Q1 2018 Qualitative Business Update

Lonza Reports Positive Start to 2018 with Businesses Along the Healthcare Continuum as Growth Drivers

Richard Ridinger – CEO
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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 therefore cautioned that all forward-looking statements involve risks and uncertainty, 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 2018 and Mid-Term Guidance 2022 herein may not prove to be correct. The statements in Outlook 2018 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 2018 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 2018 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 Reports Positive Start to 2018

Businesses along the healthcare continuum as growth drivers

- Continued strong demand for pharma offerings in Clinical Development and Manufacturing and Commercial Manufacturing and for Consumer Health offerings

- The former Capsugel business, now part of Lonza Pharma & Biotech and Lonza Consumer Health, performed well in Q1, and integration continues as planned

- Start of production in the world’s largest dedicated cell-and-gene-therapy manufacturing facility in Pearland, Greater Houston, TX (USA) adds to global technology footprint and innovative offerings

- Announcing mid-scale biologics manufacturing expansion and state-of-the-art technological advances at Lonza's Portsmouth, NH (USA) site

- First milestone achieved for a positive half-year result 2018
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Lonza's biological businesses are performing strongly

- Mammalian and Microbial Commercial Manufacturing continue to benefit from strong interest in all assets

- Lonza decided to invest in its Portsmouth, NH (USA) site, including mid-scale biologics
  - Introduction of new mid-scale assets for commercial mammalian manufacturing to meet strong demand and complement existing small- and large-scale assets within the Lonza network
  - In addition, cell-therapy suites currently being installed to enable customers to access clinical and commercial manufacturing under one roof

- IBEX® Solutions in Visp (CH) construction is progressing as planned

- Ongoing high demand in Clinical Development and Manufacturing services with new contracts signed
Start of Production in New Facility in Houston, TX (USA)

Setting new frontiers in cell-and-gene-therapy manufacturing

- With 300,000 square feet (27,870 square meters), the world’s largest dedicated cell-and-gene-therapy facility in Pearland, TX (USA) has started production in Q1

- First-of-its-kind, state-of-the-art manufacturing facility with capacity to produce treatment for thousands of patients suffering from rare genetic disorders or life-threatening diseases

- Facility to reach 200 full-time staff by end of 2018 and continue to recruit high-value positions as market demand increases

- Pearland site is a flagship in Lonza network, a Center of Excellence for the therapies of the future

- It adds to Lonza’s other cell-and-gene-therapy Centers of Excellence in Geleen/Maastricht (NL), Portsmouth, NH (USA) and Singapore (SG) in order to offer a fully integrated range of cell-and-gene-therapy services

Video of Grand Opening Ceremony

Cell-and-Gene-Therapy Animation
The small-molecule businesses continue to outperform on the top- and bottom-line with strong operational performance and further improved value-chain management.

Newly added dosage form and delivery system technologies from former Capsugel business are contributing considerably.

First synergy projects secured and multiple projects in discussion that connect the Lonza active pharmaceutical ingredients (API) and legacy Capsugel dosage form and delivery system offerings.

Expansion of late-stage clinical and commercial encapsulation capabilities for solid oral and inhaled dosage forms at Tampa, FL (USA) site, including specialized drum-dosing technology for powder-in-capsule filling, new dispensing area and processing suites for handling of highly potent active pharmaceutical ingredients (HPAPIs).
Pharma & Biotech Delivery and Bioscience Solutions

Adding delivery systems and product offerings to CDMO* businesses

- Pharma hard capsules from the former Capsugel business had a good start in 2018 with a new leadership team
- Integration activities with Lonza are progressing well
- Asia, Europe and Brazil were regional growth drivers, with particularly high interest in specialty polymers
- Products and customer services in the bioscience business experienced positive demand, but comprehensive remediation work initiated in 2017 still had an impact on the business.
- Bioscience business further expanded cell culture portfolio for biomedical research with new offerings
- Inaugurated a new R&D Center for South America in Salto (BR) to develop customized solutions in Bioscience Solutions, as well as in Specialty Ingredients

*Contract Development and Manufacturing Organization
Strong Focus on Research and Development

Continuous investments in innovation for future growth and to meet customers’ needs

- Research and development (R&D) and innovation projects are ongoing in Lonza Pharma & Biotech

- Sharp focus on accelerating cell-line construction and offerings in drug product services, digitalizing biological upstream and downstream manufacturing and continuing other process improvements

- Lonza continues to invest in state-of-the-art technological advances so that Lonza has the footprint that meets customers' diverse needs
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Specialty Ingredients operates in a Consumer Health division, a Consumer & Resources Protection division and a Water Care business unit.

The new Consumer Health division addresses the fast-moving consumer goods markets in nutrition, hygiene and personal care.

The new Consumer & Resources Protection division addresses the coatings, composites and agricultural markets.

Financial reporting in new structure to follow with half-year results 2018.
Specialty Ingredients – Consumer Health

Reporting positive performance in Q1

- Consumer Health and Nutrition is showing good momentum across capsules and ingredients

- In particular, the two leading actives – UCII® ingredient for joint health and Carnipure® ingredient in sports – are benefiting from high demand

- Growth in capsules and dosage forms is especially driven by clean-label specialty polymer solutions

- Combined offerings continued to attract interest, fueled by more than 30 new dietary supplement product concept launches that join Lonza’s specialty ingredients and former Capsugel’s innovative dosage forms

- Additional growth momentum is expected due to synergistic geographic expansion across all businesses

- Consumer Product Ingredients saw continuous growth for disinfecting solutions in home and institutional hygiene applications, driven by increased demand in North America and Europe that resulted from innovations to address regulatory compliance
Newly Launched Lonza-Capsugel Innovative Clean-Label Solutions

Healthy Aging and Sports & Active Nutrition product concepts showcased at Natural Products Expo West 2018

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
Essential for protein, carbohydrate/fat metabolism and energy production

Clean label vegetarian capsule made from two ingredients HPMC and water
Premium liquid capsule delivery in gelatin or vegetarian options
Capsule-in-capsule delivery for modified release or combination of incompatible ingredients
Marine-based capsule from renewable resources
Easy open capsules ideal for children and the elderly
Microsphere technology for modified release, taste-masking, and bioavailability

Lonza
Capsugel
INNOVATION THROUGH FUNCTION AND FORM
Sustainable solutions with ingredients, formulations, and dosage forms with a focus on sustainability, performance, and regulatory compliance.

Lonza Group

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**Specialty Ingredients – Consumer & Resources Protection**

Benefiting from robust demand in composite materials and specialty solutions

- Composite materials in the aerospace and electronics industries and antimicrobial solutions in other industrial markets have seen robust demand.

- Solid wood preservatives had a soft start in North America and Europe because of unfavorable weather conditions; however, developments in value-adding applications like mold control and fire protection and in engineered wood are promising.

- The agricultural business experienced low demand in Q1 for cyclical-based products, as already announced with FYR 2017, as well as for chemical custom manufacturing.

- White biotechnology custom manufacturing saw solid growth and pipeline development, and agro specialties had robust momentum.

- The basic-material portfolio restructuring in Consumer & Resources Protection is ongoing with business discontinuation of non-core parts, such as the fertilizer business and other basic materials, while the emphasis on innovative offerings is increasing.
With the seasonal pattern, Water Care's pool season is starting just now.

Full focus is on brand restaging and innovation in the Residential business, which has already led to significant business gains within Mass Retail that are expected to materialize in late 2018 and 2019.

Water Care's dynamic new business development in the e-commerce space is expected to pick up further in 2018.

The restructuring, business model re-design and strategic review of Lonza's Water Care business are ongoing as previously communicated.

As part of an active portfolio management, Lonza has retained an investment bank to advise on all strategic options.
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Outlook 2018

First milestone achieved for a positive half-year result 2018

Lonza confirms ongoing strong momentum for its businesses along the healthcare continuum.

The strong business momentum also makes Lonza fully confident of achieving, at a minimum, the previously communicated full-year guidance:

- **Mid-single-digit sales growth on a comparable basis in line with Mid-Term Guidance 2022**
- **100 bps improvement in CORE EBITDA margin in line with Mid-Term Guidance 2022**

This outlook is based on the current business composition, 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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Events Calendar & Contacts

- 4 May 2018 | Annual General Meeting (AGM) (Basel, CH)
- 8 May 2018 | Ex-Dividend Date
- 9 May 2018 | Record-Dividend Date
- 11 May 2018 | Dividend-Payment Date
- 25 July 2018 | Half-Year Report 2018
- 24 - 26 Sep 2018 | Capital Markets Day (Zurich, CH)
- 25 Oct 2018 | Q3 2018 Qualitative Business Update

Information about investor relations events is constantly updated on the website: [http://www.lonza.com/about-lonza/investor-relations](http://www.lonza.com/about-lonza/investor-relations)

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# Full-Year 2017 Financial Highlights

**Presenting Full-Year 2017 results – Lonza (including Capsugel)**

<table>
<thead>
<tr>
<th>CHF million</th>
<th>2017</th>
<th>2016</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>5,105</td>
<td>4,132</td>
<td>23.5%</td>
</tr>
<tr>
<td>CORE EBITDA</td>
<td>1,265</td>
<td>918</td>
<td>37.8%</td>
</tr>
<tr>
<td>CORE EBITDA Margin</td>
<td>24.8%</td>
<td>22.2%</td>
<td>47.2%</td>
</tr>
<tr>
<td>CORE EBIT</td>
<td>958</td>
<td>651</td>
<td></td>
</tr>
<tr>
<td>CORE EBIT Margin</td>
<td>18.8%</td>
<td>15.8%</td>
<td></td>
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</tbody>
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<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>1,153</td>
<td>848</td>
<td>36.0%</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>22.6%</td>
<td>20.5%</td>
<td>48.8%</td>
</tr>
<tr>
<td>EBIT</td>
<td>723</td>
<td>486</td>
<td></td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>14.2%</td>
<td>11.8%</td>
<td></td>
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</table>

**Financing Costs**

<table>
<thead>
<tr>
<th>Financing Costs</th>
<th>2017</th>
<th>2016</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>(142)</td>
<td></td>
<td>(112)</td>
<td></td>
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</tbody>
</table>

**Tax Rate**

<table>
<thead>
<tr>
<th>Tax Rate</th>
<th>2017</th>
<th>2016</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>(25.3)%</td>
<td>728</td>
<td>301</td>
<td>141.9%</td>
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</tbody>
</table>

**EPS (CHF) Basic**

<table>
<thead>
<tr>
<th>EPS (CHF) Basic</th>
<th>2017</th>
<th>2016</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.70</td>
<td></td>
<td>5.31</td>
<td>101.5%</td>
</tr>
<tr>
<td>11.84</td>
<td></td>
<td>7.81</td>
<td>51.6%</td>
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</tbody>
</table>

**Operational Free Cash Flow**

<table>
<thead>
<tr>
<th>Operational Free Cash Flow (before acquisition)</th>
<th>2017</th>
<th>2016</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>619</td>
<td></td>
<td>638</td>
<td>(3.0)%</td>
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</table>

**Operational Free Cash Flow**

<table>
<thead>
<tr>
<th>Operational Free Cash Flow</th>
<th>2017</th>
<th>2016</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2,691)</td>
<td></td>
<td>408</td>
<td>(759.6)%</td>
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</tbody>
</table>

**Change in Net Working Capital**

<table>
<thead>
<tr>
<th>Change in Net Working Capital</th>
<th>2017</th>
<th>2016</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>(41)</td>
<td></td>
<td>78</td>
<td>23.2%</td>
</tr>
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</table>

**Capital Expenditures**

<table>
<thead>
<tr>
<th>Capital Expenditures</th>
<th>2017</th>
<th>2016</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>(451)</td>
<td></td>
<td>(366)</td>
<td>35.3%</td>
</tr>
</tbody>
</table>

**CORE RONOA**

<table>
<thead>
<tr>
<th>CORE RONOA</th>
<th>2017</th>
<th>2016</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>29.1%</td>
<td></td>
<td>21.5%</td>
<td>35.3%</td>
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**Net Debt**

<table>
<thead>
<tr>
<th>Net Debt</th>
<th>2017</th>
<th>2016</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,762</td>
<td></td>
<td>1,584</td>
<td>137.5%</td>
</tr>
</tbody>
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**Number of Employees**

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>2017</th>
<th>2016</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>14,618</td>
<td></td>
<td>10,130</td>
<td>44.3%</td>
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1As a consequence of the capital increase of 10 May 2017, the calculation of the earnings per share and the diluted earnings per share have been adjusted by the factor resulting from the rights offering.
Lonza believes that disclosing CORE results of the Group’s performance enhances the financial markets’ understanding of the company because the CORE results enable better comparison across years.

Therefore, the CORE results exclude exceptional expenses and income related to e.g. restructuring, environmental-remediation, acquisitions and divestitures, 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.

On pages 19-20 of Lonza’s 2017 Full-Year Results Report, the reconciliation of IFRS to CORE results provides further details on the adjustments.