Capital Markets Day 2018
Lonza Finance – Driving Sustainable and Profitable Growth
Rodolfo Savitzky, CFO
Outlook 2018
Outlook 2018

**Strong momentum in 2018**

<table>
<thead>
<tr>
<th></th>
<th>H1 2018</th>
<th>H2 2018 Outlook</th>
<th>Outlook 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Growth vs. PY (pro forma¹)</td>
<td>8.2%</td>
<td>Mid- to high-single digits</td>
<td>Mid- to high-single digits</td>
</tr>
<tr>
<td>CORE EBITDA Margin</td>
<td>26.0%</td>
<td>Similar to H1</td>
<td>Similar to H1</td>
</tr>
<tr>
<td>CORE EBITDA Margin Improvements vs. PY (pro forma¹)</td>
<td>60 bps</td>
<td>&gt; 100 bps</td>
<td>~100 bps</td>
</tr>
</tbody>
</table>

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.

CORE definition: See appendix
Corporate

Path to Mid-Term Guidance & Growth Beyond 2022
# Mid-Term Guidance

**On track to 2022 guidance**

<table>
<thead>
<tr>
<th>Sales in CHF million</th>
<th>CORE EBITDA Margin</th>
<th>ROIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2017 pro-forma¹</td>
<td>5,606</td>
<td></td>
</tr>
<tr>
<td>HY 2018</td>
<td>3,079</td>
<td></td>
</tr>
<tr>
<td>FY 2022 MTG</td>
<td>7,500</td>
<td></td>
</tr>
<tr>
<td>FY 2017 pro-forma¹</td>
<td>24.9%</td>
<td></td>
</tr>
<tr>
<td>HY 2018</td>
<td>26.0%</td>
<td></td>
</tr>
<tr>
<td>FY 2022 MTG</td>
<td>30.0%</td>
<td></td>
</tr>
<tr>
<td>FY 2017</td>
<td>8.1%</td>
<td></td>
</tr>
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<td>7.9%</td>
<td></td>
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<td>FY 2022 MTG</td>
<td>Double-Digit</td>
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**CAGR**
- $+6\%$
- $30.0\%$
- $8.1\%$
- $7.9\%$
- $Double-Digit$
Building Blocks for Mid-Term Guidance

Projections based on strong building blocks

Sales CHF 7.5 billion
Mid-single-digit growth

CORE EBITDA Margin 30%
~100 bps average annual expansion

Double-Digit ROIC
Acceleration with growth investments

2022 Guidance

2022 Trajectory

Building Blocks

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

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

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

CORE definition: See appendix
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

**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

**Net Working Capital optimization**
- Tightened collection processes
- Improved payment terms
- Embedded inventory optimization across all sites

Save 5% of addressable spend base

Become top quartile in efficiency and effectiveness

Reduce Net Working Capital as % of sales
### Trajectory by Reporting Segment

**Strong value creation across portfolio**

<table>
<thead>
<tr>
<th>Pharma &amp; Biotech</th>
<th>Consumer Health</th>
<th>Consumer &amp; Resources Protections</th>
<th>Water Care</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales Growth 2017PF&lt;sup&gt;1&lt;/sup&gt;-2022</strong></td>
<td><strong>High-single digits</strong></td>
<td><strong>Mid- to high-single digits</strong></td>
<td><strong>Low- to mid-single digits</strong></td>
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<tr>
<td><strong>2022 CORE EBITDA Margin Trajectory</strong></td>
<td><strong>Sustain &gt; 30+%</strong></td>
<td><strong>From high twenties to &gt; 30%</strong></td>
<td><strong>From high teens to ~25%</strong></td>
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<td><strong>Building Blocks</strong></td>
<td><strong>Growth projects</strong></td>
<td><strong>Capsugel synergies</strong></td>
<td><strong>Microbial control expertise</strong></td>
</tr>
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<td></td>
<td><strong>Capsugel synergies</strong></td>
<td><strong>Leveraging pharma technologies</strong></td>
<td><strong>Procurement and supply-chain excellence</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Manufacturing excellence</strong></td>
<td><strong>Innovation</strong></td>
<td><strong>Product portfolio optimization</strong></td>
</tr>
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<td></td>
<td><strong>Capex investments and throughput optimization</strong></td>
<td></td>
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<sup>1</sup>Lonza Full-Year 2017 financial results (restated for IFRS 15) include Capsugel Full-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.
## Trajectory by Reporting Segment

### Strong value creation across portfolio

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</tr>
<tr>
<td>Building Blocks</td>
<td>From low teens to &gt; 15%</td>
<td>From mid-single digits</td>
<td>Mid-single digits</td>
</tr>
</tbody>
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#### Building Blocks
- Growth projects
- Capsugel synergies
- Manufacturing excellence
- Capex investment and throughput optimization

### 2022 CORE EBITDA Margin Trajectory

- Sustain > 30+% from high twenties to > 30%
- From high teens to ~25%
- From low teens to > 15%

### Deep-dive areas
- Business model re-design
- New launches
- E-commerce

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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**

- **2017 Sales**
  - Throughput maximization
  - Single-use in Portsmouth, NH (USA) and Singapore (SG)
  - Cell & Gene Therapy in Pearland, TX (USA)

- **2022 Sales**
  - Examples:
    - Ibex™ Dedicate (commercial offerings) in Visp (CH)
    - Ibex™ Design & Develop (pre- and clinical offerings) in Visp (CH)
    - Mid-scale in Portsmouth

- **2025+ Sales**

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Next Pharma & Biotech Growth Wave Beyond 2022
Capex in Pharma & Biotech

Accelerate investments in 2019 to seed next growth wave

Sales Development (excluding Capsugel) in CHF bn

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2017 pro-forma¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditure</td>
<td>1.4</td>
<td>1.6</td>
<td>1.8</td>
<td>2.1</td>
<td></td>
</tr>
</tbody>
</table>

CORE RONOA (in %)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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| CORE definition: See appendix

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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

1.73x  
At closing  
2.65x  
2017 incl. Capsugel

est. 2.80x  
2016A

2.52x  
HY2018

Below 2x  
2019E

1.73x  
2016A

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

CORE definition: See appendix
Return on Invested Capital
Return on Invested Capital (ROIC)

ROIC accounts for return on all investments

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>HY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORE EBIT</td>
<td>936</td>
<td>626</td>
</tr>
<tr>
<td>Amortization of acquisition-related intangible assets</td>
<td>(104)</td>
<td>(84)</td>
</tr>
<tr>
<td>Share of results of associates / joint ventures and interest on operating leases</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Taxes(^2)</td>
<td>(55)</td>
<td>(100)</td>
</tr>
<tr>
<td>NOPAT</td>
<td>779</td>
<td>443</td>
</tr>
<tr>
<td><strong>NOPAT annualized(^3)</strong></td>
<td><strong>850</strong></td>
<td><strong>887</strong></td>
</tr>
</tbody>
</table>

ROIC = 

Average invested capital

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>HY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORE net operating assets (CORE NOA)</td>
<td>3,688</td>
<td>3,973</td>
</tr>
<tr>
<td>Goodwill</td>
<td>3,943</td>
<td>4,148</td>
</tr>
<tr>
<td>Acquisition-related intangible assets</td>
<td>3,659</td>
<td>3,587</td>
</tr>
<tr>
<td>Other assets(^4)</td>
<td>299</td>
<td>346</td>
</tr>
<tr>
<td>Net current and deferred tax liabilities</td>
<td>(1,065)</td>
<td>(858)</td>
</tr>
<tr>
<td><strong>Average invested capital</strong></td>
<td><strong>10,524</strong></td>
<td><strong>11,196</strong></td>
</tr>
</tbody>
</table>

ROIC \(=\) 8.1% \(=\) 7.9%

\(^1\) 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

- Standard, comparable definition
- Easily traceable to financial statements
- Most stringent calculation
Illustrative ROIC Evolution

NOPAT drives double-digit ROIC by 2022

Core definition: See appendix
CFO Priorities
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
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.