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Corporate

Q3 2018 Qualitative Business Update

Lonza Continues Strong Momentum in Businesses Along the Healthcare Continuum in Q3 2018 and Confirms Positive Outlook for the Full Year

Richard Ridinger – CEO

Q3 2018 Qualitative Business Update | 25 October 2018



Agenda

- Q3 2018 Qualitative Business Update Summary
- Segment Update
 - Pharma & Biotech
 - Specialty Ingredients
- Outlook 2018 and Mid-Term Guidance 2022
- Appendices



Q3 2018 Qualitative Business Update Summary

Ongoing strong momentum for all businesses along the healthcare continuum

- Businesses in Pharma & Biotech and in Consumer Health – including capsule and combined ingredient and dosage form offerings – continued to drive growth
- Announcement of Ibex™ Solutions expansion with new, innovative drug substance and drug product offerings from preclinical to commercial – including fill & finish services – was well received
- A challenging environment for cyclical businesses in mature parts of the portfolio continued to have an impact on Consumer & Resources Protection; specialty composites portfolio sustained robust performance
- Outlook for the full year, which was upgraded with Half-Year 2018 results, is confirmed
- Capital Markets Day in September provided strategy update for continued growth toward achieving Lonza's Mid-Term Guidance 2022 and beyond



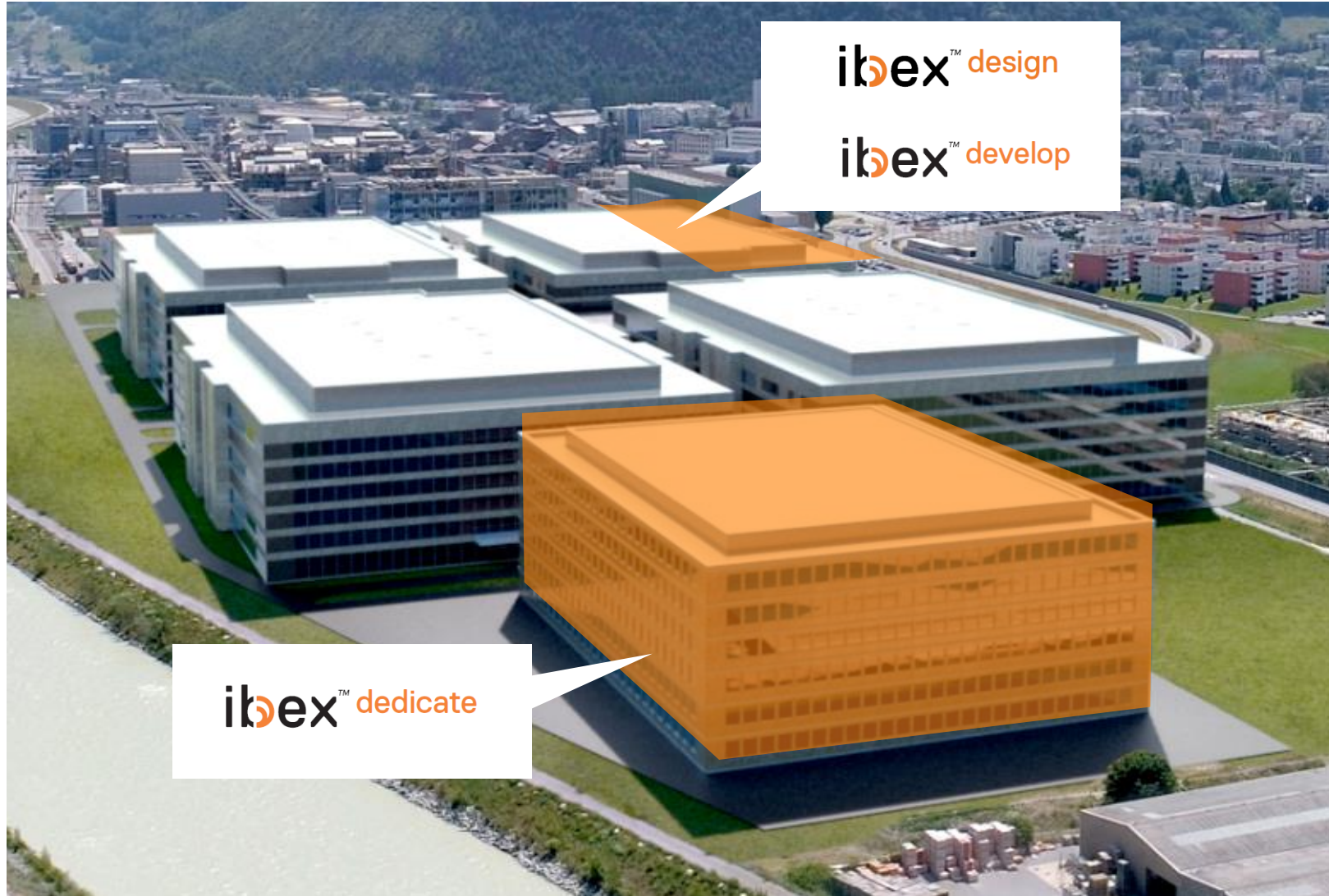
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Ibex™ Solutions in Visp (CH) – Expansion with New, Innovative Offerings **Lonza**

Ibex™ Design and Ibex™ Develop with offerings from preclinical through to commercialization – now also including fill & finish



Click [here](#) to visit Ibex™ website

Further Initiatives to Capitalize on Biologics Growth Well Underway

Already announced expansion and ongoing operational excellence projects progressing as planned

- First Singapore (SG) 2,000L batches successfully released in Q3 2018; and capacity expansion of multiple 6,000L bioreactors in Portsmouth, NH (USA) has been initiated
- Earlier than expected, Clinical Development and Manufacturing saw full changeover to Lonza platforms, processes and technologies in its facility in Hayward, CA (USA), acquired in September 2017 from Shire – with first customer-batches having been released already in Q3 2018
- Customer transfer and operationalization of world’s largest dedicated cell-and-gene-therapy manufacturing facility in Pearland, Greater Houston, TX (USA) progressing as planned

Portsmouth, NH (USA)



Singapore (SG)



Houston, TX (USA)



Hayward, CA (USA)



Pharma & Biotech (1/2)

Pharma & Biotech with continued strong momentum in Q3 2018

- Clinical Development and Manufacturing and Commercial Manufacturing in biological businesses are driving performance
- Commercial and operational excellence programs across all technologies are ongoing and are having a positive impact on sustaining the current Pharma & Biotech performance
- Positive market feedback for Ibex™ Design and Ibex™ Develop dedicated services from preclinical through to commercial, including drug substance and drug product clinical development and manufacturing (cGMP* fill & finish)
- Lonza cell-and-gene-therapy offerings continue to see strong interest from aspirational biotech and established pharma companies that are receiving approvals and fast-track designations
- Bioscience product businesses see ongoing customer demand, especially for research products and testing solutions, and production availability and output have been further improved

* current Good Manufacturing Practice



Pharma & Biotech (2/2)

Pharma & Biotech with continued strong momentum in Q3 2018

- Small-molecule businesses experienced firm customer interest, especially for development and manufacturing of highly potent active pharmaceutical ingredients (HPAPIs)
- Grand opening of dedicated HPAPI production train for Clovis Oncology Inc. at Lonza's Visp (CH) site in early October to exclusively produce Rubraca® (rucaparib)
- Expansion of HPAPI development and manufacturing capacity for antibody drug conjugate (ADC) payloads at the Visp site, based on a tailored business agreement with a major biopharmaceutical partner
- Lonza launched a pharmaceutical early-intermediates supply initiative to leverage chemical production facilities at the Visp site
- Pharma hard capsules and dosage form and delivery systems continue to perform above expectations due to buoyant demand and capturing of cross-selling synergies

Grand opening with Clovis in Visp



Capsugel® Colorista™ new innovative offering



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Specialty Ingredients – Consumer Health

Continued momentum for Lonza’s offerings in nutritional ingredients and functional food supplements

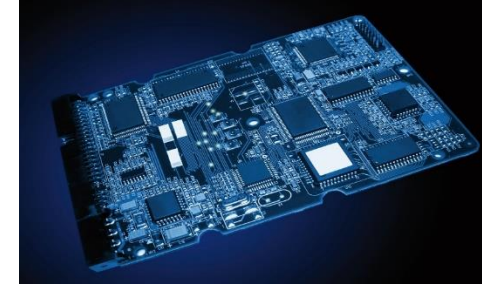
- Hard-capsule demand continues to be strong across all regions with specialty polymers and innovative offerings driving growth, e.g. Lonza’s delayed-release capsules (DRcaps™) for specialty applications
- Lonza broke ground for the expanded capabilities at its manufacturing site in Greenwood, SC (USA) in September as part of an ongoing program to enhance production of Lonza’s nutritional ingredients and dosage-form technologies
- The businesses in professional and consumer hygiene are performing well, driven by tighter regulatory landscape and demand across all regions for modern hygiene solutions and effective prevention against pathogenic micro-organisms
- Innovation initiatives to strengthen the personal care portfolio are ongoing, e.g. recently launched bioactive functional ingredient helps to protect skin against environmental stressors such as blue light



Specialty Ingredients – Consumer & Resources Protection

Robust performance of specialty composites offset by challenging environment for cyclical, more mature businesses

- Cyclical parts of the product portfolio, like basic materials and intermediates, and a challenging supply chain and raw-material price situation continued to have a negative impact in Q3 2018
- Specialty solutions in composites and material protection demonstrated a robust performance, driven by ongoing demand from electronics and industrial markets
- Challenging environment for marine anti-fouling and wood protection in North America continued as expected
- Innovative solutions in agricultural crop protection and agro specialties have further gained momentum, but results are influenced by ongoing downward cycle for basic feed ingredients, especially for vitamin B3
- The businesses have implemented operational and commercial counter-measures, and initiatives for repurposing of assets are underway as announced at Lonza's Capital Markets Day



Specialty Ingredients – Water Care

Gaining good momentum in Q3 2018

- Water Care saw a successful implementation of restructuring, brand re-staging and e-commerce initiatives and was supported by a favorable pool season in North America and Europe with increased market demand for residential water treatment offerings
- Industrial, municipal, commercial and surface water (ICMS) treatment solutions business also caught up in Q3 2018 and experienced firm interest in all regions
- Operational and commercial initiatives are ongoing and expected to have further positive impacts from 2019 onward
- The strategic review of the Water Care business, which was first announced in May this year and confirmed at Lonza's Capital Markets Day in September, is ongoing

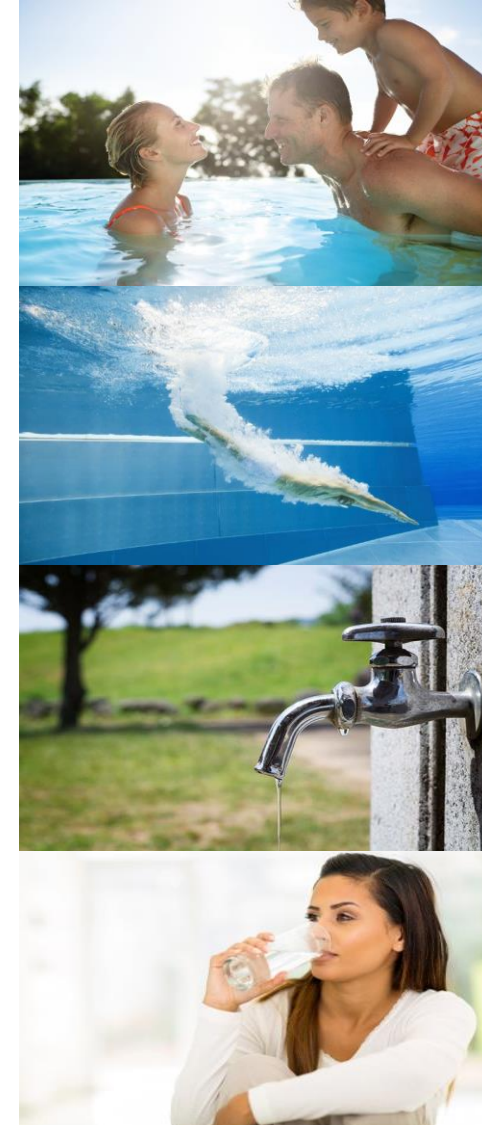


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Outlook 2018

Confirming Lonza's Full-Year 2018 Outlook

- Lonza is confident it will achieve the attractive Full-Year 2018 targets while the company prepares for further investments and ongoing operational improvements in 2019
- Full-Year 2018 outlook has already been upgraded with H1 2018 results in July



Mid- to high-single-digit sales growth on a comparable basis in line with Mid-Term Guidance 2022



CORE EBITDA margin for Full-Year 2018 is expected to be comparable to the CORE EBITDA margin of 26% for Half-Year 2018

This outlook is based on the current business composition, the present macro-economic environment, current visibility and constant exchange rates for the most important currencies in which Lonza is trading

Mid-Term Guidance 2022

Confirming Lonza's Mid-Term Guidance 2022

- Lonza expects to continue its sustainable growth while optimizing its business and product portfolios and making targeted investments to grow along the healthcare continuum toward and beyond 2022
- Smaller bolt-on acquisitions and revenue-secured CAPEX projects (e.g. Ibex™ Solutions) are fully included in Lonza's Mid-Term Guidance 2022



**Sales CHF
7.5 billion**



**CORE
EBITDA
Margin 30%**



**CORE
RONOA
35%**



**Double-
Digit ROIC**

This outlook is based on the current business composition, the present macro-economic environment, current visibility and constant exchange rates for the most important currencies in which Lonza is trading

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Events Calendar & Contacts

- 30 Jan 2019 Full-Year Results 2018
- 7 March 2019 Annual Report 2018 (tentative)
- 18 April 2019 Annual General Meeting, Basel (CH)
- 18 April 2019 Q1 2019 Qualitative Business Update
- 24 July 2019 Half-Year Results 2019
- 31 Oct 2019 Q3 2019 Qualitative Business Update



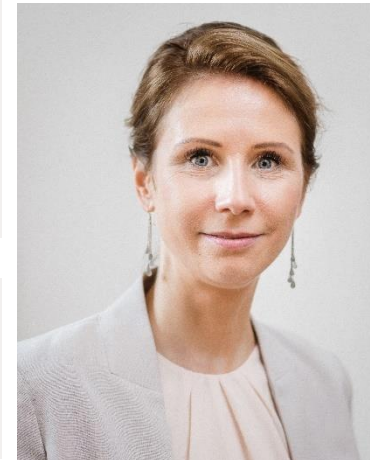
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Information about investor relations events is constantly updated on the website: <http://www.lonza.com/about-lonza/investor-relations>

Lonza's Three-Pillar Strategy for Growth Along the Healthcare Continuum **Lonza**

Delivering synergies and balancing risks by connecting technology platforms and fields of expertise

Pharma & Biotech

Patient Healthcare



- Clinical development and manufacturing
- Commercial manufacturing
- Consumables

Consumer Health

Consumer Preventive Healthcare



- Consumer health and nutritional ingredients and delivery systems
- Hygiene and microbial-control solutions

Consumer & Resources Protection

Consumer's Healthy Environment



- Coatings and composites solutions
- Agricultural products and services including basic chemicals
- [Recreational and industrial water treatments](#)

PRESCRIPTION

PREVENTION

PROTECTION

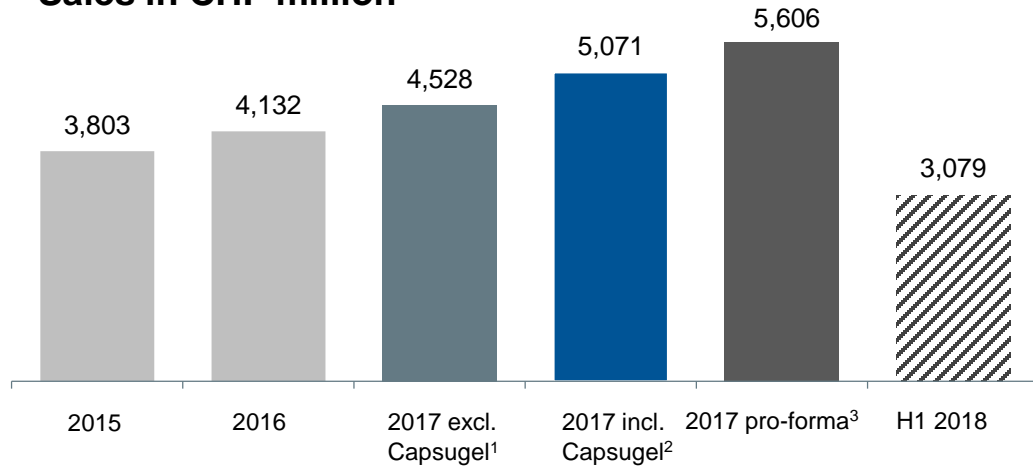
PRESERVATION

The healthcare continuum at Lonza spans all its businesses

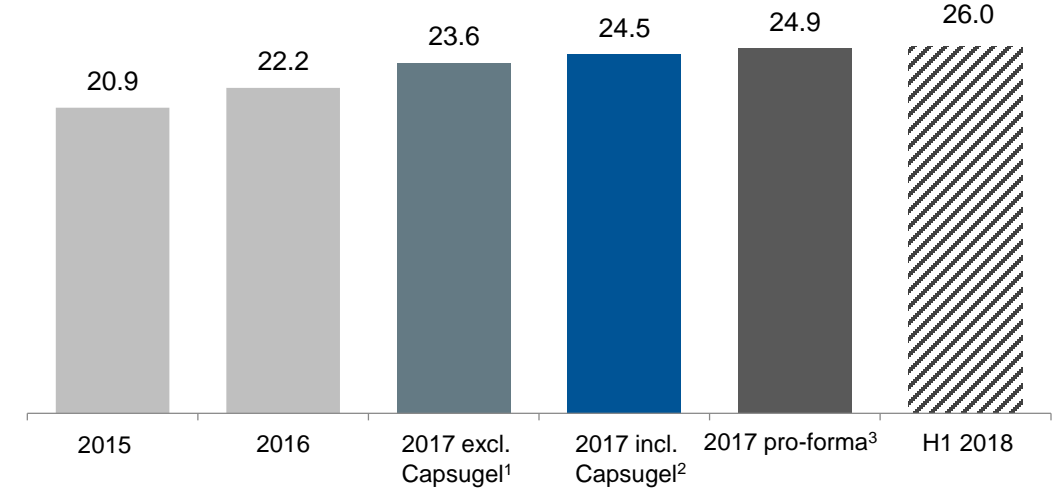
Continued Performance and Organic Growth

Continuing Lonza's strong performance and organic growth for businesses along the healthcare continuum

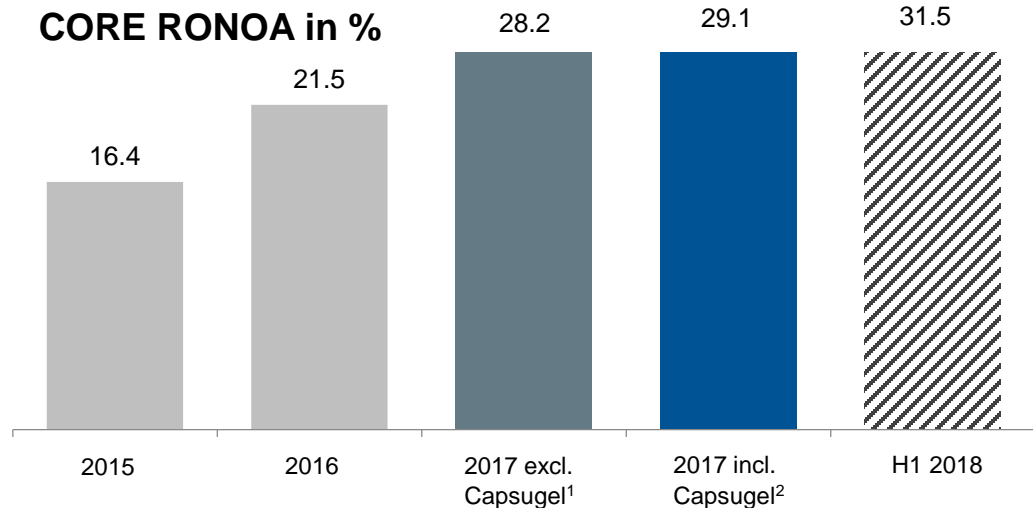
Sales in CHF million



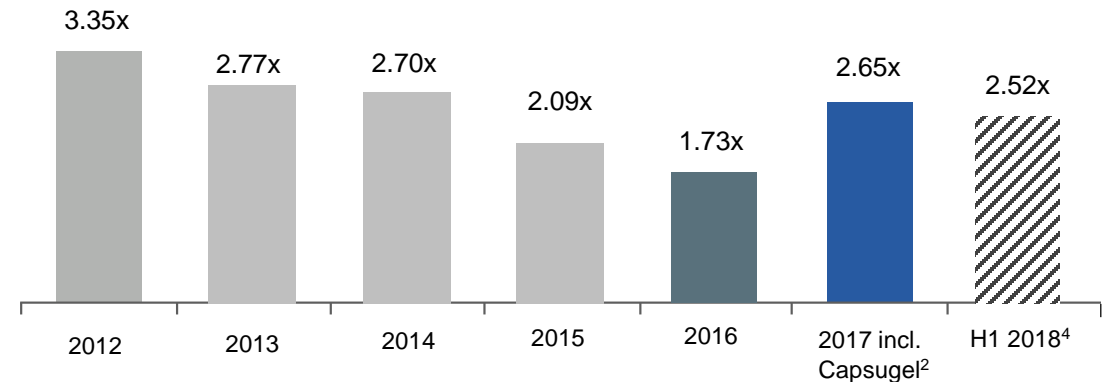
CORE EBITDA Margin in %



CORE RONOA in %



Net Debt / CORE EBITDA



¹ 2017 excl. Capsugel: restated for IFRS 15

² 2017 incl. Capsugel: including Capsugel as of 5 July 2017, restated for IFRS 15

³ 2017 pro-forma: including Capsugel as of 1 January 2017, restated for IFRS 15

⁴ Net debt/CORE EBITDA is calculated based on the CORE EBITDA of the last twelve months

Half-Year 2018 Financial Highlights (1/2)

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

CHF million	HY 2018	HY 2017 (restated) ¹	% YoY
Sales	3,079	2,310	33.3
CORE EBITDA	802	570	40.7
<i>CORE EBITDA Margin</i>	26.0	24.7	
CORE EBIT	626	440	42.3
<i>CORE EBIT Margin</i>	20.3	19.0	
EBITDA	779	522	49.2
<i>EBITDA Margin</i>	25.3	22.6	
EBIT	519	366	41.8
<i>EBIT Margin</i>	16.9	15.8	
Financing Costs	(22)	(83)	(73.5)
<i>Tax Rate</i>	18.3	19.5	
Profit for the Period	405	227	78.4
EPS (CHF) Basic	5.41	3.70	46.2
EPS (CHF) Basic CORE	6.60	4.95	33.3

¹ Restated to reflect adoption of IFRS 15

Half-Year 2018 Financial Highlights (2/2)

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

CHF million	HY 2018	HY 2017 (restated) ¹	% YoY
Operational Free Cash Flow	351	302 ²	16.2
Increase of Net Working Capital	285	57	
ROIC in %	7.9	NC ³	
Capital Expenditures	179	163	
CORE RONO A	31.5	31.2	1.0
Net debt	3,715	1,588	133.9
Debt-equity ratio	0.58	0.71 ⁴	(18.6)
Net debt / CORE EBITDA ratio ⁵	2.52	1.53	
Number of Employees	14,882	10,342	43.9

¹ Restated to reflect adoption of IFRS 15

² Including the acquisition of PharmaCell B.V. (NL) on 3 May 2017; excluding the acquisition of Capsugel on 5 July 2017

³ Not calculated, as ROIC for the first six months 2018 is not comparable with the 2017 comparative period, due to the Capsugel acquisition (see [Half-Year Results 2018 Report](#) with details on the ROIC calculation for the full financial year 2017)

⁴ Net debt and equity at 30 June 2017 excluded the cash resulting from the capital increase of CHF 3,061 million

⁵ Net debt/CORE EBITDA is calculated based on the CORE EBITDA of the last 12 months

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 Half-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 Outlook 2018 and Mid-Term Guidance 2022 herein may not prove to be correct. The statements in Outlook 2018 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 Outlook 2018 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 Outlook 2018 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 report was made.

