

Corporate



Lonza

Q3 2016 Qualitative Business Update

Richard Ridinger - CEO

Lonza

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 – Pharma&Biotech
- Segment Overview – Specialty Ingredients
- Outlook 2016

Lonza Expects to Reach 2018 Guidance One Year Ahead and Reports Strong Q3 Momentum

- Pharma&Biotech with continued strong performance in revenue and profitability
- Specialty Ingredients with robust results through ongoing progress in portfolio management
- Outlook 2016 updated: CORE EBIT expected to cross the 15% growth line for full-year 2016
- Guidance 2018 expected to be achieved one year ahead of time:
 - CORE EBITDA of CHF 1 billion by end of 2017
 - CORE RONOA forecasted above 20% in 2017

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Pharma&Biotech

Commercial Manufacturing

A blue circular logo with the text 'Pharma&Biotech B2B' inside. 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)

Commercial Manufacturing

- Sales growth driven by continued high demand in Mammalian Manufacturing
- Progress made in strengthening business, with successful negotiations to extend contracts in terms of volume and timeframe
- Customers with several new indications and new drug applications as catalyst for ongoing success across board

Pharma&Biotech

Clinical Development Services and Bioscience Solutions

A circular logo with a blue background and white text. The text inside the circle reads "Pharma& Biotech B2B". 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 Services

- Business is on track, benefiting from continued strong demand for API development and clinical manufacturing services
- Demand pattern continues to improve thanks to product introductions, evidenced by new customers in Mammalian and Chemical Services and Manufacturing

Bioscience Solutions / Products

- Business maintains positive momentum and is further strengthened by the integration of Triangle Research Labs, which was acquired in June 2016

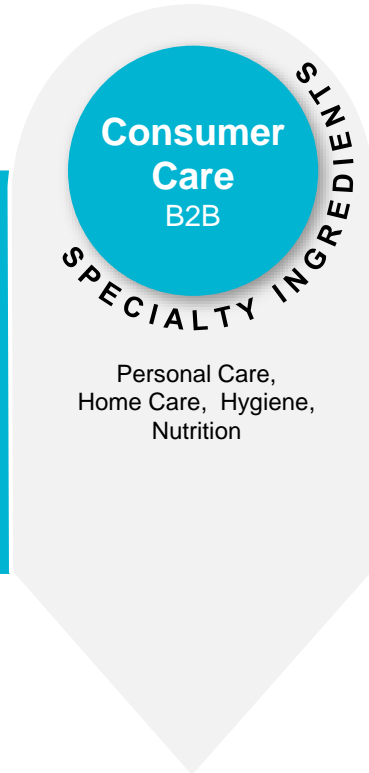
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Specialty Ingredients

Consumer Care

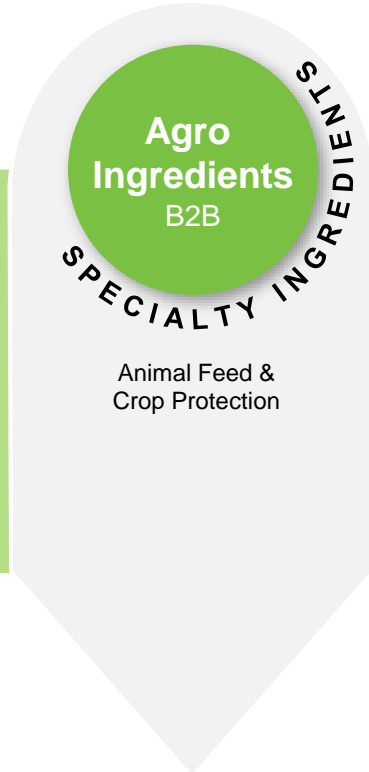


Steady growth throughout all businesses

- Growth driven by ongoing demand all businesses
- Hygiene with new contracts for various technologies
- Nutrition business to accelerate growth thanks to the acquisition of InterHealth in September 2016, which will allow Lonza to harness the proven management and branding capabilities and leverage them to a global level

Specialty Ingredients

Agro Ingredients

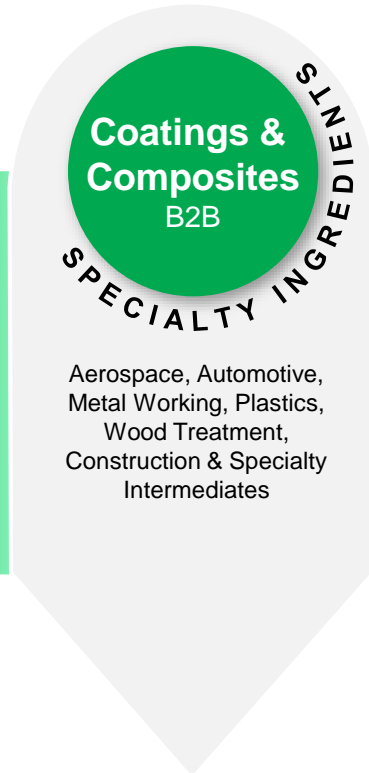


Industry downturn with negative impact on Agro

- As expected Agro Ingredients was negatively impacted by the overall industry downturn and pricing pressures for animal nutrition in China
- Molluscicides experienced favorable weather conditions in the main market Europe
- The last months of the year expected to be weak due to ongoing stock reduction at customer level

Specialty Ingredients

Coatings and Composites



Good performance driven by Wood Protection

- Wood business delivered strong results driven by North America
- Demand pattern remains stable across all relevant markets
- Aerospace business was strong, driven by success of several key customer projects

Specialty Ingredients

Water Treatment



Sales development was positive in all regions

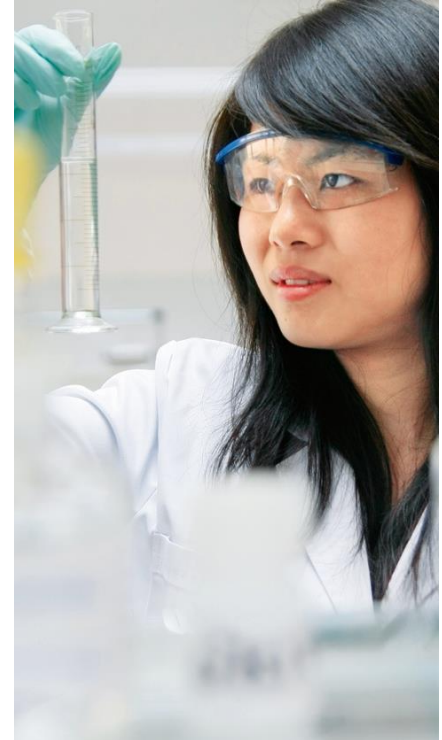
- Residential with strong growth
- Industrial, Commercial, Municipal and Surface Water with good performance

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Outlook 2016

- Updated CORE EBIT expected to cross the 15% growth-line for full-year 2016.
- CAPEX in 2016 is anticipated to be above 2015 level due to the strong demand particularly in Pharma&Biotech and the larger number of growth projects.
- Good performance is expected to lead to strong cash generation and an improved balance sheet.



Outlook 2017 and 2018

Guidance 2018 Expected to Be Achieved One Year Ahead

Based on the present macro-economic environment, constant exchange rates and anticipated worldwide growth, as well as the strongly improved results throughout 2016, Lonza is now targeting a 2017 guidance of:

- **New:** CORE EBITDA of CHF 1 billion by the end of 2017
- **New:** CORE RONOA above 20% in 2017
- **Confirmed:** Sales growth of low- to mid-single digit on average per year until 2018

The mid-term guidance will be reviewed by mid-2017, and we intend to provide an update as part of the HY 2017 results on 27 July 2017.



Calendar of Events & Contacts

- **25 Jan 2017** Full-Year 2016 Results
- **25 Apr 2017** Annual General Meeting, Basel
- **26 Apr 2017** First-Quarter 2016 Business Update
- **26 July 2017** Half-Year 2016 Results
- **27 Oct 2017** Third-Quarter 2017 Business Update



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Back-up

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%

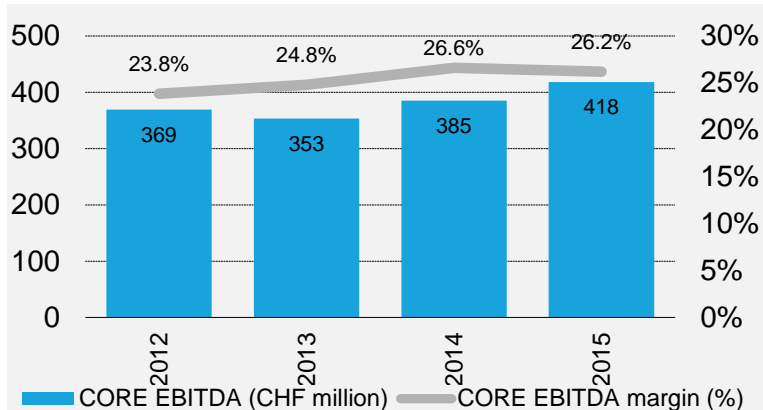


Successful Continuous Improvement

in Both Segments Full-Year 2015

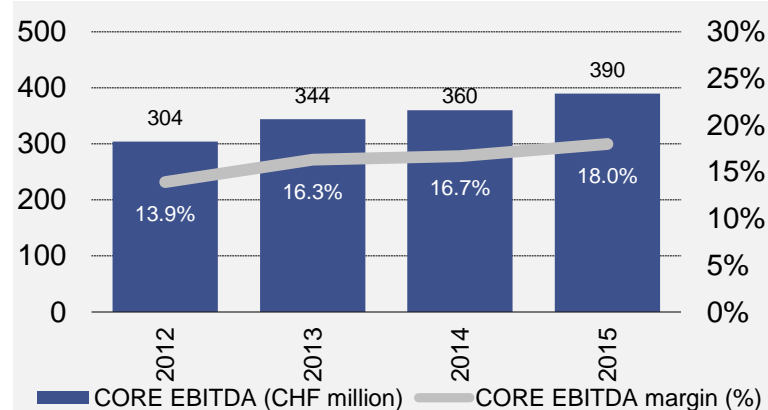
Pharma&Biotech

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%	



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%	



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>	22.1%	20.5%	
CORE EBIT	312	260	20.0%
<i>CORE EBIT Margin</i>	15.5%	13.7%	
EBITDA	443	375	18.1%
<i>EBITDA Margin</i>	21.9%	19.7%	
EBIT	292	192 ¹	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 ²	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%

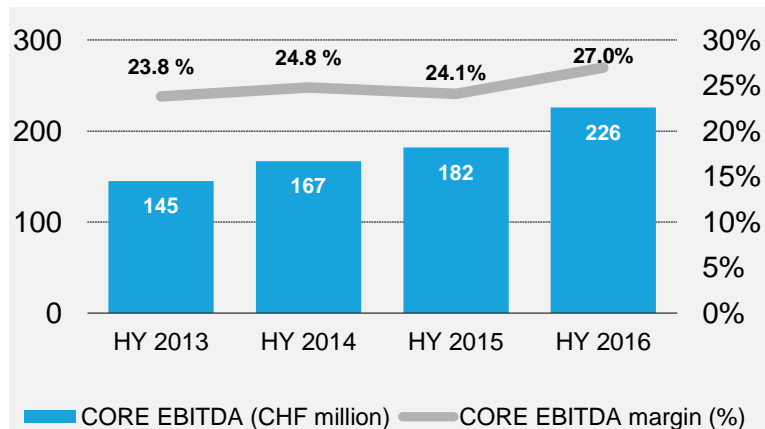


Successful Continuous Improvement

in Both Segments Half-Year 2016

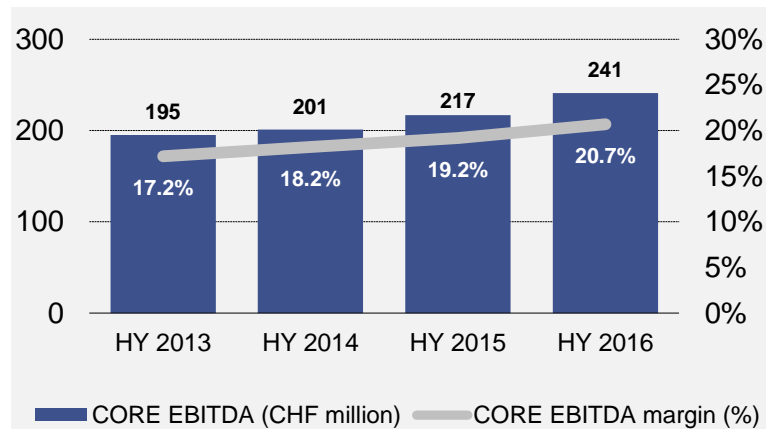
Pharma&Biotech

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



Specialty Ingredients

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



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.