

Press Release

Lonza Reports Record-Breaking Financial Performance, Resulting in 24.2% CORE EBIT Growth, Driven by Pharma&Biotech

- **Strong sales growth of 8.7% to CHF 4.13 billion**
- **Excellent CORE EBIT of CHF 651 million, up by 24.2%**
- **CORE RONOA improvement of 500 bps, reaching 21.5%**
- **Another solid year of operational free cash flow of CHF 638 million before acquisitions**
- **Remarkable Pharma&Biotech sales growth of 15.9%, leading to substantially higher CORE EBIT of CHF 400 million, up 40.8%**
- **Specialty Ingredients posted sustained strong performance for the fifth year in a row with CORE EBIT increasing by 8.1%**
- **Increased dividend for shareholders proposed by Lonza's Board of Directors of CHF 2.75 per share for 2016**
- **Executive Committee and Board of Directors changes announced**

Basel, Switzerland, 25 January 2017 – Throughout 2016 Lonza continued to deliver record financial results with outstanding improvements across all key performance indicators, leading to the best-ever full-year results in the company's history. The strong sales growth and high margin improvement are the result of diligent and disciplined application of the company's successful strategy.

Compared with the same period in 2015, Lonza recorded strong sales growth of 8.7% (8.2% in constant exchange rates) to CHF 4.13 billion and record-high CORE EBIT growth of 24.2% to CHF 651 million in reported currency.

The outstanding improvements were particularly driven by commercial excellence and strong operational execution in the Pharma&Biotech segment.

CORE RONOA substantially improved to 21.5%, compared with 16.4% last year. Operational free cash flow before acquisitions was strong with CHF 638 million, even after significantly increased capital expenditure. Operational free cash flow after acquisitions was below last year with CHF 408 million (CHF 667 million in 2015) mainly due to the purchase of InterHealth Nutraceuticals (USA). Nevertheless, net debt reduction was on track, reaching CHF 1.58 billion (CHF 1.66 billion in 2015).

Press Release

“Lonza has made another leap forward by successfully delivering on all major key performance indicators for the fifth year in a row,” said Richard Ridinger, CEO of Lonza. “We as an organization are proud of these record-breaking full-year results as we see that the hard work of our employees is paying off. The regained strength of Lonza makes us confident that we are well prepared for the next cycle of accelerated organic and inorganic growth.”

He added, “With the successful acquisitions of Triangle Research Labs and InterHealth Nutraceuticals in 2016, as well as the anticipated closing of the Capsugel acquisition in 2017, we clearly have the momentum to propel us toward our strategic goal of being the leading player along the healthcare continuum.”

Pharma&Biotech Segment

The Pharma&Biotech segment delivered remarkable sales growth of 15.9% (15.8% in constant exchange rates), reaching CHF 1.85 billion, which led to an exceptional CORE EBIT of CHF 400 million and an extremely high 40.8% CORE EBIT growth year-over-year.

This outstanding performance was driven by commercial excellence and strong operational execution. The strong momentum in Mammalian Manufacturing was complemented by a significant upward trend in all other technologies and modalities. Furthermore, the continued cost discipline and manufacturing excellence helped the segment achieve these remarkable results.

In 2016 Lonza’s Pharma&Biotech segment announced several major long-term, strategic manufacturing agreements, such as with Kodiak Sciences, bluebird bio and Clovis Oncology. The company’s outstanding regulatory track record continued with 154 successful regulatory and customer audits.

Specialty Ingredients Segment

The Specialty Ingredients segment posted sustained strong performance again this year with a sales increase of 3.8% (3.1% in constant exchange rates) to CHF 2.25 billion during 2016. CORE EBIT grew by 8.1% year-over-year to CHF 322 million with further improved margins.

This good progress was driven by the strong results in the Wood Protection, Consumer Care and Water Treatment business, as well as by improved product mix and portfolio optimization. The expected slowdown in Agro Ingredients caused by the lower agro market dynamics had some impact on the overall growth for Specialty Ingredients. Lonza will continue to conduct operational and value-chain improvements to further enhance profitability.

Press Release

In September 2016 Lonza took a further major step along the strategic path as a high-value supplier to the healthcare continuum by acquiring InterHealth Nutraceuticals. With this targeted acquisition, Lonza is expanding its nutritional portfolio and extending its offerings towards strongly growing consumer needs and nutritional trends.

Financial Summary

- Sales growth of 8.7% in reported currency (8.2% in constant exchange rates), rising to CHF 4.13 billion
- CORE EBITDA growth of 15.8% in reported currency (15.4% in constant exchange rates), reaching CHF 918 million
- CORE EBIT experienced remarkable growth of 24.2% in reported currency (23.7% in constant exchange rates), increasing to CHF 651 million
- CORE RONOA also improved significantly to 21.5% (16.4% in 2015)
- Debt reduction remained on track with solid cash generation, resulting in a net debt/EBITDA of 1.73x, despite the InterHealth Nutraceuticals acquisition

Lonza continued its efforts to restructure its portfolio in order to further accelerate its operational performance in the future. As part of these efforts, Lonza decided to divest the peptide facility in Braine (BE) and restructured some other smaller operations, which led to combined impairments and restructuring costs of CHF 82 million.

CHF mn	FYR 2016	FYR 2015	Change YoY
Sales	4,132	3,803	8.7%
CORE EBITDA	918	793	15.8%
<i>CORE EBITDA Margin</i>	<i>22.2%</i>	<i>20.9%</i>	
CORE EBIT	651	524	24.2%
<i>CORE EBIT Margin</i>	<i>15.8%</i>	<i>13.8%</i>	
CORE RONOA	21.5%	16.4%	
Operating Free Cash Flow	408	667	-38.8%
Net Debt	1,584	1,660	-4.6%

Press Release

Outlook 2017

Based on the sound foundation laid in 2016 for the future, Lonza is announcing the following outlook for 2017. This outlook is on a Lonza standalone basis:

- Sales growth of mid-single digits
- CORE EBITDA of CHF 1 billion
- Double-digit CORE EBIT growth
- CORE RONO above the 21.5% achieved in 2016

This outlook is based on the present macro-economic environment, current visibility and constant exchange rates for the most important currencies in which Lonza is trading.

The mid-term guidance will be reviewed in the course of 2017. Depending on the timing of the Capsugel acquisition closing, Lonza intends to provide an update as part of the half-year results report on 26 July 2017 or latest by the Q3 business update on 27 October 2017.

Dividend

The Board of Directors is proposing an increased cash dividend of CHF 2.75 per share for 2016. Subject to the approval at the Annual General Meeting, this dividend will be paid out of the reserve capital contribution and will be free from Swiss withholding tax.

Changes to the Board of Directors and EC

The Board of Directors is proposing to Lonza's Annual General Meeting (AGM), to be held on 25 April 2017, the election of Albert M. Baehny (64) as a new member of the Board. Subject to his election, the Board will appoint Mr. Baehny as Vice Chairman of the Board with the intention to propose him as the new Chairman at the AGM 2018. The Board is proposing the re-election of Rolf Soiron as its Chairman for one more year until the AGM 2018 in order to ensure continuity in the supervision of the Capsugel transaction and its successful integration.

Thomas Ebeling has decided not to stand for re-election at the AGM this year. The Board would like to thank Thomas Ebeling for his contributions during his three years of service on the Board and on the Nomination and Compensation Committee.

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

Lonza Group Ltd
Muenchensteinerstrasse 38
CH-4002 Basel
www.lonza.com

Press Release

Albert M. Baehny has achieved an impressive track record as Chairman of the Board of Geberit since 2011. He also served as the company's CEO from 2005 to 2014. Before he joined Geberit, he gained technological and industrial experiences that will be of value in his new role at Lonza, i.e. positions in the pharma and chemical industry, including with Serono-Hypolab, Dow Chemicals Europe, Ciba-Geigy, Ciba Specialty Chemicals, Vantico and Wacker Chemie. He earned a degree in biology with a specialization in biochemistry and genetics.

The Board of Directors also appointed Fridtjof Helemann, Chief Human Resources Officer for Lonza, as a member of the Executive Committee (EC), effective as of 1 February 2017 (for details, see separate [news release](#)).

Risk Factors

For further information about risk factors, please see www.thefuturelonza.com/risk-factors

About Lonza

Lonza is one of the world's leading and most-trusted suppliers to the pharmaceutical, biotech and specialty ingredients markets. It harnesses science and technology to create products that support safer and healthier living and that enhance the overall quality of life.

Not only is Lonza a custom manufacturer and developer, the company also offers services and products ranging from active pharmaceutical ingredients to drinking water sanitizers, from nutritional and personal care ingredients to agricultural products, and from industrial preservatives to microbial control solutions that combat dangerous viruses, bacteria and other pathogens.

Founded in 1897 in the Swiss Alps, Lonza today is a well-respected global company with approximately 40 major manufacturing and R&D facilities and more than 10,000 full-time employees worldwide. The company generated sales of CHF 4.13 billion in 2016 and is organized into two market-focused segments: Pharma&Biotech and Specialty Ingredients. Further information can be found at www.lonza.com.

Lonza Contact Information

Lonza Group Ltd
Head Investor Relations
Dirk Oehlers
Tel +41 61 316 8540
Fax +41 61 316 9540
dirk.oehlers@lonza.com

Lonza Group Ltd
Head Corporate Communications
Dominik Werner
Tel +41 61 316 8798
Fax +41 61 316 9540
dominik.werner@lonza.com

Lonza Group Ltd
Head External Communications
Constance Ward
Tel +41 61 316 8840
Fax +41 61 316 9840
constance.ward@lonza.com

Press Release

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

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 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 2017 herein may not prove to be correct. The statements in Outlook 2017 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 2017 as a result of the factors described above or other factors. Investors should not place undue reliance on the statements in Outlook 2017. 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.