

Corporate

Q1 2017 Qualitative Business Update

Richard Ridinger - CEO

Q1 2017 Qualitative Business Update | 25 April 2017



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.



- **Qualitative Business Overview**
- Segment Overview – Pharma&Biotech
- Segment Overview – Specialty Ingredients
- Outlook 2017

Lonza 2017 with Outstanding First Quarter

- Strong start in Q1 paves way for double-digit organic sales growth for first half year
- CORE EBIT growth expected to be even stronger than sales growth for first half of 2017
- Pharma&Biotech with strong performance in revenue and profitability
- Specialty Ingredients with robust growth and profitability improvement
- Outlook 2017 upgraded



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- Segment Overview – Specialty Ingredients
- Outlook 2016





Commercial Manufacturing

- Strong sales growth driven by continued high demand in Mammalian Manufacturing
- Continued progress made in strengthening business, with successful negotiations to extend contracts in terms of volume and timeframe
- New business models, such as strategic partnership with Sanofi for the construction of a large-scale biologics production facility, show trust Lonza enjoys among its customers



Clinical Development Services

- Business is on track, benefiting from continued strong demand for tier 1 development and manufacturing services

Bioscience Solutions / Products

- The Bioscience Solutions business was slightly softer due to quality issues at our Walkersville, MD (USA) facility; associated with these quality issues, Lonza received a warning letter on 24 April 2017 from the FDA relating to technical issues.

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Growth driven by acquisition

- Positive start to the year
- Driven by increased focus on consumer health and nutrition, and InterHealth acquisition complementing Lonza offerings as expected
- Ongoing demand in hygiene business and continued momentum in vitamin B3 solutions

Specialty Ingredients

Agro Ingredients



Continued negative market impact on Agro

- As expected Agro Ingredients continues to be softer due to reduced demand patterns that persisting in the market
- Feed additives and molluscicides businesses continue to develop well

Specialty Ingredients

Coatings and Composites



Good performance driven by specialties

- Overall strong sales growth driven by Performance Ingredients and Wood Protection
- Performance Ingredients: Healthy demand across all relevant markets
- Wood Protection: Good results thanks to strong demand across most regions and markets



Sales development driven by industrial water business

- Industrial, Commercial, Municipal and Surface Water (ICMS) business with favorable quarter
- Further reduction of seasonality effects due to weather

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Outlook 2017

Upgraded Outlook on a Stand-Alone Basis

With this positive start into 2017, and based on the sound foundation laid in 2016, Lonza is upgrading its outlook for 2017. The outlook is on a Lonza standalone basis:

- Sales growth upgraded from mid-single digit growth to high-single digit growth
- CORE EBITDA above CHF 1 billion
- Double-digit CORE EBIT growth significantly above sales growth
- CORE RONOA above 21.5%

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

Lonza intends to provide an update of the mid-term guidance as part of the half-year results report on 26 July 2017, assuming the closing of the Capsugel deal during Q2 2017.



Calendar of Events & Contacts

- 26 July 2017 Half-Year 2016 Results
- 26 Oct 2017 Third-Quarter 2017
Business Update



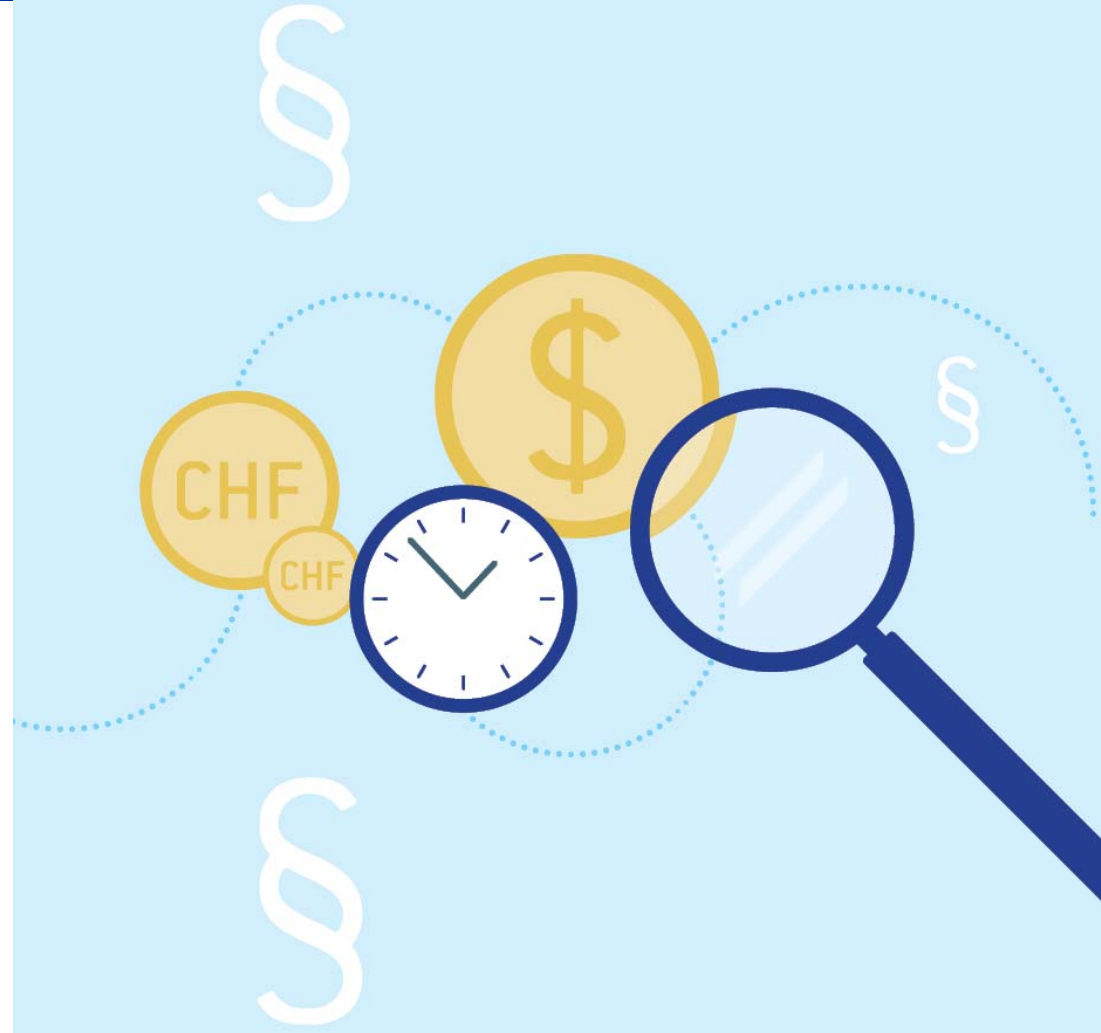
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Full-Year 2016

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>	22.2%	20.9%	
CORE EBIT	651	524	24.2%
<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%	
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%
Change in Net Working Capital	78	139	
Capital Expenditures	-366	264	38.6%
<i>CORE RONO</i>	21.5%	16.4%	
Net Debt	1,584	1,660	-4.6%
Number of Employees	10,130	9,829	

CORE definition: see appendix

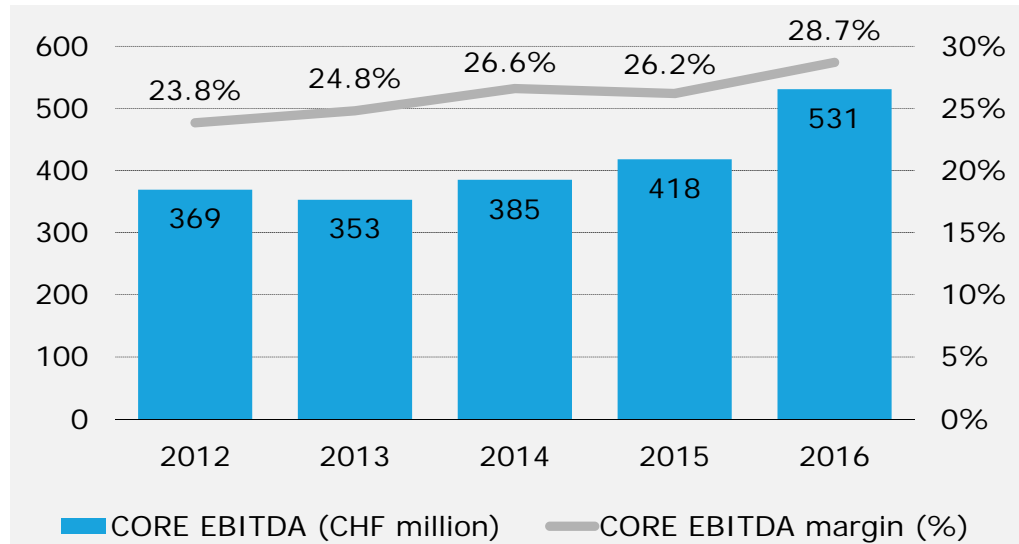


Successful Continuous Improvement

in Both Segments Full-Year 2016

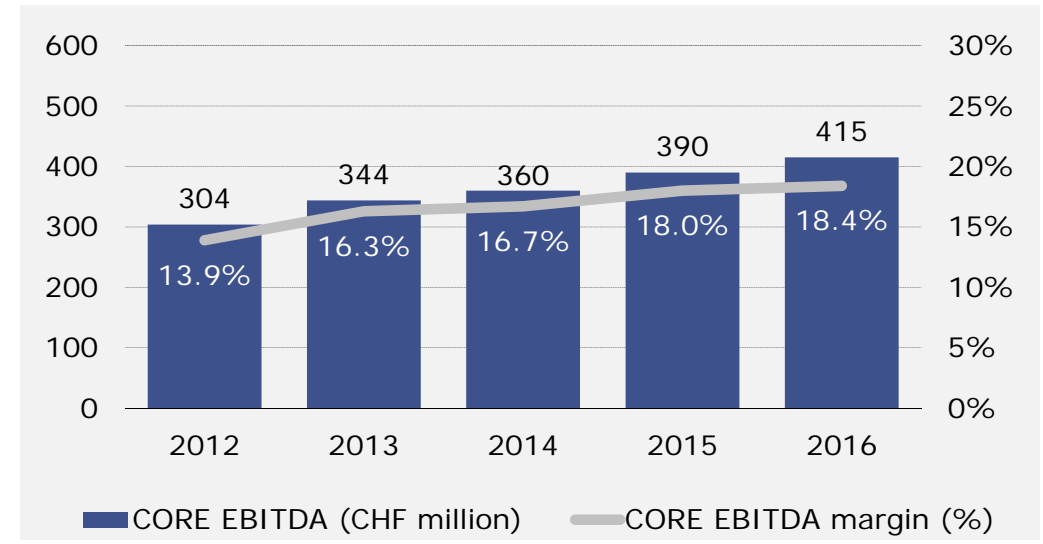
Pharma&Biotech

CHF mn	FY 2016	% YoY
Sales	1,849	15.9
CORE EBITDA	531	27.0
<i>Margin</i>	28.7%	
CORE EBIT	400	40.8
<i>Margin</i>	21.6%	
CORE RONOA	23.9%	



Specialty Ingredients

CHF mn	FY 2016	% YoY
Sales	2,250	3.8
CORE EBITDA	415	6.4
<i>Margin</i>	18.4%	
CORE EBIT	322	8.1
<i>Margin</i>	14.3%	
CORE RONOA	22.8%	



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.