

News Release

Lonza Reports Record-Breaking Full-Year Results with Double-Digit Lonza Standalone Sales Growth and More than 26% CORE EBIT Growth in a Major Transformational Year

- **Lonza exceeded its full-year 2017 guidance with Lonza standalone sales of CHF 4.6 billion, growing organically by 10.4% versus prior year, and 26.3% organic CORE EBIT growth**
- **Lonza including Capsugel reports sales of CHF 5.1 billion, 47.2% CORE EBIT growth and a CORE EBITDA margin of 24.8%**
- **Offerings along and beyond the healthcare continuum were growth drivers for both segments – Pharma&Biotech and Specialty Ingredients**
- **Capsugel acquisition closed on 5 July 2017; company integration is on track to deliver expected synergies and growth targets**
- **Lonza launched further growth projects, including its innovative new concept in biological manufacturing and development Ibex™ Solutions in Visp (CH)**
- **At the Annual General Meeting, the Board of Directors will propose Board changes and a stable dividend for shareholders of CHF 2.75 per share for 2017, despite a 40.7% increase in share capital**

Basel, Switzerland, 31 January 2018 – Lonza today announced its record-breaking 2017 full-year results, which included double-digit organic sales growth, organic CORE EBITDA and CORE EBIT growth well above sales growth and an attractive CORE RONOA of 28.3% for Lonza standalone.

Lonza exceeded its full-year 2017 guidance and demonstrated its strong organic growth potential. Having closed the acquisition of Capsugel on 5 July 2017, Lonza consolidated Capsugel for nearly six months in 2017.

Lonza reported sales of CHF 5.1 billion (Lonza standalone CHF 4.6 billion) for the full-year 2017, a 23.5% increase in reported currency compared with the same period in 2016 (Lonza standalone 10.4% sales growth in reported currency).

Margins for Lonza further improved, resulting in a record-breaking CORE EBITDA margin of 24.8% (23.9% Lonza standalone) and CORE EBIT margin of 18.8% (18.0% Lonza standalone) in reported currency.

Net debt as a consequence of the Capsugel acquisition ended 2017 at CHF 3.8 billion, which resulted in a net debt/CORE EBITDA (proforma) ratio of 2.65x – a leverage level significantly below the previously communicated threshold of up to 3x net debt/CORE EBITDA. This ratio was also supported by the strong operational free cash flow of CHF 619 million before acquisitions.

The outstanding organic sales growth and high margin improvement demonstrate Lonza's robust operational performance and commercial excellence. Both of Lonza's segments – Pharma&Biotech and Specialty Ingredients – contributed to the record-breaking full-year results with offerings along and beyond the healthcare

continuum as growth drivers. With less than six months on Lonza's books, Capsugel has already shown its potential to add to Lonza's growth, especially as synergies are expected to materialize starting in 2018.

"With 120 years of company history, we are now stronger than ever as these outstanding results demonstrate," said Richard Ridinger, CEO of Lonza.

"Following the acquisition of Capsugel, we have successfully achieved our goals and even over-delivered," he added. "With such a rapid step-up in size – of our sales, employees and entities – we are now optimizing all of our processes and structures to ensure profitable growth continues well into the future."

Financial Summary – Lonza Standalone

<i>CHF million</i>	<i>FYR 2017</i>	<i>FYR 2016</i>	<i>Change YoY</i>
Sales	4,562	4,132	10.4%
CORE EBITDA	1,091	918	18.8%
<i>CORE EBITDA Margin</i>	23.9%	22.2%	
CORE EBIT	822	651	26.3%
<i>CORE EBIT Margin</i>	18.0%	15.8%	
CORE RONOA	28.3%	21.5%	31.6%

Financial Summary – Lonza Including Capsugel

<i>CHF million</i>	<i>FYR 2017</i>	<i>FYR 2016</i>	<i>Change YoY</i>
Sales	5,105	4,132	23.5%
CORE EBITDA	1,265	918	37.8%
<i>CORE EBITDA Margin</i>	24.8%	22.2%	
CORE EBIT	958	651	47.2%
<i>CORE EBIT Margin</i>	18.8%	15.8%	
CORE RONOA	29.1%	21.5%	35.3%
Operating Free Cash Flow (before acquisitions)	619	638	(3.0)%
Operating Free Cash Flow	(2,691)	408	(759.6)%
Net Debt	3,762	1,584	137.5%

Pharma&Biotech Segment

Pharma&Biotech saw another record year in 2017 with commercial excellence, operational execution and business model innovation as key performance drivers. The continued outstanding performance was supported by high demand across all businesses with strong development in Commercial Mammalian and in Chemical Manufacturing, as well as ongoing high demand for Clinical Development services.

This segment (Lonza standalone) delivered remarkable sales growth of 18.9% (19.4% in constant exchange rates), reaching CHF 2.1 billion, which led to an excellent CORE EBIT of CHF 530 million and an extremely high 31.8% CORE EBIT growth year-over-year.

Among other growth initiatives, Lonza launched its unique, future-shaping innovation for the Pharma&Biotech markets, "Ibex – The Agile Advantage™." The Ibex™ Solutions offering in Visp (CH) has already secured first long-term contracts with a joint venture between Sanofi and Lonza and a long-term commercial supply agreement with Portola Pharmaceuticals, Inc., to manufacture AndexXa®.

With the further build-out of its Drug Product Services labs in Basel (CH), Lonza also expanded its footprint for parenteral dosage form development offerings, which is highly complementary to Capsugel's oral dosage form.

In addition to organic growth initiatives, Lonza acquired a new U.S. site in Hayward, CA, for clinical manufacture of monoclonal antibodies based on single-use bioreactor technology. With the acquisition of Micro-Macinazione based in Molinazzo (CH), a market leader in the micronization of active pharmaceutical ingredients and excipients, Lonza extended its capacity for particle engineering in Europe.

Also in 2017 Lonza acquired PharmaCell BV (NL), a cell-and-gene-therapy contract manufacturer in Europe, to strengthen its offering and global footprint in this area. The acquisition adds to the ongoing construction of the world's largest dedicated cell-and-gene-therapy facility in Pearland, TX (USA), which is expected to come on-stream in Q1 2018.

Lonza's strong regulatory track record continued with 15 successful regulatory inspections and 135 successful customer audits. Quality issues related to the production of certain biotherapeutic liquid media products – manufactured in one particular area of the Walkersville, MD (USA), site that is used to produce <20 L containers – are being addressed with a comprehensive approach. Production of research-use-only (RUO) and certain for-further-manufacturing (FFM) media products is ongoing.

Specialty Ingredients Segment

Specialty Ingredients delivered strong results with growth drivers along and beyond the healthcare continuum.

The segment (Lonza standalone) posted sustained positive performance again this year with a sales increase of 5.2% (4.8% in constant exchange rates) to CHF 2.4 billion during 2017. CORE EBIT grew by 10.2% year-over-year to CHF 367 million with further improved margins.

This strong performance was not only driven by Consumer Care businesses, but also by the further value creation achieved in the Coatings and Composites business, which includes Wood Protection, and in the Agro Ingredients business. Consumer Care experienced another successful year with double-digit sales growth, and it contributed to Lonza's (standalone) full-year 2017 guidance. Growth drivers were the Hygiene and Preservation business and the Consumer Health and Nutrition business.

Among the growth drivers for Coatings and Composites were environmentally sustainable and innovative technologies in response to customers' demands and the changing global regulatory landscape. For example, the Materials Performance and Protection business delivered outstanding results driven by high demand for its innovative biocides and formulated product solutions. The Coatings and Composites business also reported overall strong sales growth in the electronics, marine anti-fouling, oil & gas and plastics markets.

Wood Protection, a part of Coatings and Composites, continued its improvement in 2017 despite facing the challenges of a highly competitive market environment. Within the Wood Protection business, engineered wood preservation and mold-control offerings saw particularly robust growth; and efforts have been ongoing to further optimize performance within these markets.

Agro and Animal Feed Ingredients showed solid growth based on higher demand, especially in animal nutrition. Progress was also made in the build-up of a niche portfolio for selected specialty crops with a range of agrochemical products and applications, based on Lonza's broad technology platforms in chemistry and biotechnology. Geographic expansion, new label claims and new formulations are supporting the strategic growth in this business.

The focus of Water Care was on the turnaround of the business with targeted initiatives for restructuring and rebuilding this part of Lonza Specialty Ingredients. A significant number of innovative projects, commercial initiatives and business process improvements, which have been established to strengthen both the residential and the industrial water businesses, are ongoing in 2018.

Capsugel Acquisition and Integration

After the successful closing of the acquisition of Capsugel on 5 July 2017, the post-deal integration began immediately. On 1 January 2018, business and functional integration was completed with Capsugel being fully integrated into the Lonza structure. Commercial integration is also progressing with first joint-product offerings in consumer health and nutrition and positive customer response to the combined Lonza-Capsugel value proposition.

In 2017 Capsugel performed in line with expectations with strong results in the Consumer Health and Nutrition business. The focus is now on bringing in expected commercial synergies in both segments with CHF ~100 million p.a. top-line synergies to be achieved by year five as already communicated.

Business Structure Development

During 2017 Lonza set up its organizational structure to be ready for the full integration of Capsugel and to align the segments for further growth in the future. From 1 January 2018 on Capsugel has been integrated into both Lonza segments – Pharma&Biotech and Specialty Ingredients.

Within the Pharma&Biotech segment, Capsugel's drug product intermediate, development and manufacturing offerings, as well as its bioavailability and targeted release expertise, synergistically complement Lonza's drug substance development and manufacturing capabilities. This addition has further strengthened the breadth and depth of Lonza's offerings for small molecules.

Within the Specialty Ingredients segment, the integration of Lonza's nutritional ingredients and Capsugel's formulation and encapsulation capabilities is expected to further enhance Lonza's offerings. It provides the ability to combine expertise in high-quality, science-backed ingredients with formulation know-how and industry-leading capsule and encapsulation technologies to create innovative solutions for consumer health and nutrition companies.

To foster these growth opportunities in the preventive healthcare and nutrition markets, Specialty Ingredients began operating on 1 January 2018 in three distinct units: a Consumer Health division, a Consumer & Resources Protection division and a Water Care business unit.

More details including financials will be reported along with the half-year results presentation in July 2018.

Capital Measures in 2017

During 2017 the Capsugel acquisition was financed through a combination of equity and debt instruments. Following the successful placement of 5.0 million new shares with gross proceeds in the amount of CHF 865 million by way of an accelerated bookbuilding in February, Lonza offered – after the approval of shareholders during the Annual General Meeting (AGM) on 25 April 2017 – a total of 16,548,612 newly issued shares by way of a discounted rights offering with gross proceeds in the amount of CHF 2.3 billion.

The balance of the acquisition price was financed through indebtedness including a USD 1.0 billion term loan and USD 1.4 billion bridge loan facilities provided by the assigned banks. This bridge was refinanced by traditional debt instruments. Lonza issued dual tranche CHF 235 million straight bonds in July 2017. The bonds have a maturity of 4 and 7 years with coupons of 0.2% and 0.7%, respectively.

Furthermore, Lonza priced its multi-tranche "Schuldschein" loan (private placement) with a total size of EUR 700 million and USD 200 million at competitive market terms in August 2017. The EUR tranches have maturities of 4 and 6 years with fixed and variable coupons, respectively. The USD tranches have maturities of 5 years (variable coupon) and 7 years (fixed coupon). In December 2017 Lonza placed a USD 100 million, 7-year tranche "Schuldschein" loan. The proceeds plus available cash were used to fully redeem the outstanding debt bridge.

Outlook 2018

After a boost in performance and a large number of growth activities started in 2017, the focus for 2018 will be on thorough execution, profitability, efficiency and integration to make sure that all synergies can be captured. A number of new business teams are at the starting line and ready to capture those synergies. Lonza will also continue to invest in innovation.

By integrating, modernizing and optimizing Lonza's enabling functions – like IT, procurement and finance – Lonza is ensuring that the company structure is fit for further growth.

Based on the sound foundation laid in 2017 for the future, and starting from a new baseline, Lonza (including Capsugel) is announcing the following outlook for 2018:

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

The Outlook 2018 is a next step toward achieving Lonza's Mid-Term Guidance 2022. During 2018 the healthcare continuum is expected to grow above average while Lonza is executing ongoing optimizations in parts of the basic portfolio (e.g. fertilizers).

Mid-Term Guidance 2022

With 120 years of company history, Lonza is stronger than ever and well prepared to maintain positive momentum toward the company's 125th anniversary in 2022 and beyond. Therefore, Lonza confirms the Mid-Term Guidance 2022, as announced during the half-year results presentation in July 2017:

- Sales CHF 7.5 billion
- CORE EBITDA margin 30%
- CORE RONO 35%

During 2018 CORE RONO (return on net operating assets) will be replaced by ROIC (return on invested capital), and the new mid-term ROIC target will be announced with the half-year results 2018.

The Outlook 2018 and Mid-Term Guidance 2022 are based on the present business composition, macro-economic environment, current visibility and constant exchange rates.

Dividend Announced

Lonza's Board of Directors is proposing a stable dividend for shareholders of CHF 2.75 per share for 2017, despite a 40.7% increase in share capital. Subject to approval at the Annual General Meeting, the dividend of CHF 2.75 per share for 2017 will be paid out of the reserve capital contribution and will be free from Swiss withholding tax.

Changes in Board of Directors

The following changes in Lonza's Board of Directors were announced: Rolf Soiron (Chairman), as announced a year ago, and Jean-Daniel Gerber (Chair of the Nominations and Compensation Committee) have decided not to stand for re-election at the upcoming Annual General Meeting (AGM) on 4 May 2018. The Board would like to thank them for their contributions during their years of service on the Board.

Rolf Soiron has been a member of the Board and its Chairman since 2005; during his tenure he has been spearheading the transformational journey of Lonza towards one of the world's leading and most-trusted suppliers to the pharmaceutical, biotech and specialty ingredients markets. Jean-Daniel Gerber has been a member of the Board since 2011 and most recently was the Chair of the Nominations and Compensation Committee.

The Board of Directors is proposing to Lonza's AGM the election of two new Board members, Ms. Angelica Kohlmann and Professor Olivier Verscheure.

Angelica Kohlmann is a German-Brazilian entrepreneur, investor and medical doctor. Her broad experience of more than 25 years in the fields of pharmaceuticals and biotech, tech and big data, management and international business – including the launch of several companies – will be valuable to Lonza.

Ms. Kohlmann is Chairperson and CEO of the family-holding Kohlmann & Co AG, serves on several boards and is Chairman of the Advisory Board of the Global Peter Drucker Forum, Vienna (AT). Angelica Kohlmann holds an MD and a Doctoral degree from Hamburg University (DE).

In May 2016 Olivier Verscheure became the Executive Director of the Swiss Data Science Center, a national R&D center hosted by both the Swiss Federal Institute of Technology (EPFL) in Lausanne (CH) and the Eidgenössische Technische Hochschule (ETH) in Zurich (CH).

Together with his prior professional career at the IBM T. J. Watson Research Center in New York and the IBM Research Lab in Ireland, he brings to Lonza extensive insights into the rapidly changing digital world and its latest developments.

Olivier Verscheure received his Ph.D. degree in computer science from EPFL in 1999.

Albert Baehny, currently Vice Chairman of the Board, will be proposed as the new Chairman at the AGM, to succeed the current Chairman, Rolf Soiron.

The Board is further proposing to the AGM the re-election of all other Board members.

Capital Markets Day in Q3 2018

At the upcoming Capital Markets Day on 24-26 September in Zurich (CH), analysts and investors will be invited to meet senior leaders of Lonza and to hear more about how the company is creating value along and beyond the healthcare continuum as it develops and optimizes its overall business portfolio. A separate invitation for the Capital Markets Day, including an optional site visit to Visp (CH) to see the ramp-up of Lonza's innovative Ibex™ Solutions, will follow in due course.

About Lonza

Lonza is one of the world's leading and most-trusted suppliers to the pharmaceutical, biotech and specialty ingredients markets. As an integrated solutions provider, Lonza is boosting its value creation along and beyond the healthcare continuum with a strong focus on patient healthcare, consumer preventive healthcare and consumer's healthy environment.

Lonza harnesses science and technology to create products that support safer and healthier living and that enhance the overall quality of life. With the recent Capsugel acquisition, Lonza now offers products and services from the custom development and manufacturing of active pharmaceutical ingredients to innovative dosage forms for the pharma and consumer health and nutrition industries.

Benefiting from its regulatory expertise, Lonza is able to transfer its know-how from pharma to hygiene and fast-moving consumer goods all the way to coatings and composites and the preservation and protection of agricultural goods and other natural resources.

Founded in 1897 in the Swiss Alps, Lonza today is a well-respected global company with more than 100 sites and offices and approximately 14,500 full-time employees worldwide. The company generated sales of CHF 5.1 billion in 2017 with a CORE EBITDA of CHF 1.3 billion. Further information can be found at www.lonza.com.

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Definition of CORE Results

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.

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.

Additional Information and Disclaimer

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", "guidance", "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 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.