

Lonza

Lonza Half-Year Results 2019

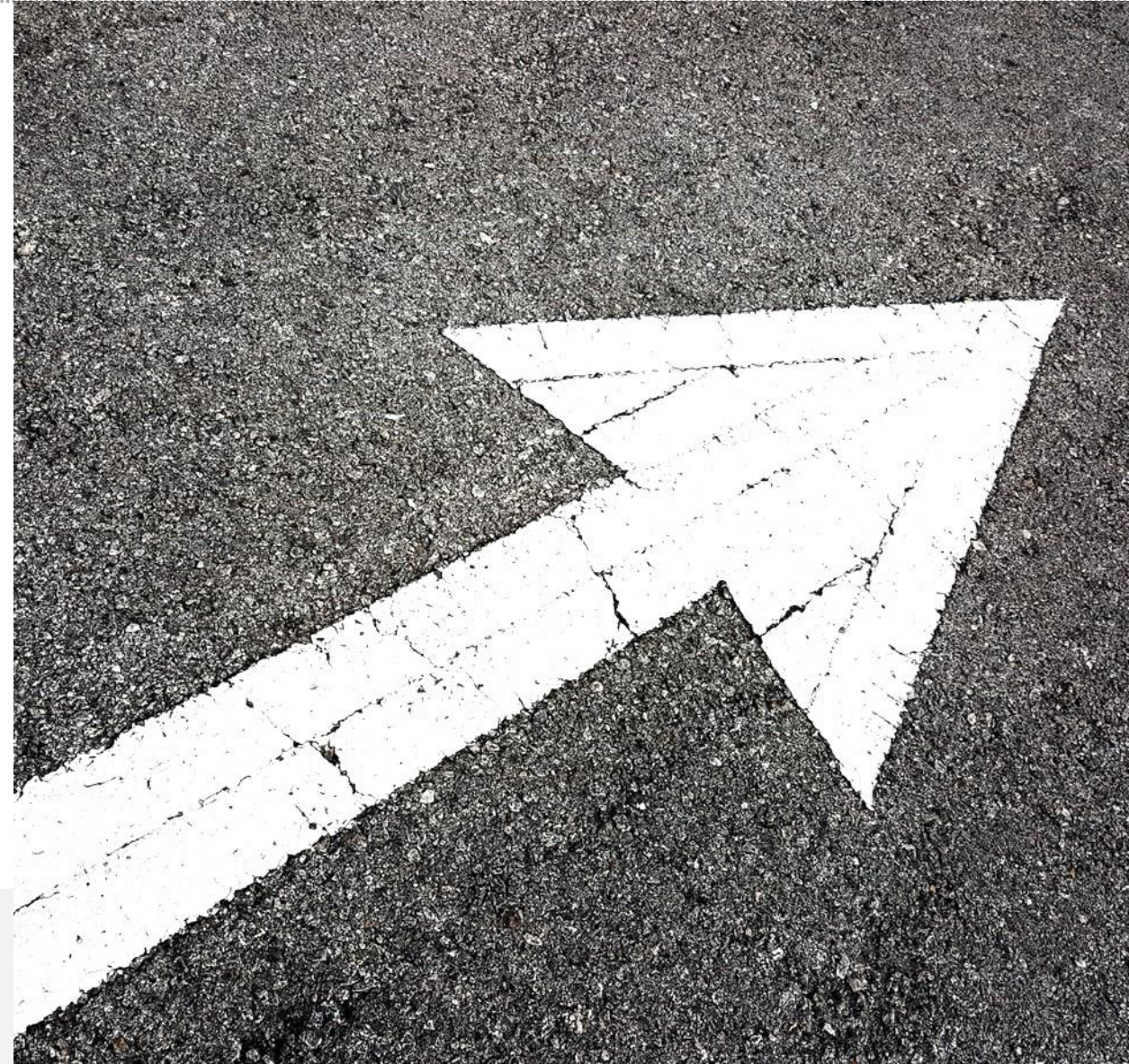


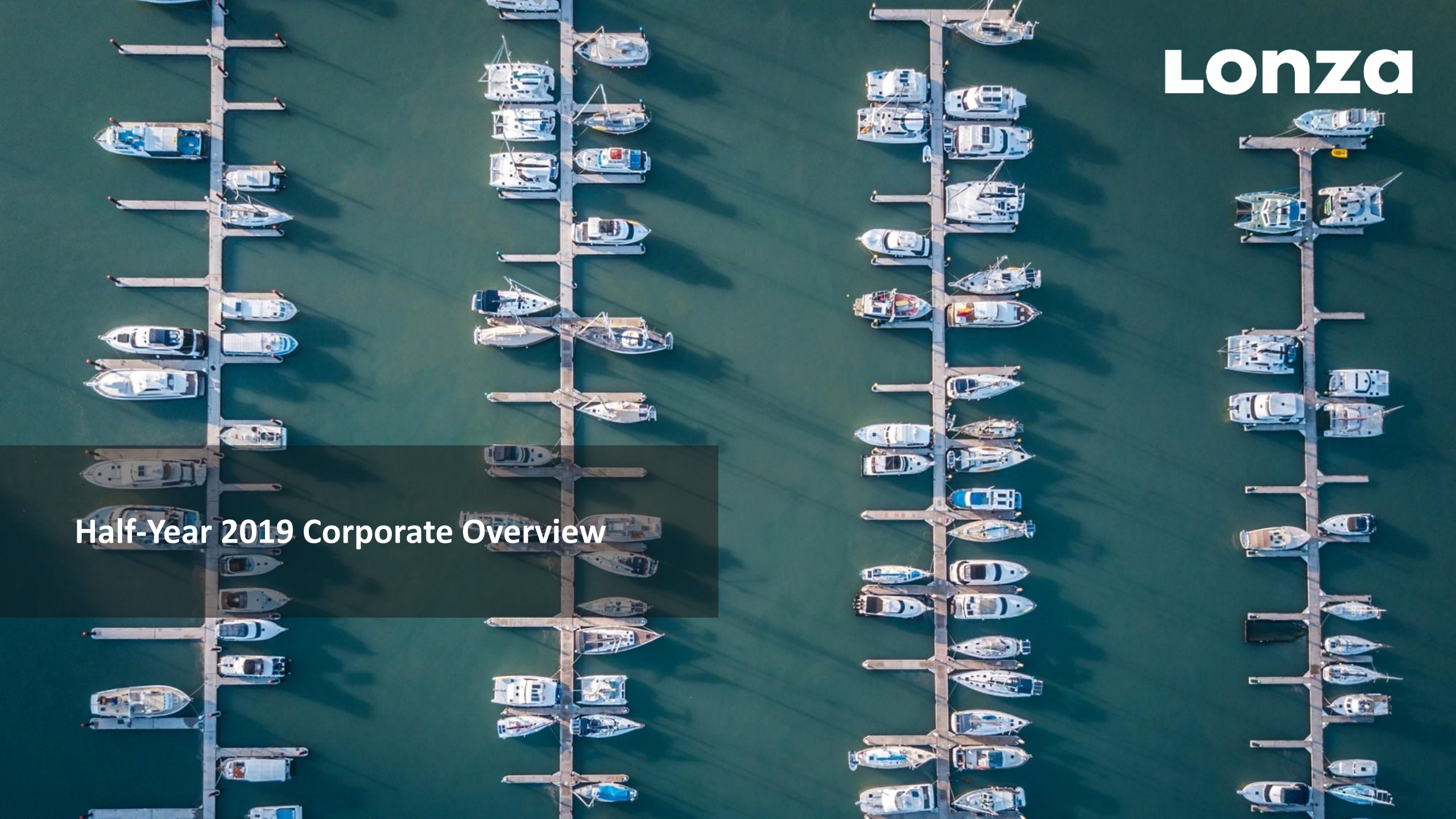
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Note: Since 1 March 2019, Lonza has been operating in a Lonza Pharma Biotech & Nutrition segment and a Lonza Specialty Ingredients segment. Restated 2018 financials are published [here](#).



An aerial photograph of a marina with numerous white and blue boats docked in neat rows along a wooden pier. The water is a deep blue-green color. The boats are of various sizes, mostly motor yachts and sailboats.

Lonza

Half-Year 2019 Corporate Overview

Half-Year 2019 Corporate Overview

Double-digit sales growth in Pharma Biotech & Nutrition, continued headwinds in Specialty Ingredients

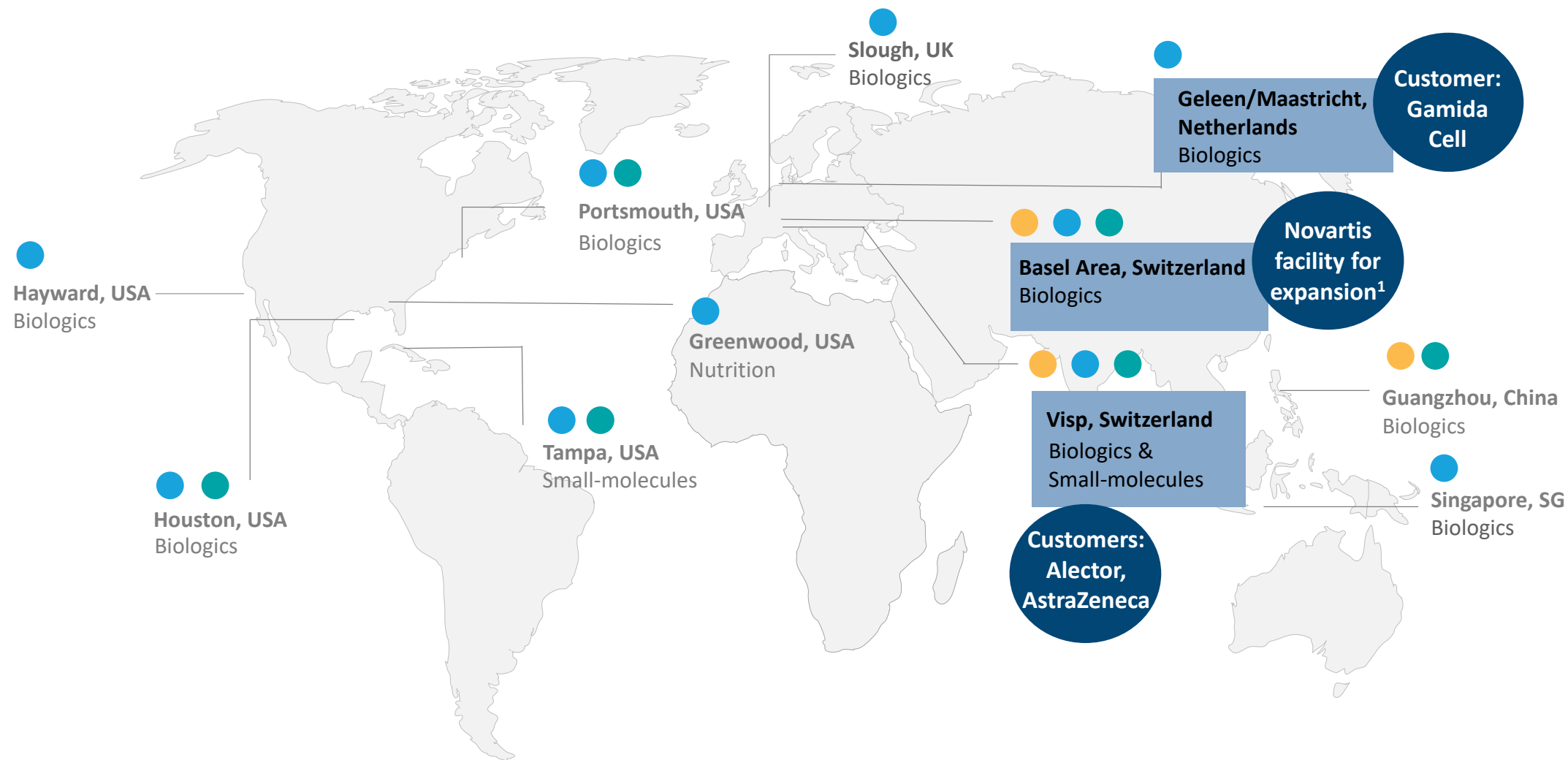
Lonza

- Outlook 2019 confirmed with high single-digit sales growth in LPBN and start of recovery in LSI expected
- Ongoing efficiency measures across all businesses
- Talent acquisition for strategic growth projects geared towards H2 2019 and 2020
- Focus on execution of CAPEX investments and new partnerships in LPBN
- LSI carve-out progresses on time and on budget



Update on Strategic Growth Investments in Pharma Biotech & Nutrition

New investments and customers announced in H1 2019



¹Lonza entered into a binding commitment to acquire a sterile fill and finish facility from Novartis to extend its existing drug product offering



Lonza

Half-Year 2019 Financial Summary

Half-Year 2019 Financial Highlights Continuing Operations

Delivering on our guidance



Half-Year Results 2019

CHF million	HY 2019	% YoY	HY 2018 (restated) ¹
Sales ²	2,976	6.4	2,796
CORE EBITDA	828	7.7	769
<i>Margin in %</i>	27.8	30 bps	27.5
CORE EBITDA excl. IFRS 16	814	5.9	769
<i>Margin in %</i>	27.4	(10 bps)	27.5
CORE EBIT	643	7.0	601
<i>Margin in %</i>	21.6	10 bps	21.5
CORE EBIT excl. IFRS 16	641	6.7	601
<i>Margin in %</i>	21.5	0 bps	21.5

¹ Restated to reflect the classification of Water Care business as discontinued operations (see note 5 of [Half-Year Results 2019 Report](#)). Prior year information has not been restated to reflect the adoption of IFRS 16 (see note 2 of [Half-Year Results 2019 Report](#))

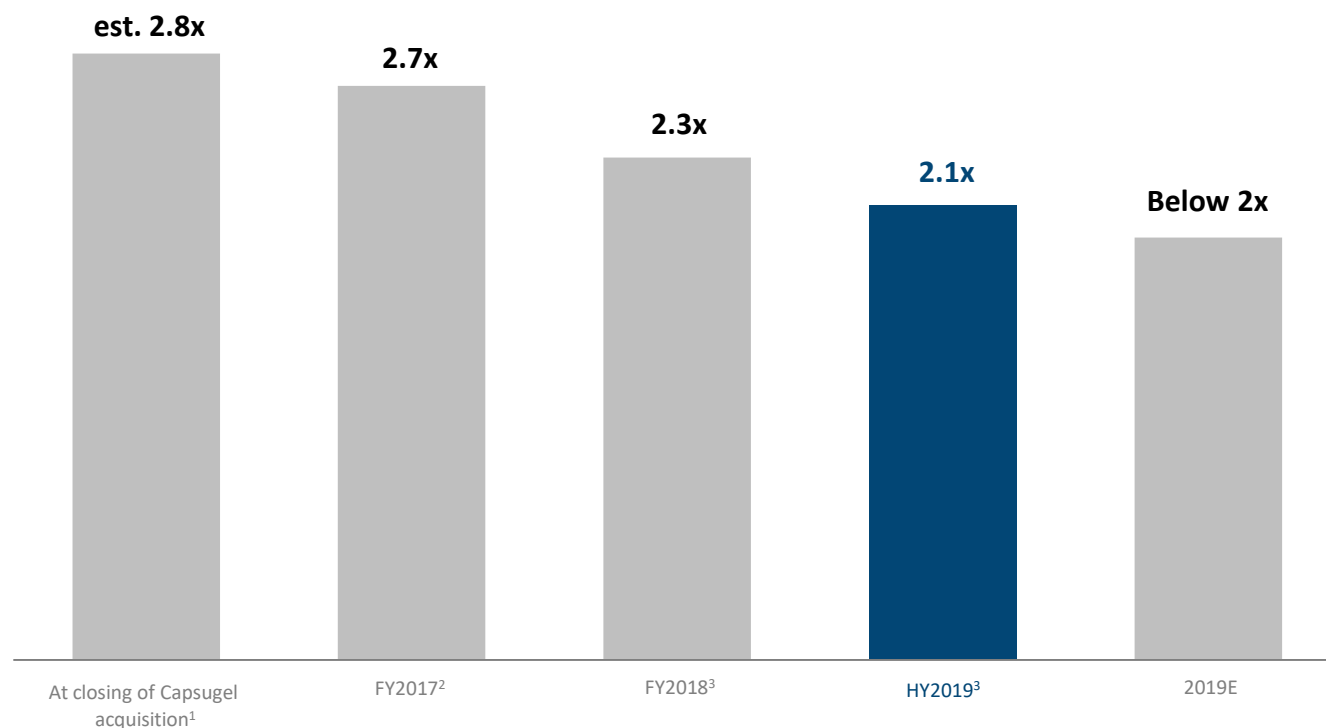
² Currency exchange effects had 30bps positive impact on actual exchange rate (AER) results. Further information about constant exchange rates (CER) is displayed in the Half-Year Results 2019 Report.

Net Leverage 2017 to 2019

Continued deleveraging on the back of strategic growth investments



Net Leverage (Net Debt / CORE EBITDA)



- Divestment of Water Care business unit resulted in cash proceeds of CHF 620 million in H1 2019
- Using proceeds for financing high-return, risk-adjusted growth initiatives in LPBN and for further deleveraging
- CHF 308 million CAPEX spent in H1 2019, expected to increase in H2 2019

¹ Net debt/CORE EBITDA is calculated based on the CORE EBITDA of the last 12 months, including Capsugel. The Capsugel acquisition closed on 5 July 2017

² 2017 including Capsugel as of 5 July 2017, restated for IFRS 15

³ Net debt/CORE EBITDA is calculated based on the CORE EBITDA of the last 12 months

Lonza



Segments: LONZA Pharma Biotech & Nutrition (LPBN)

Pharma Biotech & Nutrition Financial Highlights

Achieving double-digit sales growth



Half-Year Results 2019

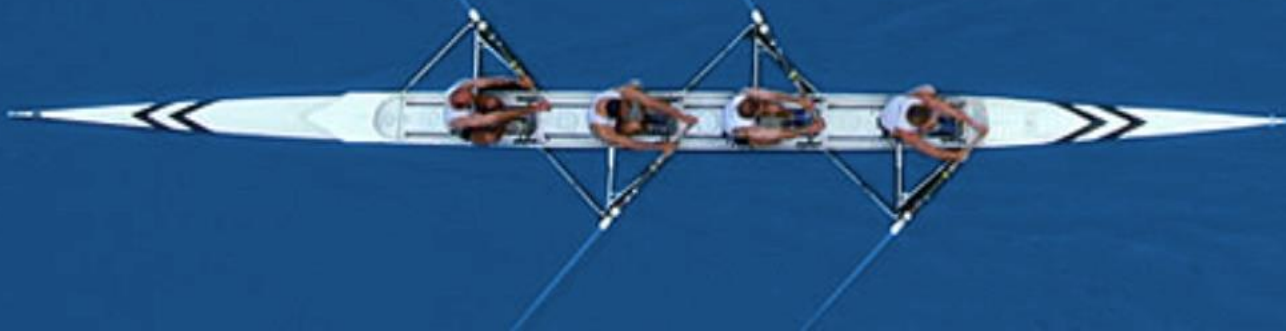
CHF million	HY 2019	% YoY	HY 2018 (restated) ¹
Sales ²	2,088	10.8	1,884
CORE EBITDA	693	9.7	632
<i>Margin in %</i>	33.2	(30 bps)	33.5
CORE EBITDA excl. IFRS 16	682	7.9	632
<i>Margin in %</i>	32.7	(80 bps)	33.5
CORE EBIT	571	8.8	525
<i>Margin in %</i>	27.3	(60 bps)	27.9
CORE EBIT excl. IFRS 16	569	8.4	525
<i>Margin in %</i>	27.3	(60 bps)	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 of [Half-Year Results 2019 Report](#))

² Currency exchange effects had 50bps positive impact on actual exchange rate (AER) results. Further information about constant exchange rates (CER) is displayed in the [Half-Year Results 2019 Report](#)

Lonza

CDMO Services within LPBN



Half-Year 2019 CDMO Services Overview

Outperformance in Biologics, Chemicals driven by offerings for complex molecules



Mammalian and Microbial

Strong performance of clinical and commercial with batch releases ahead of schedule

Continued high demand for development activities already allows visibility into 2021

Expansion areas: complex protein expression technologies; drug product for commercial launch

Cell and Gene

Continued momentum in a dynamic market environment

Strong interest in Lonza technology offerings and comprehensive service portfolio including process development and commercial manufacturing

New customers signed and further evolving pipeline

Aim to enhance profitability

Small-Molecules

Expansion in pre-clinical services, HPAPI and bioconjugates to meet growing market for early stage and complex molecules

New customers signed: AstraZeneca for long-term manufacturing of HPAPI

Ongoing demand for specialty polymer offerings in pharma hard capsules

Bioscience

Strong performance based on media sales, continued expansion of quality control software, and supply recovery

Positive impact from new products launched, e.g. robotic solutions for endotoxin testing

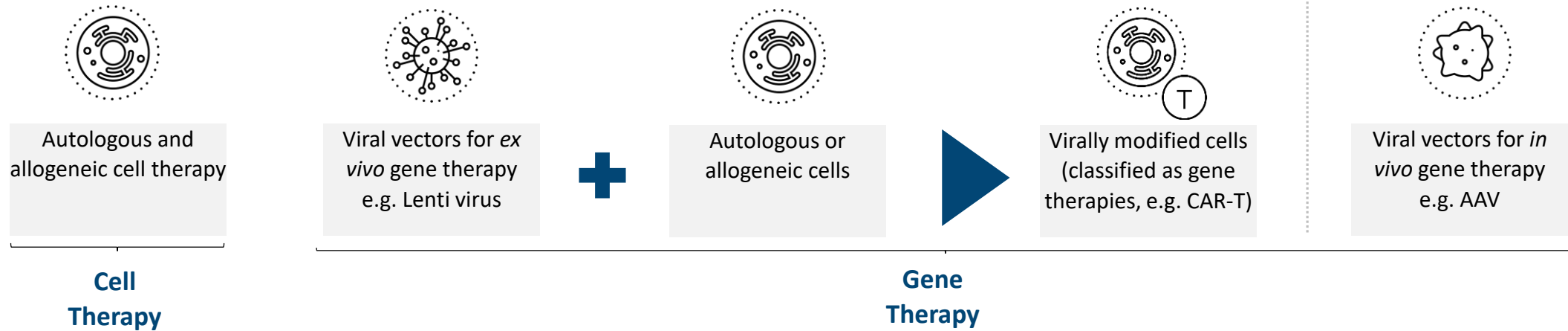
Aim to enhance profitability

Cell and Gene Technologies with New Contracts in H1 2019

High demand for Lonza offerings across all modalities, supporting a leading market position



Lonza Offerings in Cell and Gene Technologies Across Four Global Centers of Excellence



Cell and Gene Technologies Performance in H1

- New clinical and commercial contracts signed in H1 2019
- Strong sales pipeline going forward
- High volume of inquiries for viral vector production and cell therapies from both emerging biotech and large pharma

Commercial manufacturing agreement with Gamida Cell:

- Phase 3 investigational advanced cell therapy omidubicel to treat hematologic malignancies
- Based on long-term partnership, serviced from Lonza Geleen (NL)



Lonza's Expansion in Drug Product Services (DPS)

With additional drug product capabilities coming online, Lonza will cover the full product lifecycle



2019 H1

Basel – Stuecki (Building 60A)



Development Services & QC

Start of DPS with 25 FTEs, led by Prof. Hanns-Christian Mahler in Q4 2016: from zero customers, projects, molecules to 76, 280, 122 respectively

- 3000 m²
- 120 employees
- Tox-/non-cGMP production

2019 H2

Stein (Basel area)



cGMP Manufacturing

Entering into a binding commitment to acquire Novartis facility for drug product manufacturing to complement existing development services with sterile fill and finish of drug product

- Clinical & Commercial Launch (Liquid- /Lyovials)
- Space for additional production line

2020

Basel – Stuecki (Building 60G)



Development Services & QC

Expansion of Basel (Stücki) facilities based on market demand and Lonza customer enquiries

- 8000 m²
- 200 employees
- Tox-/non-cGMP production

2021

Visp – Ibex™



cGMP Manufacturing

DPS as part of Ibex™ Design & Develop clinical and Ibex™ Dedicate commercial offerings

- Clinical & Launch (Liquid- /Lyovials)
- Space for additional lines
- Gene-to-patient offering



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Consumer Health & Nutrition within LPBN

Half-Year 2019 Consumer Health & Nutrition Overview



Nutrition businesses experience softer demand against strong year-on-year comparison; pick-up in H2 2019 expected

Nutrition Hard Capsules

Continued market momentum for specialty polymer capsules, a focal area going forward

Increased competition and softer demand for gelatin capsules across regions

Several product launches for clean-label and natural capsules

Focus on commercial initiatives with stronger H2 compared to H1 2019 expected

Dosage Form Solutions

Ongoing momentum for innovative dosage form solutions, benefitting from strong market potential for nutritional applications

Optimization of Lonza-Capsugel synergies driving successful launch of finished formulated solutions

H1 with supply limitations for intermediates used in high-demand premium dosage forms; diversification of supply chain underway

Nutritional Ingredients

Marginally softer sales globally due to customer inventory pre-build in 2018 and subsequent Lonza supply challenges

Additional capacity coming on-stream within existing footprint in 2019, with significant expansion starting mid-2020

Expansion of premium science-backed UC-II® ingredient for joint health into new markets, regions, and applications

Strong performance of Carnipure® L-Carnitine ingredient for sports nutrition

Delivering Constant Innovation for Consumer Goods Markets

Lonza at the forefront of new science-based formulations and extended clean-label capabilities

Lonza

Clean-Label Capabilities

Increased focus on natural, vegetarian and vegan products, which are free from additives or preservatives

E.g. Launch of Vcaps® Plus White Opal™ plant-based, titanium dioxide-free capsule



Organic Food Colorants

Expansion of offering with Capsugel® Vcaps® Plus Red Radish, Spicy Yellow and Purple Carrot, following launch of Vcaps® Plus Blue Spirulina as industry's first clean-label food colored capsule



Innovative Finished Products

Introduction of innovative finished formulated UC-II products, which are combined with other ingredients in daily dose Vcaps® Plus capsules for complementary benefits

E.g. With omega-3s, curcumin for anti-inflammatory effects, vitamin K2 for all-in-one bone and joint health solution



A photograph of several sailboats on a body of water. The focus is on the white hull and the large, light-colored sails of the boats in the foreground. The water is a deep blue with small waves. In the background, a hazy shoreline with some buildings and hills is visible under a clear sky.

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Segments: LONZA Specialty Ingredients (LSI)

Specialty Ingredients Financial Highlights

Sales decline against a strong year-on-year comparison while profit margins were maintained



Half-Year Results 2019

CHF million	HY 2019	% YoY	HY 2018 (restated) ¹
Sales ²	859	(3.8)	893
CORE EBITDA	163	(3.0)	168
Margin in %	19.0	20 bps	18.8
CORE EBITDA excl. IFRS 16	161	(4.2)	168
Margin in %	18.7	(10 bps)	18.8
CORE EBIT	124	(3.9)	129
Margin in %	14.4	0 bps	14.4
CORE EBIT excl. IFRS 16	123	(4.7)	129
Margin in %	14.3	(10 bps)	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 of [Half-Year Results 2019 Report](#))

² Currency exchange effects had 10bps negative impact on actual exchange rate (AER) results. Further information about constant exchange rates (CER) is displayed in the [Half-Year Results 2019 Report](#)

Half-Year 2019 Specialty Ingredients Overview

Continued headwinds in line with broader sector, however, profit margins were maintained

Lonza

- Topline decline against a strong H1 2018 comparison driven by softer end-markets, especially in Asia, and significantly constrained BIT (1,2-Benzisothiazolin-3-one)
- LSI on track to diversify supply base, especially into India, with continuing uncertainties regarding Chinese BIT supply
- Stable profit margin as raw material price increases partly passed on to customers and LSI overhead cost control measures begin to deliver benefits
- Start of sales recovery expected in H2, however profitability below H1 caused by scheduled site maintenance



Half-Year 2019 Specialty Ingredients Overview

Start of sales recovery expected; CORE EBITDA margin pressure caused by site maintenance in H2 2019



Industrial Applications

Below previous year based on continued supply shortage of BIT

Extensive measures taken by value chain and price management

Encouraging results end of H1 with further recovery in H2 anticipated

Personal and Home Care Preservation

Robust performance of Home Care in China and North America

Soft performance of Personal Care caused by increased competition and lower demand in skin and hair care

Professional Hygiene

Continued healthy demand and performance above previous year

Wood Applications

Solid performance despite weather-related challenges in North America market

Composites

Negatively affected by soft demand for electronics, especially out of Asia

Uptake expected in H2 2019 based on increased demand following 5G introduction

Agricultural Offerings

Suffered from customer destocking after dry European summer in 2018

Supply chain challenges, competitive pressure and increasing feedstock cost

Increased demand for CMO

Vitamin B3 prices behind previous year; price increases expected in H2 2019

Delivering Innovation in Microbial-Control Applications

Specialty Ingredients' focus on strengthening its market leadership

Lonza

Some recent examples

Next Generation Antidandruff Active

Strengthening position as world's leading antidandruff active supplier

Commenced manufacturing of Piroctone Olamine (PO) to broaden portfolio



Keeping our World Healthy®

New additions to regulated Professional Hygiene offerings

Introduction of hydrogen peroxide-based hard surface disinfectants and FDA-approved non-alcohol hand sanitizers



Regulatory Support

Introduction of microbial-control alternatives, e.g. Triclosan-free antibacterial personal care, Creosote-free protection for timber, regulatory approved fungicides for open system metalworking fluids



Bioactives

Product launches for personal care “aspirational” consumers

Introduction of naturally derived polyglycerol esters for non-ionic emulsifiers and surfactants, and bioactives for scalp and skin



A white sailboat with a blue stripe is sailing on the ocean. The boat has a wooden deck and a blue sail. The background shows a blue sea and distant mountains under a clear sky.

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Outlook 2019

Confirming Outlook 2019

A balance between positive momentum in LPBN and recovery in LSI

- Outlook 2019 anticipates a year of significant investments in Biologics and headwinds in the cyclical parts of Specialty Ingredients
- High single-digit sales growth in LPBN, start of recovery in LSI in H2 2019 anticipated
- Efficiency measures across all businesses ongoing with strategic investments in LPBN geared towards the second half of 2019 and regularly scheduled maintenance of LSI sites
- Continuing focus on growth project execution and delivery

**Mid-to-high
single-digit
sales growth**

**Sustained high
CORE EBITDA
margin level**

Outlook 2019 is based on Lonza's continuing operations (excluding the Water Care business unit), the present macro-economic environment, current visibility and constant exchange rates

A close-up photograph of a sailboat's mast and rigging. Several wooden pulleys, known as blocks, are visible, each with a central hole and a smaller side hole. They are strung with thick, white, braided ropes that have green stripes. The ropes are looped through the pulleys and hang down. The background is a clear blue sky and a glimpse of the sea.

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Appendices

Confirming Mid-Term Guidance 2022

Adjustment after Water Care disposal, while emphasizing growth



- Mid-Term Guidance based on contribution of all Lonza businesses
- Recent investments in LPBN segment to capitalize on anticipated market growth, mainly expected to contribute to Lonza financial performance beyond 2022
- Proceeds of Water Care disposal used for financing high-return, commercially de-risked growth initiatives in healthcare businesses alongside continuing focus on deleveraging

**Sales CHF
7.1 billion**

**CORE RNOA
35%**

**CORE EBITDA
Margin 30.5%**

**Double-Digit
ROIC**

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

Half-Year 2019 Financial Highlights Continuing Business (1/2)

Presenting Half-Year 2019 results – Full report accessible [online](#)



CHF million	HYR 2019	HYR 2018 (restated) ¹	% YoY
Sales ²	2,976	2,796	6.4
CORE EBITDA ³	828	769	7.7
<i>Margin in %³</i>	<i>27.8</i>	<i>27.5</i>	<i>30 bps</i>
CORE EBIT ⁴	643	601	7.0
<i>Margin in %⁴</i>	<i>21.6</i>	<i>21.5</i>	<i>10 bps</i>
EBITDA	787	746	5.5
<i>Margin in %</i>	<i>26.4</i>	<i>26.7</i>	<i>(30 bps)</i>
EBIT	509	497	2.4
<i>Margin in %</i>	<i>17.1</i>	<i>17.8</i>	<i>(70 bps)</i>
Net Financing Costs	(64)	(18)	(255.6)
<i>Tax Rate</i>	<i>11.1%</i>	<i>18.3%</i>	<i>-</i>
CORE Profit for the Period	520	475	9.5
Profit from Continuing Operations	393	391	0.5

¹ Restated to reflect the classification of Water Care business as discontinued operations (see note 5 of the [Half-Year Results 2019 Report](#)). Prior year information has not been restated to reflect the adoption of IFRS 16 (see note 2 of the [Half-Year Results 2019 Report](#))

² Currency exchange effects had 30bps positive impact on actual exchange rate (AER) results. Further information about constant exchange rates (CER) is displayed in the [Half-Year Results 2019 Report](#)

³ IFRS 16 accounting adjustment on leases had a positive CORE EBITDA impact of CHF 14 million in H1 2019 (40 bps positive CORE EBITDA margin impact)

⁴ IFRS 16 accounting adjustment on leases had a positive CORE EBIT impact of CHF 2 million in H1 2019 (10 bps positive CORE EBIT margin impact)

Half-Year 2019 Financial Highlights Continuing Business (2/2)

Presenting Half-Year 2019 results – Full report accessible [online](#)



CHF million	HYR 2019	HYR 2018 (restated) ¹	% YoY
CORE EPS basic (CHF)	7.00	6.36	10.1
EPS Basic (CHF)	5.29	5.23	1.1
CORE EPS Diluted (CHF)	6.96	6.32	10.1
EPS Diluted (CHF)	5.26	5.20	1.2
Operational Free Cash Flow	555	351	58.1
Change of Net Working Capital	(500)	(285)	(75.4)
Capital Expenditures	(308)	(179)	(72.1)
CORE RONO in %	30.8	32.5	(5.2)
ROIC in %	9.4	8.3	13.3
Net debt	3,334	3,715	(10.3)
Debt-equity ratio	0.53	0.58	(8.6)
Net debt / CORE EBITDA ratio ²	2.12	2.52	(15.9)
Number of Employees	14,700	14,882	(1.2)

¹ Restated to reflect the classification of Water Care business as discontinued operations (see note 5 of the [Half-Year Results 2019 Report](#)). Prior year information has not been restated to reflect the adoption of IFRS 16 (see note 2 of the [Half-Year Results 2019 Report](#))

² Net debt/CORE EBITDA is calculated based on the CORE EBITDA of the last twelve months

Restated H1 2018 Financial Information

as of 30 June 2018 – Full report accessible [online](#)



Restated FH1 2018

million CHF	LPBN ¹	LSI ²	Corporate	Group (continuing)	Water Care	Group (total)
Sales	1,884	893	19	2,796	283	3,079
CORE EBITDA	632	168	(31)	769	33	802
<i>CORE EBITDA Margin in %</i>	<i>33.5</i>	<i>18.8</i>		<i>27.5</i>	<i>11.7</i>	<i>26.0</i>
CORE EBIT	525	129	(53)	601	25	626
<i>CORE EBIT Margin in %</i>	<i>27.9</i>	<i>14.4</i>		<i>21.5</i>	<i>8.8</i>	<i>20.3</i>
EBITDA				746	33	779
EBIT				497	22	519

Restatement Impacts H1 2018

CHF million	LPBN ¹	LSI ²	Corporate
Sales	321	(321)	-
CORE EBITDA	115	(115)	-
CORE EBIT	100	(100)	-

¹ Lonza Pharma Biotech & Nutrition

² Lonza Specialty Ingredients

Events Calendar & Contacts



- 27 – 28 Aug 2019 Roadshow Singapore, SG (UBS)
- 27 – 29 Aug 2019 Roadshow NY / Boston, USA (BoAML)
- 29 – 30 Aug 2019 Roadshow Hong Kong, HK (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 Jan 2020 **Full-Year Results 2019**

Information about investor relations events is constantly updated on the website:

www.lonza.com/about-lonza/investor-relations



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“

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.

In Lonza's [2019 Half-Year Results report](#), the reconciliation of IFRS to CORE results provides further details on the adjustments.

Lonza Group Ltd has its headquarters in Basel, Switzerland, and is listed on the SIX Swiss Exchange. It has a secondary listing on the Singapore Exchange Securities Trading Limited (“SGX-ST”). Lonza Group Ltd is not subject to the SGX-ST’s continuing listing requirements but remains subject to Rules 217 and 751 of the SGX-ST Listing Manual.

Forward-looking statements contained herein are qualified in their entirety as there are certain factors that could cause results to differ materially from those anticipated. Any statements contained herein that are not statements of historical fact (including statements containing the words “outlook,” “guidance,” “believes,” “plans,” “anticipates,” “expects,” “estimates” and similar expressions) should be considered to be forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty.

There are a number of important factors that could cause actual results or events to differ materially from those indicated by such forward-looking statements, including the timing and strength of new product offerings; pricing strategies of competitors; the company’s ability to continue to receive adequate products from its vendors on acceptable terms, or at all, and to continue to obtain sufficient financing to meet its liquidity needs; difficulty to maintain relationships with employees, customers and other

business partners; and changes in the political, social and regulatory framework in which the company operates, or in economic or technological trends or conditions, including currency fluctuations, inflation and consumer confidence, on a global, regional or national basis.

In particular, the assumptions underlying the Outlook 2019 and Mid-Term Guidance 2022 herein may not prove to be correct. The statements in the section on Outlook 2019 and Mid-Term Guidance 2022 constitute forward-looking statements and are not guarantees of future financial performance.

Lonza’s actual results of operations could deviate materially from those set forth in the section on Outlook 2019 and Mid-Term Guidance 2022 as a result of the factors described above or other factors. Investors should not place undue reliance on the statements in the section on Outlook 2019 and Mid-Term Guidance 2022. Except as otherwise required by law, Lonza disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after this presentation was published.

ADC	Antibody Drug Conjugate
AAV	Adeno Associated Virus
Autologous	Autologous cell-based therapy uses a person's own stem cells
Allogeneic	Allogeneic cell-based therapy uses stem cells from a matched related or unrelated dono
bps	Basis Points
CAPEX	Capital Expenditure
CAR-T cells	Chimeric antigen receptor-redirected T cells
CDMO	Contract Development and Manufacturing Organization
cGMP	Current good manufacturing practices
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation, and amortization
EPS	Earnings per share
HP(API)	Highly Potent (Active Pharmaceutical Ingredient)
IFRS	International Financial Reporting Standards
IRR	Internal Rate of Return
OPEX	Operating Expense
QC	Quality Control
ROIC	Return On Invested Capital
RONOA	Return on Net Operating Assets
Small-Molecules	Low molecular weight molecules that include lipids, monosaccharides, second messengers, other natural products and metabolites, as well as drugs and other xenobiotics
YoY	Year over year