Half-Year 2012 to 2016

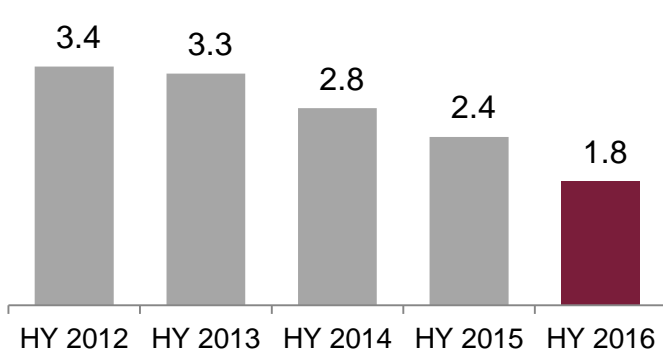
**CORE RONOA in %**



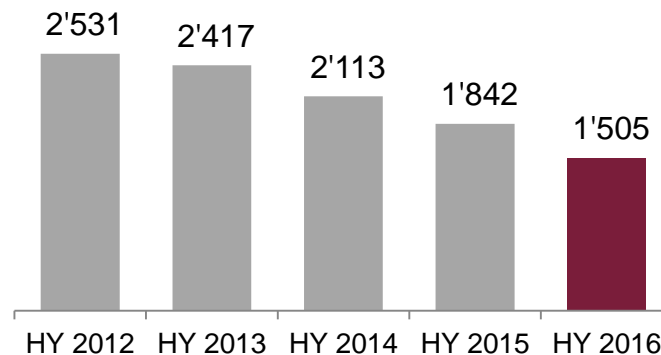
**CORE EBITDA margin in %**



**Net Debt / EBITDA**



**Net Debt in CHF million**



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# Outlook 2016 Raised

## 2016 Outlook

- With this positive first half of 2016 and the good momentum expected to continue into the second half of the year, Lonza is raising its guidance for CORE EBIT growth and now expects a double-digit improvement in CORE EBIT for the full year of 2016.

## Full-Year 2016 – Guidance Raised

- **New:** CORE EBIT double-digit growth for 2016
- CAPEX in 2016 is expected to be above 2015 level due to the strong demand particularly in Pharma&Biotech and the larger number of growth projects.
- However, the strong cash flow generation is expected to further reduce net debt significantly by the end of fiscal year 2016.



# Outlook 2018 – Confirmed

## 2018 Mid-Term Outlook

Based on the present macro-economic environment and current visibility, as well as the strongly improved results during the first half of 2016, Lonza is re-confirming the 2018 outlook of:

- CORE EBITDA approaching CHF 1 billion in 2018
- CORE RONOA of 20% in 2018
- Sales growth of low- to mid-single digit on average per year until 2018



# Capital Markets Day 2016

**26 – 27 October 2016**

**Portsmouth, New Hampshire (USA)**

■ **Agenda:**

- Dinner with Executive Committee
- Strategy and Business Update
- Specialty Ingredients:
  - “Extending Lonza’s Role in the Healthcare Continuum”
- Pharma&Biotech:
  - “From Gene to Patient”
  - “Mammalian Update”

→ **[Register today!](#)**



# Calendar of Events & Contacts

- **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
- **26 Apr 2017** First-Quarter 2017 Business Update
- **27 Jul 2017** Half-Year 2017 Results



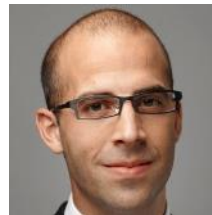
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# Appendices

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EBITDA	443	375	18.1%
<i>EBITDA Margin</i>	21.9%	19.7%	
EBIT	292	192 <sup>1</sup>	52.1%
<i>EBIT Margin</i>	14.5%	10.1%	
Financing Costs	- 51	- 56	
<i>Tax Rate</i>	19.2%	19.0%	
Profit for the Period	194	111	74.8%
EPS (CHF) Basic	3.70	2.12	74.5%
EPS (CHF) Basic CORE	4.02	3.18	26.4%
Operational Free Cash Flow	264 <sup>2</sup>	299	- 11.7%
Change in Net Working Capital	- 59	15	
Capital Expenditures	- 151	- 96	57.3%
<i>CORE RONO</i>	20.3%	16.1%	
Net Debt	1,505	1,842	- 18.3%
Number of Employees	9,931	9,721	2.2%

<sup>1</sup> Includes impairment of CHF 36 million, as well as settlement and write-offs of CHF 9 million related to the Koufim site.

<sup>2</sup> before acquisition

CORE definition: see appendix



# 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.