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## Pharma Biotech & Nutrition Businesses Continue to Drive Lonza Performance in Q1 2019

- Continued positive momentum in Pharma Biotech & Nutrition
- All investments in healthcare businesses progressing as planned to further accelerate growth
- Specialty Ingredients continued to face headwinds in Q1 2019
- Measures to mitigate challenges in specialty ingredients businesses under implementation
- Outlook 2019 maintained and accelerated portfolio review ongoing

### Quote from Lonza Group CEO Marc Funk:

"Q1 results demonstrate that Lonza today has two segments operating in different markets and growing at varying paces; so their performance and challenges should not be compared.

"Our Pharma Biotech & Nutrition business continued to outperform. We are investing to further accelerate growth in our core healthcare businesses. We are also constantly innovating with new offerings for our customers and their patients and consumers. In Specialty Ingredients, we are committed to mitigating measures and operational efficiencies to manage the headwinds in the sector and strengthen the segment performance.

"The most recent segment alignment will support us as we continue to capitalize on increased investment focus, synergies and productivity within the segments. The alignment is a priority to ensure we remain firmly on our growth trajectory."

**Basel, Switzerland, 18 April 2019** – Lonza had a solid start to the year 2019 with continued positive momentum in its core healthcare businesses. The newly aligned segment Lonza Pharma Biotech & Nutrition (LPBN) performed strongly compared with Q1 prior year and ahead of expectations. Lonza's newly aligned Specialty Ingredients (LSI) segment faced challenges and the businesses performed below expectations with sales on the same level as in Q1 2018.

Lonza announced the alignment of the scope of its segments to promote synergies, strengthen its market offerings and increase operational efficiency within each of its two segments: *Pharma Biotech & Nutrition* and *Specialty Ingredients*.

### **Pharma Biotech & Nutrition Segment**

The newly formed Pharma Biotech & Nutrition segment combines the former *Pharma & Biotech* segment and *Consumer Health & Nutrition*, formerly part of the Consumer Health Division within Lonza Specialty Ingredients. These businesses share technologies and innovation insights in dosage form and delivery systems and apply them to pharmaceutical and nutritional offerings.

### **CDMO Services businesses**

The biologics business saw continued demand from existing and new customers for mammalian and microbial commercial manufacturing, for development services and clinical batches. An internal integration of the commercial and clinical businesses into one Business Unit is expected to further leverage operational and commercial synergies.

Interest in Lonza's clinical offerings is high, and its new investments in Visp (CH) and expansions in Hayward, CA (USA) and Slough (UK) have been well received. First customers for Lonza's innovative full-service, single-site clinical offering Ibex™ Design and Ibex™ Develop in Visp are committed, representing 100% of 2020 available clinical manufacturing capacity more than one year before initiating operations. This high utilization instils confidence that this is a competitive offering to the market. Lonza's share of the joint venture (JV) with Sanofi, the first Ibex™ Dedicate offering for commercial manufacturing in Visp, is contracted with two customers.

The execution of all other previously announced CAPEX and expansion projects is on track to deliver on time and on budget; and the hiring of qualified staff is also progressing as planned, to start operations according to schedule.

As part of its strategy to invest in innovative technologies and new ventures, Lonza [announced](#) a unique partnership to pioneer investment in the microbiome space with Chr. Hansen A/S, a leading global bioscience company. After the necessary anti-trust approvals, the 50/50 JV will be the first contract development and manufacturing partner (CDMO) for biotech and pharma customers globally with a full-service offering to manufacture bacteria strains and dosage forms for therapeutic use. The JV will operate from its new headquarters in Basel (CH) and

have production facilities in Denmark and Switzerland. EUR 45 million will be spent initially from 2019-2022, and market potential is estimated to reach EUR 150-200 million by 2025.

Lonza's cell and gene technologies business benefited from good momentum in a dynamic market environment and continued to invest in R&D and innovation. In Q1 Lonza started to bring its Cocoon™ autologous cell therapy in-a-box manufacturing device to the clinic in a [pilot project](#) with Sheba Medical Center, the largest hospital in Israel.

The small-molecule businesses continued to benefit from innovative business model offerings, formulation and encapsulation capabilities and from good demand in EMEA and APAC for pharma hard capsules. The first integrated offerings bringing together active pharmaceutical ingredient (API) manufacturing, dosage forms and delivery system services [were introduced](#) to the market.

### **Products businesses**

The Bioscience Solutions business – offering research tools and biomanufacturing equipment – saw increased demand, also based on new product launches and expanded offerings; and it performed better than the same quarter last year.

The nutrition business saw ongoing momentum for Consumer Health and Nutrition hard capsules with strong sales in EMEA, Japan, Brazil, Mexico and Australia; however, sales were slightly softer in North America. Demand for specialty polymers increased further. Dosage form solutions performed above Q1 prior year, driven by good demand in USA and APAC, and the team has strong pipeline of new projects. Expansion into customer channels and regions has progressed well for Lonza's premium science-backed ingredient UC-II for joint health.

Lonza has introduced new nutritional offerings to deliver constant innovation for fast-moving consumer goods markets. One example is the [cooperation](#) with DuPont Nutrition & Health to supply a human milk oligosaccharide for infant formulas, which supports a healthy gut microbiota. Another example is the [launch](#) of a new sports nutrition ingredient based on highly active antioxidant enzymes. The expansion of the Greenwood, SC (USA) site for combined capsule and ingredient production, and finished dosage form development is progressing as planned.

Operational improvements across all LPBN businesses are ongoing to optimize capacity for additional projects across all businesses and to enhance profitability in Cell & Gene Technologies and Bioscience Solutions.

## Specialty Ingredients Segment

The newly aligned Specialty Ingredients (LSI) segment retains Consumer & Resources Protection and Consumer Product Ingredients. The segment alignment enables LSI to better leverage operational, asset, technological and knowledge overlaps along a common microbial-control platform.

Specialty Ingredients continued to face headwinds – as did the wider chemicals industry – and performed below expectations in Q1 2019. Softening demand alongside changing order patterns in end-markets had an impact on industrial applications like composites for electronics, especially in Asia, as well as on anti-microbial actives for paints and coatings and construction applications. Personal and home-care preservation experienced soft sales caused by increased competitive pressure; however, professional hygiene saw continuous healthy demand and raw material price increases were passed on to customers.

The wood treatment business secured new business in North America and EMEA in Q1 2019. However, it faces an increasingly competitive environment. The agricultural business experienced continued soft demand for agro products, increased competition and feedstock costs. Pricing power to pass on higher input costs to customers remained limited; prices in vitamin B3 have not recovered in Q1 2019.

All LSI businesses faced continued raw material shortages and supply-chain disruptions caused by China's Blue Sky environmental initiative and a major chemical plant explosion in China producing feedstock used across the LSI portfolio. The extent of the challenges across all LSI businesses were not foreseen in January 2019 and the implementation of additional cost-containment measures in Specialty Ingredients has started to mitigate impact of supply-chain disruption and raw material input costs.

## Outlook 2019

On balance, Lonza maintains its Outlook 2019 based on the strong performance of its core healthcare businesses in Pharma Biotech & Nutrition, and taking into account the continued headwinds in its Specialty Ingredients portfolio.

The Outlook 2019 as communicated with the Full-Year 2018 results in January 2019 is confirmed:

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

Lonza previously [announced](#) the acceleration of its portfolio review in 2019 to further strengthen the company's position within its core healthcare businesses; an update on the portfolio review is currently expected to be provided in H2 2019.

Following the disposal of its former Water Care business unit in February 2019, and to emphasize its strategic focus on growth in its core healthcare businesses, Lonza adjusted its Mid-Term Guidance. The adjusted Mid-Term Guidance for Lonza's continuing operations (excluding the Water Care business unit) is confirmed:

- Sales of CHF 7.1 billion
- CORE EBITDA margin of 30.5%
- CORE RONO 35%
- Double-digit ROIC

Outlook 2019 and Mid-Term Guidance 2022 are 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.

### **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 Directors, the re-election of Albert M. Baehny as the Chairman of the Board of Directors, the approval of the proposed dividend distribution and various compensation votes. The results will be published after the AGM has concluded.

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## **About Lonza**

Lonza is an integrated solutions provider that creates value along the Healthcare Continuum®. Through our Pharma Biotech & Nutrition 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 at the end of 2018. 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](http://www.lonza.com).

## **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.

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.