Half-Year Report 2019

« Lonza on Track to Deliver Full-Year 2019 Results, Driven by Pharma Biotech Business. »

Cell and Gene Technologies, in particular, with strong inflow of new clinical and commercial contracts

LSI carve-out progressing on time and on budget

H1 headwinds in Specialty Ingredients (LSI) segment, showing first signs of recovery

Double-digit sales growth delivered by Pharma Biotech & Nutrition (LPBN) segment

New LPBN projects confirmed with Alector, AstraZeneca, Gamida Cell, and several other biopharmaceutical partners globally

Softer performance of Consumer Health & Nutrition business

Contents

Dear Stakeholders,

Lonza today reported continued positive momentum in its pharma and biotech business in the first six months of 2019. This has driven 6.4% sales and 7.7% CORE EBITDA growth for the group, resulting in a CORE EBITDA margin of 27.8%. Based on H1 2019 results, we can confirm the outlook for the Full-Year 2019 of mid-to-high single-digit sales growth and a sustained CORE EBITDA margin.

Our Half-Year results leave us confident that Lonza is on track to deliver on our Full-Year 2019 outlook. Half-Year performance was driven by Lonza's Pharma Biotech & Nutrition segment achieving 10.8% sales growth and a 33.2% CORE EBITDA margin in an important investment year. Within the segment, the strong momentum in our Contract Development and Manufacturing Organization (CDMO) businesses continues to drive our financial performance. Our CDMO Services businesses in biologics and small-molecules contributed to our success.

Our targeted, high-return growth projects are progressing as planned and the strength of our current market position is validated by the number of confirmed strategic contracts. We announced new projects with Alector, AstraZeneca, Gamida Cell, and entered into a binding commitment to acquire a sterile fill and finish facility from Novartis to extend our existing drug product offering. Importantly, our cell and gene technology offerings – proportionately small within Lonza but nonetheless leading within the industry – saw high demand and built a strong pipeline across our global network.

Challenges in other parts of the business are being addressed. The Consumer Health & Nutrition business – a new addition to the Pharma Biotech & Nutrition segment – experienced softer demand in gelatin capsule and nutritional ingredients. The specialty polymer offerings and our innovative dosage forms, based on the Lonza-Capsugel synergies, continue to show strong momentum. We continue to drive this with new market offerings, including our clean-label solutions for nutritional supplements.

The Specialty Ingredients segment reported a 3.8% decline in sales in H1 2019. However, the CORE EBITDA margin increased to 19%, despite headwinds caused by raw material price increases, supply chain challenges and negative cyclical impacts. We are already working to deliver a recovery in the performance of the Specialty Ingredients segment. Our focus is supported by the carve-out program, which has already provided some improved transparency on cost and profitability.

Our segment realignment earlier in the year has given Specialty Ingredients greater autonomy to push towards a leadership position in microbial control. Concurrently, the Pharma Biotech & Nutrition segment maintains positive momentum as a major player in Life Sciences and confirms its position as a strategic partner in the industry. In the second half of the year we will continue to focus on our core business operations to deliver service and value to our customers, in addition to executing our growth investments and continuing the carve-out of Specialty Ingredients.

This is a time of change and opportunity for the wider Lonza business. We would like to thank our shareholders, customers and partners for their loyalty and support. Specifically, we would also like to thank Lonza's 14,700 global employees for their dedication to our ambition, to enable our customers to serve their patients and consumers.

Albert M. Baehny
Chairperson of the Board of Directors

Marc Funk
Chief Executive Officer

Half-Year 2019 Results

Comparison vs. Prior Year (Continuing Business)

2’976 mn

Sales (CHF) + 6.4 %

828 mn

CORE EBITDA (CHF) + 7.7 %

27.8 %

CORE EBITDA Margin + 30 bps

7.0 CHF

CORE EPS + 10.1 %

9.4 %

ROIC + 110 bps

Financial Highlights

For the Six Months Ended 30 June

CORE[3] Earnings (Continuing Business) million CHF	2019	Change in %	Change CER in %[1]	2018 (Restated)[2]
CORE EBITDA	828	7.7	6.9	769
Margin in %	27.8			27.5
CORE EBITDA excl. IFRS 16	814	5.9		769
Margin in %	27.4			27.5
Result from operating activities (CORE EBIT)	643	7.0	6.0	601
Margin in %	21.6			21.5
Result from operating activities (CORE EBIT) excl. IFRS 16	641	6.7		601
Margin in %	21.5			21.5
CORE Profit for the period	520	9.5	13.7	475
CORE EPS basic CHF	7.00	10.1	14.3	6.36
CORE EPS diluted CHF	6.96	10.1	14.4	6.32
CORE RONOA in %	30.8	(5.2)		32.5

IFRS Results (Continuing Business) million CHF	2019	Change in %	Change CER in %[1]	2018 (Restated)[2]
Sales	2'976	6.4	6.1	2'796
EBITDA	787	5.5	4.7	746
Margin in %	26.4			26.7
Result from operating activities (EBIT)	509	2.4	1.0	497
Margin in %	17.1			17.8
Profit for the period	393	0.5	6.9	391
EPS basic CHF	5.29	1.1	7.6	5.23
EPS diluted CHF	5.26	1.2	7.5	5.20

Other Performance Measures (Continuing Business) million CHF	2019	Change in %	2018 (Restated)[2]
Operational free cash flow (before acquisitions/divestitures)	17	(95.5)	374
ROIC in %	9.4	13.3	8.3
RONOA in %	13.7	(3.5)	14.2

Other Performance Measures (Lonza Group Incl. Discontinued Operations) million CHF	2019	Change in %	2018
Operational free cash flow (before acquisitions/divestitures)	(65)	(118.5)	351
Operational free cash flow	555	58.1	351
Net debt	3'334	(10.3)	3'715
Debt-equity ratio	0.53	(8.6)	0.58
Net Debt / CORE EBITDA ratio[4]	2.12	(15.9)	2.52
Number of employees	14'700	(1.2)	14'882

1 Change from current to prior year based on constant exchange rates (also refer to note 1 of the “Supplementary Financial Information”).
2 Restated to reflect the classification of Water Care business as discontinued operations (see note 5). Prior year information has not been restated to reflect the adoption of IFRS 16 (see note 2).
3 In the CORE results for the items “EBITDA,” “Result from operating activities (EBIT),” “Profit for the period” and “Earnings per share,” the impact of amortization of acquisition-related intangible assets, impairment and reversal of impairment of assets, results from associates and other special charges / income from restructuring are eliminated. “CORE RONOA” does not include acquisition-related intangible assets.
4 Net debt/CORE EBITDA is calculated based on the CORE EBITDA of the last twelve months.

Half-Year 2019 Results

Comparison vs. Prior Year (Continuing Business)

Pharma Biotech & Nutrition

2’088 mn

Sales (CHF) +10.8 %

693 mn

CORE EBITDA (CHF) +9.7 %

33.2 %

CORE EBITDA Margin -30 bps

Specialty Ingredients

859 mn

Sales (CHF) -3.8 %

163 mn

CORE EBITDA (CHF) -3.0 %

19.0 %

CORE EBITDA Margin +20 bps

Pharma Biotech & Nutrition
Segment

For the Six Months Ended 30 June million CHF	2019	Change in %	2018 (Restated)[1]
Sales	2'088	10.8	1'884
CORE EBITDA	693	9.7	632
Margin in %	33.2		33.5
CORE EBITDA excl. IFRS 16	682	7.9	632
Margin in %	32.7		33.5
CORE result from operating activities (EBIT)	571	8.8	525
Margin in %	27.3		27.9
CORE result from operating activities (EBIT) excl. IFRS 16	569	8.4	525
Margin in %	27.3		27.9

1 Restated to reflect the 2019 realignment of Lonza's segments into Pharma Biotech & Nutrition and Specialty Ingredients. Prior year information has not been restated to reflect the adoption of IFRS 16 (see note 2).

Contract Development and Manufacturing Organization (CDMO) Services Businesses

Mammalian and microbial clinical and commercial offerings performed strongly in H1 2019 with batch releases ahead of schedule for the year. Lonza saw continued high demand for its development activities across all technologies in Visp (CH), Slough (UK) and Hayward (CA, USA) with further visibility into 2020 and 2021, which is unusual for clinical programs. Lonza's Drug Product Services (DPS) continue to expand ahead of plan, responding to positive demand from customers. To complement its existing development services with sterile fill and finish of drug product for commercial launch, Lonza entered into a binding commitment to acquire a Novartis facility for drug product manufacturing in the Basel (CH) area.

Cell and gene technologies experienced continued momentum in a dynamic market environment. There is strong interest in Lonza's technology offerings and its comprehensive service portfolio, including process development and commercial manufacturing capacity. A high volume of enquiries for viral vector production and cell therapies (autologous and allogeneic, including virally modified cell therapy) continue to come from both emerging biotech and large pharma companies, resulting in a strong sales pipeline and new clinical and commercial contracts signed in H1 2019. Cell and gene technologies is working to further improve profitability.

The ***Small-molecule*** business benefitted from Lonza's highly potent active pharmaceutical ingredient (HPAPI) offerings with several new customers signed. A focus on end-to-end services for the growing preclinical and clinical market saw the launch of a new offer designed to accelerate the path to first-in-human studies for the increasing number of molecules with bioavailability challenges. In addition, Lonza completed the expansion of its solid oral dose development and manufacturing capabilities and capacity at its Tampa (FL, USA) site. Specialty polymer offerings in pharma hard capsules saw ongoing demand. Several long-term agreements were signed, and new offerings launched, for hard capsules and dosage form & development services, both supported by Lonza-Capsugel's combined capabilities.

The ***Bioscience*** business which offers research tools and biomanufacturing equipment, performed well based on media sales, the continued expansion of its quality control software offerings, product supply recovery and the positive impact of new products launched (including robotic solutions for endotoxin testing).

Continuing Investment in Full-Life Cycle Offerings and Next-Generation Therapies

All investments in Lonza's strategic areas for future growth *Full-Life Cycle Management, Handling of Complex Molecules and Commercialization of Cell and Gene Technologies* are progressing as planned. New projects were confirmed in H1 2019 with Alector, AstraZeneca, Gamida Cell and several other biopharmaceutical partners globally. CAPEX for Lonza Group amounted to CHF 308 million in H1 2019. A high proportion of this was spent for strategic growth projects, which are on track to support customers with innovative solutions. Most projects are coming online end of 2020 and in 2021 with a gradual ramp-up. Projects are mainly expected to contribute to continued growth in Pharma Biotech & Nutrition beyond the Mid-Term Guidance 2022. LPBN continues to focus on strong execution for these growth projects with talent acquisition geared towards H2 2019 and 2020. Further high-return, commercially de-risked projects are under consideration.

New Projects Announced in H1 2019

ADC and HPAPI Expansion
Lonza today confirmed the expansion of its bioconjugation facilities in Visp (CH), together with the successful commercial approval of a third antibody-drug conjugate (ADC) produced at this site. With eleven investigational new drugs (INDs) completed, and now three out of five commercially available ADCs supported by its bioconjugation facility, Lonza sees the need to further expand based on commitments from customers signed. Many bioconjugates are on expedited programs and the existing expertise at the facility, combined with proximity to clinical and commercial manufacturing of antibody, linkers and payload, will reduce risk and increase speed on the path to market for Lonza customers.

AstraZeneca entered into a long-term manufacturing agreement with Lonza for the delivery of a number of HPAPI-based products from its Visp site. Lonza is expanding its HPAPI development and manufacturing capacities for AstraZeneca and other clients, with planned operations to start from July 2020.

Drug Product Services Expansion
Lonza entered into a binding commitment to acquire a sterile fill & finish manufacturing facility in the Basel (CH) area from Novartis, to build on existing parenteral drug product development and testing capabilities and offer an end-to-end service to its customers for clinical supply and launch. Lonza will produce a drug product at the facility for Novartis as well as providing capacity for additional customers.

Clinical Manufacturing in Ibex™
The California-based biotech company Alector signed up for Lonza's innovative full-service, single-site clinical offerings in Visp. Alector and Lonza entered into an agreement to secure manufacturing capacity in Ibex™ Solutions for two of Alector's drug candidates currently in Phase 1 development for neurodegenerative diseases.

Cell and Gene Technologies Expansion
Gamida Cell and Lonza established a commercial manufacturing agreement for the phase 3 investigational advanced cell therapy omidubicel to treat hematologic malignancies. The agreement follows a successful multi-year clinical manufacturing relationship and is an example of Lonza's long-term partnership capabilities and efforts to drive the industrialization of the cell therapy industry.

Consumer Health & Nutrition

Consumer Health & Nutrition performed below expectations against a strong year-on-year comparable base. Ingredient sales were marginally softer, driven by customer inventory pre-build in 2018 and subsequent Lonza supply challenges. Additional capacity is coming on stream within the existing footprint in 2019, with significant expansion starting mid-2020 from its Greenwood (SC, USA) facility. Nonetheless, Lonza's premium science-backed UC-II® ingredient for joint health successfully entered new markets, regions, and applications, and Carnipure® L-Carnitine ingredient for sports nutrition performed strongly.

Positive market momentum for specialty polymer capsules continues, although demand for gelatin hard capsules has softened across regions. Lonza focuses on innovative dosage form and delivery solutions, benefiting from the optimization of Lonza-Capsugel synergies, and on further developing its specialty polymer offerings. Several product launches for clean-label and natural capsules were introduced to the market in Q2 2019 including Vcaps® Plus White Opal™ plant-based, titanium dioxide-free capsule. Consumer Health & Nutrition focuses on commercial initiatives with a stronger H2 compared to H1 2019 expected.

Specialty Ingredients
Segment

For the Six Months Ended 30 June million CHF	2019	Change in %	2018 (Restated)[1]
Sales	859	(3.8)	893
CORE EBITDA	163	(3.0)	168
Margin in %	19.0		18.8
CORE EBITDA excl. IFRS 16	161	(4.2)	168
Margin in %	18.7		18.8
CORE result from operating activities (EBIT)	124	(3.9)	129
Margin in %	14.4		14.4
CORE result from operating activities (EBIT) excl. IFRS 16	123	(4.7)	129
Margin in %	14.3		14.4

1 Restated to reflect the 2019 realignment of Lonza's segments into Pharma Biotech & Nutrition and Specialty Ingredients, as well as the classification of Water Care business as discontinued operations. Prior year information has not been restated to reflect the adoption of IFRS 16 (see note 2).

The newly aligned Specialty Ingredients (LSI) segment provides microbial-control offerings across various consumer and industrial markets as well as composites and fine chemicals. As noted in the Q1 Qualitative Update, it continued to face headwinds, in line with the broader sector.

Home Care Disinfection (primarily in China and North America) and Professional Hygiene offerings continued to experience healthy demand and performed above the same period last year. Personal Care Preservation reported softer sales, caused by increased competitive pressure and lower demand, especially in skin and hair care.

Sales for microbial-control offerings in industrial and agricultural markets were below the same period last year, negatively impacted by continued supply shortage of the key raw material BIT (1,2-Benzisothiazolin-3-one). BIT supply was significantly constrained in Q2 2019 after the closure of a chemical park in the Yancheng area in China, where the world's largest producer of a precursor for BIT was closed down. The difficulties of sourcing BIT and supplying customers impacted the segment's top-line performance. Lonza is on track to re-establish supply through diversification of its vendor base into new geographies including India, while uncertainties persist regarding BIT supply out of China.

The Wood Protection business performed solidly in H1 2019 despite weather-related challenges in North America (one of the key markets). The composites business was negatively affected by soft demand for electronic applications, especially out of Asia. The agricultural business is still suffering from customers' destocking after a dry European summer in 2018, various supply chain challenges, competitive pressure and increasing feedstock cost. Also, the markets in Australia and New Zealand were affected by a drought in H1 2019. Nonetheless, the agrochemical Contract Manufacturing Organization (CMO) business benefitted from increased demand in Q2 2019. Despite a continuing recovery, vitamin B3 prices remained behind the previous year; further price increases are expected in H2 2019.

A start of recovery of LSI sales is expected from H2 2019 onwards but with CORE EBITDA margin being lower compared to H1 2019 as a result of scheduled maintenance of LSI sites. With the transition of the nutrition business to LPBN, LSI is further increasing market focus on microbial-control. However, some demand cyclicality, political uncertainties and supply chain challenges are expected to continue.

Delivering Innovation in Microbial-Control Applications

Specialty Ingredients is focusing on strengthening its market leadership in microbial-control and is bringing new products and services to the market. Here are some recent examples:

Next Generation Antidandruff Active for Lonza
The Home & Personal Care business recognizes the fast moving dynamics of the personal care market, reflecting both customers' needs and consumers' desires to continually see innovations in chemistries, applications, and differentiated offerings. Known for its state-of-the-art excellence in fine chemistry and safe handling of critical chemical processes, LSI has begun manufacturing its newest offering Piroctone Olamine (PO) to broaden its portfolio of antidandruff actives in alignment with its strategy to be a key partner for scalp health brands worldwide. PO is an antimicrobial active commonly used in antidandruff shampoos and other scalp treatment products. Additionally, PO has expanded applications as a personal care preservative ingredient being used in a large variety of consumer goods, making our newest offering a broadly accepted ingredient for the personal care market.

Keeping our World Healthy®
Lonza's Professional Hygiene products help protect the health and well-being of people and animals around the world. They are used to disinfect and sanitize schools, food processing plants, restaurants, grocery stores, hospitals, homes and more. The extensive portfolio of worldwide registrations and approvals includes the U.S. Environmental Protection Agency (EPA), the Canadian Therapeutic Products Directorate (TPD), the EU Biocidal Products Regulation (BPR), the China and Japan Ministries of Health, as well as many other regulatory agencies around the world.

The Lonza LSI Professional Hygiene team is introducing new products to the US Market:

- NUGEN® EHP RTU* and Disinfectant Wipes, an enhanced hydrogen peroxide disinfectant formula – Lonza's first hydrogen peroxide-based hard surface disinfectants.

Hydrogen peroxide is a sustainable active that breaks down naturally into water and oxygen. The NUGEN® EHP platform offers environmentally sustainable disinfection to consumers and cleaning professionals who want to use more sustainable cleaning solutions without compromising core-cleaning performance. Available for a wide range of applications, it is effective against 12 different pathogens in just three minutes, including Norovirus.

- Lonzagard® NAHS 10X Concentrate & Wipes – Lonza's FDA-approved non-alcohol hand sanitizer: According to the World Health Organization (WHO), hand hygiene compliance is critical to preventing the spread of diseases. Now Lonza expands its hand hygiene offerings to include a Non-Alcohol Hand Sanitizer concentrate.

Regulatory Support
Products and solutions offered under LSI's microbial control platform are exposed to an increasingly challenging regulatory environment that bears some risks but also opportunities for Lonza to differentiate from its competition.

- In North America consumer products with antibacterial claims, such as antibacterial hand soaps enjoy a broad market acceptance. With the help of regulatory, LSI successfully introduced with Lonzagard® BKC cGMP a microbial-control solution as a suitable alternative to Triclosan, that increasingly was formulated out due to changing requirements of the Food and Drug Administration (FDA). Antibacterial soaps are regulated as over-the-counter drugs, so their active ingredients must be produced under cGMP (current Good Manufacturing Practice) which does apply for our active. During the introduction of Lonzagard® BKC, the regulatory team successfully supported the FDA registration process.
- For many years, Creosote has proved to be an effective, long-term protection for high-performance timber applications such as poles and sleepers as well as agricultural timbers. But there are growing regulatory and safety pressures on the future use of Creosote. LSI has developed Tanasote™, an innovative oil-based treatment that can be used as an alternative to traditional Creosote-based treatments for these markets.
- LSI announced the approval of Densil® DN and Densil® DG-45 antimicrobials, by the United States Environmental Protection Agency (EPA) for use in all metalworking fluid systems. The Densil® DN and Densil® DG-45 products are globally recognized effective fungicides with a proven performance record and properties that set them apart from the alternatives. These antimicrobials are chemically stable over a broad pH range, temperature stable, effective in systems with high level of bacterial contamination and compatible with a variety of metalworking fluids and amine systems.

Bioactives
Lonza's bioactive portfolio targets the rising cohort of highly desirable consumers termed "aspirationals" with new offerings helping our customers to create consumer products meeting the latest global consumer trends:

- SYNETH™ range of naturally derived polyglycerol esters: SYNETH™ represents a range of extremely versatile, non-ionic emulsifiers and surfactants to help formulators strike the perfect balance between functionality, aesthetics, and mildness in skin and haircare products
- H2OBioEV™ an innovative Bioactive Functional for skin rejuvenation: H2OBioEV™ is a multifunctional cosmetic ingredient that revitalizes, rejuvenates and moisturizes the skin
- DuoEffectEV™ featuring whole body wellness and offering a complementary system to help protect skin and eyes from blue light and other stressors
- Lonza's SeaPure™ Agarose® chemistry from naturally derived marine red algae for skin care products

Outlook

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

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

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

Lonza concluded the divestment of its Water Care business unit in February 2019. The gross proceeds of USD 630 million resulted in cash proceeds of CHF 620 million (net of cash disposed of) in H1 2019 and must be netted against estimated income taxes to be paid (CHF 57 million) and transaction-related costs (CHF 26 million). This has resulted in estimated net proceeds of CHF 537 million. For a limited time there are transition service agreements with the buyer in place, which positively impact Lonza's corporate results.

Proceeds are being used for the financing of strategic growth investments as well as for deleveraging. Lonza expects CAPEX investments and operational expenditures for the announced projects in LPBN to be geared towards the second half of 2019. Based on current commitments for customer-and demand-backed investments, CAPEX for Full-Year 2019 is expected to reach 11–13% of sales. Lonza expects to achieve a net debt / CORE EBITDA level of below 2× at the end of 2019.

To account for the divestment of the Water Care business, Lonza had also adjusted its Mid-Term Guidance 2022 in March 2019. Lonza confirms its adjusted Mid-Term Guidance for Lonza's continuing operations (excluding the Water Care business unit):

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

Outlook 2019 and Mid-Term Guidance 2022 are based on the present business composition of Lonza's continuing operations (excluding the Water Care business unit), the present macro-economic environment, current visibility and constant exchange rates.

Lonza announced in June its decision to carve-out the Specialty Ingredients segment. LSI is intended to be fully carved-out and operated independently as part of the Lonza Group. The company expects to complete the process by mid-year 2020. LSI will have the autonomy to push towards a leadership position in microbial control and LPBN will continue to maintain momentum as a major player in Life Science.

Discontinued Operations

Water Care million CHF	2019[1]	2018
Sales	74	283
CORE EBITDA	(5)	33

1 The Water Care business was sold effective 28 February 2019. Therefore, 2019 information is not comparable to 2018 results, as it only comprises two months.

Corporate

For the Six Months Ended 30 June million CHF	2019	2018
Sales	29	19
CORE EBITDA	(28)	(31)
CORE EBITDA excl. IFRS 16	(29)	(31)
CORE result from operating activities (EBIT)	(52)	(53)
CORE result from operating activities (EBIT) excl. IFRS 16	(51)	(53)

CORE Results as Defined by Lonza

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. Therefore, the 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.

Condensed Interim Financial Statements

Condensed Consolidated Balance Sheet at 31 December 2018 and 30 June 2019 (Unaudited) million CHF	2019	2018
Total non-current assets	**10'564**	**10'407**
Current assets	2'481	2'229
Cash and cash equivalents	413	461
Assets held for sale	34	824[1]
Total current assets	**2'928**	**3'514**
Total assets	**13'492**	**13'921**
Equity attributable to equity holders of the parent	6'174	6'218
Non-controlling interest	72	72
Total equity	**6'246**	**6'290**
Non-current liabilities	1'845	1'630
Non-current debt	3'147	3'621
Total non-current liabilities	**4'992**	**5'251**
Current liabilities	1'617	1'746
Current debt	637	441
Liabilities held for sale	0	193
Total current liabilities	**2'254**	**2'380**
Total liabilities	**7'246**	**7'631**
Total equity and liabilities	**13'492**	**13'921**

1 Thereof CHF 790 million related to discontinued operations (see note 5) and CHF 34 million related to land in Guangzhou held for sale.

Condensed Consolidated Income Statement For the Six Months Ended 30 June (Unaudited) million CHF		2019	2018 (restated)[1]
Sales		**2'976**	**2'796**
Cost of goods sold		(1'828)	(1'691)
Gross profit		**1'148**	**1'105**
Operating expenses		(639)	(608)
Result from operating activities (EBIT)[2]		**509**	**497**
Net financial result		(64)	(18)
Share of loss of associates/joint ventures		(3)	0
Profit before income taxes		**442**	**479**
Income taxes		(49)	(88)
Profit from continuing operations		**393**	**391**
Profit / (loss) from discontinued operations, net of tax		(93)	14
Profit for the period		**300**	**405**
Attributable to:			
Equity holders of the parent		299	403
Non-controlling interest		1	2
Profit for the period		**300**	**405**
Earnings per share for profit from continuing operations attributable to equity holders of the parent			
Basic earnings per share – EPS basic	CHF	5.29	5.23
Diluted earnings per share – EPS diluted	CHF	5.26	5.20
Earnings per share for profit attributable to equity holders of the parent			
Basic earningts per share – EPS basic	CHF	4.03	5.41
Diluted earnings per share – EPS diluted	CHF	4.01	5.39

1 Restated to reflect the classification of Water Care business as discontinued operations.
2 Result from operating activities (EBIT) excludes interest income and expenses as well as financial income and expenses that are not interest related and Lonza's share of profit/loss from associates and joint ventures.

Condensed Consolidated Statement of Comprehensive Income For the Six Months Ended 30 June (Unaudited) million CHF	2019	2018
Profit for the period	**300**	**405**
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Re-measurements of net defined benefit liability	(66)	90
Income tax on items that will not be reclassified to profit or loss	12	(20)
	(54)	70
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(71)	(54)
Reclassification of foreign currency difference on loss of control	13	0
Cash flow hedges – effective portion of changes in fair value	(13)	(1)
Income tax on items that are or may be reclassified to profit or loss	1	(1)
	(70)	(56)
Other comprehensive income for the period, net of tax	**(124)**	**14**
Total comprehensive income for the period	**176**	**419**
Total comprehensive income attributable to:		
Equity holders of the parent	175	417
Non-controlling interest	1	2
Total comprehensive income for the period	**176**	**419**

Condensed Consolidated Cash Flow Statement For the Six Months Ended 30 June (Unaudited) million CHF	2019	2018
Profit for the period	**300**	**405**
Adjustment for non-cash items	532	404
Income tax and interest paid	(118)	(110)
Increase of net working capital	(491)	(285)
Use of provisions	(24)	(30)
(Increase)/decrease of other payables, net	(33)	43
Net cash provided by operating activities	**166**	**427**
Purchase of property, plant & equipment and intangible assets	(308)	(180)
Disposal of subsidiary, net of cash disposed of	620	0
Net purchase of other assets and disposals	(46)	(13)
Interest and dividend received	3	2
Net cash provided by / (used for) investing activities	**269**	**(191)**
Repayment of straight bond	(300)	0
Increase / (decrease) in debt	64	(46)
Payment of lease liabilities	(15)	0
Increase in other non-current liabilities	2	31
Capital injection from minority interests	1	0
Purchase of treasury shares	(48)	(5)
Dividends paid[1]	(206)	(205)
Net cash used for financing activities	**(502)**	**(225)**
Effect of currency translation on cash	(2)	(2)
Net increase in cash and cash equivalents	**(69)**	**9**
Cash and cash equivalents at 1 January, incl. cash and cash equivalents classified as asset held for sale	482	479
Cash and cash equivalents at 30 June	413	488

1 Includes dividends of CHF 2 million paid to minority shareholders of a subsidiary in 2019.

Condensed Consolidated Statement of Changes in Equity for the Six Months Ended 30 June (Unaudited)	Attributable to equity holders of the parent							Non-controlling interests	Total equity
million CHF	Share capital	Share premium	Retained earnings	Hedging reserve	Translation reserve	Treasury shares	Total		
Six months ended 30 June 2018									
Balance at 1 January 2018	**74**	**3'314**	**3'139**	**3**	**(338)**	**(59)**	**6'133**	**48**	**6'181**
Profit for the period	0	0	403	0	0	0	403	2	405
Other comprehensive income, net of tax	0	0	70	(1)	(55)	0	14	0	14
Total comprehensive income for the period	**0**	**0**	**473**	**(1)**	**(55)**	**0**	**417**	**2**	**419**
Dividends	0	0	(205)	0	0	0	(205)	0	(205)
Recognition of share-based payments	0	0	17	0	0	0	17	0	17
Movements in treasury shares	0	0	(64)	0	0	59	(5)	0	(5)
Balance at 30 June 2018	**74**	**3'314**	**3'360**	**2**	**(393)**	**0**	**6'357**	**50**	**6'407**
Six months ended 30 June 2019									
Balance at 1 January 2019	**74**	**3'314**	**3'468**	**(11)**	**(556)**	**(71)**	**6'218**	**72**	**6'290**
Profit for the period	0	0	299	0	0	0	299	1	300
Other comprehensive income, net of tax	0	0	(54)	(12)	(58)	0	(124)	0	(124)
Total comprehensive income for the period	**0**	**0**	**245**	**(12)**	**(58)**	**0**	**175**	**1**	**176**
Dividends	0	0	(204)	0	0	0	(204)	(2)	(206)
Capital injection from minority interests	0	0	0	0	0	0	0	1	1
Recognition of share-based payments	0	0	27	0	0	0	27	0	27
Movements in treasury shares	0	0	(61)	0	0	19	(42)	0	(42)
Balance at 30 June 2019	**74**	**3'314**	**3'475**	**(23)**	**(614)**	**(52)**	**6'174**	**72**	**6'246**

Selected Exlanatory Notes

1. Basis of Preparation of Financial Statements

These condensed consolidated financial statements are the unaudited, interim consolidated financial statements (hereafter "the interim financial statements") of Lonza Group Ltd and its subsidiaries (hereafter "the Group") for the six-month period ended 30 June 2019 (hereafter "the interim period"). They are prepared in accordance with the International Accounting Standard 34 (IAS 34) "Interim Financial Reporting". These interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018 (hereafter "the annual financial statements") as they provide an update of the previously reported information. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below. The interim financial statements do not include all of the information required for a complete set of IFRS financial statements.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

New Standards, Interpretations and Amendments

The following new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting these standards:
- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments

The impact of the adoption of IFRS16 Leases is disclosed in note 2 below. The adoption of IFRIC 23 did not have significant impact on the Group's financial statements.

2. Changes in Accounting Policies

IFRS 16 introduced a single, on balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has initially adopted IFRS 16 Leases from 1 January 2019 and applied the modified retrospective method, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Consequently, comparative 2018 information has not been restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Nature Of Lease Contracts

The Group has lease contracts for various items of buildings, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as financing costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

Summary of Changes in the Group's Accounting Policies Resulting from the Implementation of IFRS 16

Right-of-use Assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease Liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Summary of Impacts on Group's Financial Statements

At transition, for leases classified as operating leases under IAS17, lease liabilities were measured at the present value of remaining lease payments, discounted at the Group's incremental borrowing rate for each asset class as at 1 January 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17 (in addition to the general practical expedients described above):

– Exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term
– Excluded initial direct costs from measuring the right-of-use assets at the date of initial application

Transition Impacts from the Recognition of Right-of-use Assets and Lease Liabilities as of 1 January 2019

The impact on transition is summarized below:

million CHF	01. Jan 2019
Right-of-use assets presented in property, plant & equipment	210
Right-of-use assets presented in assets held for sale	15
Lease liabilities	210
Lease liabilities classified as liabilities held for sale	15

The lease liabilities for leases that were previously classified as operating leases, the Group discounted lease payments using its incremental borrowing rate 1 January 2019. The weighted-average rate applied is 4.4%.

Impact for the Period

The Group recognized the following amounts related to leases previously classified as operating leases in the income statement for the six-month period ended 30 June 2019.

million CHF	2019
Depreciation of right-of-use assets	13
Interest expenses	4

Lease payments for the six-month period ended 30 June 2019 amounted to CHF 14 million. Consequently, applying IFRS 16 had a favorable impact of CHF 14 million on the Group's EBITDA. The Group's result from operating activities (EBIT) improved by CHF 1 million.

3. Exchange Rates

Balance Sheet period-end rate CHF	30.06.2019	31.12.2018
US dollar	0.97	0.99
Pound sterling	1.23	1.25
Euro	1.11	1.13

Income Statement Half-Year average rate CHF	2019	2018
US dollar	1.00	0.97
Pound sterling	1.29	1.33
Euro	1.13	1.17

4. Operating Segments

On 25 February 2019, 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 operating segments: Pharma Biotech & Nutrition and Specialty Ingredients.

Description of Operating Segments

Pharma Biotech & Nutrition

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.

Specialty Ingredients

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

Six Months Ended 30 June 2019 million CHF	Pharma Biotech & Nutrition	Specialty Ingredients	Total Operating Segments	Corporate / Eliminations[1]	Total Group
Sales third-party	2'088	859	2'947	29	2'976
Inter-segment sales	4	18	22	(22)	0
Total sales	2'092	877	2'969	7	2'976
Result from operating activities (EBIT)[2]	497	84	581	(72)	509
Return on sales %	23.8	9.8	19.7	n.a.	17.1

Six Months Ended 30 June 2018 (restated)[3] million CHF	Pharma Biotech & Nutrition	Specialty Ingredients	Total Operating Segments	Corporate / Eliminations[1]	Total Group
Sales third-party	1'884	893	2'777	19	2'796
Inter-segment sales	9	20	29	(29)	0
Total sales	1'893	913	2'806	(10)	2'796
Result from operating activities (EBIT)[2]	447	119	566	(69)	497
Return on sales %	23.7	13.3	20.4	n.a.	17.8

1 The "Corporate / Eliminations" column represents the corporate function, including eliminations for reconciliation of the Group total.
2 Result from operating activities (EBIT) excludes interest income and expenses as well as financial income and expenses that are not interest related and Lonza's share of profit/loss from associates and joint ventures.
3 Restated to reflect the 2019 realignment of Lonza's segments into Pharma Biotech & Nutrition and Specialty Ingredients, as well as the classification of Water Care business as discontinued operations. Result from operating activities (EBIT) has not been restated to reflect the adoption of IFRS 16 (see note 2).

5. Discontinued Operations

On 1 November 2018 Lonza announced that it had entered into a definitive agreement with Platinum Equity to sell Lonza's Water Care business and operations. The sale of the former Water Care business and operations was completed on 28 February 2019 for USD 630 million. Final settlement negotiations with Platinum Equity are in process, thus the loss from discontinuing operations including related tax amounts reflect the Group's current estimates.

In the consolidated financial statements 2018, the Water Care related assets and liabilities were classified as a disposal group in assets held for sale and liabilities held for sale and its operations were disclosed as discontinued operations.

The results of the divested Water business for the six-month periods ended 30 June are presented below:

million CHF		2019	2018
Sales		74	283
Cost of goods sold		(58)	(198)
Gross profit		16	85
Operating expenses		(22)	(63)
Result from operating activities (EBIT)		(6)	22
Net financial result		0	(4)
Share of loss of associates/joint ventures		0	(1)
Income taxes		0	(3)
(Loss) / profit from operating activities, net of tax		(6)	14
Loss on sale of discontinued operations		(120)	0
Deferred tax income related to the sale of the Water Care business		90	0
Income tax on sale of discontinued operations		(57)	0
Profit / (loss) from discontinued operations, net of tax		(93)	14
Basic earnings per share – EPS basic	CHF	-1.25	0.19
Diluted earnings per share – EPS diluted	CHF	-1.25	0.19

As a result of the closing of the transaction on 28 February 2019, the accumulated exchange rate translation reserve losses of CHF 13 million were reclassified to the income statement in 2019.

The 2019 loss from discontinued operations, net of tax of CHF 93 million includes the loss from operating activities (CHF 6 million), the income tax on sale of discontinued operations (CHF 57 million), the accumulated exchange rate translation impact (CHF 13 million), divestiture related costs of CHF 4 million and other effects.

6. Financial Instruments

The carrying amount of financial assets represents the maximum credit exposure.

million CHF	Carrying amount 30 06 2019	Fair value 30 06 2019	Carrying amount 31 12 2018	Fair value 31 12 2018
Financial assets at amortized cost				
Trade receivables, net	788	788	692	692
Other receivables	72	72	52	52
Accrued income	151	151	159	159
Current and non-current loans	37	37	46	46
Cash and cash equivalents	413	413	461	461
Total financial assets amortized at cost	**1'461**	**1'461**	**1'410**	**1'410**
Financial assets at fair value				
Other investments	31	31	12	12
Derivative financial instruments				
– Currency-related instruments	23	23	16	16
– Interest-related instruments	1	1	1	1
Contingent consideration	20	20	31	31
Total financial assets at fair value	**75**	**75**	**60**	**60**
Financial liabilities at amortized cost				
Debt				
Straight bonds[1]	914	941	1'214	1'231
Other debt	2'870	2'870	2'848	2'848
Current liabilities	534	534	618	618
Trade payables	381	381	428	428
Total financial liabilities at amortized cost	**4'699**	**4'726**	**5'108**	**5'125**
Financial liabilities at fair value				
Derivative financial instruments				
– Currency-related instruments	13	13	4	4
– Interest-related instruments	19	19	6	6
– Commodity-related instruments	8	8	7	7
Contingent consideration	30	30	30	30
Total financial liabilities – measured at fair value through profit and loss	**70**	**70**	**47**	**47**

1 The fair value of straight bonds for disclosure purposes is Level 1 and is calculated based on the observable market prices of the debt instruments.

Financial Instruments Carried at Fair Value

The Group applied the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- **Level 1:** quoted (unadjusted) prices in active markets for identical assets or liabilities
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

million CHF	30 06 2019 Level 1	30 06 2019 Level 2	30 06 2019 Level 3	30 06 2019 Total fair value	31 12 2018 Level 1	31 12 2018 Level 2	31 12 2018 Level 3	31 12 2018 Total fair value
Assets								
Other investments	14	17	0	31	0	12	0	12
Derivative financial instruments	0	24	0	24	0	17	0	17
Contingent consideration related to sale of business	0	0	20	20	0	0	31	31
Liabilities								
Derivative financial instruments	0	(40)	0	(40)	0	(17)	0	(17)
Contingent consideration	0	0	(30)	(30)	0	0	(30)	(30)
Net assets and liabilities measured at fair value	**14**	**1**	**(10)**	**5**	**0**	**12**	**1**	**13**

In 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

Details of the determination of Level 3 fair value measurements are set out below:

Contingent Consideration Arrangements Related to Sale of Business

million CHF	2019
At 1 January	**31**
Remeasurement included in the income statement	(4)
Cash recveived	(7)
At 30 June	**20**

The 2017 agreement to sell the Peptides business included contingent consideration arrangement under which Lonza will receive a defined percentage of the net sales of the disposed business for the financial years 2017–2021 (estimated to be CHF 20 million at Half-Year 2019 exchange rates). Lonza's estimate of the net present value of these future payments is reflected as a receivable in the consolidated balance sheet for the periods presented.

7. Seasonality of Operations

Lonza businesses operate in industries where no significant seasonal or cyclical variations in sales are experienced during the reporting period.

8. Dividends Paid

On 18 April 2019, the Annual General Meeting approved the distribution of a dividend of CHF 2.75 (financial year 2017: CHF 2.75) per share in respect of the 2018 financial year. The distribution to holders of outstanding shares totaled CHF 204 million (2018: CHF 205 million) and has been recorded against reserves from capital contribution of Lonza Group Ltd.

9. Events After the Balance Sheet Date

On 1 July 2019 Lonza announced that it has entered into a binding contractual commitment for the purchase of a sterile drug product fill & finish facility from Novartis and that the closing is expected to take place within the coming months. This contemplated transaction did not have any impact on the interim financial statement for the six-month period ended 30 June 2019.

On 23 July 2019, the Board of Directors authorized the interim financial statements of Lonza Group Ltd and its subsidiaries for the six-month period ended 30 June 2019 for issue.

Supplementary Financial Information

1. Results at Constant Exchange Rates (CER)

The tables below compare the financial results for the six-month period ended 30 June 2019 based on constant exchange rates (i.e. June 2018 exchange rates) with the Half-Year results 2018.

Lonza Group million CHF	2019	Change in %	2018 (Restated)[1]
Sales	2'967	6.1	2'796
CORE EBITDA	822	6.9	769
Margin in %	27.7		27.5
CORE result from operating activities (EBIT)	637	6.0	601
Margin in %	21.5		21.5

1 Restated to reflect the classification of Water Care business as discontinued operations.

Pharma Biotech & Nutrition million CHF	2019	Change in %	2018 (Restated)[2]
Sales	2'078	10.3	1'884
CORE EBITDA	685	8.4	632
Margin in %	33.0		33.5
CORE result from operating activities (EBIT)	564	7.4	525
Margin in %	27.1		27.9

2 Restated to reflect the realignment of Lonza's segments into Pharma Biotech & Nutrition and Specialty Ingredients.

Specialty Ingredients million CHF	2019	Change in %	2018 (Restated)[3]
Sales	860	(3.7)	893
CORE EBITDA	164	(2.4)	168
Margin in %	19.1		18.8
CORE result from operating activities (EBIT)	124	(3.9)	129
Margin in %	14.4		14.4

3 Restated to reflect the realignment of Lonza's segments into Pharma Biotech & Nutrition and Specialty Ingredients, as well as the classification of Water Care business as discontinued operations.

Corporate million CHF	2019	2018
Sales	29	19
CORE EBITDA	(27)	(31)
CORE result from operating activities (EBIT)	(51)	(53)

2. CORE Results

Reconciliation of IFRS Results to CORE Half-Year Results 2019 million CHF	IFRS result	Amortization of intangible assets from acquisitions	Impairments	Reversal of impairments	Restructuring costs/income	Income/ expense resulting from acquisition and divestitures[2]	Environmental-related expenses[4]	Other	Core result[1]
Result from operating activities (EBIT)	509	86	12	(5)	21	10	10	0	643
Net financial result	(64)	0	0	0	0	4	0	0	(60)
Share of profit / (loss) of associates/joint ventures	(3)	0	0	0	0	0	0	3	0
Profit before income taxes	442	86	12	(5)	21	14	10	3	583
Income taxes[3]	(49)	(10)	(1)	2	(2)	(1)	(1)	(1)	(63)
Profit from continuing operations	393	76	11	(3)	19	13	9	2	520
Profit / (loss) from discontinued operations, net of tax	(93)	0	92	0	0	15	0	0	14
Profit for the period	300	76	103	(3)	19	28	9	2	534
Non-controlling interest	(1)	0	0	0	0	0	0	0	(1)
Profit for the period, attributable to the equity holders of the parent	299	76	103	(3)	19	28	9	2	533
Number of Shares Basic	74'113'650								74'113'650
Number of Shares Diluted	74'527'350								74'527'350
Earnings per share for profit from continuing operations attributable to equity holders of the parent:									
Basic earnings per share – EPS basic CHF	5.29								7.00
Diluted earnings per share - EPS diluted CHF	5.26								6.96
Earnings per share for profit attributable to equity holders of the parent:									
Basic earnings per share – EPS basic CHF	4.03								7.19
Diluted earnings per share – EPS diluted CHF	4.01								7.15

1 In the core results for the items "EBITDA", "Result from operating activities (EBIT)", "Profit for the period" and "Earnings per share", the impact of amortization of acquisition-related intangible assets, impairment and reversal of impairment of assets, results from associates and other special charges / income from restructuring are eliminated.

2 Income / expense resulting from acquisition and divestitures
– Capsugel: CHF 9 million for integration-related costs
– Others: CHF 1 million for integration-related costs
Net financial result: CHF 4 million remeasurement of contingent consideration.

3 Tax impact calculated based on average Group tax rate of: 11.1%

4 Comprise expenses resulting from environmental remediation for all divested plants and existing sites for projects in excess of CHF 10 million.

Reconciliation of IFRS Results to CORE Half-Year Results 2018 million CHF	IFRS result[1]	Amortization of intangible assets from acquisitions	Restructuring costs/income	Income/ expense resulting from acquisitions[4]	Environmental-related expenses[5]	Other	Core result[2]
Result from operating activities (EBIT)	497	81	4	12	7	0	601
Net financial result	(18)	0	0	0	0	0	(18)
Share of profit / (loss) of associates/joint ventures	0	0	0	0	0	0	0
Profit before income taxes	479	81	4	12	7	0	583
Income taxes[3]	(88)	(15)	(1)	(2)	(2)	0	(108)
Profit from continuing operations	391	66	3	10	5	0	475
Profit / (loss) from discontinued operations, net of tax	14	3	0	0	0	1	18
Profit for the period	405	69	3	10	5	1	493
Non-controlling interest	(2)						(2)
Profit for the period, attributable to the equity holders of the parent	403	69	3	10	5	1	491
Number of Shares Basic	74'426'703						74'426'703
Number of Shares Diluted	74'831'559						74'831'559
Earnings per share for profit from continuing operations attributable to equity holders of the parent:							
Basic earnings per share – EPS basic CHF	5.23						6.36
Diluted earnings per share - EPS diluted CHF	5.20						6.32
Earnings per share for profit attributable to equity holders of the parent:							
Basic earnings per share – EPS basic CHF	5.41						6.60
Diluted earnings per share – EPS diluted CHF	5.39						6.56

1 Restated to reflect the classification of Water Care business as discontinued operations.
2 In the core results for the items "EBITDA", "Result from operating activities (EBIT)", "Profit for the period" and "Earnings per share", the impact of amortization of acquisition-related intangible assets, impairment and reversal of impairment of assets, results from associates and other special charges / income from restructuring are eliminated.
3 Tax impact calculated based on average Group tax rate of: 18.3%
4 Income / expense resulting from acquisitions
– Capsugel: CHF 11 million for integration-related costs
– Others: CHF 1 million for integration-related costs
5 Comprise expenses resulting from environmental remediation for all divested plants and existing sites for projects in excess of CHF 10 million.

Reconciliation of EBITDA to CORE EBITDA

million CHF	2019	2018 (Restated)[1]
Earnings before interests, taxes and depreciation (EBITDA)	787	746
Restructuring costs / income	21	4
Income / expense resulting from acquisition and divestitures	10	12
Environmental-related expenses	10	7
CORE EBITDA	828	769

1 Restated to reflect the classification of Water Care business as discontinued operations.

3. Free Cash Flow

Operational Free Cash Flow

For the six-month ended 30 June, the development of operational free cash flow by component was as follows:

Lonza Group Incl. Discontinued Operations million CHF	2019	2018
Earnings before interests, taxes and depreciation (EBITDA)	765	779
Change of operating net working capital	(500)[1]	(285)
Capital expenditures in tangible and intangible assets	(308)	(179)
Disposal of tangible and intangible assets	2	1
Change of other assets and liabilities	(24)[2]	35
Operational free cash flow (before acquisitions)	(65)	351
Acquisition of subsidiaries	0	0
Disposal of subsidiaries	620	0
Operational free cash flow	555	351

1 Includes non-cash amortization of current deferred income of CHF 9 million, recognized in the income statement through EBITDA.

2 Includes non-cash amortization of non-current deferred income of CHF 4 million, recognized in the income statement through EBITDA.

4. Return on Invested Capital

The return on invested capital (ROIC) is defined as net operating profit after taxes (NOPAT) divided by the average invested capital of Lonza Group.

For the six-month ended 30 June, the development of ROIC by component was as follows:

Continuing Business million CHF	2019	2018 (restated)[1]
CORE result from operating activities (CORE EBIT)	643	601
Amortization of acquisition-related intangibles assets	(86)	(81)
Share of result of associates / joint ventures and interest on operating leases	(3)	1
Net operating profit before taxes	554	521
Taxes[2]	(61)	(95)
Net operating profit after taxes (NOPAT)	493	426
Net operating profit after taxes (NOPAT), annualized[3]	986	851
Average invested capital	10'522	10'312
ROIC (in %)	9.4	8.3

1 Restated to reflect the classification of Water Care business as discontinued operations.

2 Group tax rate of 11.1% for 2019 and 18.3% for 2018.

3 NOPAT for the six months ended 30 June multiplied by 2 to reflect the full year.

The invested capital represent the average of the monthly balances of the following components for the six months ended 30 June:

Continuing Business million CHF	**2019**	**2018 (restated)[1]**
CORE net operating assets	**4'174**	**3'889**
Goodwill	3'759	3'804
Acquisition-related intangible assets	3'219	3'293
Other assets[2]	203	125
Net current and deferred tax liabilities	(833)	(799)
Average invested capital	**10'522**	**10'312**

1 Restated to reflect the classification of Water Care business as discontinued operations.
2 Investments in associates / joint ventures and operating cash.

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," "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 presentation was published.

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.

www.lonza.com

27–28 Aug 2019
Roadshow Singapore, SG (UBS)

27–29 Aug 2019
Roadshow NY / Boston, USA (BoAML)

29–30 Aug 2019
Roadshow Hong Kong, CN (UBS)

29 Aug 2019
Reverse Roadshow, Basel, CH (Octavian)

2–4 Sept 2019
Mizuho Investor Conference, Tokyo, JP

9–11 Sept 2019
Morgan Stanley Healthcare Conference, NY, USA

12–13 Sept 2019
Roadshow Frankfurt, DE (MainFirst)

6 Nov 2019
Swiss Equity Conference, Zurich, CH (ZKB)

21 January 2020
Full-Year Results 2019

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