Q3 2017 Qualitative Business Update

Lonza Reports a Strong Third Quarter and Capsugel Integration on Track

Richard Ridinger – CEO

Basel, 26 October 2017
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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 Q3 2017 Corporate Overview & Segment Update
- Confirmation of Guidance FY 2017
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- Events Calendar & Contact Details
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Continued strong performance in Q3 2017 as expected for Lonza standalone

Both segments on track to deliver full-year targets with offerings along the healthcare continuum adding to the other growth drivers

No material impact of the hurricanes in the U.S. Southeast on the company's overall performance

Full-year outlook 2017 for Lonza standalone, which was already upgraded with Q1 2017 Qualitative Business Update in April 2017, is confirmed

Capsugel acquisition closed in July 2017, and company integration on track to deliver expected synergies and growth targets

Combined financial figures will be reported with the full-year results publication 2017 in January 2018
Segment Update Q3 2017: Pharma&Biotech
The CMO part of Lonza Pharma&Biotech saw another strong quarter in 2017. Mammalian Manufacturing continued its strong performance across all assets and its focus on ongoing negotiations to acquire and extend contracts in terms of volume and timeframe. Chemical Manufacturing saw sustained strong customer demand in Q3 2017 that also further strengthened its mid-term business portfolio. Lonza’s innovative Ibex™ Solutions in Visp (CH) gained traction with groundbreaking for the Sanofi-Lonza joint venture in September 2017 and the newly signed strategic agreement with Portola Pharmaceuticals to manufacture AndexXa® in Lonza’s Ibex™ facility. Positive customer feedback received on the new micronization offerings and extended services along the CDMO value chain related to the bolt-on acquisition of the European micronization market leader Micro-Macinazione (CH) in August 2017. Integration of Micro-Macinazione into Lonza started well.
Lonza’s Innovative Ibex™ Solutions Gain Traction

First Customers Signed Agreements and Construction Ongoing as Planned

- First groundbreaking in September 2017:
  - Joint venture between Sanofi and Lonza to build and operate a large-scale mammalian cell-culture facility for monoclonal antibody production

- Another strategic agreement already signed:
  - Lonza entered into a long-term commercial supply agreement with Portola Pharmaceuticals, Inc., to manufacture AndexXa® in its Ibex™ facility

- Multiple ongoing discussions with customers

- Construction and build-out of JV complex and Ibex Manufacturing Complex 1 ongoing as planned with start of production end of 2019 and full operations in 2020
Clinical Development Services and Emerging Technologies

- Ongoing strong momentum in Clinical Development and Manufacturing driven by high customer demand and innovative new products and therapies in the pharma and biotech pipeline
- New cell and gene therapy manufacturing facility in Pearland, TX (USA), which started construction in 2016, is nearing completion and is on schedule to start production in Q1 2018, despite the storms that hit the state of Texas in August and September
- Bioconjugates, cell and viral therapy business with continued interest driven by new regulatory approvals and positive market momentum
- Expansion of our footprint for parenteral dosage form development continues with further build-out of Drug Product Services in Basel (CH), an offering that is highly complementary to Capsugel's oral dosage form offerings

Bioscience Solutions and Products

- Ongoing positive market demand in Q3 2017; but remediation efforts related to the production of certain biotherapeutic liquid media products in one particular area of our Walkersville, MD (USA), site – intended to comprehensively address the commitments made to the FDA earlier this year – are negatively affecting the current performance
Segment Update Q3 2017: Specialty Ingredients
Specialty Ingredients

Consumer Care

- Consumer Care experienced another successful quarter in 2017 and contributed to Lonza’s (standalone) FY 2017 guidance
- Growth drivers were the Hygiene and Preservation business and the Consumer Health and Nutrition business
- Lonza benefited from growth momentum in disinfection solutions in several markets and saw further increasing interest for its core joint health and sports nutrition branded ingredients
- Lonza expects to continue to benefit from high market demand, as well as new innovative product offerings in the fast-growing consumer products markets with Capsugel further strengthening Lonza's innovative product offerings
- Recent example is the launch of ten new dietary supplement formulas with Lonza’s ingredients addressing sports, mood, sleep, healthy weight and immunity powered by Capsugel’s formulation and finished dosage forms know-how
Coatings and Composites

- Coatings and Composites saw a strong Q3 with composite materials and marine antifouling outperforming.
- New, innovative products in the electronics market and ship maintenance and repair, especially in China, Japan, SE Asia and Europe, had a positive impact on the business.
- Launch of new Methylisothiazolinone- (MIT-) free preservatives in Europe continues to draw strong customer interest, with commercial approvals ramping up into 2018.
- Lonza Wood Protection experienced a softer quarter because of a competitive market environment and limited impact of the hurricanes of August and September in the U.S. Southeast.
- Within the Wood Protection business, engineered wood preservation and mold control offerings saw growing market demand and efforts are ongoing to further optimize their performance.
**Specialty Ingredients**

**Agro Ingredients**
- Agro Ingredients saw ongoing momentum in products and solutions despite softer demand for contract manufacturing.
- Results for intermediates used in the agro, animal nutrition and industrial markets improved.
- The vitamin B3 business for animal nutrition applications experienced favorable market conditions in all geographies, but a cyclical market demand has to be taken into consideration in a mid- to long-term view.
- The build-up of a niche portfolio of agro and animal nutrition products and applications has further progressed in Q3 2017.

**Water Care**
- Unfavorable seasonal effects and a competitive market environment affected Lonza's Water Care business as expected and has already been reflected in the full-year outlook 2017.
- Commercial initiatives have been established to strengthen both the residential and the industrial water businesses.
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Outlook Full-Year 2017

Lonza confirms its outlook for FY 2017 as already 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%

Lonza continued its strong performance in Q3 2017 and expects the same for Q4 2017; however, results are 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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Update on Capsugel Integration

Positive Outlook for Capsugel Confirmed

- Execution of functional and business integration has started successfully with key legacy Capsugel managers on board
- The specific businesses of Capsugel will be integrated into Lonza’s segments and increase the proportion of Lonza’s revenues from the healthcare continuum to 66%
- Strong focus on business continuity during integration with no expected drop in service levels or attention to customers
- Initial positive customer response on combined Lonza-Capsugel value proposition in both segments
- In Q3 2017 Capsugel performed in line with expectations with particularly strong results in Consumer Health and Nutrition
- Lonza confirms its positive outlook for Capsugel to deliver the expected synergies and growth targets along the healthcare continuum
- Combined financial figures will be provided with FY results 2017 in January 2018
Lonza-Capsugel First Synergistic Commercial Offerings

New Sample Card Showcases Five Ingredients and New Formulations in Consumer Health & Nutrition

- UC-II® un-denatured type II collagen for joint health mobility and comfort
- ZMA® power blend to increase strength and muscle power
- Relora® plant extract blend to reduce stress and improve mood
- Meratrim® plant blends for weight loss and fat reduction
- Carnipure® free-flowing L-carnitine for exercise recovery and energy metabolism
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Events Calendar & Contacts

- 31 Jan 2018  Full-Year 2017 Results
- 22 March 2018 Publication of Online Annual Report 2017
- 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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### Half-Year 2017 Financial Highlights (excl. Capsugel)

<table>
<thead>
<tr>
<th>CHF mn</th>
<th>HY 2017</th>
<th>HY 2016</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2,323 CHF mn</td>
<td>2,019 CHF mn</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>CORE EBITDA Margin</td>
<td>24.8%</td>
<td>22.1%</td>
<td>43.3%</td>
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<tr>
<td>CORE EBIT</td>
<td>447</td>
<td>312</td>
<td>19.2%</td>
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<tr>
<td>CORE EBIT Margin</td>
<td>19.2%</td>
<td>15.5%</td>
<td>43.3%</td>
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<tr>
<td>EBITDA</td>
<td>529</td>
<td>443</td>
<td>19.4%</td>
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<tr>
<td>EBITDA Margin</td>
<td>22.8%</td>
<td>21.9%</td>
<td>19.4%</td>
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<tr>
<td>EBIT</td>
<td>373</td>
<td>292</td>
<td>27.7%</td>
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<tr>
<td>EBIT Margin</td>
<td>16.1%</td>
<td>14.5%</td>
<td>20.1%</td>
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<tr>
<td>Financing Costs</td>
<td>83</td>
<td>51</td>
<td>11.1%</td>
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<tr>
<td>Tax Rate</td>
<td>19%</td>
<td>19%</td>
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<tr>
<td>Profit for the Period</td>
<td>233</td>
<td>194</td>
<td>20.1%</td>
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<tr>
<td>EPS (CHF) Basic</td>
<td>3.80</td>
<td>3.42</td>
<td>11.1%</td>
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<tr>
<td>EPS (CHF) Basic CORE</td>
<td>3.78</td>
<td>3.40</td>
<td>11.2%</td>
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<tr>
<td>Operational Free Cash Flow</td>
<td>302</td>
<td>250</td>
<td>20.8%</td>
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<tr>
<td>Change in Net Working Capital</td>
<td>57</td>
<td>59</td>
<td></td>
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<tr>
<td>Capital Expenditures</td>
<td>163</td>
<td>151</td>
<td>7.9%</td>
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<tr>
<td>CORE RONOA</td>
<td>31.0</td>
<td>20.3</td>
<td>52.6%</td>
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<tr>
<td>Net Debt</td>
<td>1,588 CHF mn</td>
<td>1,505 CHF mn</td>
<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.
Pharma&Biotech

<table>
<thead>
<tr>
<th>CHF mn</th>
<th>HY 2017</th>
<th>% YoY</th>
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<tbody>
<tr>
<td>Sales</td>
<td>1 064</td>
<td>27.0</td>
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<tr>
<td>CORE EBITDA</td>
<td>335</td>
<td>48.2</td>
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<tr>
<td>Margin</td>
<td>31.5</td>
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<td>CORE EBIT</td>
<td>273</td>
<td>71.7</td>
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<tr>
<td>Margin</td>
<td>25.7</td>
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</table>

Specialty Ingredients

<table>
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<tr>
<th>CHF mn</th>
<th>HY 2017</th>
<th>% YoY</th>
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</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1 238</td>
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<tr>
<td>CORE EBITDA</td>
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<td>8.3</td>
</tr>
<tr>
<td>Margin</td>
<td>21.1</td>
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</tr>
<tr>
<td>CORE EBIT</td>
<td>213</td>
<td>9.8</td>
</tr>
<tr>
<td>Margin</td>
<td>17.2</td>
<td></td>
</tr>
</tbody>
</table>
Lonza Mid-Term Guidance to 2022

Sustained Positive Momentum Along Healthcare Continuum

- 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.

- Mid-Term Guidance to 2022 is in line with target to deleverage to ~2016 net debt/CORE EBITDA level (below 2x) at the end of 2019 and annual CAPEX of 8-9% of sales.

- Smaller bolt-on acquisitions and revenue-secured CAPEX projects (e.g. IBEX Solutions™, Visp) are fully included.
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.
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.