2016 Full-Year Results
25 January 2017

Richard Ridinger - CEO
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”, “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 2017 herein may not prove to be correct. The statements in Outlook 2017 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 2017 as a result of the factors described above or other factors. Investors should not place undue reliance on the statements in Outlook 2017. 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.
Table of Contents

- Full-Year Results and Financial Highlights 2016
- Segment Overview – Pharma&Biotech
- Segment Overview – Specialty Ingredients
- Capsugel Acquisition
- Outlook 2017
Full-Year Results 2016
Highlights

- **Positive Results Across the Board:** Sales grew by 8.7% to CHF 4.13 billion with excellent CORE EBIT of CHF 651 million (+24.2%)

- **Remarkable Pharma&Biotech Results:** Sales grew by 15.9%, leading to substantially higher CORE EBIT of CHF 400 million, up 40.8%

- **Strong Improvement in Specialty Ingredients:** Sustained strong performance posted for the fifth year in a row with CORE EBIT increasing by 8.1%

- **Increased Dividend for Shareholders:** Dividend of CHF 2.75 per share for 2016 proposed by Lonza’s Board of Directors

- **Enhanced Structure for EC and Changes to BoD:** Fridtjof Helemann, CHRO, appointed to EC; Thomas Ebeling resigns from and Albert Baehny nominated to BoD
Financial Results
All KPIs Significantly Improved

- **Sales** growth of 8.7% in reported currency (8.2% in constant exchange rates) to CHF 4.13 billion
- **CORE EBITDA** growth of 15.8% to CHF 918 million
- **CORE EBIT** growth of 24.2% to CHF 651 million
- **CORE EPS** growth of 23.8% to CHF 8.43 (CHF 6.81 in 2015)
- **CORE RONOA** improved significantly to 21.5% (16.4% in 2015)
- Deleveraging on track with solid cash generation, resulting in a **net debt/EBITDA** ratio of 1.73x, despite the InterHealth acquisition
Steady and Continued Improvement
from Full-Year 2012 to 2016

- **CORE RONOA in %**
  - 2012: 11.0
  - 2013: 12.3
  - 2014: 14.3
  - 2015: 16.4
  - 2016: 21.5

- **CORE EBITDA margin in %**
  - 2012: 17.6
  - 2013: 19.8
  - 2014: 20.4
  - 2015: 20.9
  - 2016: 22.2

- **Net Debt / EBITDA**
  - 2012: 3.35x
  - 2013: 2.77x
  - 2014: 2.70x
  - 2015: 2.09x
  - 2016: 1.73x

- **Net Debt in CHF million**
  - 2012: 2'301
  - 2013: 2'103
  - 2014: 2'011
  - 2015: 1'660
  - 2016: 1'584

CORE definition: See appendix.
### Full-Year 2016 Financial Highlights

<table>
<thead>
<tr>
<th>CHF mn</th>
<th>FY 2016</th>
<th>FY 2015</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>4,132</td>
<td>3,803</td>
<td>8.7%</td>
</tr>
<tr>
<td>CORE EBITDA</td>
<td>918</td>
<td>793</td>
<td>15.8%</td>
</tr>
<tr>
<td><strong>CORE EBITDA Margin</strong></td>
<td>22.2%</td>
<td>20.9%</td>
<td></td>
</tr>
<tr>
<td>EBITDA IFRS</td>
<td>848</td>
<td>780</td>
<td>8.7%</td>
</tr>
<tr>
<td>CORE EBIT</td>
<td>651</td>
<td>524</td>
<td>24.2%</td>
</tr>
<tr>
<td><strong>CORE EBIT Margin</strong></td>
<td>15.8%</td>
<td>13.8%</td>
<td></td>
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<tr>
<td>EBIT IFRS</td>
<td>486</td>
<td>428</td>
<td>13.6%</td>
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<td>CORE RONOA</td>
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<td>Operating Free Cash Flow</td>
<td>408</td>
<td>667</td>
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CORE definition: See appendix
Table of Contents

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**Pharma&Biotech Financials**

**Full-Year 2016**

### Key Figures

<table>
<thead>
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<th>FY 2015</th>
<th>% YoY</th>
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</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,849</td>
<td>1,596</td>
<td>15.9</td>
</tr>
<tr>
<td>CORE EBITDA</td>
<td>531</td>
<td>418</td>
<td>27.0</td>
</tr>
<tr>
<td>Margin</td>
<td>28.7%</td>
<td>26.2%</td>
<td></td>
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<tr>
<td>CORE EBIT</td>
<td>400</td>
<td>284</td>
<td>40.8</td>
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<tr>
<td>Margin</td>
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<td>17.8%</td>
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<td>CORE RONOA</td>
<td>23.9%</td>
<td>15.6%</td>
<td></td>
</tr>
</tbody>
</table>

### Remarkable sales increase of 15.9% (15.8% in constant exchange rates)

### Exceptional CORE EBIT development was driven by commercial excellence and strong operational execution

### Several major long-term, strategic manufacturing agreements announced, including Kodiak Sciences, bluebird bio and Clovis Oncology
Mammalian Manufacturing

- Strong momentum in mammalian was complemented by a significant upwards trend in all other technologies / modalities
- Expanded capacity using single-use disposable technology at our Tuas site in Singapore
- Continued to address long-term market needs with innovative business models

Chemical and Microbial Manufacturing

- Made considerable progress, further developing new business models and securing long-term commitments
- Sold peptides business, a niche business for Lonza, to focused competitor in field
Continued strong growth in early-phase small-molecule market; extensive project pipeline gives confidence in future

Added several new products using our GS Gene Expression System™, bringing total number of approved therapeutics to 31, representing 32% of all FDA-approved biologics in 2016

Started operation of our new Drug Product Services Laboratories in Basel (CH) in October
Emerging Technologies

- Made excellent progress in cell and viral therapy technologies, which resulted in a substantial pipeline increase
- Strong demand from well-funded biotech and big pharma customers

Bioscience Solutions

- Delivered solid growth compared with last year, based on favorable product portfolios
- Acquired Triangle Research Labs (TRL), further strengthening position as leader in cell discovery
Table of Contents

- Full-Year Results and Financial Highlights 2016
- Segment Overview – Pharma&Biotech
- Segment Overview – Specialty Ingredients
- Capsugel Acquisition
- Outlook 2017
## Specialty Ingredients Financials
### Full-Year 2016

#### Key Figures

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<tr>
<th>CHF mn</th>
<th>FY 2016</th>
<th>FY 2015</th>
<th>% YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2,250</td>
<td>2,167</td>
<td>3.8%</td>
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<tr>
<td>CORE EBITDA</td>
<td>415</td>
<td>390</td>
<td>6.4%</td>
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<tr>
<td>Margin</td>
<td>18.4%</td>
<td>18.0%</td>
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</tr>
<tr>
<td>CORE EBIT</td>
<td>322</td>
<td>298</td>
<td>8.1%</td>
</tr>
<tr>
<td>Margin</td>
<td>14.3%</td>
<td>13.8%</td>
<td></td>
</tr>
<tr>
<td>CORE RONOA</td>
<td>22.8%</td>
<td>20.5%</td>
<td></td>
</tr>
</tbody>
</table>

- Sustained strong performance with sales increase of 3.8% (3.1% in CER)
- CORE EBIT growth of 8.1% to CHF 322 million resulted from continued successful operational and value-chain improvements
- Good progress made with ongoing improvements in product mix and portfolio optimization

CORE definition: See appendix

CER: Constant Exchange Rate
Sales Growth Driven by Nutrition and Hygiene

- Acquired InterHealth Nutraceuticals to strengthen current offerings and help expand into new areas, such as cognitive and diabetic health.

- Continued to see strong performance in human nutrition portfolio, driven by L-Carnitine, vitamin B3 compounds and food emulsifiers.

- Grew Hygiene business by focusing on continuous replacement of Triclosan in handwash additives with new, innovative solutions.

- Personal Care continued to strengthen footprint and offerings in emerging markets.
Industry Downturn Has Impact on Agro Ingredients

- Had a solid start into first quarter of 2016, thereafter softer demand for rest of the year, as expected
- Experienced slowdown based on over-stocking in end markets and reduced investments by agrochemical industry
- Focused business on specialty applications and products
- Recorded solid growth in specific molluscicide product for slug and snail control
Specialty Ingredients
Coatings and Composites

Good Performance Driven by Wood Protection
- Experienced solid market demand across most offerings
- Fueled by strong U.S. and Canadian economies, Wood Protection business in North America led way with sales growth in solid wood preservation markets
- Observed growth across all relevant markets for Performance Intermediates
- Achieved positive growth in Building Products
Sales Improved Compared with Last Year

- Delivered improved results in Residential Water business compared with last year, due to good performance in North America.
- Made continued progress with Industrial, Commercial, Municipal and Surface Water (ICMS) business in South American markets.
- Continued to decrease the weather dependency of the Water Treatment business portfolio by strengthening and enlarging the ICMS portfolio.
Table of Contents

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Acquisition Highly Complements Lonza’s Healthcare Continuum

- Patented Prescription Drugs
- Generic Prescription Drugs
- Over-the-Counter (OTC) Products
- Preventive Healthcare Products
- Capsugel Complementary Offerings
- Well-Being Products
# Adding Oral Delivery Technologies to Our Healthcare Continuum

## Prescription Drugs

<table>
<thead>
<tr>
<th>Endotoxin Detection</th>
<th>Mammalian Commercial Manufacturing</th>
<th>HAPI</th>
<th>Viral Therapy Manufacturing</th>
<th>Analytical Services</th>
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<tr>
<td>Cell Line Construction</td>
<td>Chemical Clinical Development</td>
<td>Chemical Commercial Manufacturing</td>
<td>Bioconjugation Clinical Development</td>
<td>Process Development</td>
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<td>Microbial Clinical Development</td>
<td>Viral Therapy Clinical Development</td>
<td>Stability Testing</td>
<td>Cell Banking</td>
<td>Media</td>
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<tr>
<td>Primary Cells</td>
<td>Transfection Devices / QC Testing Solutions</td>
<td>Cell Banking</td>
<td>Parenteral Drug Product Delivery</td>
<td>Cell Culture Products</td>
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<td>Expression Systems (Licensing)</td>
<td>Cytotoxins</td>
<td>Cell Therapy Commercial Manufacturing</td>
<td>Mammalian Clinical Development</td>
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<td></td>
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<td>Bioconjugates Commercial Manufacturing</td>
<td>Bioconjugates Commercial Manufacturing</td>
<td>Media</td>
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<td></td>
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<td></td>
<td>Assay Solutions</td>
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<td></td>
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<td></td>
<td></td>
<td>Dosage Forms / Delivery Systems</td>
</tr>
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</table>
| | | | | Capsugel'

## Personal Care / Wellness

<table>
<thead>
<tr>
<th>Emollients</th>
<th>Hair Care Formulation Concepts</th>
<th>Hair Care Actives</th>
<th>Food Emulsifiers</th>
<th>Preservation Personal Care</th>
<th>Preservation Home Care</th>
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<tbody>
<tr>
<td>Skin Care Formulation Concepts</td>
<td>Human Food Concepts</td>
<td>Vitamins</td>
<td>Surfactants</td>
<td>Disinfectants</td>
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<tr>
<td>Skin Care Actives</td>
<td>Hair Care Actives</td>
<td>Functional Food Actives</td>
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<td>Biocides</td>
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<tr>
<td>Biocides</td>
<td>Disinfectants</td>
<td>Personal Care</td>
<td>Home Care</td>
<td>Disinfectants</td>
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</tbody>
</table>

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Creates a Fully Integrated Development, Manufacturing and Delivery Technology Partner

Active Ingredient Production

- DNA
- Cell
- Small Tank Development
- Large Tank Production

Formulation Technology and Dosage Form Drug Delivery

- Drug Product Services
- Delivery Services
- Dosage Forms

- Parenterals (Non-Oral Medicine)
  - Pre-Filled Syringes (H1 2017)

- Oral Solids
  - Hard Capsules
  - Softgels
  - Tablets

- Inhaled / Nasal
  - Dry Powder Inhaler (DPI)

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Table of Contents

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Based on the sound foundation laid in 2016 for the future, Lonza is announcing the following outlook for 2017. These targets are on a Lonza standalone basis:

- Sales growth of mid-single digits
- CORE EBITDA of CHF 1 billion
- Double-digit CORE EBIT growth
- CORE RONOA above the 21.5% achieved in 2016

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.
The mid-term guidance will be reviewed in the course of 2017. Depending on the timing of the Capsugel acquisition closing, Lonza intends to provide an update:

- as part of the half-year results report on 26 July 2017
- or latest by the Q3 business update on 27 October 2017
Calendar of Events & Contacts

- 25 Apr 2017  Annual General Meeting, Basel (CH)
- 24 Mar 2017  Tentative publication date Annual Report 2016
- 25 Apr 2017  Annual General Meeting 2017
- 26 Apr 2017  First-Quarter 2017 Business Update
- 26 July 2017  Half-Year 2017 Results
- 27 Oct 2017  Third-Quarter 2017 Business Update

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marco.ferraro@lonza.com
Appendix
## Full-Year 2016 Key Financial Figures

### CORE EBIT Margin

<table>
<thead>
<tr>
<th>Factor</th>
<th>2016</th>
<th>2015</th>
<th>2016 Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>848</td>
<td>780</td>
<td>8.7%</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>20.5%</td>
<td>20.5%</td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>486</td>
<td>428</td>
<td>13.6%</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>11.8%</td>
<td>11.3%</td>
<td></td>
</tr>
<tr>
<td>Net Financing Costs</td>
<td>-112</td>
<td>-85</td>
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<tr>
<td>Tax Rate</td>
<td>19.3%</td>
<td>19.0%</td>
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</tr>
<tr>
<td>Profit for the Period</td>
<td>301</td>
<td>277</td>
<td>8.7%</td>
</tr>
<tr>
<td>EPS (CHF) Basic</td>
<td>5.73</td>
<td>5.30</td>
<td>8.1%</td>
</tr>
<tr>
<td>EPS (CHF) Basic CORE</td>
<td>8.43</td>
<td>6.81</td>
<td>23.8%</td>
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<tr>
<td>Operational Free Cash Flow</td>
<td>408</td>
<td>667</td>
<td>-38.8%</td>
</tr>
<tr>
<td>Decrease in Operating Net Working Capital</td>
<td>78</td>
<td>139</td>
<td>38.6%</td>
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<tr>
<td>Capital Expenditures</td>
<td>-366</td>
<td>-264</td>
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<tr>
<td>CORE RONOA</td>
<td>21.5%</td>
<td>16.4%</td>
<td></td>
</tr>
<tr>
<td>Net Debt</td>
<td>1'584</td>
<td>1'660</td>
<td>-4.6%</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>10'130</td>
<td>9,829</td>
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CORE definition: See appendix
## Successful Continuous Improvement
in Both Segments Full-Year 2016

### Pharma&Biotech

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### Specialty Ingredients

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<td>22.8%</td>
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CORE definition: See appendix.
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, acquisition-related costs, environmental-remediation costs, 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.