

Lonza Achieved Another Excellent Full-Year Result in 2018 with 9% Organic Sales Growth and Strong Profitability Driven by Healthcare Businesses

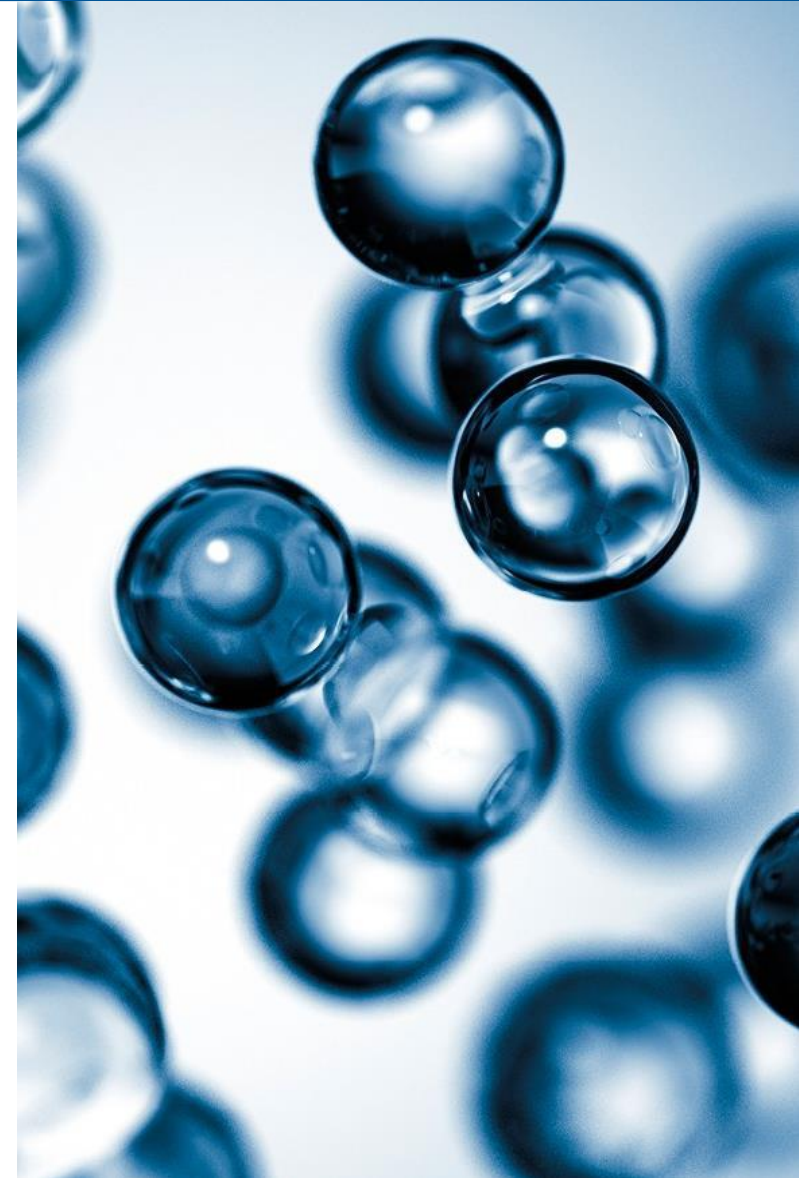
Richard Ridinger – CEO

Marc Funk – COO Pharma & Biotech

Rodolfo Savitzky – CFO

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FYR 2018 Corporate Overview

Corporate | FYR 2018 | 30 January 2019



Lonza Full-Year Results 2018 Highlights

Reporting another full-year with continued strong results

- Lonza delivered its Full-Year 2018 results with sales of CHF 5.5 billion at a record 27.3% CORE EBITDA margin for Lonza's continuing operations
- Outperformance in Pharma & Biotech with 14% sales growth and margins up 260 bps was combined with positive momentum in Consumer Health division
- Lonza continued to benefit from performance and synergies of the successfully integrated Capsugel businesses
- The challenging environment for cyclical parts of the Consumer & Resources Protection portfolio continued to have a negative impact on the business throughout the year while countermeasures are being implemented to improve profitability
- As a result of its strategic focus on the Healthcare Continuum[®] and thorough execution of its strategy, Lonza has become more resilient and independent from cyclical parts of its portfolio



Lonza Full-Year Results 2018 Highlights

Having announced major achievements throughout 2018

Opening of the world's largest dedicated cell- and gene-therapy manufacturing facility in Pearland, Greater Houston, TX (USA)



Groundbreaking on expanded manufacturing facility for nutritional offerings in Greenwood, SC (USA)



Outlining sustainable growth plans through focus and investment at Lonza's Capital Markets Day



Signing agreement to divest Water Care business



2018



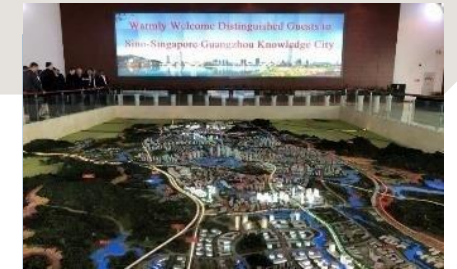
Investing in expansion of Portsmouth, NH (USA) site, including mid-scale biologics



Expanding Ibox™ Solutions to offer complete product lifecycle management in one location



Investing in further development of Cocoon™ autologous technology

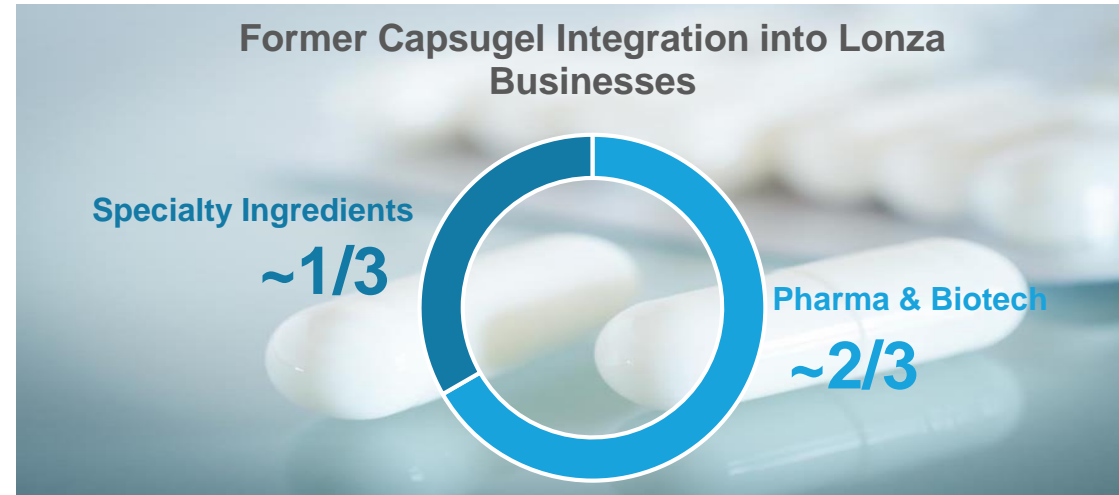


Establishing strategic biomanufacturing base in Guangzhou (CN)

Capsugel – A Transformative and Successful Integration

Delivering for customers along the value chain

- Lonza continued to benefit from the performance and synergies of the successfully integrated Capsugel businesses, having completed the first full year as a combined company
- Operations and functions are fully integrated, and both companies’ cultures are closely aligned
- Integration is fulfilling its strategic promise to help make Lonza the most comprehensive supplier of integrated solutions along the Healthcare Continuum[®]



Examples of Lonza’s Pharma Dosage Forms and Nutritional Supplements Offerings Introduced in 2018

Vcaps.[®] Plus capsules

Specialty plant-based polymer capsules offering efficacy, as well as clean-label, vegetarian and vegan solutions

Natural Colorant Capsules

Plant-based hypromellose capsules, with natural food coloring

FYR 2018 Financial Summary

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Full-Year 2018 Financial Highlights for Lonza Continuing Operations¹

Continuing Lonza's organic growth and strong performance

CHF million	2018	% YoY reported ²	% YoY pro-forma ³
Sales	5,542	21.9%	9.0%
CORE EBITDA	1,511	26.3%	12.0%
<i>CORE EBITDA Margin</i>	27.3%	100 bps	80 bps
CORE EBIT	1,165	28.9%	14.1%
<i>CORE EBIT Margin</i>	21.0%	110 bps	90 bps
CORE RONOA	31.4%	4.7%	n.a.
ROIC	8.0%	(4.4)%	n.a.

¹ Lonza Continuing Operations excluding Water Care business as discontinued operations

² Adopted to IFRS 15

³ Reported Lonza Full-Year 2017 financial results (restated for IFRS 15) include Capsugel 2017 financial results from 1 January 2017. This explanation applies to the terms "pro-forma," "like-for-like" and "organic," which are used as synonyms throughout this presentation

Full-Year 2018 Financial Highlights for Lonza Continuing Operations¹

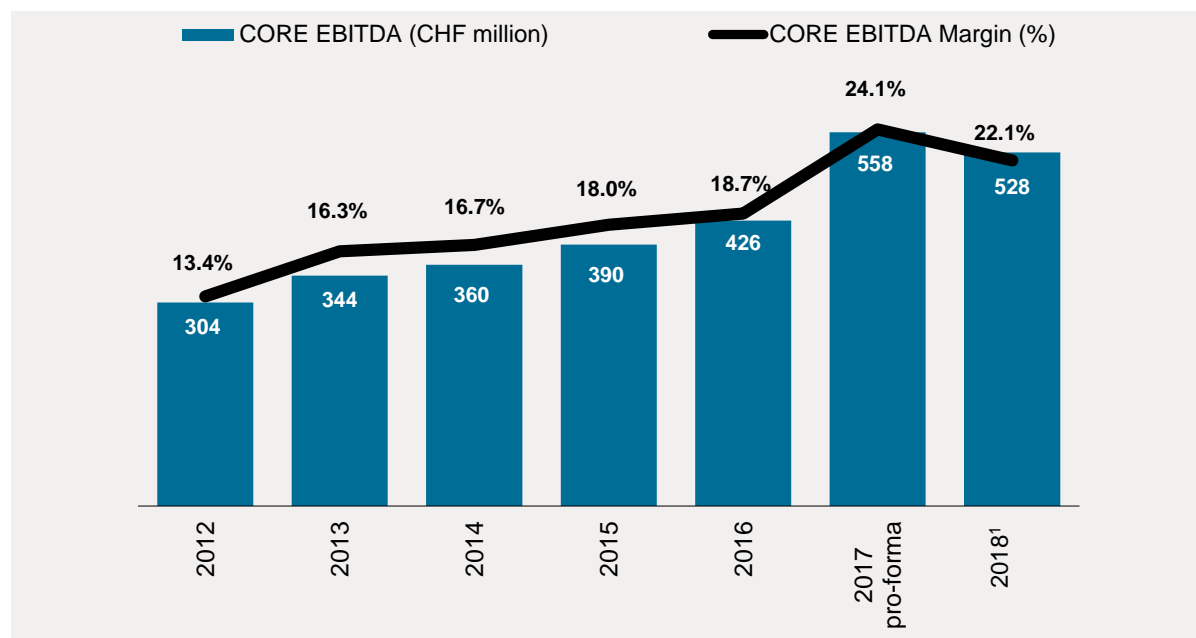
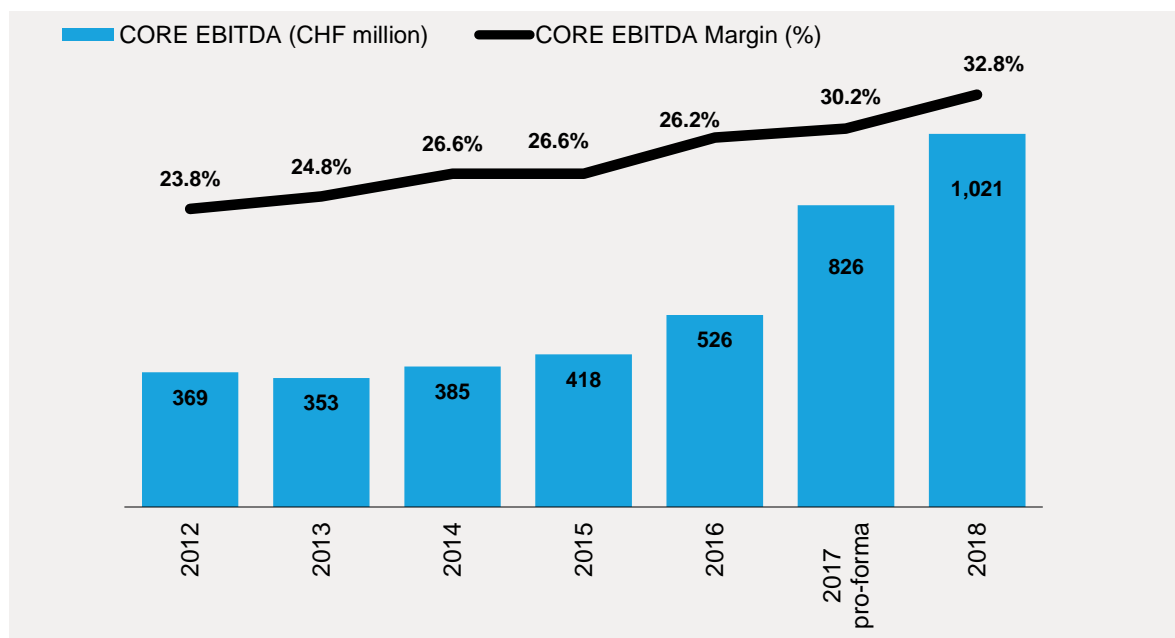
Delivering organic growth and improved profitability in healthcare businesses

Pharma & Biotech

CHF million	2018	% YoY pro-forma
Sales	3,113	13.9%
CORE EBITDA	1,021	23.6%
Margin	32.8%	260 bps
CORE EBIT	826	27.3%
Margin	26.5%	280 bps

Specialty Ingredients

CHF million	2018	% YoY pro-forma
Sales	2,391	3.4%
CORE EBITDA	528	-5.4%
Margin	22.1%	-200 bps
CORE EBIT	421	-6.0%
Margin	17.6%	-180 bps

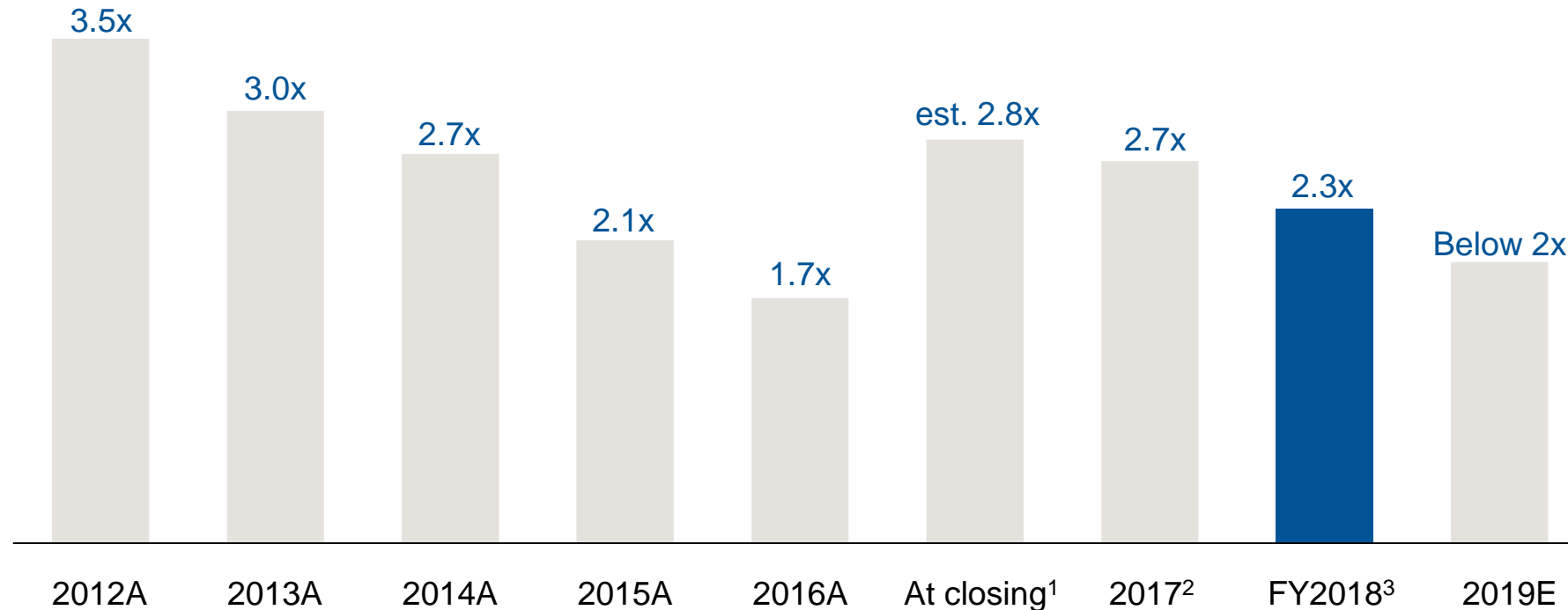


¹Lonza Continuing Operations excluding Water Care business as discontinued operations

Net Leverage 2016 to 2019 (Expected)

Focusing on ensuring investment-grade rating

Net Leverage (Net Debt / CORE EBITDA)



- Having a strong track record of de-leveraging capabilities
- Having initiated a public [credit rating with S&P](#) providing BBB+ and stable outlook
- Focusing on maintaining an investment-grade rating while investing in further growth and value creation

¹Net debt/CORE EBITDA is calculated based on the CORE EBITDA of the last 12 months, including Capsugel. The Capsugel acquisition closed on 5 July 2017

²2017 including Capsugel as of 5 July 2017, restated for IFRS 15

³Net debt/CORE EBITDA is calculated based on the CORE EBITDA of the last 12 months for Lonza Group incl .discontinued operations

FYR 2018 Lonza Segments Financial Summary and Qualitative Update Pharma & Biotech

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Pharma & Biotech

Delivering continued strong results

CHF million	2018	2017 pro-forma	% YoY
Sales	3,113	2,733	13.9%
CORE EBITDA	1,021	826	23.6%
CORE EBITDA Margin	32.8%	30.2%	260 bps
CORE EBIT	826	649	27.3%
CORE EBIT Margin	26.5%	23.7%	280 bps

- Pharma & Biotech continued to outperform, especially driven by Clinical Development and Manufacturing and Commercial Manufacturing in its biological businesses
- Hard capsules and dosage form and delivery systems continued to experience buoyant customer interest and the capture of cross-selling synergies; demand for small-molecule APIs remained high
- The number of projects increased in 2018 to 865¹ clinical and commercial biologics and small-molecule programs
- All major investments that have already been announced are progressing as planned

¹In 2017 the total number amounted to 832

Pharma & Biotech

Reporting that Lonza's biologics businesses performed strongly

Biologics Businesses

- The Commercial Mammalian and Microbial Manufacturing business continued to benefit from a solid customer base and strong demand, enabling the business to secure additional contracts for the mid- and long-term
- Demand for Lonza's development services and clinical manufacturing in all technologies also remained high, further fueled by increasing pressure on customers to shorten time to the clinic and to the market
- New investments announced in Q4 2018:
 - Having acquired a controlling stake in Octane Biotech to further develop Cocoon™ autologous technology, a patient-scale, closed and automated cell-therapy manufacturing system
 - Establishing a strategic biomanufacturing base in Guangzhou (CN) to provide development and manufacturing facilities from early- to late-clinical and early-commercial stages
 - Expanding Lonza's parenteral dosage-form development site in Basel (CH)
 - Growing Lonza's global R&D footprint: Opening of the Israel Collaborative Innovation Center in Haifa and of the Rockville, MD (USA) labs

>305 large-molecule clinical development programs



>25 commercial large-molecule medicines

Pharma & Biotech

Reaping benefits of integrated offerings in the small-molecule businesses

Chemical Technologies

- Throughout the year small-molecule businesses – including capsule and combined ingredient and dosage form offerings – continued their robust performance
- The businesses reported continued operational and commercial improvements
- Demand for Lonza’s offerings in API development and clinical and commercial manufacturing held firm
- Pharma hard capsules and dosage form and delivery systems continued to experience buoyant customer interest and to capture cross-selling synergies

Consumables and Research Tools

- Market demand for Lonza’s Consumables and Research Tools technologies and products was sustained in the reporting year, notably for cell-culture modeling, transfection, genome editing and endotoxin product portfolios

>270 clinical small molecule programs



>265 commercial small molecule programs

FYR 2018 Lonza Segments Financial Summary and Qualitative Update Specialty Ingredients

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Specialty Ingredients Continuing Operations¹

Having faced headwinds in mature, cyclical parts of the business




CHF million	2018	2017 pro-forma	% YoY
Sales	2,391	2,312	3.4%
CORE EBITDA	528	558	-5.4%
CORE EBITDA Margin	22.1%	24.1%	-200 bps
CORE EBIT	421	448	-6.0%
CORE EBIT Margin	17.6%	19.4%	-180 bps

- Consumer Health demonstrated strong performance, driven by continued positive momentum for nutritional ingredients used in supplements and functional foods and for supplement delivery forms
- Offerings for professional and consumer hygiene applications also performed well
- The specialty portfolios within Consumer & Resources Protection, especially in composites and material protection, reported ongoing demand and performed robustly
- A challenging environment for cyclical businesses in mature parts of the portfolio, like basic materials and intermediates, had a negative impact in 2018

¹Lonza Continuing Operations excluding Water Care business as discontinued operations

Specialty Ingredients Continuing Operations¹

Having introduced a new external reporting structure in 2018

	FYR 2018 Sales CHF million	FYR 2018 CORE EBITDA CHF million	FYR 2018 CORE EBITDA margin in %
 <p>Specialty Ingredients¹</p>	2,391	528	22.1%
 <p>Consumer Health²</p>	1,071	292	27.3%
 <p>Consumer & Resources Protection</p>	1,320	236	17.9%

¹Lonza Continuing Operations excluding Water Care business as discontinued operations

²Including the consumer health and nutrition part of former Capsugel businesses

Specialty Ingredients – Consumer Health

Continuing the momentum for Lonza's offerings in nutritional ingredients and functional food supplements

- The Consumer Health division saw ongoing momentum in 2018 and grew organic sales by 6.3% to CHF 1.1 billion in 2018 with a 27.3% CORE EBITDA margin
- This division's performance was driven by Lonza's proprietary nutritional ingredients, innovative dosage forms and increasing demand for specialty polymers hard capsules, e.g. all-natural and clean-label products
- New, combined Lonza-Capsugel offerings experienced high interest, and 2018 saw a series of product launches that brought together innovative nutritional ingredients, optimized formulations, and tailored capsule-delivery technologies
- The businesses in professional and consumer hygiene performed well, boosted by the tighter regulatory landscape and demand across all regions for modern hygiene solutions and effective prevention against pathogenic micro-organisms
- Leveraging its global expertise in microbial control, Lonza is also developing the next generation of preservative solutions in consumer products

>7,000 customers
worldwide



Specialty Ingredients – Consumer & Resources Protection

Delivering robust results for specialty composites offset by challenging environment for cyclical, more mature businesses

- The specialty portfolios, especially in composites and material protection, reported ongoing positive demand and performed robustly as expected
- A challenging environment for cyclical businesses in mature parts of the portfolio, like basic materials and intermediates, as well as raw-material price increases and supply chain constraints, had a negative impact in 2018
- Results were also influenced by the ongoing downward cycle for basic feed ingredients, especially for vitamin B3
- Despite these headwinds the division delivered CHF 1.3 billion sales for 2018 (1.2% organic growth versus prior year); countermeasures have been implemented to improve profitability
- Initiatives are underway to re-purpose parts of the portfolio, e.g. pharma intermediates are now produced out of assets formerly used for certain basic agricultural offerings

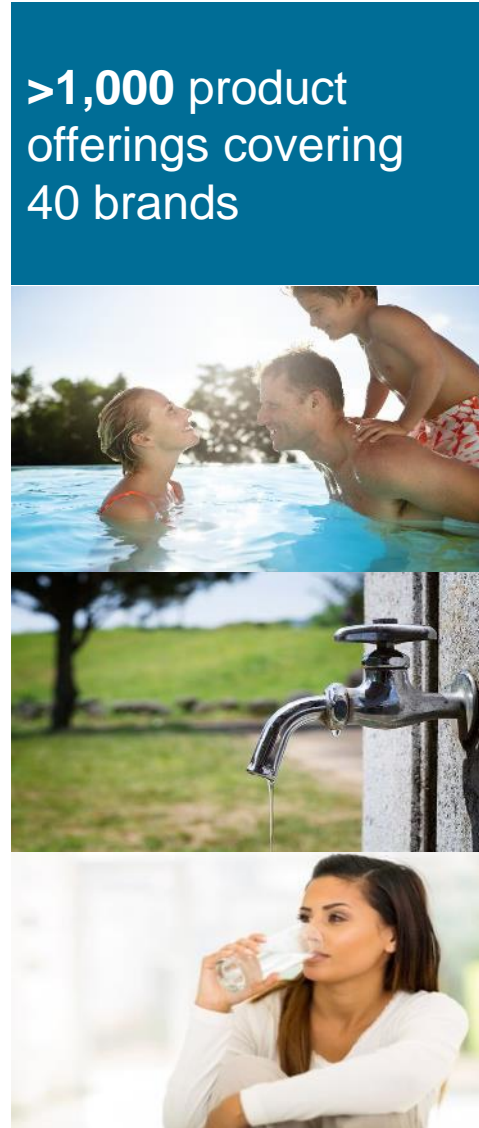
>200 microbial control formulations



Lonza Discontinued Operations – Water Care

Divesting the Water Care business unit to focus on business along the Healthcare Continuum®

- After a comprehensive analysis of options, Lonza decided to divest its Water Care business to Platinum Equity to further strengthen Lonza's strategic focus on the Healthcare Continuum®
- The divestment and ownership transfer process are expected to be seamless to customers; the transaction is expected to close in Q1 2019
- Water Care business continued to implement commercial excellence initiatives and innovative new offerings but faced headwinds due to a late seasonal start in North America and Europe and higher transportation costs
- New customer contracts were secured for the recreational and industrial water businesses
- The outlook for 2019 is positive while restructuring and business model redesign are ongoing



Mid-Term Guidance 2022 & Outlook 2019

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Mid-Term Guidance 2022

Confirming Lonza's Mid-Term Guidance 2022 including the Water Care business unit

- The Water Care transaction is expected to close in Q1 2019; to account for the [Water Care disposal](#), Lonza will provide an adjusted Mid-Term Guidance after transaction closing
- Lonza plans to re-invest parts of the proceeds of the Water Care disposal into the Healthcare Continuum[®] with expected higher returns to deliver more shareholder value
- At Lonza's [Capital Markets Day](#) in September 2018, the growth trajectory by business was outlined and the Mid-Term Guidance by segment and division is confirmed



**Sales CHF
7.5 billion**



**CORE
EBITDA
Margin 30%**



**CORE
RONOA
35%**



**Double-
Digit ROIC**

The Mid-Term Guidance 2022 is based on Lonza including the Water Care business, the present macro-economic environment, current visibility and constant exchange rates

Outlook 2019

Focusing on thorough execution of growth investments while factoring in continued headwinds in the cyclical parts

- Lonza is factoring into its outlook that 2019 will be a year of significant investments and that macro-economic uncertainty and some headwinds in the cyclical parts of its Specialty Ingredients businesses may continue; an update on profitability measures and outlook will be provided with the Q1 Qualitative Business Update 2019
- After becoming fully operational, all investments previously announced are expected to accelerate top-line growth and profitability from 2021 and to contribute to Lonza’s mid-term targets
- In 2019 Lonza will accelerate the review of its current portfolio to further strengthen the company’s position along the Healthcare Continuum®



**Mid-to-high-single
digit sales growth**



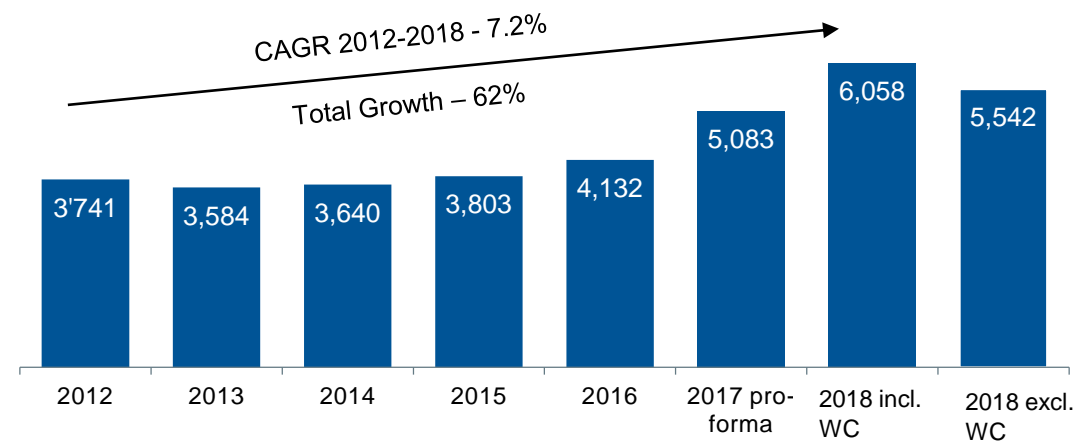
**Sustained high
CORE EBITDA margin level**

The Outlook 2019 is based on Lonza’s continuing operations (excluding the Water Care business unit), the present macro-economic environment, current visibility and constant exchange rates

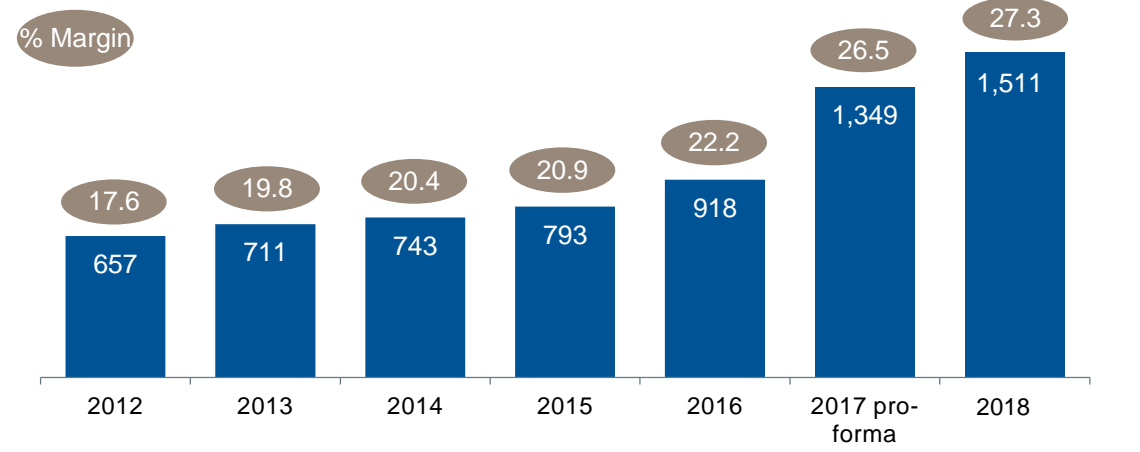
Steady and Ongoing Improvement Lonza Continuing Operations¹

Exceeding guidance across all metrics

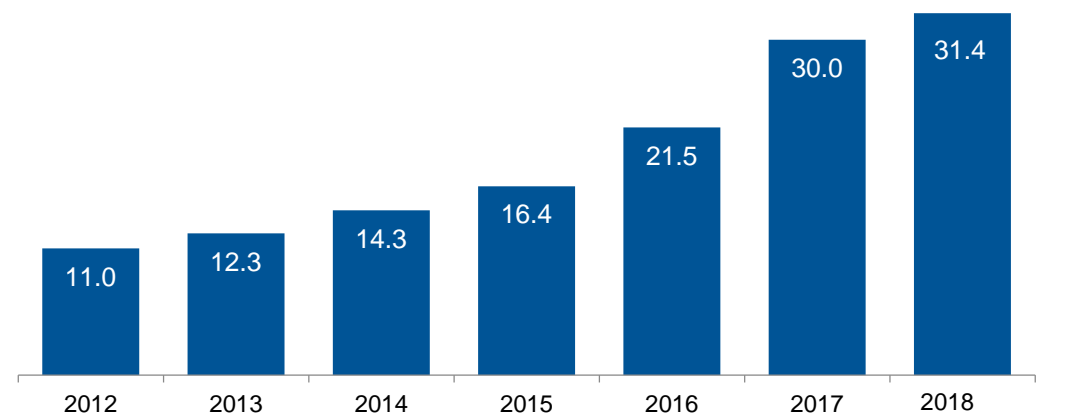
Sales in CHF million



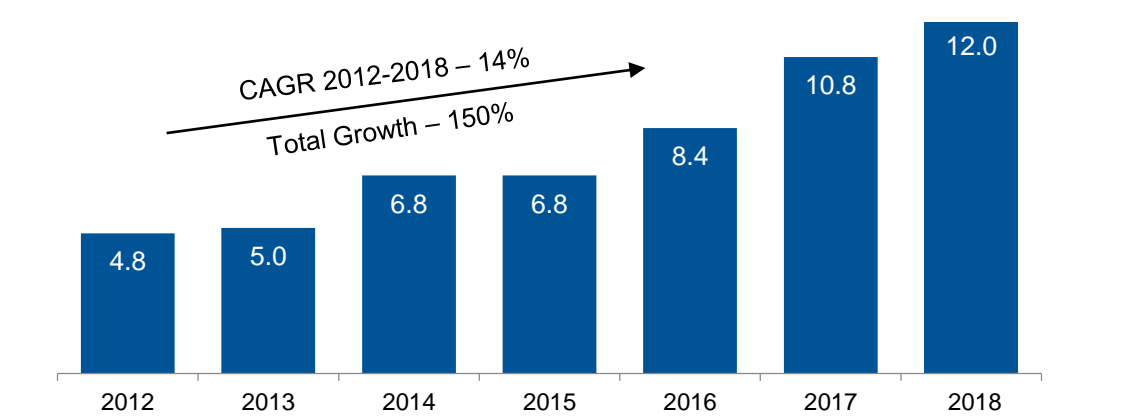
CORE EBITDA in CHF million



CORE RONOA in %



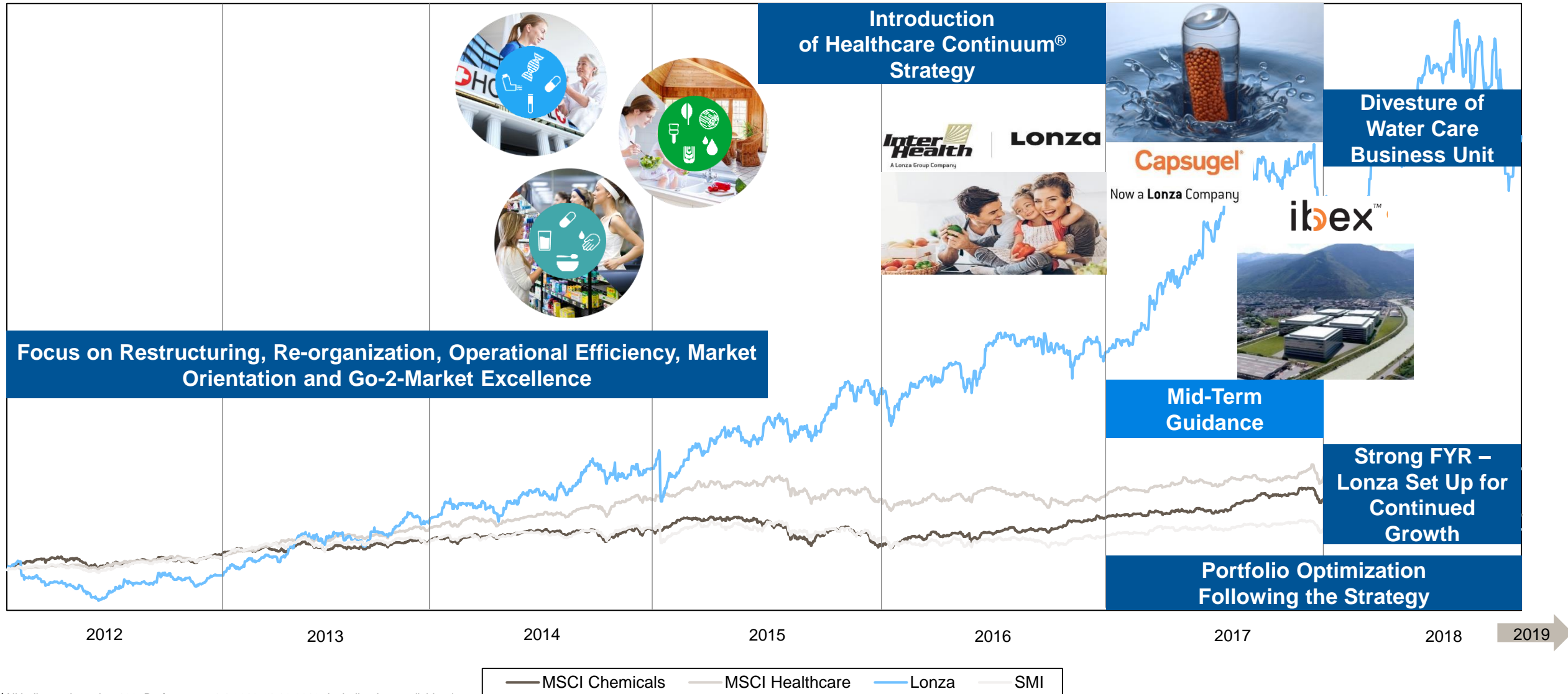
CORE EPS Diluted in CHF



¹Lonza Continuing Operations excluding Water Care (WC) business as discontinued operations:

Highlights 2012-2018 – Growing Along the Healthcare Continuum®

Having created value for Lonza shareholders with 486% total shareholder return 2012-2018¹



¹All indices rebased to 100; Performance 1.1.2012-31.12.2018; including Lonza dividends
Source: Bloomberg

Events Calendar & Backup

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Events Calendar & Contacts

- 7 March 2019 Annual Report 2018 (tentative)
- 18 April 2019 Annual General Meeting, Basel (CH)
- 18 April 2019 Q1 2019 Qualitative Business Update
- 24 April 2019 Ex-Dividend Date
- 25 April 2019 Record-Dividend Date
- 26 April 2019 Dividend-Payment Date
- 24 July 2019 Half-Year Results 2019

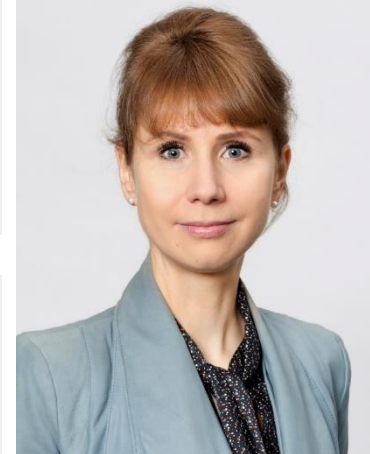


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Full-Year 2018 Financial Highlights for Lonza Continuing Operations¹(1/2) **Lonza**

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

CHF million	FYR 2018	FYR 2017 (restated) ²	% YoY
Sales	5,542	4,548	21.9%
CORE EBITDA	1,511	1,196	26.3%
<i>CORE EBITDA Margin</i>	27.3%	26.3%	100 bps
CORE EBIT	1,165	904	28.9%
<i>CORE EBIT Margin</i>	21.0%	19.9%	110 bps
EBITDA	1,429	1,084	31.8%
<i>EBITDA Margin</i>	25.8%	23.8%	200 bps
EBIT	842	673	25.1%
<i>EBIT Margin</i>	15.2%	14.8%	40 bps
Net Financing Costs	(34)	(139)	(75.5)%
<i>Tax Rate</i>	18.3%	6.6%	-
CORE Profit for the Period	899	740	21.5%
Profit from Continuing Operations	659	666	(1.1)%

¹ Lonza Continuing Operations excluding Water Care business as discontinued operations

² Restated to reflect adoption of IFRS 15

Full-Year 2018 Financial Highlights for Lonza Continuing Operations¹(2/2) **Lonza**

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

CHF million	FYR 2018	FYR 2017 (restated) ²	% YoY
EPS (CHF) Basic CORE	12.03	10.87	10.7%
EPS (CHF) Basic	8.80	9.78	(10.0)%
EPS (CHF) Diluted CORE	11.98	10.78	11.1%
EPS (CHF) Diluted	8.77	9.70	(9.6)%
Operational Free Cash Flow	820	(2,691)	(130.5)%
Increase of Net Working Capital	(29)	(41)	29.3%
Capital Expenditures	(575)	(451)	(27.5)
CORE RONOA in %	31.4%	30.0%	4.7%
ROIC in %	8.0%	8.4%	(4.4)%
Net debt	3,534	3,762	(6.1)%
Debt-equity ratio	0.56	0.61	(7.7)%
Net debt / CORE EBITDA ratio	2.28	2.70	(15.6)%
Number of Employees	15,375	14,618	5.2%

¹ Lonza Continuing Operations excluding Water Care business as discontinued operations

² Restated to reflect adoption of IFRS 15

Impact from IFRS 15 Adoption and Discontinued Operations (Water Care) **Lonza** on 2017 Comparable Information¹

CHF million	2017 (Reported)	IFRS 15 Adoption	2017 Discontinuing Operations (Water Care)	2017 Continuing Operations
Sales	5,105	(34)	523	4,548
CORE EBIT	958	(22)	32	904
<i>CORE EBIT Margin</i>	18.8%	<i>n.a.</i>	6.1%	19.9%
CORE EBITDA	1,265	(22)	47	1,196
<i>CORE EBITDA Margin</i>	24.8%	<i>n.a.</i>	9.0%	26.3%

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 19 Dec 2018, Lonza published a [news release](#) regarding the impact from the IFRS 15 restatement and Discontinued Operations (Water Care Business) on comparable information for 2017.

Full-Year Results 2018 for Lonza Discontinued Operations

Water Care CHF million	2018	2017	% YoY
Sales	516	523	(1.3)%
CORE EBITDA	36	47	(23.4)
<i>CORE EBITDA Margin</i>	<i>7.0%</i>	<i>9.0%</i>	<i>(200) bps</i>

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 Full-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 the Outlook 2019 and Mid-Term Guidance 2022 herein may not prove to be correct. The statements in the section on Outlook 2019 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 the section on Outlook 2019 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 the section on Outlook 2019 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 presentation was published.



A	Actual
ADC	Antibody Drug Conjugate
API	Active Pharmaceutical Ingredient
Autologous	Autologous cell-based therapy uses a person's own stem cells
bps	Basis Points
CAGR	Compounded Average Growth Rate
CAPEX	Capital Expenditure
CEO	Chief Executive Officer
COO	Chief Operating Officer
CFO	Chief Financial Officer
E	Expected
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation, and amortization
EPS	Earnings per share
Gene Therapy	Replacing, manipulating, or supplementing non-functional or dysfunctional genes with healthy genes. Therapeutic genes are usually delivered to the patient through a weakened virus that transports the genes into the nuclei of blood cells
IFRS	International Financial Reporting Standards
Mammalian	Mammalian cell culture in the biotechnological context refers to the cells of a mammalian, isolated from specific tissues (i.e. skin, liver, glands, etc.) and further cultivated and reproduced in an artificial medium
Monoclonal Antibody	Mass-produced from a single clone which recognizes only one, highly specific antigen. Used to stimulate an immune response against the disease target or block the function of the target. Also includes 'engineered' antibodies, where an antibody does not appear in its natural shape and certain parts are truncated or 'reshaped', i.e. antibody fragment
ROIC	Return On Invested Capital
RONOA	Return on Net Operating Assets
S&P	Standard & Poor's
Small-Molecules	Low molecular weight molecules that include lipids, monosaccharides, second messengers, other natural products and metabolites, as well as drugs and other xenobiotics
YoY	Year over year