

Corporate

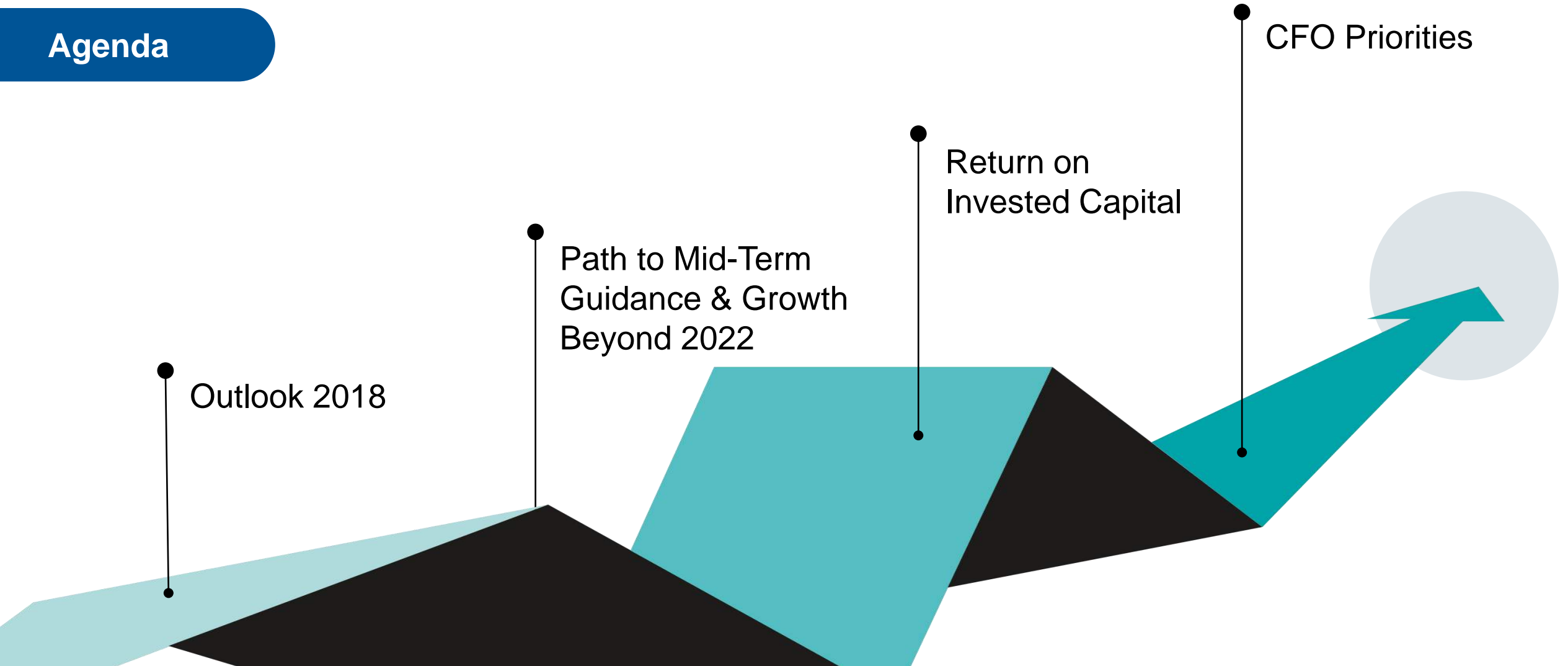
Capital Markets Day 2018

Lonza Finance – Driving Sustainable and Profitable Growth

Rodolfo Savitzky, CFO



Agenda



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Outlook 2018

Capital Markets Day 2018 | 25 September 2018

Outlook 2018

Strong momentum in 2018



	H1 2018	H2 2018 Outlook	Outlook 2018
Sales Growth vs. PY (pro forma ¹)	8.2%	Mid- to high-single digits	Mid- to high-single digits
CORE EBITDA Margin	26.0%	Similar to H1	Similar to H1
CORE EBITDA Margin Improvements vs. PY (pro forma ¹)	60 bps	> 100 bps	~100 bps

¹ Reported Lonza Half-Year 2017 financial results (restated for IFRS 15) include Capsugel Half-Year 2017 financial results. This explanation applies to the terms "pro-forma," "like-for-like" and "organic," which are used as synonyms throughout this presentation

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Path to Mid-Term Guidance & Growth Beyond 2022

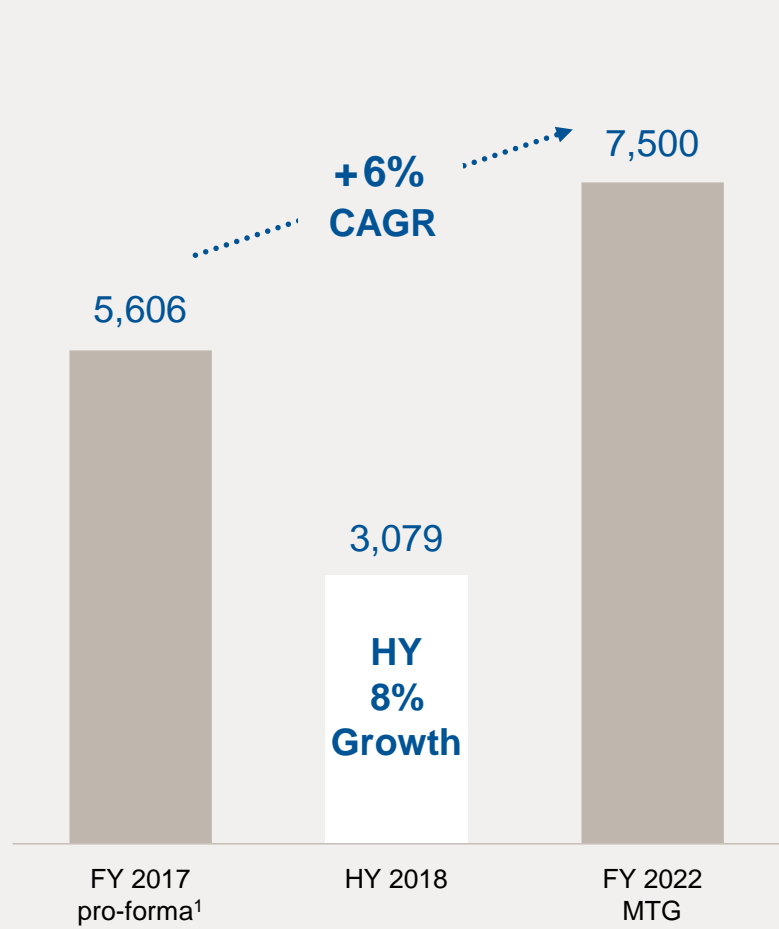
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Mid-Term Guidance

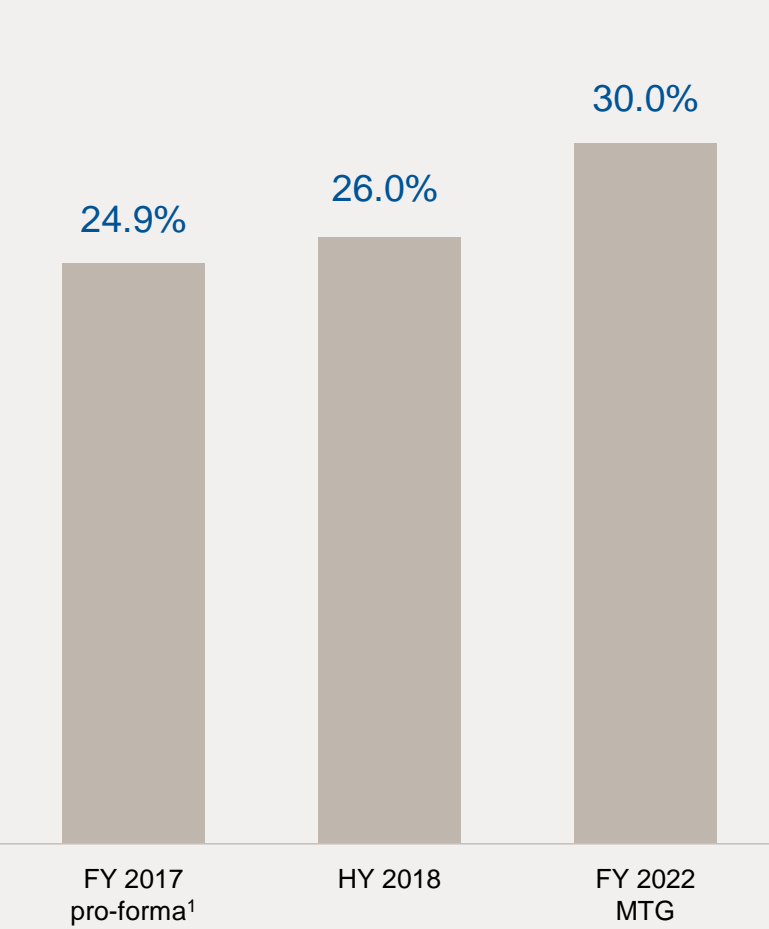
On track to 2022 guidance



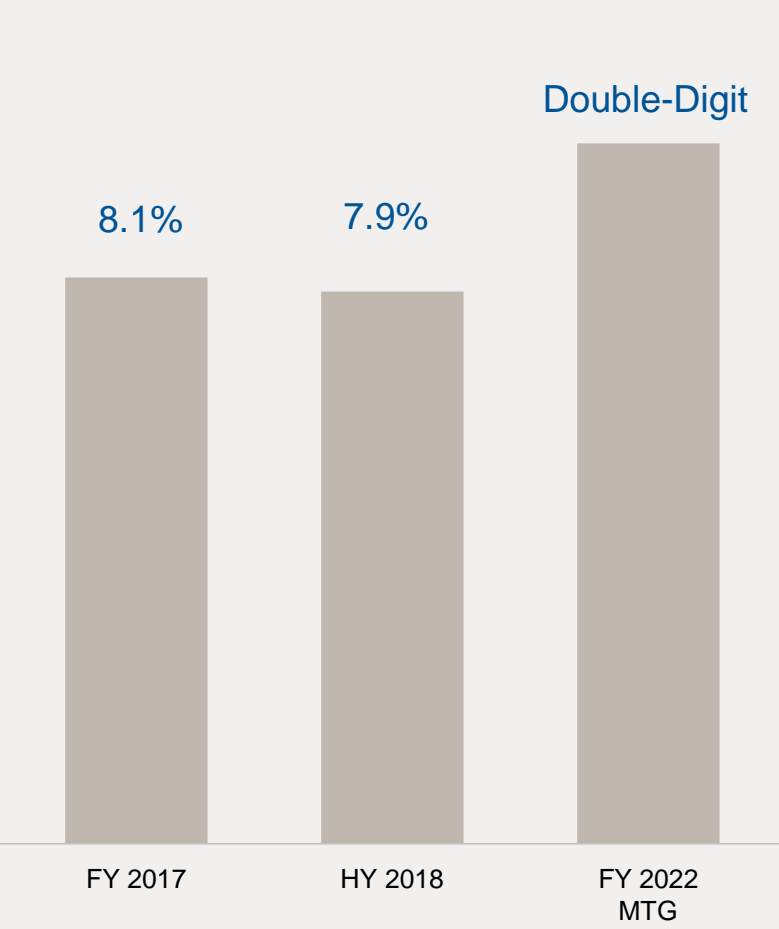
Sales in CHF million



CORE EBITDA Margin



ROIC



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Building Blocks for Mid-Term Guidance



Projections based on strong building blocks

2022 Guidance

2022 Trajectory

Building
Blocks

**Sales CHF 7.5
billion**



Mid-single-digit growth



- CHF 100 m Capsugel sales synergies
- Market momentum
- Sales from growth investments
- Commercial excellence

**CORE EBITDA
Margin 30%**



~100 bps average annual expansion



- CHF 30 m Capsugel cost synergies
- Portfolio optimization
- Manufacturing excellence
- **Procurement savings**
- **Enabling Functions (EF) productivity**

**Double-Digit
ROIC**



Acceleration with growth investments



- CHF 15 m Capsugel tax savings
- Disciplined M&A
- Tight Capex prioritization
- **Net Working Capital optimization**

Productivity Levers

Increase EBITDA margin and cash generation

Procurement savings



- Raw materials in Specialty Ingredients
- Equipment and consumables in Pharma & Biotech
- Optimized indirect third-party spend

Save 5% of addressable spend base

Enabling Functions productivity



- One single SAP system rolled out globally
- Harmonized Shared Service Centers in Costa Rica and Manchester
- Outsourced transactional activities in IT and HR

Become top quartile in efficiency and effectiveness

Net Working Capital optimization



- Tightened collection processes
- Improved payment terms
- Embedded inventory optimization across all sites

Reduce Net Working Capital as % of sales

Trajectory by Reporting Segment

Strong value creation across portfolio



	Pharma & Biotech	Consumer Health	Consumer & Resources Protections	Water Care
Sales Growth 2017PF ¹ -2022	High-single digits	Mid- to high-single digits	Low- to mid-single digits	Mid-single digits
2022 CORE EBITDA Margin Trajectory	Sustain > 30+%	From high twenties to > 30%	From high teens to ~25%	From low teens to > 15%
Building Blocks	<ul style="list-style-type: none"> ■ Growth projects ■ Capsugel synergies ■ Manufacturing excellence ■ Capex investments and throughput optimization 	<ul style="list-style-type: none"> ■ Capsugel synergies ■ Leveraging pharma technologies ■ Innovation 	<ul style="list-style-type: none"> ■ Microbial control expertise ■ Procurement and supply-chain excellence ■ Product portfolio optimization 	<ul style="list-style-type: none"> ■ Business model re-design ■ New launches ■ E-commerce

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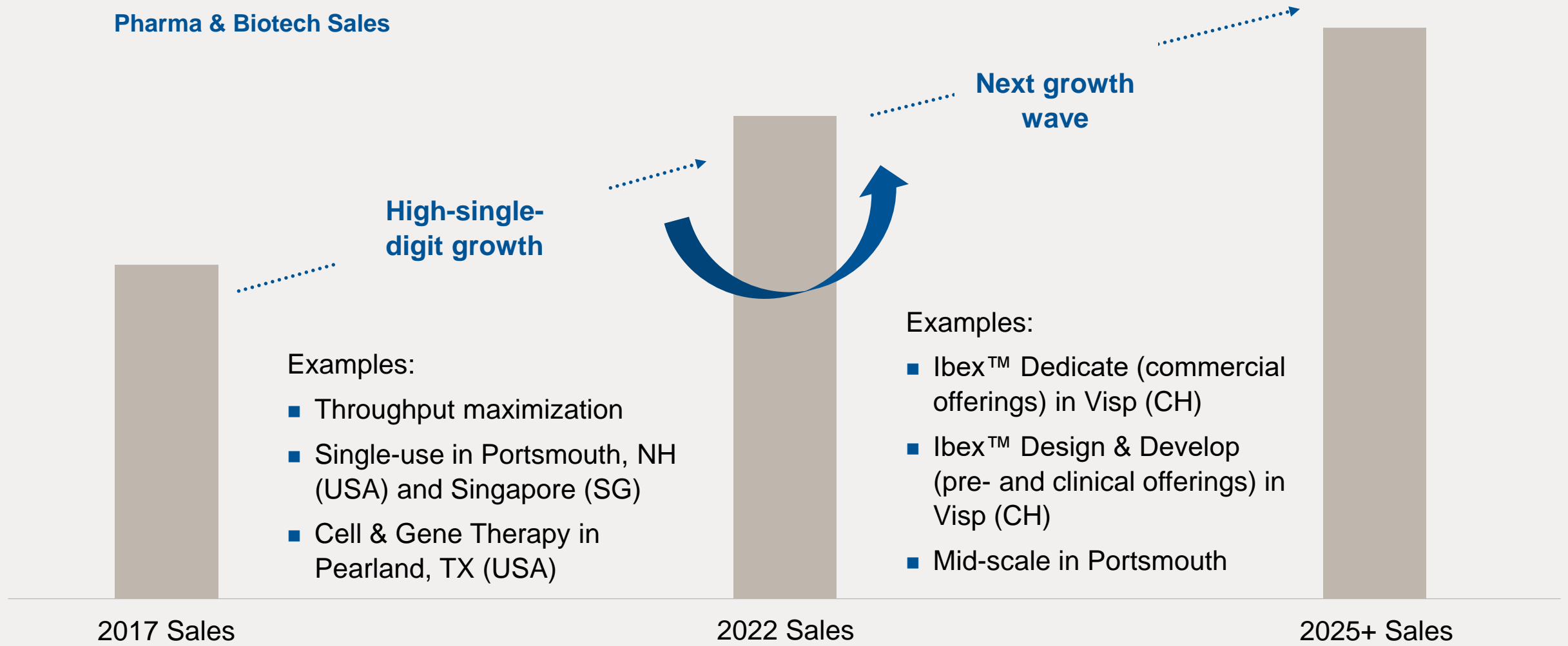
Next Pharma & Biotech Growth Wave Beyond 2022



Now is the time to invest

Capex projects: Value creation through high rates of return, low risk, on the back of existing demand

Pharma & Biotech Sales



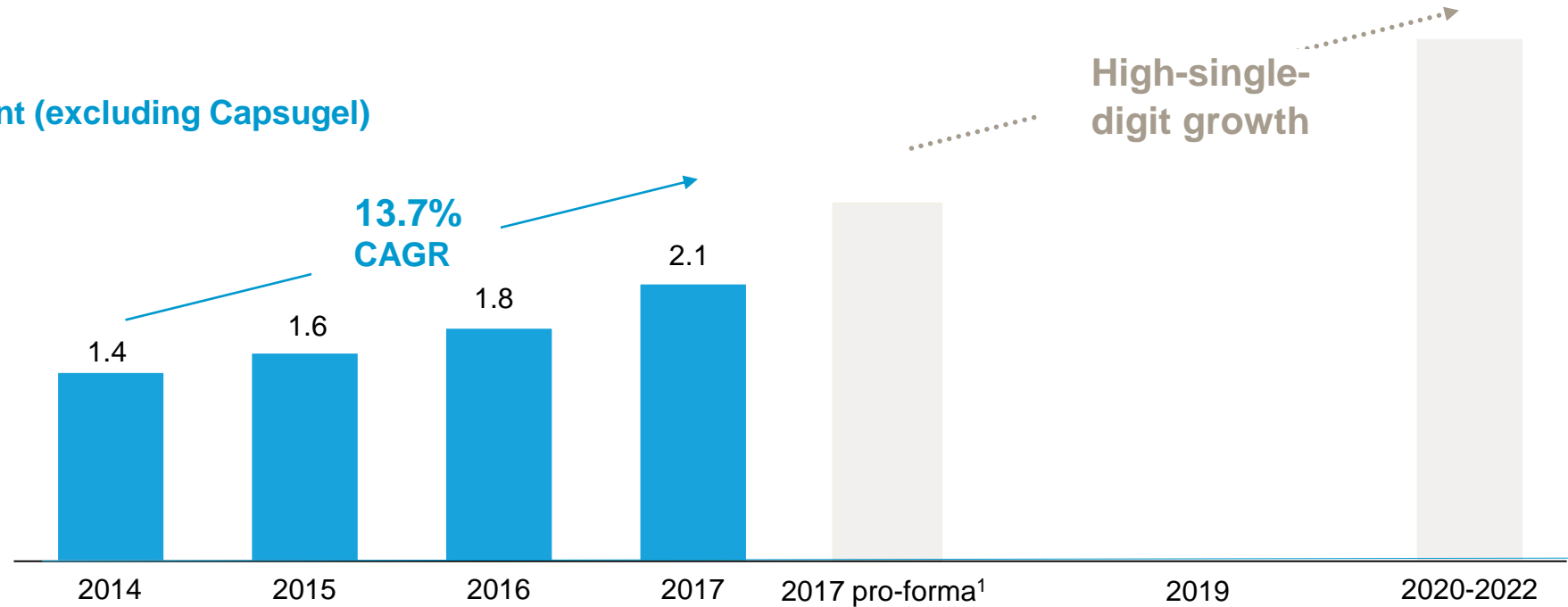
Capex in Pharma & Biotech



Accelerate investments in 2019 to seed next growth wave

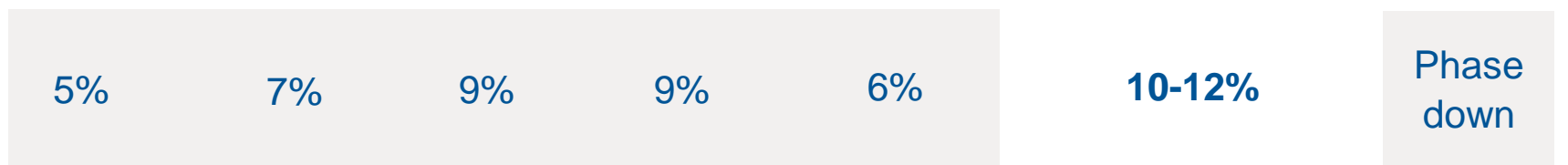
Pharma & Biotech

Sales Development (excluding Capsugel) in CHF bn

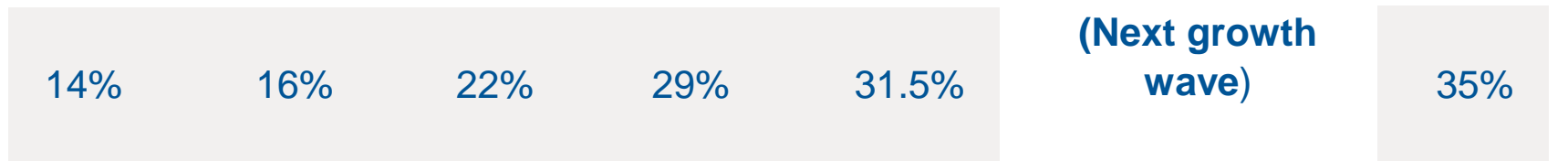


Lonza Group

Capital Expenditure (in % of Group Sales)



CORE RONO A (in %)

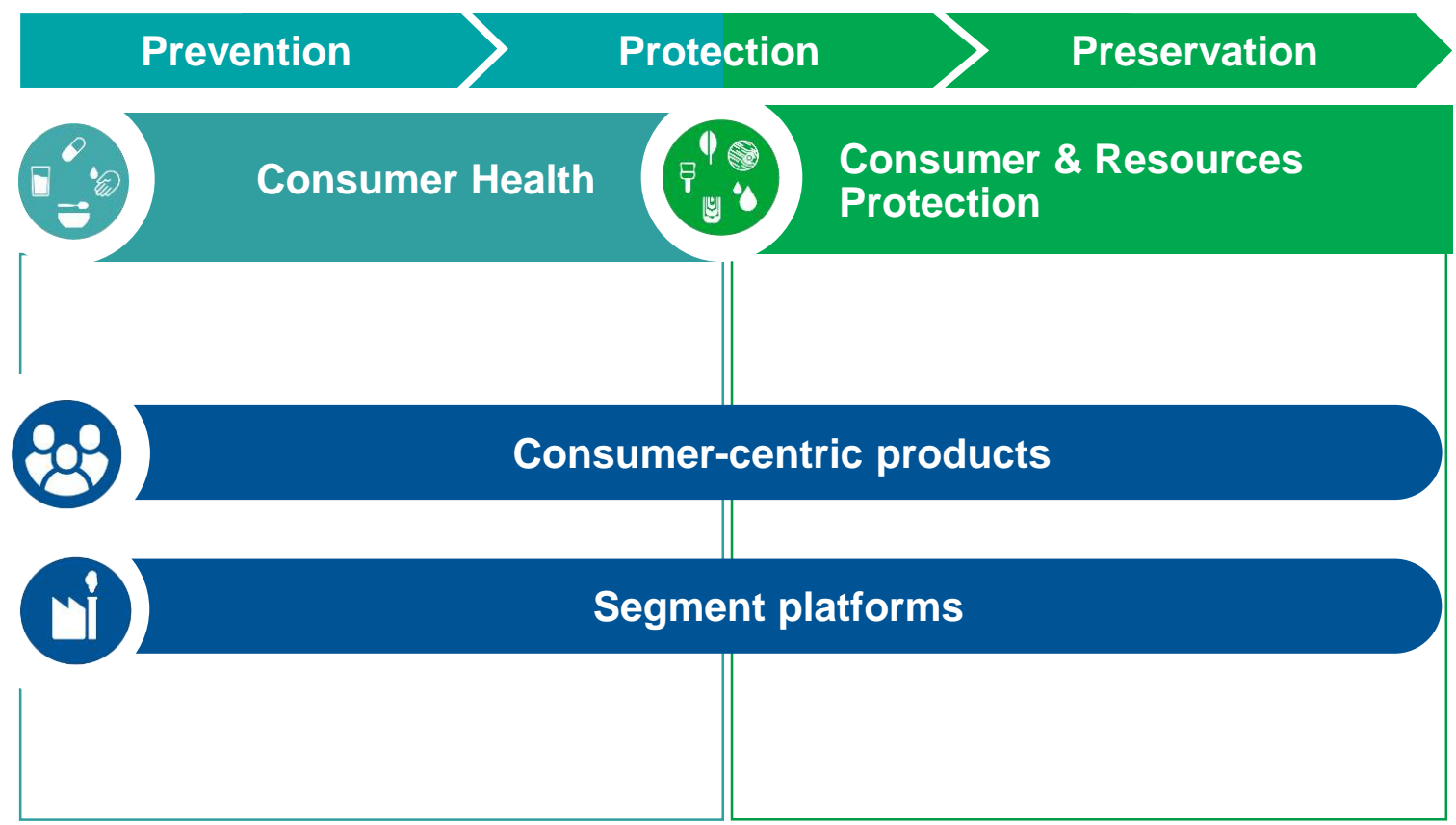


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Innovation and Product Portfolio Optimization in Specialty Ingredients



Focus on consumer-centric products and leveraging segment platforms



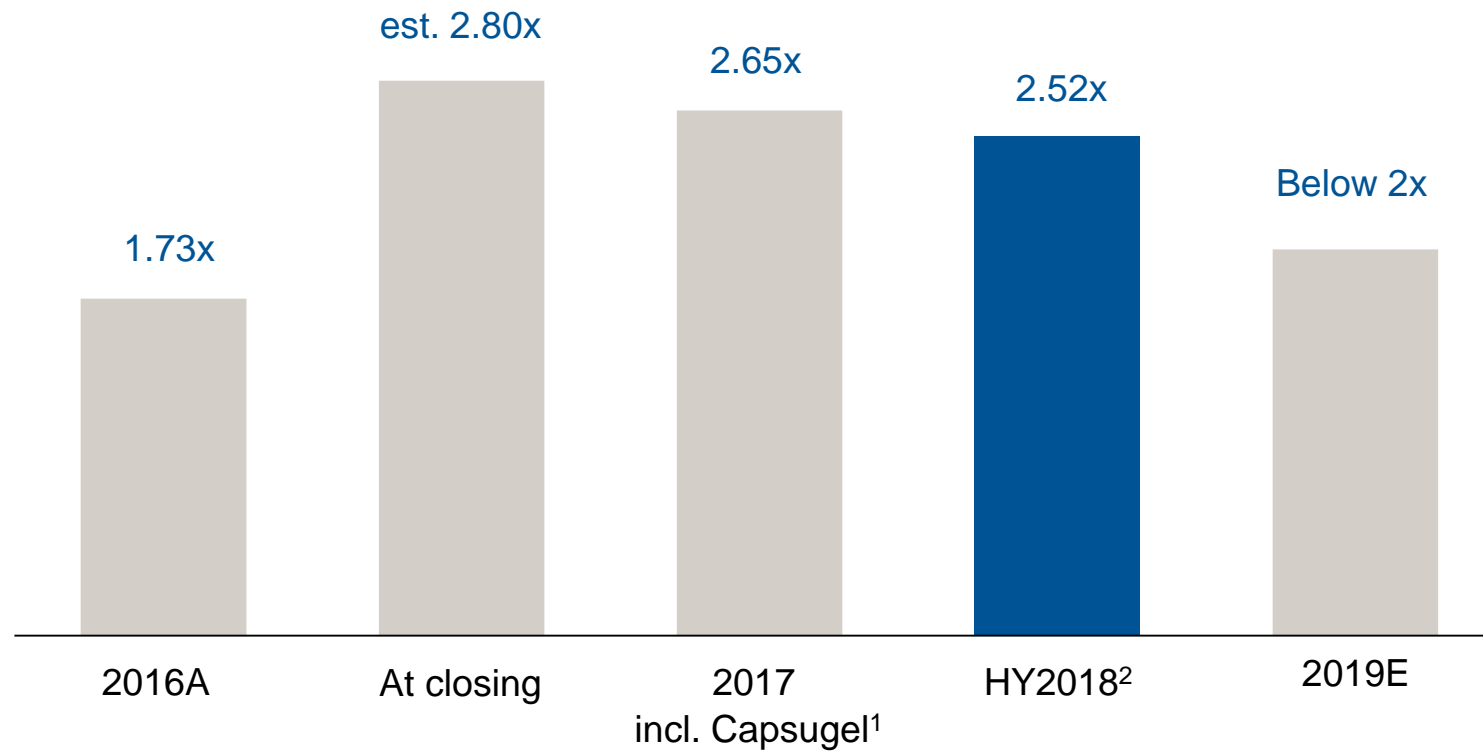
- Focus R&T and commercial efforts on innovative and differentiated offerings
- Leverage segment platforms for attractive niches, technologies and scale
- Continuously reassess portfolio

Net Leverage 2016 to 2019 (Expected)



Value creation through growth initiatives while ensuring investment-grade rating

Net Leverage (Net Debt / CORE EBITDA)



- Invest in growth and value creation
- Secure investment-grade financing
- Maintain dividend policy

¹ 2017 incl. Capsugel: including Capsugel as of 5 July 2017, restated for IFRS 15

² Net debt/CORE EBITDA is calculated based on the CORE EBITDA of the last twelve months

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Return on Invested Capital

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Return on Invested Capital (ROIC)

ROIC accounts for return on all investments



(in million CHF)		FY 2017	HY 2018
NOPAT	CORE EBIT	936 ¹	626
	Amortization of acquisition-related intangible assets	(104)	(84)
	Share of results of associates / joint ventures and interest on operating leases	2	1
	Taxes ²	(55)	(100)
	NOPAT	779	443
	NOPAT annualized³	850	887

ROIC =

Average invested capital	CORE net operating assets (CORE NOA)	3,688	3,973
	Goodwill	3,943	4,148
	Acquisition-related intangible assets	3,659	3,587
	Other assets ⁴	299	346
	Net current and deferred tax liabilities	(1,065)	(858)
	Average invested capital	10,524	11,196

ROIC	8.1%	7.9%
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- Standard, comparable definition
- Easily traceable to financial statements
- Most stringent calculation

¹ Restated to reflect adoption of IFRS 15

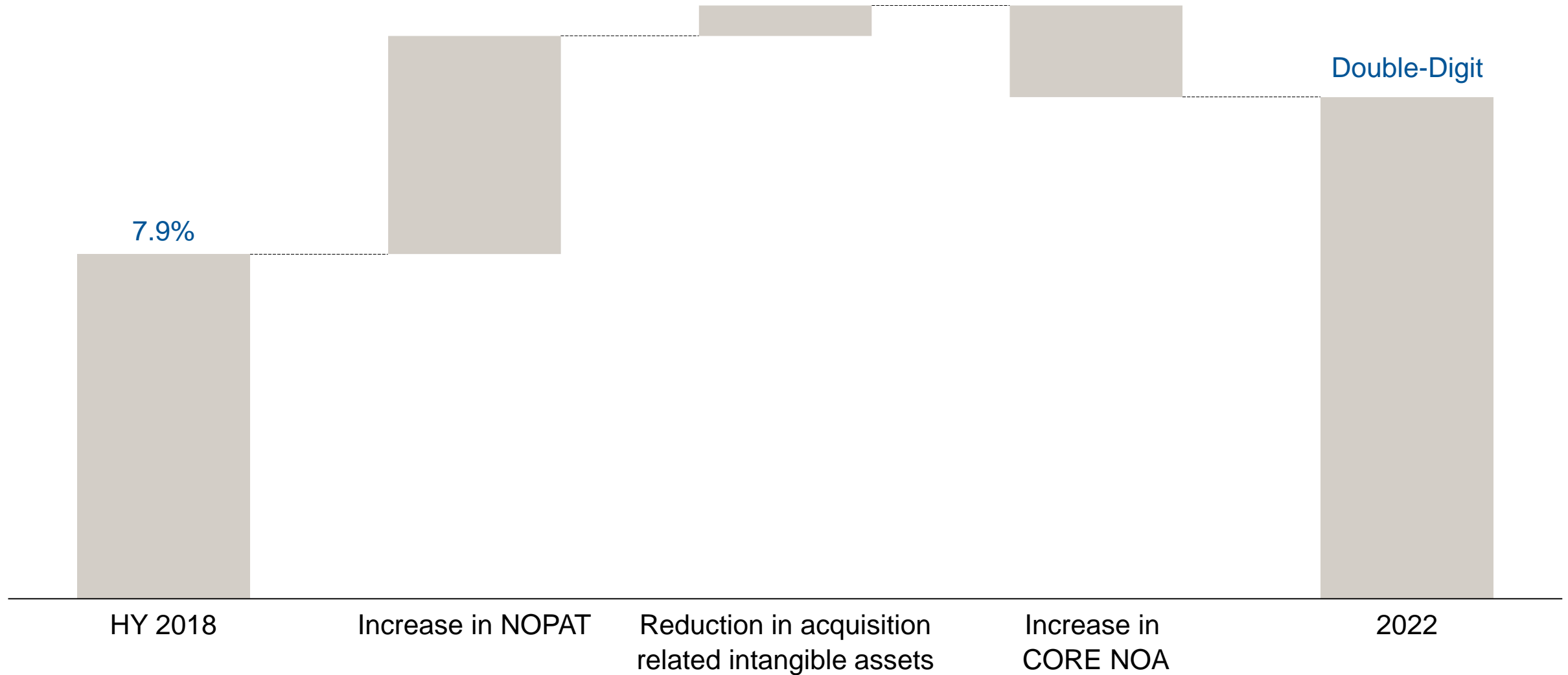
² Group tax rate of 18.3% for 2018 and 6.6% for 2017 (restated for IFRS 15 adoption and excluding the favorable impact from the estimates U.S. and Belgian tax reforms)

³ Full-Year 2017: Annualized to reflect full year for Capsugel; Half-Year 2018: NOPAT for the six months ended 30 June 2018 multiplied by 2 to reflect the full year

⁴ Investments in associates / joint ventures, operating cash, present value of operating leases

Illustrative ROIC Evolution

NOPAT drives double-digit ROIC by 2022



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CFO Priorities

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CFO Priorities

Driving sustainable and profitable growth



Summary

Achieve **Mid-Term Guidance** and sustainable, profitable growth beyond 2022

Drive **discipline in Capex investments and M&A**

Transition to **top-quartile efficiency and effectiveness** in Enabling Functions

Maintain **investment grade** financing and **dividend policy**

Foster **ongoing dialogue** with investors and analysts

Adhere to highest **compliance standards**

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Thank you for your attention.

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.

In Lonza's [2018 Half-Year Results report](#), the reconciliation of IFRS to CORE results provides further details on the adjustments.

- 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 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 presentation was made.

