



News Release

Lonza Achieved Another Excellent Full-Year Result in 2018 with 9% Organic Sales Growth and Strong Profitability Driven by Healthcare Businesses

- **Lonza delivered its Full-Year 2018 results with sales of CHF 5.5 billion at a record 27.3% CORE EBITDA margin for Lonza's continuing operations**
- **Outperformance in Pharma & Biotech with 14% sales growth and margins up 260 bps was combined with positive momentum in the Consumer Health division**
- **Lonza continued to benefit from the performance and synergies of the successfully integrated Capsugel businesses, having completed the first full year as a combined company**
- **The challenging environment for cyclical parts of the Consumer & Resources Protection portfolio continued to have a negative impact on the business throughout the year; countermeasures are being implemented to improve profitability**
- **Lonza launched further growth initiatives to expand its global and technological footprint, especially in biologics, including the expansion of Ibex™ Solutions in Visp (CH)**
- **Mid-Term 2022 Guidance confirmed and 2019 Outlook announced**
- **Review of the business portfolio to be accelerated to further strengthen company's position along the Healthcare Continuum®**
- **At the Annual General Meeting, the Board of Directors will propose a stable dividend for shareholders of CHF 2.75 per share for 2018**

Basel, Switzerland, 30 January 2019 – Lonza today reported a 9% organic (like-for-like) sales, 12% organic CORE EBITDA and 14% organic CORE EBIT growth. Having completed the first full year with Capsugel as a combined company, sales amounted to CHF 5.5 billion for 2018; and margins for Lonza further improved, resulting in a CORE EBITDA margin of 27.3% and a CORE EBIT margin of 21.0%.

All figures are for Lonza continuing operations (excluding the Water Care business unit) in reported currency and are compared with the same period in 2017 on a like-for-like basis (reported Lonza Full-Year 2017 financial results including Capsugel 2017 financial results from 1 January 2017, [restated](#) to reflect adoption of IFRS 15).

On a segment level, Lonza Pharma & Biotech contributed significantly to Lonza's 2018 performance with 14% organic sales growth and a 32.8% CORE EBITDA margin, especially driven by Clinical Development and Manufacturing and by Commercial Manufacturing in its biological business.

Lonza's Specialty Ingredients segment achieved 3.4% organic sales growth and a 22.1% CORE EBITDA margin, despite headwinds due to raw-material price increases, supply-chain challenges and negative cyclical impacts throughout 2018 as already communicated.

The Consumer Health division performed strongly with continued momentum, particularly in Consumer Health and Nutrition, benefiting from synergies across nutritional ingredients, formulation capabilities and dosage form



offerings. The specialty portfolios in Consumer & Resources Protection also performed robustly. Cyclical and commoditized parts especially in the agricultural ingredients and wood protection businesses were negatively impacted by market developments in 2018; countermeasures have been initiated for operational and commercial improvements.

"With these record full-year results, Lonza achieved another successful milestone toward our 2022 goals. The Healthcare Continuum[®], which we first introduced in 2016 and have continued to shape since then, has been proven to be the right strategy for profitable growth and strong market leadership," said Richard Ridinger, CEO of Lonza.

"The transformative acquisition of Capsugel added value from the first day, and we can be proud of our achievement in bringing two high-performing companies together successfully," he added. "We have set Lonza up for continued growth along the Healthcare Continuum[®] and have created value for all stakeholders, including our shareholders."

Financial Summary (Continuing Business¹)²

Lonza Pro-Forma Results

<i>CHF million</i>	<i>FY 2018</i>	<i>FY 2017 (pro-forma)³</i>	<i>Change in % YoY</i>
Sales	5,542	5,083	9.0%
CORE EBITDA	1,511	1,349	12.0%
<i>CORE EBITDA Margin</i>	<i>27.3%</i>	<i>26.5%</i>	
CORE EBIT	1,165	1,021	14.1%
<i>CORE EBIT Margin</i>	<i>21.0%</i>	<i>20.1%</i>	

Lonza Reported Results

<i>CHF million</i>	<i>FY 2018</i>	<i>FY 2017 (restated)⁴</i>	<i>Change in %YoY</i>
Sales	5,542	4,548	21.9%
CORE EBITDA	1,511	1,196	26.3%
<i>CORE EBITDA Margin</i>	<i>27.3%</i>	<i>26.3%</i>	
CORE EBIT	1,165	904	28.9%
<i>CORE EBIT Margin</i>	<i>21.0%</i>	<i>19.9%</i>	
CORE profit	899	740	21.5%
CORE EPS basic	12.03	10.87	10.7%
CORE EPS diluted	11.98	10.78	11.1%
ROIC in % ⁵	8.0	8.4	(4.4)%
CORE RONO in %	31.4%	30.0%	4.7%
Operational Free Cash Flow	820	(2,691)	(130.5)%
Net Debt	3,534	3,762	(6.1)%



Net Debt/CORE EBITDA (last twelve-month basis)	2.28	2.70	(15.6)%
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¹ Water Care is classified as discontinued operations and as assets held for sale in accordance with IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations," in the Full-Year 2017 and 2018 results.

² Currency exchange effects had only a marginal impact on actual exchange rate (AER) results. Further information about constant exchange rates (CER) is displayed in the [Full-Year Results 2018 Report](#).

³ Reported Lonza Full-Year 2017 financial results (restated for IFRS 15) include Capsugel 2017 financial results from 1 January 2017. This explanation applies to the terms "pro-forma," "like-for-like" and "organic," which are used as synonyms throughout this release.

⁴ On 1 January 2018, the new comprehensive revenue recognition standard, IFRS 15 "Revenue from Contracts with Customers," took effect. Lonza has applied the full retrospective methodology to adopt IFRS 15. As a consequence Lonza restated its financial results for full year 2017. On 19 December 2018, Lonza published a [news release](#) regarding the impact from the IFRS 15 restatement on comparable information for 2017.

⁵ The acquisition of Capsugel had a significant impact on Lonza's consolidated financial statements. Therefore, comparable Return on Invested Capital (ROIC) information is provided for Full-Year 2017 only. The underlying group tax rates were 18.3% for 2018 and 6.6% for 2017 (restated for IFRS15 adoption and excluding the favorable impacts from the U.S. and Belgian tax reforms).

Pharma & Biotech Segment

Lonza Pharma & Biotech continued to outperform with 14% organic sales growth and a 32.8% CORE EBITDA margin, an improvement of 260 bps on a like-for-like basis. This segment delivered CHF 3.1 billion sales for 2018; and CORE EBITDA amounted to CHF 1.0 billion, a pro-forma increase of 23.6% versus prior year. Excellent organic CORE EBIT growth of 27.3% resulted in a CORE EBIT of CHF 826 million and a CORE EBIT margin of 26.5%.

Lonza's biologics businesses performed strongly. The Commercial Mammalian and Microbial Manufacturing business continued to benefit from a solid customer base and strong demand, enabling the business to secure additional contracts for the mid- and long-term. Demand for Lonza's development services and clinical manufacturing in all technologies also remained high, further fueled by increasing pressure on customers to shorten time to the clinic and to the market.

Throughout 2018 our small-molecule businesses – including capsule and combined ingredient and dosage form offerings – continued their robust performance. The businesses reported continued operational and commercial improvements. Demand for Lonza's offerings in active pharmaceutical ingredient (API) development and clinical and commercial manufacturing held firm. Pharma hard capsules and dosage form and delivery systems continued to experience buoyant customer interest and to capture cross-selling synergies.

Market demand for Lonza's consumables and research tools was sustained in the reporting year, notably for cell-culture modeling, transfection, genome editing and endotoxin product portfolios.

Specialty Ingredients Segment

Specialty Ingredients delivered 3.4% organic sales growth and a 22.1% CORE EBITDA margin despite a challenging environment for cyclical and some raw-material pricing and supply-chain related headwinds in parts of the portfolio. The segment reported CHF 2.4 billion sales for 2018, and CORE EBITDA amounted to CHF 528 million (pro-forma -5.4% versus prior year). CORE EBIT was CHF 421 million (pro-forma -6% versus prior year) and resulted in a CORE EBIT margin of 17.6%.

Specialty Ingredients – Consumer Health

Specialty Ingredients' Consumer Health division grew organic sales by 6.3% to CHF 1.1 billion in 2018. CORE EBITDA amounted to CHF 292 million, a 13.2% like-for-like increase with a 27.3% CORE EBITDA margin, which is an improvement of 170 bps on a like-for-like basis.

This division's performance was driven by Lonza's proprietary nutritional ingredients, innovative dosage forms and increasing demand for specialty polymers hard capsules, e.g. all-natural and clean-label products, as well



as Lonza's household and professional hygiene solutions. New, combined Lonza-Capsugel offerings experienced strong demand, and 2018 saw a series of product launches that brought together innovative nutritional ingredients and tailored capsule-delivery technologies.

Specialty Ingredients – Consumer & Resources Protection

The specialty portfolios within Consumer & Resources Protection, especially in composites and material protection, reported ongoing positive demand and performed robustly as expected. A challenging environment for cyclical businesses in mature parts of the portfolio, like basic materials and intermediates, as well as raw-material price increases and supply-chain constraints, had a negative impact in 2018 as already communicated throughout the reporting year. Results were also influenced by the ongoing downward cycle for basic feed ingredients, especially for vitamin B3. Despite these headwinds the division delivered CHF 1.3 billion sales for 2018 (1.2% organic growth versus prior year). CORE EBITDA was CHF 236 million (-21.3% versus prior year) with a CORE EBITDA margin of 17.9%.

As a result of its strategic focus on the Healthcare Continuum[®] and thorough execution of its strategy, Lonza has become more resilient and independent from its cyclical parts. The strong results for the Full-Year 2018 show that growth and profitability in the healthcare businesses and in the specialty chemical portfolios balance the exposure to cyclicity in other more mature parts of the business.

Ongoing Investment Initiatives

To further accelerate growth along the Healthcare Continuum[®], Lonza is continuing to invest in its healthcare businesses. In 2018 Lonza announced the expansion of its Ibex[™] Solutions facility in Visp (CH), with two new, innovative packages – Ibex[™] Design and Ibex[™] Develop. The two new offerings are designed to meet the evolving needs of biotech companies with antibody therapies, from preclinical stage through to commercialization, including fill and finish. During 2018 another key focus at Lonza was on the development of its cell- and gene-therapy capabilities with targeted investments in innovative technologies and our global footprint.

All major investments that have previously been announced are progressing as planned, including those expansions in biological manufacturing in IBEX[®] Solutions in Visp and in cell- and gene-technologies in Portsmouth, NH and in Houston, TX (USA). In addition, hybrid mid-scale technologies in Portsmouth, small-scale single-use biologics technologies for clinical and commercial offerings in Guangzhou (CN), dosage form and ingredient production in Greenwood, SC (USA) and encapsulation capabilities in Tampa, FL (USA) are also on schedule.

Lonza Discontinued Operations

After a comprehensive analysis of options, Lonza decided to [divest its Water Care business](#) to Platinum Equity to further strengthen Lonza's strategic focus on the Healthcare Continuum[®]. The divestment and ownership transfer process is expected to be seamless to customers; the transaction is expected to close in Q1 2019.

Throughout the year the Water Care business continued to implement commercial excellence initiatives and innovative new offerings but faced headwinds due to a late seasonal start in North America and Europe and transportation costs. However, new customer contracts were secured for the recreational and industrial water businesses; and the outlook for 2019 is positive while restructuring and business model redesign are ongoing.

Mid-Term Guidance 2022

The Water Care transaction is expected to close in Q1 2019; to account for the Water Care disposal, Lonza will provide an adjusted Mid-Term Guidance after transaction closing. Lonza plans to re-invest parts of the proceeds of the Water Care disposal into the Healthcare Continuum[®] with expected higher returns to deliver more shareholder value.

Until closing of the transaction and corresponding adjustments, the Mid-Term Guidance for Lonza Group including the Water Care business unit is confirmed:

- Sales CHF 7.5 billion



- CORE EBITDA margin 30%
- CORE RONO 35%
- Double-digit ROIC

At Lonza's [Capital Markets Day](#) in September 2018, the growth trajectory by business was outlined. Lonza confirms its Mid-Term Guidance by segment and division:

- Pharma & Biotech: High-single digit sales growth with a sustained >30+% CORE EBITDA margin
- Specialty Ingredients' Consumer Health division: Mid-to-high-single digit sales growth with a margin progression from high twenties to >30%
- Specialty Ingredients' Consumer & Resources Protection division: Low-to-mid-single digit sales growth with a margin progression from high teens to ~25%

The Mid-Term Guidance 2022 is based on the present business composition for Lonza including the Water Care business unit, the present macro-economic environment, current visibility and constant exchange rates.

Outlook 2019

In 2019 Lonza will focus on the thorough execution of its growth projects in what is expected to be a year of significant investments. Lonza is also factoring into its outlook the continued macro-economic uncertainty and some potential ongoing headwinds in the cyclical parts of Lonza's Specialty Ingredients businesses.

Based on these assumptions, Lonza is providing the following outlook for Full-Year 2019:

- Mid-to-high-single digit sales growth
- Sustained high CORE EBITDA margin level

In addition, Lonza will accelerate the review of its current portfolio to further strengthen the company's position along the Healthcare Continuum[®]. At the same time, Lonza will continue to focus on operational and commercial excellence while investing in innovation and growth, especially in the biologics businesses. Lonza will also be continuing to implement measures to counter the cyclical-exposed businesses. An update on profitability measures and outlook will be provided with the Q1 Qualitative Business Update 2019.

The Outlook 2019 is based on the present business composition for Lonza's continuing operations (excluding the Water Care business unit), the present macro-economic environment, current visibility and constant exchange rates. The Outlook 2019 is a next step toward achieving Lonza's Mid-Term Guidance 2022. After becoming fully operational, all investments previously announced are expected to accelerate top-line growth and profitability from 2021 and to contribute to Lonza's mid-term targets.

Initiation of S&P Credit Rating

Lonza recently [announced](#) the initiation of a public credit rating with Standard & Poor's (S&P), which resulted in a BBB+ rating with stable outlook. Lonza is committed to maintaining an investment-grade rating going forward.

Dividend Announced

Lonza's Board of Directors is proposing a stable dividend for shareholders of CHF 2.75 per share for 2018. Subject to approval at the upcoming Annual General Meeting (AGM) on 18 April 2019, the dividend of CHF 2.75 per share for 2018 will be paid out of the reserve capital contribution and will be free from Swiss withholding tax.

Changes in Board of Directors

The following change in Lonza's Board of Directors was announced: Antonio Trius (member of the Audit and Compliance Committee), has decided not to stand for re-election at the upcoming AGM. The Board would like to thank him for his contribution during his years of service on the Board.

Termination of Quarterly Reporting



In accordance with Lonza shareholders' preferences, Lonza is announcing the decision to terminate its Q1 and Q3 Qualitative Business Updates; the last Qualitative Business Update will be published on 18 April 2019 for Q1 2019, as previously communicated.

About Lonza

Lonza is an integrated solutions provider that creates value along the Healthcare Continuum[®]. Through our Pharma & Biotech segment and our Specialty Ingredients segment businesses, we harness science and technology to serve markets along this continuum. We focus on creating a healthy environment, promoting a healthier lifestyle and preventing illness through consumers' preventive healthcare, as well as improving patient healthcare by supporting our customers to deliver innovative medicines that help treat or even cure severe diseases.

Patients and consumers benefit from our ability to transfer our pharma know-how to the healthcare, hygiene and fast-moving consumer goods environment and to the preservation and protection of the world where we live.

Founded in 1897 in the Swiss Alps, Lonza today is a well-respected global company with more than 100 sites and offices and approximately 15,500 full-time employees worldwide. The company generated sales of CHF 5.5 billion in 2018 with a CORE EBITDA of CHF 1.5 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 the Outlook 2019 and Mid-Term Guidance 2022 herein may not prove to be correct. The statements in the section on Outlook 2019 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 the section on Outlook 2019 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 the section on Outlook 2019 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 news release was published.