Half-Year Results Presentation 2017

Lonza Delivers Strong Performance in First Half 2017 and Sets a Strong Foundation for Continued Attractive Mid-Term Performance

Richard Ridinger – CEO
Rodolfo Savitzky – CFO

26 July 2017
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 and Mid-Term Guidance 2022 herein may not prove to be correct. The statements in Outlook 2017 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 2017 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 2017 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.
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- Lonza Highlights HY 2017 & Segment Developments
- Capsugel Acquisition & Update on Integration
- Mid-Term Guidance & Growth Initiatives
- Events Calendar & Contact Details
- Appendices
Lonza continued strong performance with 15.1% sales and 43.3% CORE EBIT growth

Pharma&Biotech with outstanding results in first half 2017 and significant improvements across Specialty Ingredients

Particularly strong momentum in Clinical Development and in Commercial Mammalian and Chemical Manufacturing, as well as in Consumer Health and Nutrition

Expected continued momentum in H2 2017; however, year on year comparisons against an exceptionally strong H2 2016

Full-Year Outlook for 2017 confirmed, as already upgraded with Q1 2017 Qualitative Business Update in April
## Half-Year 2017 Financial Highlights

Lonza Continued Strong Performance

<table>
<thead>
<tr>
<th>CHF mn</th>
<th>HY 2017</th>
<th>HY 2016</th>
<th>% YoY</th>
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<tbody>
<tr>
<td>Sales</td>
<td>2,323</td>
<td>2,019</td>
<td>15.1%</td>
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<tr>
<td>CORE EBITDA</td>
<td>577</td>
<td>447</td>
<td>29.1%</td>
</tr>
<tr>
<td><strong>CORE EBITDA Margin</strong></td>
<td>24.8%</td>
<td>22.1%</td>
<td></td>
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<tr>
<td>EBITDA IFRS</td>
<td>529</td>
<td>443</td>
<td>19.4%</td>
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<td>CORE EBIT</td>
<td>447</td>
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<td>373</td>
<td>292</td>
<td>27.7%</td>
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<td>CORE RONOA</td>
<td>31.0%</td>
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<td>52.6%</td>
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<tr>
<td>Operational Free Cash Flow</td>
<td>302</td>
<td>250</td>
<td>20.8%</td>
</tr>
</tbody>
</table>

CORE definition: See appendix
Capital Measures and Deleveraging

Successful Financing Through Combination of Equity and Debt Instruments

**Equity financings:**
- ABB of CHF 865 mn in February 2017, having de-risked the transaction early
- Successfully completed discounted rights offering of CHF 2.26 bn on 10 May 2017 (16,548,612 newly issued shares)

**Debt financings**
- Balance of acquisition price was financed through indebtedness including USD 1 bn term loan and USD 1.5 bn bridge loan facilities
- Bridge is projected to be refinanced by traditional debt instruments within the next 18 months
- Dual tranche CHF 235 mn straight bonds already issued in July 2017 (Issue Size 4-Year Bond: CHF 125 mn, coupon of 0.200%; Issue Size 7-Year Bond: CHF 110 mn, coupon of 0.700%)

**Net Leverage (Past and Expected)**

- Estimated pro-forma net debt/CORE EBITDA ratio after closing already below guided max. threshold of 3x
- Target to de-leverage to ~2016 net debt/CORE EBITDA level expected to be achieved, as originally announced, in 2019

Leverage After Acquisition of Capsugel
Segment Overview: Pharma&Biotech
### Pharma&Biotech – HY 2017 Financial Highlights

#### Key Figures

<table>
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<tr>
<th>CHF mn</th>
<th>HY 2017</th>
<th>HY 2016</th>
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</tr>
</thead>
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<tr>
<td><strong>Sales</strong></td>
<td>1,064</td>
<td>838</td>
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<td><strong>CORE EBITDA</strong></td>
<td>335</td>
<td>226</td>
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<tr>
<td><strong>Margin</strong></td>
<td>31.5%</td>
<td>27.0%</td>
<td></td>
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<tr>
<td><strong>CORE EBIT</strong></td>
<td>273</td>
<td>159</td>
<td>71.7%</td>
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<tr>
<td><strong>Margin</strong></td>
<td>25.7%</td>
<td>19.0%</td>
<td></td>
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</table>

CORE definition: See appendix
Pharma&Biotech’s performance remained at an all-time high with

- Sales 27% up to CHF 1,064 million and
- CORE EBIT 71.7% up to CHF 273 million compared with the same period last year

Continued strong performance throughout H1 2017 was supported by successful commercial programs across all businesses with specific strong results in Commercial Mammalian and Chemical Manufacturing, as well as on-going high demand for Clinical Development and Licensing Services.

Pharma&Biotech expects to continue its momentum in H2 2017; however, results will be compared with an exceptionally strong H2 2016.

CORE EBITDA and Margin Progression

- CORE EBITDA (CHF million)
- CORE EBITDA margin (%)
Commercial Manufacturing

- Mammalian Manufacturing profited from uninterrupted production campaigns with high capacity utilization and its robust customer base.
- Negotiations with Lonza’s customers are on-going to extend contracts in terms of volume and timeframe.
- Capacity expansion is on track with projects in Portsmouth, NH (USA) and in Singapore (SG) under construction.
- Lonza entered into a 50:50 joint venture with Sanofi for building a large-scale mammalian manufacturing facility in Visp (CH) for offering additional manufacturing capabilities for our customers.
- Positive performance within Chemical Manufacturing reflects strong pipeline and high visibility going forward.
- Small molecules made a significant improvement compared to the prior year due to better commercial offerings to existing and new customers.
Clinical Development Services and Emerging Technologies

- Interest is high for clinical development and licensing services, ranging from early- to late-stage clinical phase drug products development and expert support.

- Due to new products and Lonza’s continuous innovation and tailor-made solutions in clinical development, margins improved in accordance with value added to customers.

- Visibility goes until 2020 for already-started or planned capacity expansions as customers seek to secure their supplies against a high global demand.

- With acquisition of cell and gene contract manufacturer PharmaCell (NL), Lonza further expanded into Europe to fulfill long-standing customer requests for a global footprint and for more proximity.

Bioscience Solutions / Products

- Competitive environment and production and capacity issues impacted performance but are already being addressed by improved operational performance and enhanced product offerings.
Segment Overview: Specialty Ingredients
# Specialty Ingredients - HY 2017 Financial Highlights

## Key Figures

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<th>HY 2017</th>
<th>HY 2016</th>
<th>% YoY</th>
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<td>241</td>
<td>8.3%</td>
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<tr>
<td>Margin</td>
<td>21.1%</td>
<td>20.7%</td>
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</tr>
<tr>
<td>CORE EBIT</td>
<td>213</td>
<td>194</td>
<td>9.8%</td>
</tr>
<tr>
<td>Margin</td>
<td>17.2%</td>
<td>16.7%</td>
<td></td>
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CORE definition: See appendix
Specialty Ingredients segment experienced a good H1 2017

Consumer Health & Nutrition added significantly to the increase in revenue and in profitability – supported by improved profitability of other businesses, too

Operational excellence programs resulted in efficiency gains and higher profitability

Business excellence through automation, streamlining, digitalization and the exploitation of synergies remains a cornerstone going forward
Consumer Care

- Consumer Health & Nutrition benefited from ever-growing customer interest, a strong product pipeline and innovative solutions
- This fast-growing unit within Lonza’s portfolio demonstrates Lonza’s expertise and recognized position in preventive healthcare and well-being products
- New product launches in the anti-dandruff markets with anti-microbial technology including geographical expansions, e.g. into Russia and the Middle East, are expected to further add to this momentum
- Solid business performance delivered by our Hygiene and Preservation Businesses across the Americas
- Innovative product offerings are underway to gain more momentum in H2 2017 and onwards
Agro Ingredients

- Agro Ingredients showed solid growth based on higher demand in animal nutrition, especially for vitamin B3 compounds, feed applications for L-Carnitine- and Arabinogalactan-based formulations.

- The build-up of a niche portfolio of Agrochemical products and applications for selected specialty crops, based on Lonza’s broad technology platforms in chemistry and biotechnology, further advanced in H1 2017.

- Geographic expansion, new label claims and new formulations are supporting our strategic growth plans in this business.

- Demand for conventional active ingredients for herbicides, insecticides and fungicides remained soft.
Coatings and Composites

- Coatings and Composites experienced good growth in a competitive market environment.
- In Materials Performance & Protection, positive momentum came from composite materials used in energy storage, electronics and aerospace.
- Wood Protection saw top- and bottom-line moderate growth; demand in North America is still high with positive consumer sentiment leading to investments in housing and home improvement.

Water Treatment

- Recreational Water Treatment business had a mixed start, especially in North America.
- Lonza’s industrial, commercial, municipal and surface water (ICMS) business recorded strong growth rates.
- ICMS invested in innovative green technology for drinking water applications to offer sustainable solutions in accordance with growing customer demands and regulatory requirements.
Lonza confirms its outlook for FY 2017 as upgraded with Q1 2017 Qualitative Business Update in April 2017. The outlook is on a Lonza standalone basis:

- High-single digit sales growth
- CORE EBITDA above CHF 1 billion
- Double-digit CORE EBIT growth significantly above sales growth
- CORE RONOA above 21.5%

With a strong first half year 2017, Lonza expects to continue its momentum in H2 2017. However, results will be compared with an exceptionally strong H2 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.
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Closing of the acquisition of Capsugel was on 5 July 2017

Successful transaction financing has been achieved through a combination of equity and debt instruments

Functional integration is already underway and business integration is being planned in detail

Both organizations are beginning knowledge sharing to capture synergies and to ensure a smooth transition

Lonza confirms its positive outlook for Capsugel
Capsugel Acquisition & Update on Integration

Positive Outlook for Capsugel Confirmed

- Substantial top-and bottom-line synergies are expected with first benefits from 2018 onwards
  - Commercial synergies by year 5 of CHF 100 mn
  - CHF 30 mn of estimated annual operational synergies by year 3
  - CHF 15 mn of estimated tax synergies by year 3
  - Expanded combined CORE EBITDA margins by ~250 bps by year 3

- Capsugel increases the proportion of Lonza’s revenues from the healthcare continuum

- The specific businesses of Capsugel will be integrated into Lonza’s segments to create a fully integrated development, manufacturing and delivery technology partner

- Combined financial figures will be provided with the full-year results for 2017

Combination Increases Healthcare Continuum Share of Lonza

Lonza’s businesses along the healthcare continuum approx. 66%
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Lonza Mid-Term Guidance to 2022
Guidance Including Capsugel and New Growth Initiatives

Lonza expects to continue its sustainable growth along the healthcare continuum, to drive its position as a valued and preferred partner for its existing and new clients, and to grow through innovation.

Based on that expectation, Lonza (including Capsugel) announces its mid-term guidance until the end of 2022 – on the occasion of Lonza’s 125th anniversary.
Lonza Mid-Term Guidance to 2022

- Sales CHF 7.5 billion
- CORE EBITDA margin 30%
- CORE RONOA 35%

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. As other inorganic growth projects or divestments cannot be predicted, the guidance is based on today’s business composition.
Ibex – the agile advantage™ and Ibex™ are Lonza trademarks
At Lonza, We Enable Our Customers to Help Their Patients

- Pioneer in creating innovative development and manufacturing solutions for the Pharma&Biotech industry
- Proven track record in quality, regulatory and compliance
- Unparalleled experience on multiple Biopharma Technology Platforms

Supplied by Lonza in 2016:

50+ commercial medicines, thereof

20 large molecule medicines\(^1\)

250+ clinical development programs, thereof

191 in large molecules

\(^1\) Includes mammalian and microbially expressed medicines, antibody drug conjugates, cell and viral therapy
We Anticipate Changes in the Pharma and Biotech Industry…

- Innovative, novel medicines are entering the market to address rare diseases in smaller patient population

- Clinical pipeline projects are becoming more diverse, and more complex modalities are under development

- Pressures along product life-cycle management are increasing
…and We Are Committed to Provide Solutions for Our Customers

- Enable faster time-to-market
- Simplify supply chain and process complexity
- Create flexible and simple business set-ups
- Help navigate higher demand uncertainty
- Provide significant reduction in investment risk
Promotional Video
Realization of Ibex™ Solutions Is Already in Progress

- First technology-independent manufacturing facility:
  - Construction started in June 2017
  - Building planned to be ready in-mid 2018 for build-out
- Manufacturing complex for Sanofi Joint Venture
- Second technology-independent manufacturing facility to be triggered when the first facility gets fit-out
- Site infrastructure expansion/upgrade is ongoing, to be completed by early 2018
- Centralized media and buffer plant in design
Ibex™ Solutions Are Gaining Significant Traction Among Our Customers

- Sanofi Joint Venture announced in January
  - One entire manufacturing complex already in realization

- An extra 100,000 m² of surface to be added

- Several hundred new positions to be created

- Multiple ongoing discussions with customers
  - Two discussions close to confirmation
  - Demands from customers vary from single manufacturing suites up to full manufacturing wings (equivalent to nine suites)
Contact us at ibex@lonza.com

Visit our website www.ibex.lonza.com
Strong performance continues in H1 2017

Full-year outlook for 2017 is confirmed as already upgraded with Q1 2017 Update

Capsugel integration is fully on track to deliver the expected synergies and growth targets along the healthcare continuum

Lonza’s continued strong performance reflects its explicit commitment to further sustainable growth through constant innovation and substantial value creation for its customers and partners

Among other growth initiatives, Lonza launches a unique, future-shaping, innovative modular facility for the Pharma&Biotech markets, “Ibex – The Agile Advantage™”

New 2022 mid-term guidance highlights Lonza’s attractive growth perspectives:

- Sales CHF 7.5 billion
- CORE EBITDA margin 30%
- CORE RONOA 35%

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Events Calendar & Contacts

- 27 Oct 2017  Q3 2017 Qualitative Business Update
- 31 Jan 2018  Full-Year 2017 Results
- 4 May 2018   Annual General Meeting (AGM), Basel
- 4 May 2018   Q1 2018 Business Update
- 25 July 2018 Half-Year Report 2018

We constantly update our investor relations events on our website: http://www.lonza.com/about-lonza/investor-relations

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Lonza Highlights HY 2017 & Segment Developments
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## Half-Year 2017 Financial Highlights

### Half-Year 2017 (excl. Capsugel)

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<td>EBIT Margin</td>
<td>16.1%</td>
<td>14.5%</td>
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<tr>
<td>Financing Costs</td>
<td>83</td>
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<td>Tax Rate</td>
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<tr>
<td>Profit for the Period</td>
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<td>194</td>
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<td>EPS (CHF) Basic</td>
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<td>EPS (CHF) Basic CORE</td>
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<td>Operational Free Cash Flow</td>
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<tr>
<td>Change in Net Working Capital</td>
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<td>59</td>
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<tr>
<td>Capital Expenditures</td>
<td>163</td>
<td>151</td>
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<tr>
<td>CORE RONOA</td>
<td>31.0</td>
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<td>52.6%</td>
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<td>Net Debt</td>
<td>1,588</td>
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<td>5.5%</td>
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<tr>
<td>Number of Employees</td>
<td>10,342</td>
<td>9,931</td>
<td>4.1%</td>
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</table>

1 As a consequence of the capital increase of 10 May 2017, the calculation of the earnings per share has been adjusted by the factor resulting from the issuance of rights offering.

2 Pro forma net debt at 30 June 2017, which excludes the cash resulting from the capital increase of CHF 3,061 million.
Key Global Megatrends

1. Growing world population
2. Aging population in Western countries
3. Movements of growing population into megacities
4. Growing middle classes in BRIC-VISTA countries

Resulting in the Need for…
- Medication
- Healthy Food
- Hygiene
- Personal Care
- Clean Water
- High-Tech Materials

Lonza Offerings

Pharma&Biotech Segment
- Custom Manufacturing
- Custom Development
- Bioscience Solutions

Specialty Ingredients Segment
- Consumer Care
- Agro Ingredients
- Coatings and Composites
- Water Treatment

Common Key Drivers

- Long customer-approval times
- Increasingly more regulated environment
- Strong need for innovation
Lonza at a Glance

Lonza’s Segments, Target Markets and Technology Platforms (with Addition of Capsugel)

- **Pharma & Biotech**: Commercial Manufacturing, Clinical Development, Service Products (Consumables, Tests, Media, Equipment)
- **Consumer Care**: Hygiene, Personal Care, Home Care, Consumer Health & Nutrition
- **Agro Ingredients**: Animal Feed & Crop Protection
- **Coatings & Composites**: Aerospace, Automotive, Metal Working, Plastics, Wood Treatment, Construction & Specialty Intermediates
- **Water Treatment**: Recreational Pool & Spa, Municipal, Industrial & Surface Water Treatment

**Biological Technology**

**Fine Chemistry**

**Formulation & Application Technology**

**Delivery Systems**

**Microbial Control Performance & Testing**

**Regulatory**
A Brief History of Lonza

Celebrating 120 Years in 2017

- **1897** Foundation of Lonza in Swiss Alps
- **1909** Move to Visp / manufacture of synthetic fertilizers
- **1965** Start up of Naphtha Cracker in Visp (CH)
- **1983** Start of biotechnology research activities in Visp (CH)
- **1996** Acquisition of Celltech Biologics, expanding into mammalian cell cultures and monoclonal antibodies
- **2007** Acquisition of Cambrex’s Research Bioproducts and Microbial Biopharma business
- **2010** Acquisition of MODA, Vivante and Algonomics
- **2011** Acquisition of Arch Chemicals
- **2015** Acquisition of Zelam and Diacon
- **2016** Acquisition of InterHealth and Triangle Research Lab
- **2017** Acquisition of Capsugel and other small technology bolt-on companies

[Link to Lonza’s 120-Year Anniversary website]
Half-Year 2017 Financial Highlights
Both Segments Improved Profitability Along the Healthcare Continuum

### Pharma&Biotech

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<tr>
<td>Sales</td>
<td>1 064</td>
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<tr>
<td>CORE EBITDA</td>
<td>335</td>
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<td>CORE EBIT</td>
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<td>71.7</td>
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<tr>
<td>Margin</td>
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### Specialty Ingredients

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<td>CORE EBIT</td>
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<td>9.8</td>
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<tr>
<td>Margin</td>
<td>17.2</td>
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CORE definition: See appendix
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.