

News Release

Lonza Reports Positive Start to 2018 with 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**

Basel, Switzerland, 4 May 2018 – Lonza had a positive start to 2018 led by the businesses along the healthcare continuum. The former Capsugel business, now part of Lonza Pharma & Biotech and Lonza Consumer Health, has shown a strong performance following good progress on business and functional integration.

In Pharma & Biotech both the biologics and the small-molecule businesses are growth drivers with ongoing demand for clinical and commercial offerings. The growth drivers in Specialty Ingredients have been the Consumer Health and Nutrition business, including legacy Capsugel offerings, and the composite materials business in Consumer Resources & Protection.

The seasonal and cyclical businesses in the agro, wood and water product portfolios had a softer start.

“Our businesses along the healthcare continuum produced positive results. Former Capsugel businesses, in particular, performed above our expectations both versus prior year and on a run-rate basis and contributed to our core activities,” said Richard Ridinger, Lonza's CEO. “We have further strengthened our technology footprint by adding to our portfolio the world's largest dedicated cell-and-gene-therapy manufacturing facility in Pearland, Texas, and by expanding our mid-scale mammalian capacity in Portsmouth, NH. We will continue to invest into our innovative offerings, global presence, commercial and operational excellence while reviewing our portfolio as part of our long-term strategic growth path.”

Pharma & Biotech Segment

Lonza's biological businesses are performing strongly with ongoing high demand in Clinical Development and Manufacturing and with Mammalian and Microbial Commercial Manufacturing continuing to benefit from strong interest in all assets.



The small-molecule businesses continue to outperform on top- and bottom-line with considerable contributions from legacy Capsugel's newly added dosage form and delivery system (DFDS) technologies and with multiple projects in discussion that connect the active pharmaceutical ingredients (API) and DFDS offerings.

Pharma hard capsules from the former Capsugel business had a good start in 2018 with a new leadership team and integration activities with Lonza progressing well.

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.

Research and development (R&D) and innovation projects are ongoing with a sharp focus on accelerating cell-line construction and offerings in drug product services, digitalizing biological upstream and downstream manufacturing and continuing other process improvements. Furthermore, Lonza continues to invest in state-of-the-art technological advances so that Lonza has the footprint that meets customers' diverse needs.

During the recent grand-opening ceremony in Pearland, TX (USA), Lonza executives and industry leaders unveiled the first-of-its-kind cell-and-gene-therapy manufacturing facility with capacity to produce treatment for thousands of patients suffering from rare genetic disorders or life-threatening diseases.

Lonza announced today that it is investing in new mid-scale assets in its Portsmouth, NH (USA) site for commercial biomanufacturing to meet strong demand and to complement existing small- and large-scale assets within the Lonza network.

Specialty Ingredients Segment

As of 1 January 2018, the Specialty Ingredients segment began operating in three distinct units: 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.

Lonza Consumer Health is showing good momentum across capsules and ingredients. In particular, two leading actives – UCII® ingredient for joint health and Carnipure® ingredient in sports nutrition – are benefiting from high demand. Growth in capsules and dosage forms is especially driven by clean-label specialty polymer solutions.

In Q1 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.

Disinfecting solutions in home and institutional hygiene applications saw continuous growth, driven by increased demand in North America and Europe that resulted from innovations to address regulatory compliance.

Consumer Resources & Protection benefited from robust demand for composite materials in the aerospace and electronics industries and for antimicrobial solutions in other industrial markets. 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.

Outlook 2018

Lonza confirms ongoing strong momentum for its businesses along the healthcare continuum and is confident to achieve a positive half-year result 2018.

The strong business momentum also makes Lonza fully confident of achieving, at a minimum, the previously communicated full-year guidance of mid-single-digit sales growth on a comparable basis in line with Mid-Term Guidance 2022 and 100 bps improvement in CORE EBITDA margin in line with Mid-Term Guidance 2022.

With the publication of the half-year results 2018, CORE RONO (return on net operating assets) will be replaced by ROIC (return on invested

capital) as a key performance indicator, and the new mid-term ROIC target will be announced. Lonza will provide historical pro-forma financial data for its ROIC metric and for its new reporting structure in Specialty Ingredients.

Ordinary Annual General Meeting (AGM)

The shareholders of Lonza Group AG are gathering today to decide on numerous agenda items, including the re-elections of Board of Directors members, the election of Albert M. Baehny as the Chairman of the Board of Directors, the election of two new Board members (Angelica Kohlmann and Olivier Verscheure), the approval of the proposed dividend distribution and various compensation votes. The results will be published after completion of the AGM.

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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Additional Information and Disclaimer

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Certain matters discussed in this news release may constitute forward-looking statements. These statements are based on current expectations and estimates of Lonza Group Ltd, although Lonza Group Ltd can give no assurance that these expectations and estimates will be achieved. Investors are cautioned that all forward-looking statements involve risks and uncertainty and are qualified in their entirety. The actual results may differ materially in the future from the forward-looking statements included in this news release due to various factors. Furthermore, except as otherwise required by law, Lonza Group Ltd disclaims any intention or obligation to update the statements contained in this news release.