

Press Release

Lonza Reports Best First Half in History with Continued Strong Momentum

- **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**

Basel, Switzerland, 20 July 2016 – In the first half of 2016, Lonza's Pharma&Biotech and Specialty Ingredients segments both delivered a strong and improved performance and are on track to meet their growth targets for the year. Compared with the same period in 2015, Lonza recorded sales growth of 6.0% to CHF 2,019 million and CORE EBIT growth of 20.0% to CHF 312 million in reported currency. The improvements came from better operational and commercial performance. Net debt was further reduced by CHF 337 million.

"Specifically our Pharma&Biotech segment delivered outstanding operational performance across all of our assets. We are harvesting the fruits of our diligence in implementing productivity programs, as well as the stringent portfolio management activities in Specialty Ingredients and the favorable market environment," said Richard Ridinger, CEO of Lonza. "These strong half-year results have pushed us to an intermediate sprint towards our ambitious targets and have made us very confident that we will reach our mid-term goals."

Pharma&Biotech Segment

Pharma&Biotech substantially increased sales and CORE results compared with the same period last year. The great performance throughout the first half was mainly driven by the excellent operational performance of the segment, a strong momentum in the mammalian business, a generally solid market demand and

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ongoing cost discipline. Also the made-to-stock Bioscience Solutions business delivered strong growth in both sales and profits.

All biological technologies experienced positive growth momentum. The outsourcing trend is persisting, as evidenced by the fact that in 2016 Pharma&Biotech will provide drug substances for 20 commercial biologics. This outsourcing trend should continue to increase in the future.

As part of the growth strategy, Lonza complemented its primary-cell offering with the acquisition of Triangle Research Labs, a hepatocyte provider based in North Carolina (USA) during the first half of 2016.

Emerging Technologies also experienced strong growth momentum and took a leading role in setting a platform to bring new technologies to commercial scale during the first half of the year. One example is the long-term commercial partnership with bluebird bio, Inc., a clinical-stage company committed to developing potentially transformative gene therapies for severe genetic diseases and T cell-based immunotherapies for cancer.

Specialty Ingredients Segment

The Specialty Ingredients segment experienced a positive uptake in the first half of 2016 with performance fully meeting expectations and margins further expanding. Over the last four years, Lonza has seen double-digit CORE EBIT growth on average in this segment.

Highly specialized businesses within Specialty Ingredients experienced robust growth momentum, over-compensating for current market dynamics in Agro and Feed markets.

Consumer Care saw steady growth and continued improvement as its portfolio shifted towards higher-value products. The profitability improved further due to a better mix and above-average growth in higher-margin businesses.

The Agro and Feed business experienced a solid start into the year but was impacted, as expected, by a softer demand in the second quarter. This development was based on an over-stocking situation in the end markets.

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Demand in the Coatings & Composites markets was strong, with its main market segments delivering results above the corresponding period last year. The product-oriented basic materials business was impacted by raw-material price volatility; however, thanks to operational measures, margins could be maintained.

The Wood Protection business contributed significantly to the results, specifically in the North American market, driven by increasing demand for housing and rising home-improvement expenditures.

Compared with the same period last year, the Water Treatment business also had a good performance.

Financial Summary

- Sales grew by 6.0% in reported currency to CHF 2,019 million (4.7% in constant exchange rates)
- CORE EBIT growth of 20.0% in reported currency to CHF 312 million (17.7% in constant exchange rates)
- CORE RONOA improved to 20.3%
- Debt reduction accelerated, with net debt reduced to CHF 1,505 million, leading to a net debt/EBITDA ratio of 1.77x and a debt/equity ratio of 0.73x

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>	
CORE EBIT	312	260	20.0%
<i>CORE EBIT Margin</i>	<i>15.5%</i>	<i>13.7%</i>	
CORE RONOA	20.3%	16.1%	
Operating Free Cash Flow	264	299	- 11.7%
Net Debt	1,505	1,842	- 18.3%

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Outlook 2016

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.

Pharma&Biotech's excellent performance is also anticipated to continue in the second half of this year. As usual the Specialty Ingredients business is expected to reflect seasonality with the first half normally being stronger than the second. Capital expenditure in 2016 is expected to be above the 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.

A Capital Markets Day for investors and analysts will be held in Portsmouth, NH (USA) on 27 October 2016, where Lonza will provide a strategy and business update highlighting its "Healthcare Continuum," "Gene to Patient" and mammalian offerings.

About Lonza

Lonza is one of the world's leading and most-trusted suppliers to the pharmaceutical, biotech and specialty ingredients markets. We harness science and technology to create products that support safer and healthier living and that enhance the overall quality of life.

Not only are we a custom manufacturer and developer, Lonza also offers services and products ranging from active pharmaceutical ingredients and stem-cell therapies to drinking water sanitizers, from the vitamin B3 compounds and organic personal care ingredients to agricultural products, and from industrial preservatives to microbial control solutions that combat dangerous viruses, bacteria and other pathogens.

Founded in 1897 in the Swiss Alps, Lonza today is a well-respected global company with more than 40 major manufacturing and R&D facilities and approximately 9,800 full-time employees worldwide. The company generated sales of CHF 3.8 billion in 2015 and is organized into two market-focused segments: Pharma&Biotech and Specialty Ingredients. Further information can be found at www.lonza.com.

Lonza Group Ltd
Muenchensteinerstrasse 38
CH-4002 Basel
www.lonza.com

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Lonza Contact Information

Lonza Group Ltd	Lonza Group Ltd	Lonza Group Ltd
Head Investor Relations	Head Corporate Communications	Head External Communications
Dirk Oehlers	Dominik Werner	Constance Ward
Tel +41 61 316 8540	Tel +41 61 316 8798	Tel +41 61 316 8840
Fax +41 61 316 9540	Fax +41 61 316 9540	Fax +41 61 316 9840
dirk.oehlers@lonza.com	dominik.werner@lonza.com	constance.ward@lonza.com

Additional Information and Disclaimer

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