Science and Technology for Pharma&Biotech, Nutrition and Well-Being

2015 Half-Year Results – 22 July 2015

Richard Ridinger – CEO

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Our Segments

**Specialty Ingredients Segment**

Our Markets:
- Consumer Care incl. Hygiene, Nutrition, Personal Care
- Agro Ingredients
- Industrial Solutions
- Wood Protection
- Water Treatment

**H1 2015**
- Sales: CHF 1,131 mn
- CORE EBITDA: CHF 217 mn
- CORE EBIT: CHF 172 mn
- CORE RONOA: 23.0%

**Pharma&Biotech Segment**

Our Markets:
- Custom Manufacturing
- Custom Development
- Bioscience Solutions

**H1 2015**
- Sales: CHF 754 mn
- CORE EBITDA: CHF 182 mn
- CORE EBIT: CHF 117 mn
- CORE RONOA: 12.8%

*CORE definition: see appendix*
H1 2015 – Business Overview

- Good momentum in H1 leads to a strong overall company performance
- Positive uptake supported by excellent performance in custom manufacturing of commercial mammalian products and a continued strong trend in Agro Ingredients and the Wood Protection business
- Water Treatment above first half of prior two years, but again impacted by unseasonal weather conditions in the U.S. South and Midwest
- Foreign-exchange effects well balanced across the regions, through our natural hedge and targeted counter-measures. Measures initiated in Visp (CH) with further automation, slight adaptations of capacity offerings in lower-margin assets and portfolio adaptations will lead to personnel reduction of ~90 over the next years through a hiring freeze and natural attrition
- Further consolidation of microbial operations’ activities into Visp has led to restructuring measures in Kouřim (CZ) of CHF 45 million
- Re-design of the microbial fermentation plant in Visp into a multi-purpose facility to accommodate additional demand and new customers is fully on track
- Total permanent headcount as per the end of June 2015 is 9,721 FTE, down 88 FTE from end of 2014
H1 2015 – Financial Highlights

- Sales increased by 6.1% to CHF 1,910 million, in constant exchange rates (+5.8% to CHF 1,904 million in reported exchange rates)
- CORE EBITDA margin at 20.5% (20.4% end 2014)
- CORE EBIT increased by 8.3 % to CHF 261 million in constant exchange rates (7.9% in reported currency to CHF 260 million)
- CORE RONOA at 16.1 % compared with 14.5% in H1 2014
- Restructuring measures of CHF 45 million due to portfolio optimizations in Kourim (CZ), which is another step in our consolidation of microbial operations into Visp
- Debt reduction on track, with net debt reduced to CHF 1,842 million, leading to a net debt/EBITDA ratio of 2.4x and a debt/equity ratio of 0.94, releasing all financial covenants
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## Key Financial Figures

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<th>CHF mn</th>
<th>H1 2015</th>
<th>H1 2014</th>
<th>Change YoY</th>
</tr>
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<tbody>
<tr>
<td>Sales</td>
<td>1'904</td>
<td>1,800</td>
<td>5.8%</td>
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<tr>
<td>EBITDA</td>
<td>375</td>
<td>362</td>
<td>3.6%</td>
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<td>EBITDA Margin</td>
<td>19.7%</td>
<td>20.1%</td>
<td></td>
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<tr>
<td>CORE EBITDA</td>
<td>391</td>
<td>368</td>
<td>6.3%</td>
</tr>
<tr>
<td>CORE EBITDA Margin</td>
<td>20.5%</td>
<td>20.4%</td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>192</td>
<td>215</td>
<td>(10.7%)</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>10.1%</td>
<td>11.9%</td>
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<tr>
<td>CORE EBIT</td>
<td>260</td>
<td>241</td>
<td>7.9%</td>
</tr>
<tr>
<td>CORE EBIT Margin</td>
<td>13.7%</td>
<td>13.4%</td>
<td></td>
</tr>
<tr>
<td>Financing Costs</td>
<td>(56)</td>
<td>(40)</td>
<td>40.0%</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>19.0%</td>
<td>19.5%</td>
<td></td>
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<tr>
<td>Profit for the Period</td>
<td>111</td>
<td>140</td>
<td>(20.7%)</td>
</tr>
<tr>
<td>EPS (CHF) Basic</td>
<td>2.12</td>
<td>2.69</td>
<td></td>
</tr>
<tr>
<td>EPS (CHF) Basic CORE</td>
<td>3.18</td>
<td>3.12</td>
<td></td>
</tr>
<tr>
<td>Operational Free Cash Flow</td>
<td>299</td>
<td>124</td>
<td>141.1%</td>
</tr>
<tr>
<td>Change in Net Working Capital</td>
<td>(15)</td>
<td>173</td>
<td>37.1%</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>96</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>CORE RONOA</td>
<td>16.1%</td>
<td>14.5%</td>
<td>(12.8%)</td>
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<tr>
<td>Net Debt</td>
<td>1'842</td>
<td>2,113</td>
<td>(0.4%)</td>
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<tr>
<td>Number of Employees</td>
<td>9'721</td>
<td>9,761</td>
<td></td>
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CORE definition: see appendix
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Specialty Ingredients

- Positive uptake in H1 with the strongest contribution coming from Agro Ingredients and Wood Protection
- Market demand in general was solid across nearly all geographical areas
- Capacity utilization in the various plants as expected
- Main driver overall was market demand coming from global megatrends

### Key Figures

<table>
<thead>
<tr>
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<th>H1 2015</th>
<th>% Changes YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHF (mn)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>1 131</td>
<td>2.3</td>
</tr>
<tr>
<td>CORE¹ EBITDA</td>
<td>217</td>
<td>8.0</td>
</tr>
<tr>
<td>Margin</td>
<td>19.2%</td>
<td></td>
</tr>
<tr>
<td>CORE¹ EBIT</td>
<td>172</td>
<td>6.8</td>
</tr>
<tr>
<td>Margin</td>
<td>15.2%</td>
<td></td>
</tr>
</tbody>
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### CORE EBITDA and Margin Progression

- CORE EBITDA Margin:
  - 2011: 15.0%
  - 2012: 15.2%
  - 2013: 17.2%
  - 2014: 18.2%
  - 2015: 19.2%

¹ CORE definition: see appendix
Business Highlights

Consumer Care & Agro Ingredients

Consumer Care
- The Hygiene business saw a positive first H1 with continuous strong growth in formulated solutions and wipes
- A solid Nutrition business saw stable demand with performance on target in vitamin B3 for both food and animal nutrition and good growth in the animal feed sector, especially in Asia and North America
- Personal Care actives experienced strong growth in Asia and Latin America. Hair-care actives delivered exceptional growth, and the launch of a special grade of vitamin B3 for skin-care applications is receiving strong interest from the market

Agro Ingredients
- Concrete market demand for biotechnological and chemical custom manufacturing resulted in high capacity utilization
- Meta™ experienced solid demand, especially in Europe, Southeast Asia and Latin America
- EUR/CHF FX development was largely compensated by higher sales, cost benefits from raw materials and productivity improvements
- Formulation ingredients and solutions for crop protection products and fertilizers continued to gain interest in the marketplace
Business Highlights
Industrial Solutions and Wood Protection

Industrial Solutions
- Satisfactory demand for Coatings and Composites from all regions – especially from the electronics, aerospace and the marine antifouling markets in Europe and Asia.
- Aquaculture markets continue to develop well
- Antimicrobial solutions for plastics and leather preservation delivered strong growth with new product introductions
- Performance Ingredients experienced higher demand across all relevant markets in Q2

Wood Protection
- The U.S. economy and construction markets have rebounded after a slow start in Q1 and are expected to remain strong and slightly ahead of last year
- In the EMEA region, the UK market continues to expand at a solid pace while markets in other areas of Europe also appear to be improving.
- APAC markets saw a somewhat weaker demand due to reduction in “low-rise” housing construction
- Roll-out of new, innovative products (like metal-free wood protection and next-generation fire-retardant products) has been initiated and is proceeding as planned
Water Treatment

- Good start to H1 compared with two previous years in residential water treatment but impacted by wet and cool weather in the United States in May and the devaluation of the Brazilian R$.
- Season in South Africa ended positively with an increased market share in residential water treatment.
- In ICMS strong business development in North and South America and South Africa, especially in municipal drinking water and in sugar and food & beverage markets.
- Customers/consumers increasingly aware of ecological profiles of products we offer, following the global trend of “environmentally friendly” solutions.
Substantially increased sales and CORE results compared with same period last year

CORE RONOA increased to 12.8%, from 10.4% in H1 2014, due to operative performance and higher asset utilization

Firm market demand for commercial and clinical products, as well as for make-to-stock products

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1. CORE definition: see appendix
Business Highlights
Custom Manufacturing

- Robust performance in biologics across all assets with good capacity utilization
- Adaption of the microbial fermentation plant in Visp (CH) on track to accommodate additional customers, driven by solid market demand
- Adapting to market requirements, realignment of chemical custom manufacturing initiated to improve operational performance and asset utilization
- Antibody Drug Conjugates (ADCs) experienced pipeline growth driven by products with novel molecules
- Cell Therapy and Viral Gene Therapy continue to see good market momentum
- To support rapidly rising demand, construction of a new facility in Houston, TX (USA) has been initiated
- In the first half 2015, Lonza had 80 quality-related inspections, all of which were successful
Business Highlights
Custom Development & Bioscience Solutions

Custom Development Services
- Customers’ budgets for development and clinical manufacturing increasing
- Strong interest from customers in all regions and across all technologies
- Further expansion of customer base on good path

Bioscience Solutions
- Performance improved further compared with H1 2014
- North America and APAC gains influenced by lower sales in Japan and in Europe, which was impacted by FX
- MODA™, paperless QC platform performed well based on customers’ increased budgets
Based on present macro-economic environment and current visibility, Lonza reiterates its Full-Year 2015 outlook as follows:

- Sales growth in reported currency compared with last year’s sales
- CORE EBIT growth of at least 5% in constant exchange rates
- Positive developments for both segments indicate Lonza on track for mid-term guidance to 2018
- Debt reduction ongoing
- CAPEX expected to remain below CHF 300 million
Calendar of Events & Contacts

Important Lonza Group Dates
29 Oct 2015 Third-Quarter 2015 Business Update
27 Jan 2016 Full-Year 2015 Results
22 Apr 2016 Annual General Meeting
26 Apr 2016 First-Quarter 2016 Business Update

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Appendices
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, 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.