Half-Year Report 2015

Lonza

Half-Year Financial Highlights

Core[1] Earnings million CHF		2015	Change in %	2014
Core EBITDA		391	6.3	368
Margin in %		20.5		20.4
Core result from operating activities (EBIT)		260	7.9	241
Margin in %		13.7		13.4
Core profit for the period		166	2.5	162
Core EPS basic	CHF	3.18	1.9	3.12
Core EPS diluted	CHF	3.16	1.9	3.10
Core RONOA in %		16.1	11.0	14.5

IFRS Results million CHF		2015	Change in %	2014
Sales		1 904	5.8	1 800
EBITDA		375	3.6	362
Margin in %		19.7		20.1
Result from operating activities (EBIT)		192[2]	(10.7)	215
Margin in %		10.1		11.9
Profit for the period		111	(20.7)	140
EPS basic	CHF	2.12	(21.2)	2.69
EPS diluted	CHF	2.11	(21.3)	2.68
Operational free cash flow		299	141.1	124
RONOA in %		9.6	(8.6)	10.5
Net debt		1 842	(12.8)	2 113
Debt-equity ratio		0.94	(7.5)	1.02
Number of employees		9 721	(0.4)	9 761

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. "Core RONOA" does not include acquisition-related intangible assets. See also page 7.

2 Includes impairment of CHF 36 million as well as settlements and write-offs of CHF 9 million related to the Kouřim (CZ) site.

- Healthy progress in H1 led to a strong overall company performance with sales growth of 6.1% in constant exchange rates (5.8% in reported currency)
- CORE EBIT grew even stronger by 8.3% in constant exchange rates (7.9% in reported currency)
- CORE RONOA increased another step to 16.1% from 14.5% in H1 2014
- Specialty Ingredients experienced good market demand and further portfolio optimization, leading to improved profitability
- Pharma&Biotech benefited from a strong momentum in commercial biologics
- Net debt reduction continued further to CHF 1 842 million, leading to a net debt / EBITDA ratio of 2.4×, releasing all financial covenants

Overview

In the first half of 2015, both segments – Specialty Ingredients and Pharma&Biotech – delivered a strong and improved performance. Compared with the same period in 2014, sales growth of 6.1% to CHF 1 910 million in constant exchange rates (+5.8% to CHF 1 904 million in reported currency) and CORE EBIT growth of 8.3% in constant exchange rates to CHF 261 million (7.9% in reported currency to CHF 260 million) are coming from operational performance and various market-driven activities.

In early January 2015, the Swiss National Bank (SNB) unexpectedly lifted the ceiling of the Swiss franc to the Euro. Since the acquisition of Arch Chemicals, Lonza has improved our natural hedge globally from a sales-versus-costs perspective for nearly all our trading currencies; so Lonza is less exposed from a Group point of view than in previous years. In Visp, however, we risk being less competitive because of the Swiss franc-related fixed cost base there.

During the Visp Challenge program started in 2012, many meaningful and successful measures have been implemented, such as various productivity improvement programs, raw material purchase adjustments and contract adaptations. This solid basis has allowed us to take a careful approach to the current challenges and to find dedicated, well-targeted measures, like further automation, slight adaptations to our capacity offering in lower-margin assets and portfolio adaptations. Thus, we implemented a hiring freeze in specific areas that will allow us to reduce the workforce through natural attrition and balance the Euro foreign exchange impact. Over time these actions will lead to a reduction of about 90 positions, and further efficiency and productivity measures will continue to be implemented.

Lonza's positive overall development was supported by the previously announced and rigorously implemented transformational initiatives.

Specialty Ingredients

The Specialty Ingredients segment had a positive uptake in the first half of 2015 with the strongest contributions coming from Agro Ingredients and the Wood Protection business.

Capacity utilization in the various plants was as expected. Innovative solutions provided to our customers have been highly appreciated. The regulatory environment for the wide range of products Lonza manufactures is getting more stringent, and we are prepared and well positioned to accommodate these constantly increasing requirements.

Our Consumer Care businesses saw good market-driven demand overall and market acceptance of last year's introduction of new products.

We experienced a strong positive trend in Agro Ingredients and benefited from synergies from our Pharma&Biotech segment, where expertise for highly regulated custom manufacturing exists. This demand applies for both chemical and biological custom manufacturing (e.g. biopesticides).

Both Coatings and Composites and Performance Ingredients contributed to the solid result of Industrial Solutions.

Our Wood Protection business benefited from increased construction activities, mainly in North America, over-compensating for a weaker Asia-Pacific business. The roll-out of new, innovative protection products has been initiated.

Our Water Treatment business performed better than in the first half of the previous two years, but again unseasonal weather conditions in the U.S. South and Midwest had an impact.

Pharma&Biotech

In the Pharma&Biotech segment, Custom Manufacturing had a robust performance, especially in commercial biologics. Overall good capacity utilization had again a positive impact on the segment's performance.

To accommodate additional customers' needs and to support upcoming market demand, the adaptation of the existing microbial fermentation plant in Visp (CH) continued as planned. After the completion of the ongoing engineering work, this plant will be able to accommodate multiple products. Another step in our consolidation of microbial operations into Visp has led to restructuring measures of CHF 45 million in Kouřim (CZ).

In Antibody Drug Conjugates, our pipeline of novel molecules is growing. Other emerging technologies like Cell Therapy or Viral Therapy are seeing good market momentum and increasing interest from big pharmaceutical companies in these upcoming technologies. To cater for future growth, Lonza plans to construct a new facility in Houston, TX (USA) for these new technology classes to remain on the forefront.

In Custom Development Services, Lonza again successfully provided services based on our proprietary gene expression system, as well as early clinical-stage efficacy detection. Customers' budgets for development and clinical manufacturing have been increasing across all technology offerings, whether biological or chemically derived products. These increased R&D budgets, innovation at our customers and our initiative to expand our activities geographically have driven our business in the first half.

Bioscience Solutions' performance improved further in the first half of this year, especially in North America and Asia Pacific. This good result comes from higher R&D activities at our customers and their strong interest in innovation. Our sales in Japan and Europe came somewhat under pressure because of the impact of the foreign exchange rate. Testing solutions delivered on target.

The market is acknowledging Lonza's high quality standards, reputation and consistent adaptations of the facilities to meet permanently increasing requirements from regulatory authorities. In the first half of 2015, across the current Good Manufacturing Practices (cGMP) plants and sites, Lonza had 80 quality-related inspections by regulatory authorities and customers, all of which were successful.

Financial Summary

- Revenues grew by 6.1% in constant exchange rates to CHF 1 910 million (+5.8% to CHF 1 904 million in reported currency)
- CORE EBITDA margin of 20.5% compared to 20.4% in H1 2014
- CORE EBIT growth of 8.3% in constant exchange rates to CHF 261 million (7.9% in reported currency to CHF 260 million)
- CORE RONOA at 16.1 % compared with 14.5% in H1 2014
- CORE profit for the period increased by 2.5% to CHF 166 million
- Restructuring measures of CHF 45 million due to portfolio optimization in Kouřim, which is another step in our consolidation of microbial operations into Visp
- Operational free cash flow improved significantly to CHF 299 million
- Debt reduction on track, with net debt reduced to CHF 1 842 million, leading to a net debt/EBITDA ratio of 2.4× and a debt/equity ratio of 0.94, releasing all financial covenants

Business Environment

Over the last years, Lonza has significantly increased the balance of our businesses, activities and assets across the globe and accordingly reduced our dependency on Switzerland. However, with our Basel (CH) headquarters and our Visp site located here, we are still affected by regulatory and economic developments in our country of origin. For this reason we are observing with some apprehension how more and more burdens are being placed on industry, whose competitive position has additionally been challenged by the strength of the Swiss franc. If Switzerland does not want to further erode its industrial base, politicians and regulators need to apply prudence and measured approaches.

Full-Year 2015 Outlook

Lonza's transformation toward a more customer- and market-driven organization is ongoing. Benefits of that approach are already reflected in the results presented, but our journey will continue as we drive our company forward.

Our good momentum in the first half of the year gives us the opportunity to further optimize our portfolio as we continue to introduce higher-margin products and services, as well as to improve productivity in our manufacturing and business service networks. With our broad technology toolbox and increasing customer- and market-orientation, our businesses have a solid product and project pipeline that will support future growth.

Therefore, based on the present macro-economic environment and current visibility, Lonza reiterates its Full-Year 2015 outlook with sales growth in reported currency compared with last year's sales and a CORE EBIT growth of at least 5% in constant exchange rates. The capital expenditure in 2015 is expected to remain below CHF 300 million.

Our leadership and employees will continue to work purposely on the objectives we have set. We want to thank all of you – our external and internal stakeholders – for your ongoing confidence in and support for our company.

Rolf Soiron
Chairman of the Board of Directors

Richard Ridinger
Chief Executive Officer

Specialty Ingredients
Segment

Specialty Ingredients million CHF	2015	Change in %	2014
Sales	**1 131**	2.3	1 106
Core EBITDA	**217**	8.0	201
Core EBITDA margin in %	19.2		18.2
Core result from operating activities (EBIT)	**172**	6.8	161
Core EBIT margin in %	15.2		14.6

In the first half of 2015, our Specialty Ingredients segment delivered a solid financial performance driven by good market demand balanced across technologies, with substantially improved profitability and a positive product mix. Cross-business activities between the Specialty Ingredients business units and other parts of the company are showing progress with a noteworthy number of new product launches driven by market demand and our customers' desire for technologically led, environmentally friendly and affordable solutions.

Consumer Care

Hygiene
Driven by the acceleration of regulatory changes and increasing needs for safe but effective anti-microbial solutions in all areas of fast-moving consumer goods, as well as industrial and institutional applications, our Hygiene business continues to grow at a solid pace. In particular, our offerings that provide full value-adding formulation, registration and efficacy data support are contributing to Consumer Care's success.

With our more standardized offerings, we are challenged by cost increases on key raw materials, which have begun to show negative effects mostly in Europe and Asia. However, due to strong supply-chain integration in North America, we were able to grow our Hygiene business in this region at a solid pace, compensating for the weaker performance in other regions.

Nutrition
We experienced solid growth within the animal health market, predominantly in Asia and North America, and with selected food-and-beverage applications globally in our key franchises – vitamin B3 and L-Carnitine. In the first half of this year, vitamin B3 enjoyed solid market demand in both human and animal nutrition. The new plant in Nansha (CN), which began operations in the second half of last year, is already delivering highly recognized quality to customers.

Personal Care
With our strong position in offering protein-based hair-care actives and increasing efforts to build a robust innovation pipeline for this technology, we achieved good growth in the first half of 2015, driven by key account activity. The recent market introduction of Lonza's new special grade of vitamin B3 for skin-care applications, to provide better skin compatibility, is showing strong initial interest from the market. With the ongoing momentum from our innovation pipeline, the high end of our portfolio is growing well. The value created by this portfolio shift is already compensating the effects from more-mature product lines (e.g. anti-dandruff actives).

Recent activities to strengthen our footprint and offer in the emerging markets are beginning to pay off with a growth record in the first half of the year in Asia and Latin America.

Agro Ingredients

Agro Ingredients experienced robust market demand for both biotechnological and chemical custom manufacturing, which resulted in high capacity utilization in our plants. We have also seen continued growing interest for our fermentation manufacturing capabilities, and the pipeline is growing steadily. Our Visp (CH) assets experienced good capacity utilization for chemical custom manufacturing of advanced intermediates and active ingredients for herbicides, fungicides and insecticides.

Since the lifting of the EUR/CHF ceiling by the Swiss National Bank (SNB) in mid-January 2015, the foreign-exchange development has influenced our Agro Ingredients business. However, to a certain extent, we were able to compensate for this impact via higher sales and productivity improvements.

Meta™, Lonza's specific molluscicide, started the new season successfully. In 2014 we announced a strategic agreement with our partner INCOTEC to develop, register and market Meta™-based seed coatings of paddy rice in Asia. The continuation of field tests started in Malaysia made promising progress in the first half of this year. We have expanded our testing activities with INCOTEC to the Philippines, too, and will soon start additional tests in Vietnam.

Interest from the agro industry is growing for Lonza's specialty formulation ingredients and solutions for crop-protection products and fertilizer. This gain reflects the steady growth of our innovative offerings for formulation ingredients – e.g. ready-to-use preservation agents (Proxel™) and pre- and post-harvest treatments for fruits and vegetables (Frexus™ line) – and for new solutions to improve crop-protection formulations with adjuvants and activators.

Industrial Solutions

Our Industrial Solutions business unit, which includes our Coatings and Composites and our Performance Ingredients groups, experienced a generally favorable demand situation in our target markets and in all regions in the first half of 2015. The currency situation had no significant overall impact on our results due to the natural currency hedge between costs and revenues in this business unit.

Coatings and Composites

Demand in our composites markets was satisfactory, with all regions delivering results above the corresponding period last year. Also, demand for our composite resin products for the electronics industry in Asia continues to be strong. We were able to secure long-term supply contracts in the aerospace composite material market, and we are working with several customers to develop new thermoset resin-curing systems.

Demand for building products was slightly weaker than in the corresponding period in 2014. Our new preservative formulation Proxel LS™, which is specifically designed to address the challenging regulatory requirements of the European market, continues to gain traction.

In Europe and Asia, demand for our marine antifouling actives remains strong with the overall performance higher than the same period in 2014, and we continue to develop the aquaculture markets.

The antimicrobial solutions group delivered good growth and margin improvement over the first half of 2014. Several new products are being introduced to the market for applications in plastics (North America) and leather preservation (South America).

Performance Intermediates

The first half was characterized by generally good demand across all relevant markets for our performance intermediates group. Impact of the weak Euro on this business was almost completely compensated by additional sales and by the sales into US dollar markets. Lower crude oil prices had an impact on the top line in some businesses.

The Pyromellitic Dianhydride (PMDA) production in Nanjing (CN) has performed well and responded to an increased demand from the market.

Several optimization projects for our Visp products are underway, which will deliver growth in 2015 and beyond. A tragic accident in our Visp production plant interrupted supply of our Lonzacure™ DETDA-80 for about four months. We plan to restart production this summer.

Wood Protection

A record snowfall and a cold winter in the United States, which led to delayed deliveries, and weakening currencies in Europe and Asia Pacific had a negative impact on the business in Q1. However, the U.S. economy and construction markets have rebounded and are expected to remain strong. Treated wood prices have risen steadily in Q2, indicating strong sales across North American residential markets.

In the EMEA region, the UK market continues to expand at a solid pace. The situation appears to be brightening in other areas of Europe. In APAC, production capacities are meeting current customer needs on all sites.

The roll-out of new, innovative products (such as metal-free wood protection and next-generation fire-retardant products) has been initiated and is proceeding as planned. Full compliance has been achieved with the Globally Harmonized System (GHS) for our global product portfolio.

Water Treatment

Our Water Treatment business serves both our residential and our industrial, commercial, municipal and surface water (ICMS) groups. In addition to being one of the world's largest suppliers of sanitizers and other treatment chemicals for private and public/commercial pools, spas and water parks, we are also growing sales in the treatment of surface waters and water for drinking, agriculture, irrigation, food processing and industrial applications.

Residential

The residential water treatment business in North America experienced a better start to the year compared with the first halves of the last two consecutive years. In the second quarter of 2015, however, exceptionally wet, cool weather throughout May, especially in the U.S. South and Midwest, had an impact on the business. The business in South America performed well from a sales perspective but was influenced by the devaluation of the Brazilian real. Price increases supported to a certain extent the impact coming from the exchange rate fluctuation.

Europe sales were somewhat behind expectations. However, the business in South Africa performed well, and our efforts to increase our market share even further were successful.

ICMS

In North America we were able to secure solid performance in commercial pools and especially strong business developments in the industrial, municipal and surface water groups.

We also had solid sales growth in South America, especially in the municipal drinking water, sugar and food-and-beverage markets. This growth was driven by the success of replacing bulk chlorine with our advanced feeder systems using Hypocal™ tablets. However, the devaluation of the Brazilian real had a particularly negative impact.

Increased focus on the industrial sector and new water treatment solutions showed first successes in South Africa. In the first half of the year, we successfully launched innovative products like Carboshield™ 1000 (a quaternary amine biocide with corrosion-resistant properties) and the Barfloc™ range of organic coagulants.

Pharma&Biotech Segment

Pharma&Biotech million CHF	2015	Change in %	2014
Sales	754	11.9	674
Core EBITDA	182	9.0	167
Core EBITDA margin in %	24.1		24.8
Core result from operating activities (EBIT)	117	17.0	100
Core EBIT margin in %	15.5		14.8

In the first half of 2015, we concentrated on operational excellence in conjunction with our ongoing regulatory and quality focus. Additionally we thoroughly analyzed the different approaches used for Lonza's entire manufacturing, development and product business models. This analysis enabled us to implement even more customer- and market-oriented offerings and to determine the best business models going forward.

In Custom Manufacturing the focus clearly is on the commercial and frequently large-scale manufacturing of products. These products are mostly regulatory approved and commercially available, but the products can also be in late clinical Phase III trials.

In Custom Development we provide services ranging from process development, cell-line construction and cell-banking up to the scale-up and small-scale manufacturing for our customers' products in different stages of clinical trials. Our more product- and consumable-related business in Bioscience Solutions has different market drivers and methodology as we offer researchers and scientists product supply (consumables) and testing service solutions.

Custom Manufacturing

In the areas of Mammalian Manufacturing and Microbial Custom Manufacturing, Lonza experienced a strong performance across all assets with good capacity utilization and high-quality operational delivery. Lonza benefits from a balanced customer portfolio spanning large pharmaceutical companies to small- and mid-sized biotech companies.

For example, Lonza recently announced the signing of a new long-term product supply agreement with Alexion to construct and launch a new suite dedicated to Alexion manufacturing as part of our Portsmouth, NH (USA) site.

We intensively reviewed our product mix in Microbial Custom Manufacturing; and based on strong market demand, we have decided to increase our investment in our Visp (CH) operation. With the adaptation of the existing facility going forward, we will be able to accommodate multi-products and to de-risk our portfolio even further. As a consequence of our ongoing consolidation of microbial operations into Visp, in H1 we took restructuring measures of CHF 45 million in Kouřim (CZ).

In Chemical Custom Manufacturing, we started to realign our chemical asset base to the changes in our customers' needs. These activities will be ongoing throughout the next half of the year and beyond. We will renew our focus on improving operational performance and asset utilization to adapt to market dynamics and attract new and retain existing customers.

Lonza continues to serve our customers with existing and novel technology platforms – ranging from early preclinical to commercial phases – and to provide customers our regulatory expertise in managing late-phase complex biological drugs. Across technologies we have a number of late clinical stage or early commercial projects with promising volume upsides.

Specifically, the Antibody Drug Conjugate (ADC) pipeline is growing with next-generation products focused on improved design, novel molecules and new, hard-to-reach tumor targets in oncology.

Other emerging technologies – Cell Therapy and Viral Therapy – also are seeing positive industry momentum. In the first half of 2015, markets saw continuous investment activity in cell and viral therapy, as well as collaboration among several large pharmaceutical companies. Also, regulators are continuing to support rapid technology advancement exemplified in a number of breakthrough and orphan designations from FDA and EMA; Lonza customers are poised to benefit from this trend.

Commercialization plans and service offerings are being advanced for several late-phase portfolio products. Recently Lonza signed an exclusive collaboration with Nikon for cell and gene therapy manufacturing in Japan, which enabled Lonza to strengthen our position in Japan, one of the strongest-growing markets for Cell Therapy.

Lonza Viral Therapy observed particularly increased demand in the adeno-associated virus (AAV) and viral-modified cell therapy product segments; and we proved cGMP production success at 2000 L-scale in single-use, disposable bioreactors. To support increasing customer demand for viral therapies, Lonza plans the construction of a new facility in Houston, TX (USA).

Corporate

Corporate million CHF	2015	2014
Sales	**19**	20
Core EBITDA	**(8)**	0
Core result from operating activities (EBIT)	**(29)**	(20)

Custom Development Services

In the first half of 2015, Lonza benefited from increasing budgets for development and manufacture of biopharmaceuticals. This strong interest came from customers across all regions and technologies for development and clinical manufacturing services, which provided a strong pipeline for the business.

As part of the Index Ventures exclusive collaboration agreement, two new biotech companies signed service agreements in H1 bringing the total number of companies under the collaboration agreement to four. The pre-negotiated terms of the collaboration agreement allow projects to begin more quickly, which reduces time to the clinic. New contracts include developability assessment and non-cGMP material supply at our Applied Protein Services (APS) facility in Cambridge (UK), as well as cell-line construction and clinical manufacturing from our Slough (UK) site.

Bioscience Solutions

Bioscience Solutions shows continued solid business performance in H1, well ahead of the H1 2014 performance level with favorable product mix and cost structure. Regional results showed a mixed picture with both North America and APAC (except Japan) performing on target but with Europe negatively affected by foreign exchange development.

The performance of Testing Solutions was a little softer but still on a par with H1 2014. However, MODA™, Lonza's paperless QC platform, performed well based on increased interest from customers.

Quality – Regulatory Authorities and Customer Audits

Driven by increasingly stringent behavior of the regulatory bodies worldwide, Lonza remains committed to adhering to higher levels of safety and quality. Measures taken in 2014, including the investments required for being compliant, ensure that Lonza will continue to be a reliable partner with the highest quality.

The market is acknowledging Lonza's high quality standards, reputation and consistent adaptations of the facilities to meet continually increasing requirements from regulatory authorities. In the first half of 2015, Lonza had 80 quality-related inspections across the cGMP plants and sites by regulatory authorities and customers, all of which were successful.

Core Results as Defined by Lonza

Lonza believes that understanding in the financial markets of the Group's performance is enhanced by emphasizing the core results of performance because the core results enable better comparison over a period of years. Therefore, the core results exclude exceptional items such as restructuring charges, 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 assessing the Group's performance. See also footnote in Financial Highlights on page 1.

Condensed Financial Reports

Condensed consolidated balance sheet at 31 December 2014 and 30 June 2015 (unaudited) million CHF	2015	2014
Non-current assets	4 220	4 565
Non-current loans and advances	1	1
Total non-current assets	**4 221**	4 566
Current assets	1 598	1 666
Cash and cash equivalents	224	209
Total current assets	**1 822**	1 875
Total assets	**6 043**	6 441
Equity attributable to equity holders of the parent	1 959	2 130
Total equity	**1 959**	2 130
Non-current liabilities	1 002	1 066
Non-current debt	1 140	1 693
Total non-current liabilities	**2 142**	2 759
Current liabilities	1 015	1 024
Current debt	927	528
Total current liabilities	**1 942**	1 552
Total equity and liabilities	**6 043**	6 441

Condensed consolidated income statement for the six months ended 30 June (unaudited) million CHF		2015	2014
Sales		**1 904**	1 800
Cost of goods sold		(1 378)	(1 253)
Gross profit		**526**	547
Operating expenses		(334)	(332)
Result from operating activities (EBIT)		**192**	215
Net financing costs		(56)	(40)
Share of profit/(loss) of associates/joint ventures		1	(1)
Profit before income taxes		**137**	174
Income taxes		(26)	(34)
Profit for the period, attributable to the equity holders of the parent		**111**	140
Basic earnings per share – EPS basic	CHF	2.12	2.69
Diluted earnings per share – EPS diluted	CHF	2.11	2.68

Condensed consolidated statement of comprehensive income for the six months ended 30 June (unaudited)

million CHF

	2015	2014
Profit for the period	**111**	140
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Re-measurements of net defined benefit liability	13	(97)
Income tax on items that will not be reclassified to profit or loss	(6)	23
	7	(74)
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(174)	(6)
Cash flow hedges	5	(1)
Income tax on items that are or may be reclassified to profit or loss	2	1
	(167)	(6)
Other comprehensive income for the period, net of tax	**(160)**	(80)
Total comprehensive income for the period, attributable to the equity holders of the parent	**(49)**	60

Condensed consolidated cash flow statement for the six months ended 30 June (unaudited)

million CHF

	2015	2014
Profit for the period	**111**	140
Adjustment for non-cash items	286	236
Income tax and interest paid	(62)	(48)
Decrease/(increase) of net working capital	15	(173)
Use of provisions	(11)	(20)
Increase of other payables net	19	28
Net cash provided by operating activities	**358**	163
Purchase of property, plant & equipment and intangible assets	(96)	(70)
Net purchase of other assets	3	(4)
Interest and dividend received	8	9
Net cash used for investing activities	**(85)**	(65)
Repayment of syndicated loan	(125)	0
Increase/(decrease) in debt	10	(19)
Increase in other liabilities	1	1
Dividends paid	(131)	(112)
Net cash used for financing activities	**(245)**	(130)
Effect of currency translation on cash	(13)	1
Increase/(decrease) in cash and cash equivalents	**15**	(31)
Cash and Cash equivalents at 1 January	209	306
Cash and Cash equivalents at 30 June	224	275

Condensed consolidated statement of changes in equity for the six months ended 30 June (unaudited)

million CHF

	Attributable to equity holders of the parent							Non-controlling interest	Total equity
	Share capital	Share premium	Retained earnings	Hedging reserve	Translation reserve	Treasury shares	Total		
Six months ended 30 June 2014									
Balance at 1 January 2014	**53**	**310**	**2 416**	**1**	**(574)**	**(80)**	**2 126**	**0**	**2 126**
Profit for the period	0	0	140	0	0	0	140	0	140
Other comprehensive income, net of tax	0	0	(73)	(1)	(6)	0	(80)	0	(80)
Total comprehensive income for the period	**0**	**0**	**67**	**(1)**	**(6)**	**0**	**60**	**0**	**60**
Dividends	0	0	(112)	0	0	0	(112)	0	(112)
Recognition of share-based payments	0	0	4	0	0	0	4	0	4
Movements in treasury shares	0	0	(1)	0	0	1	0	0	0
Balance at 30 June 2014	**53**	**310**	**2 374**	**0**	**(580)**	**(79)**	**2 078**	**0**	**2 078**
Six months ended 30 June 2015									
Balance at 1 January 2015	**53**	**311**	**2 301**	**(9)**	**(449)**	**(77)**	**2 130**	**0**	**2 130**
Profit for the period	0	0	111	0	0	0	111	0	111
Other comprehensive income, net of tax	0	0	7	5	(172)	0	(160)	0	(160)
Total comprehensive income for the period	**0**	**0**	**118**	**5**	**(172)**	**0**	**(49)**	**0**	**(49)**
Dividends	0	0	(131)	0	0	0	(131)	0	(131)
Recognition of share-based payments	0	0	7	0	0	0	7	0	7
Movements in treasury shares	0	0	(24)	0	0	26	2	0	2
Balance at 30 June 2015	**53**	**311**	**2 271**	**(4)**	**(621)**	**(51)**	**1 959**	**0**	**1 959**

Selected Explanatory Notes

1 Accounting Principles

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 2015 (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 2014 (hereafter "the annual financial statements") as they provide an update of the previously reported information. The same accounting policies and methods of computation are followed in these interim financial statements as compared with the most recent annual financial statements for the year ended 31 December 2014, except for accounting policy changes made after the closing date of the annual financial statements. However, they do not include all 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 judgment 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.

Changes in Accounting Policies

There were no new standards or amendments to existing standards that have a material effect on Lonza's financial statements.

2 Exchange Rates

Balance sheet period-end rate CHF	30 06 2015	31 12 2014
US dollar	0.93	0.99
Pound sterling	1.46	1.54
Euro	1.04	1.20

Income statement half year average rate CHF	2015	2014
US dollar	0.95	0.89
Pound sterling	1.44	1.49
Euro	1.06	1.22

3 Seasonality of Operations

Most businesses operate in areas where no significant seasonal or cyclical variations in sales are experienced during the reporting year, except for some businesses within the Specialty Ingredients segment. In particular the water products business is seasonal in nature as its products are primarily used in the USA. Therefore, the results of the Specialty Ingredients segment for the six-month period ended 30 June 2015 are not indicative of the results to be expected for the entire financial year.

4 Impairment of Assets

As of 30 June 2015, Lonza decided to further consolidate its microbial manufacturing activities at the Visp (CH) site and to optimize the portfolio of the Kouřim (CZ) site. As a result, Lonza recognized an impairment of the Kourim-related property, plant & equipment of CHF 36 million as well as settlements and write-offs of CHF 9 million. All costs are included within cost of goods sold.

5 Dividend Paid

On 8 April 2015, the Annual General Meeting approved the distribution of a dividend of CHF 2.50 (2014: CHF 2.15) per share in respect of the 2014 financial year. The distribution to holders of outstanding shares totaled CHF 131 million (2014: CHF 112 million) and has been recorded against reserves from capital contribution of Lonza Group Ltd.

6 Operating Segments

Six months ended 30 June 2015 million CHF	Specialty Ingredients	Pharma& Biotech	Total operating segments	Corporate/ eliminations[1]	Total Group
Sales third-party	**1 131**	**754**	**1 885**	**19**	**1 904**
Inter-segment sales	40	14	54	(54)	0
Total sales	**1 171**	**768**	**1 939**	**(35)**	**1 904**
Property, plant and equipment impairment	3	33	36	0	36
Result from operating activities (EBIT)	**158**	**69**	**227**	**(35)**	**192**
Return on sales %	14.0	9.2	12.0	n.a.	10.1
Net financing costs					(56)
Share of profit of associates/ joint ventures					1
Profit before income taxes					**137**
Income taxes					(26)
Profit for the period					**111**

Six months ended 30 June 2014 million CHF	Specialty Ingredients	Pharma& Biotech	Total operating segments	Corporate/ eliminations[1]	Total Group
Sales third-party	**1 106**	**674**	**1 780**	**20**	**1 800**
Inter-segment sales	35	21	56	(56)	0
Total sales	**1 141**	**695**	**1 836**	**(36)**	**1 800**
Result from operating activities (EBIT)	**146**	**94**	**240**	**(25)**	**215**
Return on sales %	13.2	13.9	13.5	n.a.	11.9
Net financing costs					(40)
Share of loss of associates/ joint ventures					(1)
Profit before income taxes					**174**
Income taxes					(34)
Profit for the period					**140**

1 The “Corporate/eliminations” column represents the corporate function, including eliminations for reconciliation of the Group total.

7 Financial Instruments

Carrying amounts and fair values of financial instruments by category million CHF	Carrying amount 30 06 2015	Fair value 30 06 2015	Carrying amount 31 12 2014	Fair value 31 12 2014
Financial assets – available for sale				
Other investments – available for sale – carried at cost	7	7	7	7
Total financial assets – available for sale	**7**	**7**	**7**	**7**
Loans and receivables				
Trade receivables, net	568	568	622	622
Other receivables	139	139	54	54
Non-current loans	1	1	1	1
Cash and cash equivalents	224	224	209	209
Total loans and receivables	**932**	**932**	**886**	**886**
Financial assets at fair value through profit or loss – held for trading				
Currency-related instruments	16	16	9	9
Interest-related instruments	11	11	0	0
Total financial assets at fair value through profit or loss – held for trading	**27**	**27**	**9**	**9**
Financial liabilities at amortized cost				
Debt:				
Straight bonds	1 382	1 444	1 381	1 447
Other debt	685	685	840	840
Current liabilities	573	573	574	574
Trade payables	299	299	262	262
Total financial liabilities at amortized cost	**2 939**	**3 001**	**3 057**	**3 123**
Financial liabilities at fair value through profit or loss – held for trading				
Currency-related instruments	6	6	19	19
Interest-related instruments	13	13	42	42
Total financial liabilities at fair value through profit or loss – held for trading	**19**	**19**	**61**	**61**
Financial liabilities effective for hedge accounting purposes				
Commodity-related instruments	9	9	11	11
Total financial liabilities effective for hedge accounting purposes	**9**	**9**	**11**	**11**
Total financial liabilities at fair value	**28**	**28**	**72**	**72**

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 2015				31 12 2014
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Assets								
Derivative financial instruments	0	27	0	27	0	9	0	9
Liabilities								
Derivative financial instruments	0	(28)	0	(28)	0	(72)	0	(72)
Net assets and liabilities measured at fair value	0	(1)	0	(1)	0	(63)	0	(63)

In 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

8 Material Events Subsequent to the End of the Interim Period That Have Not Been Reflected in the Interim Financial Statements

No noteworthy events occurred after the balance sheet date.

The Board of Directors authorized the interim financial statements of Lonza Group Ltd and its subsidiaries for the six-month period ended 30 June 2015 for issue on 21 July 2015.

9 Operational Free Cash Flow

In 2015 and 2014, the development of operational free cash flow by component was as follows:

Components of operational free cash flow for the six months ended 30 June million CHF	2015	Change	2014
EBITDA	375	13	362
Change of operating net working capital	15	188	(173)
Capital expenditures in property, plant & equipment and intangible assets	(96)	(26)	(70)
Disposal of property, plant & equipment	3	1	2
Change of other assets and liabilities	2	(1)	3
Operational free cash flow	**299**	**175**	124

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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 "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. 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 made.

The Half-Year Report 2015 is also available in German. The English version prevails.

Full-Year Report 2015
27 January 2016

Annual General Meeting
for the 2015 Financial Year
22 April 2016
Congress Center Basel
MCH Swiss Exhibition (Basel) Ltd

Half-Year Report 2016
20 July 2016

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