

News Release

Lonza Delivers Strong Performance in First Half 2017 and Sets a Strong Foundation for Continued Attractive Mid-Term Growth

Lonza Half-Year Performance and Full-Year 2017 Outlook (Lonza Standalone)

- **Lonza continued strong performance with 15.1% sales and 43.3% CORE EBIT growth**
- **Pharma&Biotech with outstanding results in first half 2017 and significant improvements across Specialty Ingredients**
- **Particularly strong momentum in Clinical Development, in Commercial Mammalian and Chemical Manufacturing, as well as in Consumer Health and Nutrition**
- **Full-year outlook for 2017 confirmed, as already upgraded with Q1 2017 Qualitative Business Update in April 2017**

Lonza Mid-Term Guidance to 2022 and New Growth Initiatives (including Capsugel)

- **New 2022 mid-term guidance highlights Lonza's growth perspectives: Sales CHF 7.5 billion, CORE EBITDA margin 30%, CORE RONO 35%**
- **Launch of "Ibex – The Agile Advantage™," a unique, future-shaping, innovative modular facility in biological development and manufacturing based at Lonza's Visp (CH) site with an extra 100,000 m² surface and several hundred new positions**
- **Healthcare continuum offerings further bolstered by Capsugel acquisition, now part of the Lonza group**

Basel, Switzerland, 26 July 2017 – In the first half of 2017, Lonza (on a standalone basis) continued on its strong growth path with sales 15.1% up to CHF 2,323 million and CORE EBIT 43.3% up to CHF 447 million in reported currency compared with financial results in Half-Year 2016.

The success was driven by both of Lonza's segments Pharma&Biotech and Specialty Ingredients. Pharma&Biotech experienced another strong half year following the extraordinary growth rate in H2 2016 with Commercial Manufacturing and Clinical Development as key drivers. Consumer Health & Nutrition outperformed within Specialty Ingredients, followed by improved profitability of other businesses, too. Therefore, Lonza confirms its full-year 2017 guidance on a standalone basis, which was already upgraded with Q1 2017 Qualitative Business Update in April 2017.

"Lonza's continued growth shows the company's strength and ability to shape the future along the healthcare continuum with our customer-oriented market approach, ongoing operational excellence and new innovative offerings," said Richard Ridinger, CEO of Lonza. "The outstanding results in the first half 2017 are fully consistent with our outlook for the full year."

Pharma&Biotech Segment

Pharma&Biotech's performance remained high with sales 27.0% up to CHF 1,064 million and CORE EBIT of CHF 273 million, up by 71.7% compared with the same period last year. The CORE EBITDA margin in the first half 2017 was 31.5%.



The continued strong performance throughout the first half of 2017 was supported by high demand across all businesses with strong development in Commercial Mammalian and in Chemical Manufacturing, as well as on-going strong demand for Clinical Development services.

Specialty Ingredients Segment

The Specialty Ingredients segment experienced a good first half of 2017 with sales 6.3% up to CHF 1,238 million and CORE EBIT of CHF 213 million, up by 9.8% compared with the same period last year. The CORE EBITDA margin in the first half 2017 was 21.1%. Consumer Health & Nutrition added significantly to the increase in revenue and in profitability. Within other Lonza Specialty Ingredients businesses, operational excellence programs resulted in efficiency gains and higher profitability compared with previous reporting periods. Business excellence through automation, streamlining, digitalization and the exploitation of synergies remains a cornerstone going forward.

Financial Summary (Lonza Standalone)

CHF mn	HY 2017	HY 2016	Change YoY
Sales	2,323	2,019	15.1%
CORE EBITDA	577	447	29.1%
CORE EBITDA Margin	24.8%	22.1%	
CORE EBIT	447	312	43.3%
CORE EBIT Margin	19.2%	15.5%	
CORE RONO	31.0%	20.3%	52.6%
Operational Free Cash Flow (before acquisition)	335	264	26.9%
Net Debt	1,588	1,505	5.5%

- Sales grew by 15.1% in reported currency to CHF 2,323 million (15.1% in constant exchange rates)
- CORE EBIT growth of 43.3% in reported currency to CHF 447 million (43.3% in constant exchange rates)
- CORE RONO improved to 31.0% from 20.3% in H1 2016

- Net debt of CHF 1,588 million and net debt/CORE EBITDA ratio of 1.51x (pro forma net debt at 30 June 2017, which excludes the cash resulting from the capital increase of CHF 3,061 million in 2017)
- Operational free cash flow is up by 20.8% to CHF 302 million (including the acquisition of PharmaCell B.V. (NL) on 3 May 2017; excluding the acquisition of Capsugel on 5 July 2017)

Outlook FY 2017

Lonza confirms the outlook for Full-Year 2017 on a Lonza-standalone basis, which was already upgraded with Q1 2017 Qualitative Business Update in April 2017:

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

Lonza expects to continue its momentum in H2 2017; however, results will then be compared with an exceptionally strong H2 2016.

Mid-Term Guidance to 2022

Lonza expects to continue its growth along the healthcare continuum, to drive its position as a valued and preferred partner for its existing and new clients, and to grow through innovation.

Based on that expectation, Lonza (including Capsugel) is announcing the following mid-term guidance until the end of 2022, on the occasion of Lonza's 125th anniversary:

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

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. As other inorganic growth projects or divestments cannot



be predicted, the guidance is based on today's business composition.

Launch of Ibex™ Innovation in Biological Development and Manufacturing

Lonza takes its continued strong performance and its attractive mid-term guidance to 2022 as an explicit commitment to further sustainable growth through constant innovation and adding substantial value to its customers and partners. Among other growth initiatives, Lonza today is launching a unique, future-shaping innovation for the Pharma&Biotech markets, "Ibex– The Agile Advantage™."

"With Ibex™ Solutions we are proud to present a truly innovative new concept that will transform biological development and manufacturing as we know it today," Ridinger said. "Together with the completed acquisition of Capsugel, Ibex™ Solutions will further bolster our ambition to become the leading integrated solutions provider for the Healthcare, Consumer Care and Nutrition markets. We foresee continued growth potential for the mid-term, which is defined as the period to 2022 when we will celebrate Lonza's 125th anniversary."

The Ibex™ Solutions offer a modular, technology-independent development and manufacturing facility capable of supporting activities across multiple technologies – mammalian, microbial, cellular or bio-conjugate – and from late discovery to development and commercial manufacturing. It is expected to reduce time-to-market for Lonza's customers by 12 months or more, de-risk their strategic investment decisions and let them participate from Lonza's expertise and service network in Visp (CH). Construction began in June with a formal groundbreaking ceremony expected in the second half of 2017. Several hundred new positions are expected to be created on Lonza's 100,000 m² brownfield surface. Further information will be available in a separate news release and on www.lonza.com.

Integration of Capsugel

After the successful closing of the acquisition of Capsugel on 5 July 2017, the post-deal integration began immediately. Lonza confirms that the acquisition of Capsugel will capture new market opportunities and substantial top-line synergies identified at the time of signing with initial benefits from 2018 onwards. The specific businesses of Capsugel will be integrated into Lonza's segments along the healthcare continuum. Lonza confirms its positive outlook for Capsugel. Combined financial figures will be reported with the full-year results 2017 in January 2018.

Capsugel Financing

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 2.26 billion.

The balance of the acquisition price was financed through indebtedness including USD 1 billion term loan and USD 1.5 billion bridge loan facilities provided by the assigned banks. The bridge is projected to be refinanced by traditional debt instruments within the next 18 months. Lonza already issued dual tranche CHF 235 million straight bonds in July 2017. The bonds have a maturity of 4 and 7 years respectively with coupons of 0.200% and 0.700%.

Lonza estimates a pro-forma net debt/CORE EBITDA ratio at the closing of the Capsugel acquisition on 5 July 2017 of 2.8x – a leverage level consistent with the previously communicated threshold of up to 3x net debt/CORE EBITDA. Further de-leveraging to approximately the net debt/CORE EBITDA level at the end of 2016 is expected to be achieved, as originally announced, by 2019.



About Lonza

Following the closing of the Capsugel acquisition, Lonza further strengthened its position as one of the world's leading and most-trusted suppliers to the pharmaceutical, biotech and specialty ingredients markets. Lonza harnesses science and technology to create products that support safer and healthier living and that enhance the overall quality of life.

An integrated solutions provider serving the healthcare continuum, Lonza 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. In addition to drinking water sanitizers, nutraceuticals, antidandruff agents and other personal care ingredients, the company provides agricultural products, advanced coatings and composites and 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 more than 50 major manufacturing and R&D facilities and nearly 14,000 full-time employees worldwide. Further information can be found at www.lonza.com.

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