Half-Year Report

2021

Contents

In H1 2021, Lonza continued its strong performance with **14.7% CER[1] sales growth** and **33.3% CORE EBITDA margin**, despite headwinds arising from COVID-19

Continued focus on **growth CAPEX investments**, supported by **strong business pipeline**

Expanded collaborations to **support COVID-19 programs** including Moderna

Divestment of Specialty Ingredients business completed on 1 July 2021

Path forward for a sustainable remediation project agreed for Gamsenried (CH) legacy landfill site will allow Lonza to proceed with its **ambitious sustainability agenda**

2021 Outlook: **CER sales growth guidance** revised upwards to **mid-teens**. **CORE EBITDA margin** improvement in line with the Mid-Term Guidance trajectory

1 All sales growth figures, expressed as a percentage (%), are at a constant exchange rate (CER)

Dear Stakeholders,

At Lonza, the First Half of 2021 has been a time in which we have consolidated our identity as a strategic partner to the healthcare industry. It has also been a time in which we have continued to build momentum around our long-term growth and capacity.

From the beginning of January 2021, we have commenced operations within a framework of four clear business divisions: Small Molecules, Biologics, Cell & Gene, and Capsules & Health Ingredients. This structural redesign has enabled our business to refine its strategic focus and drive operational excellence. As part of this simplification process, we will now provide greater transparency on the financial performance of each of our divisions. We have recently published our restated financials to support our shareholders in tracking the financial performance of our divisions over time.

Completing the divestment of the Specialty Ingredients business has also provided an opportunity for us to consolidate our focus and identity. The divestment to the Bain Capital and Cinven consortium was completed on 1 July 2021, for an enterprise value of CHF 4.2 billion. We would like to take this chance to wish our Specialty Ingredients business colleagues every success in the future.

The additional free cash flows arising from the LSI Divestment are already being used to support our ambitious and accelerated approach to internal growth. In H1, we have invested a total of CHF 474 million CAPEX. Investments supporting future growth contributed to around 80% of the total amount. Notably, we have confirmed an investment of CHF 200 million to construct a new manufacturing complex at our Visp (CH) manufacturing site, designed to accommodate future Small Molecules expansions. We have also committed a further CHF 850 million to build two new mammalian facilities in response to sustained Biologics demand. We anticipate that our current levels of CAPEX spending on internal growth initiatives will continue to increase over the course of H2. Total CAPEX for Full-Year is anticipated to reach around 25% of sales.

Looking to Full Year and beyond, our internal growth investments will help us to expand our network reach and capabilities in key geographies. We are focusing on growing our footprint in areas of high commercial potential, while expanding end-to-end solutions across modalities. The majority of the divestment proceeds will be invested in internal growth projects. We are also considering acquisitions in key strategic areas and new technologies (including Fill & Finish operations and value chain expansions).

Our pace of investment continues to be met and matched by significant and sustained levels of customer demand. Specifically, our Ibex® offering meets strong market interest, and a significant proportion of new large-scale mammalian assets are already contracted. Looking across our customer contracts in H1 2021, we see a focus on new therapies and platforms, including mRNA, complex-to-express molecules, personalized medicine and exosomes. We have also seen expanded customer collaborations on more targeted therapies and COVID-related projects.

Our COVID-related collaboration with Moderna on the mRNA platform has undergone a series of expansions over the course of H1. In April 2021, we expanded our collaboration to establish three further production lines in Visp (CH). We have already started work on the installation, and we currently expect to commence ramp-up in early 2022. Building on this positive momentum, we announced a further expansion of our agreement with Moderna in June 2021. This allows for the installation of one further production line at our facility in Geleen (NL). This line will deliver a crucial manufacturing step in the drug substance production process. We expect that it will become operational and enter ramp-up by the end of this year.

As we look more widely at our contribution through the pandemic, we have achieved our commitment to deliver for customers throughout this challenging period by expanding production and increasing headcount. We have also delivered strong levels of CER sales growth during the pandemic, despite headwinds caused by delays to raw materials and equipment supply, which have impacted both scheduling and project ramp-up. Now, as many markets begin to emerge from lockdown, it would be easy to take a more complacent view of how the pandemic will evolve in H2 2021. However, we are expecting the current headwinds to continue, although we do not anticipate material impacts. Despite these anticipated challenges, our current momentum has allowed us to revise upward our CER sales growth Outlook for Full-Year to the mid-teens. We also anticipate a CORE EBITDA margin improvement in line with the Mid-Term Guidance trajectory, as guided at the beginning of the year.

As well as actively navigating the challenges arising from the pandemic, we have also been working to address challenges arising from our past. In Southern Switzerland, we have been working closely with the cantonal authorities of Valais to find a lasting solution to the groundwater pollution issues caused by our old Gamsenried landfill. We have now agreed to a path forward to provide a permanent solution to these legacy pollution issues, in compliance with the current environmental protection legislation. In line with IFRS requirements, we have made a provision of CHF 290 million for the first phase of the Gamsenried remediation project. This will take around ten years to complete and will commence in 2023 or 2024. We have worked with our environmental experts to reach a reasonable cost estimate, and we believe this provision should cover the majority of total remediation costs. Addressing our legacy issues by investing in lasting solutions leaves us well-placed to push forward with our ambitious sustainability agenda.

Turning from our past to our present, I would like to thank our global community of approximately 15,000 employees. In recent months, the relaxation of lockdown restrictions has allowed me to begin to meet some more of our colleagues and customers. Meeting and talking to our people on our production sites has been a repeated source of energy and inspiration. Across our employee community, there is a clear understanding and appreciation for the critical importance and impact of our work for our customers. This is translated into an unparalleled capacity to deliver through challenges and constraints. Our people are the beating heart of our business; I am proud of what they have achieved in H1, and over the course of the pandemic.

Finally, I would like to thank our customers and investors for their continuing confidence and trust, as we continue to drive performance through a focus on continuous improvement and long-term growth.

Sincerely,

Pierre-Alain Ruffieux
Chief Executive Officer

Financial Highlights for the six months ended 30 June

IFRS Results (Continuing Operations[1])

Million CHF		2021	Change in %	2020 restated
Sales		**2’542**	**13.3**	**2’243**
EBIT		**317**	**(40.3)**	**531**
Margin in %		12.5		23.7
EBITDA		**558**	**(25.6)**	**750**
Margin in %		22.0		33.4
Profit for the period		**263**	**(40.5)**	**442**
EPS basic	(CHF)	**3.51**	**(40.9)**	**5.94**
EPS diluted	(CHF)	**3.50**	**(40.8)**	**5.91**

CORE Earnings[2] (Continuing Operations[1])

Million CHF		2021	Change in %	2020 restated
CORE EBITDA		**847**	**13.1**	**749**
Margin in %		33.3		33.4
CORE EPS basic	(CHF)	**6.99**	**17.9**	**5.93**
CORE EPS diluted	(CHF)	**6.97**	**18.1**	**5.90**
ROIC in %		**11.5**	**6.5**	**10.8**

Other Performance Measures (Continuing Operations[1])

Million CHF	2021	Change in %	2020 restated
Operational free cash flow (before acquisitions and divestitures)	243	42.9	170
Operational free cash flow	363	113.5	170
Capital expenditures (CAPEX)	474	25.4	378
Number of employees (Full-Time Equivalent)	14’405	10.1	13’079

Other Performance Measures (Lonza Group incl. Discontinued Operations)

Million CHF	2021	Change in %	2020
Operational free cash flow (before acquisitions and divestitures)	256	11.3	230
Operational free cash flow	376	63.5	230
Net debt	2’943	4.6	2’813[3]
Debt – equity ratio	0.40	0.0	0.40[3]
Net Debt / CORE EBITDA ratio[4]	1.64	(1.2)	1.66[3]
Number of employees (Full-Time Equivalent)	17’153	7.8	15’913

1 All financial information referring to “continuing operations” are exclusive of the Specialty Ingredients business, that was sold on 1 July 2021 and therefore reported as discontinued operations
2 In the CORE results for the items “EBITDA”, “Earnings per share” and “ROIC”, the impact of impairment and reversal of impairment of assets, special charges / income from restructuring, environmental remediation, acquisitions and divestitures are eliminated. Also refer to the Alternative Performance Measures Brochure published in conjunction with this Half-Year Report 2021.
3 Net debt and related ratios are based on reported financial results as of 31 December 2020
4 Net debt/CORE EBITDA is calculated based on the CORE EBITDA of the last twelve months

Small Molecules
Division

For the six months ended 30 June

Million CHF	2021	2020	Change in %
Sales	**362**	**315**	**14.9**
CORE EBITDA	**99**	**78**	**26.9**
Margin in %	27.3	24.8	
Capital expenditures (CAPEX)	**39**	**39**	**0**

Division Overview

Our Small Molecules business is seeing a sustained level of customer demand. This has enabled us to approve new growth projects, including the CHF 200 million investment to construct a new manufacturing complex in Visp (CH), to accommodate future Small Molecules expansions.

We have also introduced an improved level of focus into the Small Molecules business, by completing the strategic divestment of our Ploermel (FR) and Edinburgh (UK) sites. These divestments mark our exit from both softgels and liquid-filled hard capsules for the pharma market.

Half-Year divisional financials show a 16.5% increase in CER sales growth compared to H1 2020. The CORE EBITDA margin has increased to 27.3% compared to H1 2020 margin. In the Second Half of 2021, we anticipate lower sales growth rates alongside stable margin levels, compared to H1 2021.

Biologics
Division

For the six months ended 30 June

Million CHF	2021	2020	Change in %
Sales	**1'284**	**1'100**	**16.7**
CORE EBITDA	**490**	**461**	**6.3**
Margin in %	38.2	41.9	
Capital expenditures (CAPEX)	**343**	**258**	**32.9**

Division Overview

In Lonza Biologics, there is strong customer demand and new contracts across technologies and scales. We remain able to meet these high levels of demand by actively managing the supply impacts arising from the pandemic.

Specifically, our Ibex® offering remains highly attractive to customers. There are high levels of capacity utilization and batch success rates across existing Ibex® assets. We have recently announced a new collaboration with a biopharmaceutical partner, which will take a significant proportion of new capacity in Visp (CH). Our geographic footprint has also evolved in H1, as our Biologics operations in Guangzhou (CN), have now come online, and several customers are already signed.

In H1, there has been a margin decrease to 38.2% in Biologics versus H1 2020. H2 margin may be somewhat softer than H1 2021, reflecting project mix, one-time effects and the increasing impact of growth projects. This has been accompanied by 16.7% CER sales growth in H1, versus the First-Half of 2020. Compared to H1 2021, continued sales growth in H2 2021 is anticipated.

Cell & Gene
Division

For the six months ended 30 June

Million CHF	2021	2020	Change in %
Sales	**274**	**227**	**20.7**
CORE EBITDA	**44**	**(2)**	**n/a**
Margin in %	16.1	(0.9)	
Capital expenditures (CAPEX)	**36**	**15**	**140.0**

Division Overview

In H1 2021, the Cell & Gene Division has achieved 24.7% CER sales growth and a margin improvement to 16.1% compared to H1 2020. The divisional commentary has been structured to support a more focused view of our businesses and markets.

Cell & Gene Technologies

Our Cell & Gene Technologies business has delivered solid levels of CER sales growth and continue to see a positive evolution of our CORE EBITDA margin. Externally, this is driven by a growing customer pipeline and conversion rate. Internally, it is driven by a focus on continuous improvement to support operational excellence across our site network.

Looking at specific projects, we continue to make progress with the Cocoon® Platform and plan further investments in clinical trials through our collaborations with biotech and cancer centres. We are also pleased to confirm our first BLA for our Houston site (US), which is our global centre of excellence for Cell & Gene Technologies. Compared to H1, we expect to see continued CER sales growth in H2, alongside further positive CORE EBITDA margin development. We are confident that our Cell & Gene Technologies business will be approaching a break-even margin by Q4 2021.

Bioscience

In our Bioscience business, there is positive sales momentum, driven by Discovery and Testing as well as solid demand for equipment and software. We are also continuing to leverage our product portfolio to support cell and gene therapies.

As we look to H2 2021, we expect softer CORE EBITDA margins compared to H1 2021 because of business mix. However, we expect to see continued CER sales growth in H2 2021 compared to H1 2021.

Capsules & Health Ingredients
Division

For the six months ended 30 June

Million CHF	2021	2020	Change in %
Sales	**602**	**584**	**3.1**
CORE EBITDA	**213**	**217**	**(1.8)**
Margin in %	35.4	37.2	
Capital expenditures (CAPEX)	**23**	**32**	**(28.1)**

Division Overview

Our Capsules & Health Ingredients business continued to perform throughout the pandemic, reaching the production of our five trillionth capsule since the business commenced operations. There are continuing high levels of capacity utilization, driven by strong sales performance across the business, with particularly high demand for capsules.

Across H1, there has been a CORE EBITDA margin decrease to 35.4% compared H1 2020. This has been accompanied by 5.8% CER sales growth in H1, compared to H1 2020.

Looking to H2 2021, we anticipate slightly softer CER sales growth compared to H1 2021, as consumer demand in health and nutrition begins to adjust down to pre-pandemic levels. In H2, we are also expecting slightly softer CORE EBITDA margins compared to H1 2021, driven by one-time business costs.

Discontinued Operations

Specialty Ingredients

For the six months ended 30 June

Million CHF	2021	2020	Change in %
Sales	**887**	**831**	**6.7**
CORE EBITDA	**141**	**136**	**3.7**
Margin in %	15.9	16.4	
Capital expenditures (CAPEX)	**42**	**38**	**10.5**

Corporate

For the six months ended 30 June

Million CHF	2021	2020
Sales	**20**	**17**
CORE EBITDA	**1**	**(5)**

2021 Outlook

Lonza confirms an upward revision to its 2021 Outlook reflecting the expectation to achieve mid-teens CER sales growth. The company also anticipates a CORE EBITDA margin improvement in line with the Mid-Term Guidance trajectory, as guided at the beginning of the year.

As part of Supply and Service agreements effective after the Specialty Ingredients disposal, Lonza will supply products (e.g. Vitamin B3 in Nansha, CN) and services (e.g. Water Management and Energy in Visp, CH) to the Specialty Ingredients business that will generate incremental sales at low margin. Supplied volumes will depend on demand from Specialty Ingredients and the impact on Full-Year 2021 performance is incremental 1.5 – 2.0%-pts CER sales growth and c.0.5%-pts CORE EBITDA margin dilution. This is already included in the Guidance. Final impact will be disclosed in Full-Year reporting.

The 2021 Outlook assumes a similar level of COVID-related impacts, no significant adverse impact on demand and no further disruptions in supply chain or business operations.

Condensed Financial Statements

Condensed consolidated balance sheet at 30 June 2021 (unaudited) and 31 December 2020

Million CHF	2021	2020
Total non-current assets	**10'131**	**9'628**
Current assets	2'420	2'287
Cash and cash equivalents	501	495
Assets held for sale[1]	2'109	2'019
Total current assets	**5'030**	**4'801**
Total assets	**15'161**	**14'429**
Equity attributable to equity holders of the parent	7'267	6'815
Non-controlling interests	73	69
Total equity	**7'340**	**6'884**
Non-current liabilities	1'923	1'664
Non-current debt	2'789	2'784
Total non-current liabilities	**4'712**	**4'448**
Current liabilities	1'776	1'746
Current debt	858	796
Liabilities held for sale[1]	475	555
Total current liabilities	**3'109**	**3'097**
Total liabilities	**7'813**	**7'545**
Total equity and liabilities	**15'161**	**14'429**

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

Million CHF		2021	2020 restated[2]
Sales		**2'542**	**2'243**
Cost of goods sold		(1'499)	(1'269)
Gross profit		**1'043**	**974**
Operating expenses[3]		(726)	(443)
Result from operating activities (EBIT)[4]		**317**	**531**
Net financial result		(22)	(44)
Share of loss of associates / joint ventures		1	(1)
Profit before income taxes		**296**	**486**
Income taxes		(33)	(44)
Profit from continuing operations		**263**	**442**
Profit from discontinued operations, net of tax		58	36
Profit for the period		**321**	**478**
Attributable to:			
Equity holders of the parent		319	477
Non-controlling interests		2	1
Profit for the period		**321**	**478**
Earnings per share for profit from continuing operations attributable to equity holders of the parent			
Basic earnings per share – EPS basic	(CHF)	3.51	5.94
Diluted earnings per share – EPS diluted	(CHF)	3.50	5.91
Earnings per share for profit attributable to equity holders of the parent			
Basic earnings per share – EPS basic	(CHF)	4.29	6.42
Diluted earnings per share – EPS diluted	(CHF)	4.28	6.39

1 In 2021 and 2020, assets and liabilities held for sale relate to the Specialty Ingredients disposal group
2 Restated to reflect the classification of the Specialty Ingredients business as discontinued operations (see note 5)
3 Includes Gamsenried environmental remediation expense of CHF 284 million (see note 6)
4 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	2021	2020
Profit for the period	**321**	**478**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Re-measurements of defined benefit liability	291	(114)
Income tax on items that will not be reclassified to profit or loss	(53)	26
	238	**(88)**
Items that are or may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	173	(161)
Cash flow hedges – effective portion of changes in fair value	10	(21)
Income tax on items that are or may be reclassified to profit or loss	(6)	4
	177	**(178)**
Other comprehensive income for the period, net of tax	**415**	**(266)**
Total comprehensive income for the period	**736**	**212**
Total comprehensive income attributable to		
Equity holders of the parent	730	214
Non-controlling interests	6	(2)
Total comprehensive income for the period	**736**	**212**

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

Million CHF	2021	2020
Profit for the period	**321**	**478**
Adjustment for non-cash items	623	418
Income tax and interest paid	(128)	(83)
(Increase)/decrease of net working capital	(235)	(300)
Use of provisions	(30)	(22)
(Increase)/decrease of other payables, net	(2)	(61)
Net cash provided by operating activities	**549**	**430**
Purchase of property, plant & equipment and intangible assets	(516)	(416)
Disposal of subsidiaries, net of cash disposed of[2]	120	0
Increase / (decrease) in loans and advances	2	(42)
Net purchase of other assets and disposals	(22)	(15)
Prepayment of leases	(19)	(21)
Interest and dividend received	0	3
Net cash provided by / (used for) investing activities	**(435)**	**(491)**
Issuance of straight bonds	0	820
Repayment of term loan	0	(526)
Increase / (decrease) in debt	(14)	16
Principal payment of lease liabilities	(15)	(14)
Increase in other non-current liabilities	134	83
Capital injection from owners of the non-controlling interests	0	2
Purchase of treasury shares	(81)	(46)
Dividends paid[1]	(225)	(206)
Net cash provided by / (used for) financing activities	**(201)**	**129**
Effect of currency translation on cash	13	(16)
Net increase in cash and cash equivalents	**(74)**	**52**
Cash and cash equivalents at 1 January	619	505
Cash and cash equivalents at 30 June	**545**	**557**
Cash and cash equivalents at 30 June classified as held for sale	(44)	0
Cash and cash equivalents at 30 June (as reported)	**501**	**557**

1 Includes dividends of CHF 2 million (2020: CHF 2 million) paid to non-controlling interests shareholders of a subsidiary
2 See note 5

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

	Attributable to equity holders of the parent								
Million CHF	Share capital	Share premium	Retained earnings	Hedging reserve	Translation reserve	Treasury shares	Total	Non-controlling interests	Total equity
Six months ended 30 June 2020									
Balance at 1 January 2020	**74**	**3'314**	**3'881**	**(17)**	**(707)**	**(51)**	**6'494**	**71**	**6'565**
Profit for the period	0	0	477	0	0	0	477	1	478
Other comprehensive income, net of tax	0	0	(88)	(18)	(157)	0	(263)	(3)	(266)
Total comprehensive income for the period	**0**	**0**	**389**	**(18)**	**(157)**	**0**	**214**	**(2)**	**212**
Dividends	0	(102)	(102)	0	0	0	(204)	(2)	(206)
Capital injection from owners of the non-controlling interests	0	0	0	0	0	0	0	2	2
Recognition of share-based payments	0	0	17	0	0	0	17	0	17
Movements in treasury shares	0	0	(94)	0	0	45	(49)	0	(49)
Balance at 30 June 2020	**74**	**3'212**	**4'091**	**(35)**	**(864)**	**(6)**	**6'472**	**69**	**6'541**
Six months ended 30 June 2021									
Balance at 1 January 2021	**74**	**2'804**	**4'985**	**(20)**	**(928)**	**(100)**	**6'815**	**69**	**6'884**
Profit for the period	0	0	319	0	0	0	319	2	321
Other comprehensive income, net of tax	0	0	239	8	164	0	411	4	415
Total comprehensive income for the period	**0**	**0**	**558**	**8**	**164**	**0**	**730**	**6**	**736**
Dividends	0	(111)	(112)	0	0	0	(223)	(2)	(225)
Recognition of share-based payments	0	0	24	0	0	0	24	0	24
Movements in treasury shares	0	0	(95)	0	0	16	(79)	0	(79)
Balance at 30 June 2021	**74**	**2'693**	**5'360**	**(12)**	**(764)**	**(84)**	**7'267**	**73**	**7'340**

Selected Explanatory Notes

1. Basis of Preparation of Financial Statements and changes to Group's Accounting Policies

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 2021 (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 2020 (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. 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 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.

On 8 February 2021, Lonza entered into a definitive agreement with Bain Capital and Cinven to sell Lonza's Specialty Ingredients business and operations. The sale of the former Specialty Ingredients business and operations was completed on 1 July 2021. As a consequence, the results of Specialty Ingredients business were disclosed in both years, 2021 and restated 2020, separately in the consolidated income statement as discontinued operations. Therefore, all income statement related notes referring to "continuing operations" are exclusive of the results from the Specialty Ingredients business.

New Standards, Interpretations and Amendments
There were no new standards or amendments to existing standards that have a material effect on the Group's interim financial statements.

2. Impact from COVID-19

There is no major financial impact on Lonza's financial performance for the six-month period ended 30 June 2021. Lonza's businesses experienced positive and negative impacts arising from the COVID-19 pandemic, but overall operations and product demand remained stable and strong. Mitigating actions helped to ensure minimal disruption to supply chain.

However, it is not possible at the moment to estimate the potential financial impact of COVID-19 for the full year 2021, as it depends on various factors which currently cannot be predicted (such as the extent and duration of the pandemic, the impact on customers and suppliers, etc.).

Cash collections continue to be according to normal trade terms, and days of trade receivables outstanding remain at normal levels. The Group has not experienced any liquidity or cash flow shortages during the first half of 2021.

Consequently, Management believes Lonza is well positioned to meet its ongoing financial obligations and has sufficient liquidity to support the normal business activities.

3. Exchange Rates

Balance sheet

Period-end rate CHF	30.06.2021	31.12.2020
US dollar	0.92	0.88
Pound sterling	1.28	1.20
Euro	1.10	1.08

Income statement Half-Year

Average rate CHF	2021	2020
US dollar	0.91	0.97
Pound sterling	1.26	1.22
Euro	1.09	1.06

4. Operating Segments

On 15 October 2020, Lonza published its new divisional structure of Lonza's continuing operations as per 1 January 2021. The transformations of the LPBN operations into four new divisions strengthens Lonza's offering in translation of technology and knowhow from pharma to nutrition, including regulatory and scientific expertise.

The Group's reportable segments are described as follows:

Small Molecules
The Small Molecules division operates as an integrated development and manufacturing service provider for small molecule drug substances and their intermediates. Small Molecules supports customers across all aspects of design, development and manufacturing, with the ability to offer integrated drug substances to drug product solutions, including particle engineering and drug product packaging.

Biologics
The Biologics division is the leading contract development and manufacturing partner for biopharmaceuticals, serving customers for all clinical and commercial manufacturing needs throughout the product life cycle. The modalities across Biologics include mammalian and microbial expression systems, covering both drug substance and parenteral drug product services, as well as bioconjugates and mRNA.

Cell & Gene
The Cell & Gene division operates two businesses: Cell and Gene Technologies and Bioscience.

The Cell & Gene Technologies (CGT) business develops innovative technologies and platforms that industrialize the manufacturing processes and production of cell and gene therapies. CGT provides contract development and manufacturing services along with regulatory support for a wide range of allogeneic and autologous cell therapies including iPSCs, CAR-T/TCR/TIL/MIL/ NK-cell and exosome-based therapies, as well as viral vector gene therapies.

Bioscience is a market-leading provider of specialty raw materials and enabling technology solutions in core target markets including cell and gene therapy, injectable drugs, vaccines and bio-manufacturing.

Capsules & Health Ingredients
Capsules & Health Ingredients business is the trusted partner in innovative capsules, dosage form solutions and health ingredients for pharmaceutical and nutraceutical companies.

Specialty Ingredients (Discontinued Operations)
The segment operates two businesses: Microbial Control Solutions and Specialty Chemical Services.

The Microbial Control Solutions business serves consumer and technical markets by safeguarding resources and peoples' wellbeing. In consumer markets, the segment has offerings in professional hygiene, and home and personal care. In technical markets, the segment has offerings in paints and coatings, wood protection, material protection and crop protection.

The Specialty Chemicals Services business serves selected attractive specialty chemical niche markets, where a high level of customization or exclusivity is required. It serves markets with demand for its solutions in electronics, aerospace, food and feed ingredients, agro chemicals and diversified specialty chemicals.

Six months ended 30 June 2021

Million CHF	Small Molecules	Biologics	Cell & Gene	Capsules and Health Ingredients	Specialty Ingredients (Discontinued Operations)	Total Operating segments	Corporate / Eliminations[1]	Total Group
Sales third-party	**362**	**1'284**	**274**	**602**	**887**	**3'409**	**20**	**3'429**
Inter-segment sales	3	10	21	5	31	70	(70)	0
Total sales	**365**	**1'294**	**295**	**607**	**918**	**3'479**	**(50)**	**3'429**
CORE EBITDA	**99**	**490**	**44**	**213**	**141**	**987**	**1**	**988**
Margin in %	27.3	38.2	16.1	35.4	15.9	29.0	n/a	28.8

Six months ended 30 June 2020

Million CHF	Small Molecules	Biologics	Cell & Gene	Capsules and Health Ingredients	Specialty Ingredients (Discontinued Operations)	Total Operating segments	Corporate / Eliminations[1]	Total Group
Sales third-party	**315**	**1'100**	**227**	**584**	**831**	**3'057**	**17**	**3'074**
Inter-segment sales	13	2	10	4	32	61	(61)	0
Total sales	**328**	**1'102**	**237**	**588**	**863**	**3'118**	**(44)**	**3'074**
CORE EBITDA	**78**	**461**	**(2)**	**217**	**136**	**890**	**(5)**	**885**
Margin in %	24.8	41.9	(0.9)	37.2	16.4	29.1	n/a	28.8

1 The "Corporate / Eliminations" column represents the corporate function, including eliminations for reconciliation of the Group total

The reconciliation of the CORE EBITDA to the IFRS result for the six months ended 30 June in 2021 and 2020 is as follows:

Million CHF	2021	2020
CORE EBITDA (incl. discontinued operations)	**988**	**885**
Environmental-related expenses	(289)	0
Income / (expense) resulting from acquisition and divestitures	(43)	1
Depreciation & amortization of property, plant and equipment and intangibles, incl. impairment and reversal of impairments	(241)	(268)
Elimination of the result from operating activities (EBIT)[1] of discontinued operations	(98)	(87)
Result from operating activities (EBIT)[1] of continuing operations	**317**	**531**
Net financial result	(22)	(44)
Share of loss from associates/joint ventures	1	(1)
Profit before income taxes from continuing operations	**296**	**486**

1 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

Disaggregation of Third Party Revenues
Lonza derives revenue in its business models of Contract Development and Manufacturing (including related services and licenses) and sale of products. These business models and the markets Lonza operates in are the basis to disaggregate revenue into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The operating segments **Small Molecules**, **Biologics**, **Cell & Gene** and **Capsules & Health Ingredients** derive its revenues primarily from long-term supply agreements with pharmaceutical customers. These operating segments typically provide a range of product and manufacturing services, over the whole range from research to commercial supply. Lonza supports customer's research activities as well as the whole life cycle of a customer product from development of a drug substance to commercial supply. Lonza concluded that the revenues of the operating segments shall not be further disaggregated.

The **Specialty Ingredients** segment focuses on product sales. Within this segment, there is a separation between divisions, which focus on different markets and operating distinct technology and asset platforms:

- Microbial Control Solutions delivers future-proof Microbial Control technologies and related applications to consumer facing and resource protection markets.
- Specialty Chemical Services is an asset-driven business with attractive growth levels in technically demanding industries and applications, as well as capabilities in custom development and manufacturing

The table below shows the segment information provided to the Group's Executive Committee and also illustrates the disaggregation of recognized revenues for the six-month period ended 30 June:

Million CHF	2021	2020
Small Molecules	362	315
Biologics	1'284	1'100
Cell & Gene	274	227
Capsules and Health Ingredients	602	584
Other Revenues	20	17
Lonza Continuing Operations	**2'542**	**2'243**
Microbial Control Solutions	536	524
Specialty Chemical Services	339	295
Other Revenues	12	12
Specialty Ingredients (Discontinued Operations)	**887**	**831**
Total Group	**3'429**	**3'074**

5. Sale of Businesses

Lonza Specialty Ingredients – Assets held for Sale and Discontinued Operations
On 8 February 2021, Lonza announced that it has entered into a definitive agreement with Bain Capital and Cinven to sell Lonza's Specialty Ingredients business and operations. The divestment of the former Specialty Ingredients business and operations was completed on 1 July 2021 for an enterprise value of CHF 4.2 billion.

In the consolidated financial statements 2021 and 2020, the Specialty Ingredients related assets and liabilities are classified as a disposal group in assets / liabilities held for sale and its results of operations are disclosed as discontinued operations.

The Specialty Ingredients business, which are presented as discontinued operations, reported the below results for the six months ended 30 June:

Million CHF		2021	2020
Sales		887	831
Cost of goods sold		(610)	(582)
Gross profit		**277**	**249**
Operating expenses		(179)	(162)
Result from operating activities (EBIT)		**98**	**87**
Net financial result		(4)	(6)
Share of loss of associates / joint ventures		(1)	(3)
Profit before income taxes from discontinued operations		**93**	**78**
Income taxes		(35)	(42)
Profit from discontinued operations, net of tax		**58**	**36**
Attributable to:			
Equity holders of the parent		58	36
Non-controlling interests		0	0
Basic earnings per share – EPS basic	(CHF)	0.78	0.48
Diluted earnings per share – EPS diluted	(CHF)	0.78	0.48

The HY 2021 profit from discontinued operations, net of tax of CHF 58 million includes divestiture related separation costs (HY2021: CHF 8 million, HY2020: CHF 16 million), divestiture related transaction costs (HY2021: CHF 35 million; HY2020: CHF 0 million) and other effects.

As a result of the 1 July 2021 closing date, Lonza will book the gain from the divestiture only in the second half of 2021. The gain from the divestiture will be reduced by accumulated exchange rate translation reserve losses of approximately CHF 193 million.

At 31 December 2020 and 30 June 2021, the assets and liabilities held for sale related to the Specialty Ingredients business are as follows:

Million CHF	2021	2020
Non-current assets	1'430	1'357
Current assets	635	538
Cash and cash equivalents	44	124
Assets of disposal group classified as held for sale	**2'109**	**2'019**
Non-current liabilities	(174)	(271)
Current liabilities	(301)	(284)
Liabilities directly associated with assets of disposal group classified as held for sale	**(475)**	**(555)**
Net assets directly associated with assets of disposal group classified as held for sale	**1'634**	**1'464**

The primary components of the cash flow from discontinued operations for the six months ended of 30 June 2021 and 30 June 2020 are as follows:

Million CHF	2021	2020
Net cash used for operating activities	2	63
Net cash used for investing activities	(41)	(28)
Net cash used for financing activities	(16)	(5)
Net cash flows for the period	**(55)**	**30**

Softgels and liquid-filled hard capsules business
On 19 January 2021, Lonza announced that it has signed an agreement with NextPharma for the sale of Lonza sites in Ploermel (FR) and Edinburgh (UK) that are specialized in the softgels and liquid-filled hard capsules technologies. The divestment of the two sites was completed on 31 March 2021 which generated CHF 120 million of net cash proceeds.

The sale of the business had no significant impact on the consolidated financial statements for the six months ended 30 June 2021.

6. Environmental Provisions

Lonza maintains an old landfill close to its Visp (CH) site. This landfill was in use from 1918 until 2012 and contains hazardous materials. Lonza will need to perform remediation measures in order to comply with environmental regulations.

In 2020 Lonza completed a pre-study that addressed potential remediation methods and measures. Furthermore, Lonza and the environmental authorities of the canton of Valais aligned on the base principles of a remediation strategy during 2020.

During the first half of 2021 Lonza has submitted a risk assessment of the old landfill to the environmental authorities of the canton of Valais which identified the most critical area regarding the groundwater protection and related remediation measures.

In addition, Lonza's detailed investigations have further progressed during 2021. Therefore, Lonza is in the position at 30 June 2021 to define the most likely remediation measures on the most critical area as well as the extent of remediation required. Lonza's estimate of incremental remediation costs for this most critical area regarding groundwater protection amount to CHF 284 million for which Lonza increased the provision at 30 June 2021.

However, for remaining areas of the landfill, it is not possible as of 30 June 2021 to make an informed judgment on, or reasonably predict, potential additional required remediation measures. With the current available information it is not possible for management to estimate further potential liabilities than the provision which was recognized. Lonza continues to closely monitor the development of the situation and will adjust the provision going forward accordingly.

7. Financial Instruments

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

Million CHF	Carrying amount 30.06.2021	Fair value 30.06.2021	Carrying amount 31.12.2020	Fair value 31.12.2020
Financial assets at amortized cost				
Trade receivables, net	655	655	715	715
Other receivables	111	111	87	87
Accrued income	201	201	185	185
Current and non-current loans	159	159	162	162
Cash and cash equivalents	501	501	495	495
Total financial assets amortized at cost	**1'627**	**1'627**	**1'644**	**1'644**
Financial assets at fair value				
Other investments	43	43	33	33
Derivative financial instruments				
– Currency-related instruments	19	19	37	37
Contingent consideration	6	6	14	14
Total financial assets at fair value	**68**	**68**	**84**	**84**
Financial liabilities at amortized cost				
Debt				
– Straight bonds[1]	1'742	1'831	1'749	1'834
– Other debt	1'905	1'905	1'831	1'831
Current and non-current liabilities	906	906	903	903
Trade payables	371	371	308	308
Total financial liabilities at amortized cost	**4'924**	**5'013**	**4'791**	**4'876**
Financial liabilities at fair value				
Derivative financial instruments				
– Currency-related instruments	33	33	4	4
– Interest-related instruments	20	20	25	25
Contingent consideration	30	30	28	28
Total financial liabilities – measured at fair value through profit and loss	**83**	**83**	**57**	**57**

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	30.06.2021				31.12.2020			
	Level 1	Level 2	Level 3	**Total fair value**	Level 1	Level 2	Level 3	**Total fair value**
Assets								
Other investments	0	43	0	**43**	0	33	0	**33**
Derivative financial instruments	0	19	0	**19**	0	37	0	**37**
Contingent consideration related to sale of business	0	0	6	**6**	0	0	14	**14**
Liabilities								
Derivative financial instruments	0	(53)	0	**(53)**	0	(29)	0	**(29)**
Contingent consideration	0	0	(30)	**(30)**	0	0	(28)	**(28)**
Net assets and liabilities measured at fair value	**0**	**9**	**(24)**	**(15)**	**0**	**41**	**(14)**	**27**

In 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

8. Net financial result from continuing operations

The net financial result from continuing operations for the six-month period ended 30 June are as follows:

Million CHF	2021	2020 restated
Net interest expenses	(22)	(24)
Net interest expenses on defined benefit plan liabilities	(1)	(1)
Interest expenses on IFRS 16 lease liabilities	(5)	(4)
Amortization of debt fees and discounts	(2)	(3)
Foreign exchange rate differences, including impact from currency-related financial derivative instruments	0	(13)
Interest related financial derivative instruments	(8)	(3)
Net gains on investments measured at fair value through profit or loss	19	6
Other net financial expenses	(3)	(2)
Net financial result	**(22)**	**(44)**

9. Seasonality of Operations

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

10. Dividends Paid

On 6 May 2021, the Annual General Meeting approved the distribution of a dividend of CHF 3.00 (financial year 2019: CHF 2.75) per share in respect of the 2020 financial year.

The distribution to holders of outstanding shares totaled CHF 223 million (2020: CHF 204 million). Thereof, CHF 112 million have been recorded against retained earnings and CHF 111 million have been recorded against reserves from capital contributions of Lonza Group AG.

11. Events After the Balance Sheet Date

On 23 July 2021, the Board of Directors authorized the interim financial statements of Lonza Group Ltd and its subsidiaries for the six-month period ended 30 June 2021 for issue.

On 8 February 2021, Lonza entered into a definitive agreement with Bain Capital and Cinven to sell Lonza's Specialty Ingredients business and operations. The sale of the former Specialty Ingredients business and operations was completed on 1 July 2021. Also refer to note 5.

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.

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 2021 herein may not prove to be correct. The statements in the section on Outlook 2021 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 2021 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 2021. 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.

9 and 13 September 2021
Morgan Stanley 19th Annual Global Healthcare Conference (Virtual)

22 September 2021
Credit Suisse – Reverse Bus Tour (Virtual)

27 September 2021
BoA Merrill Lynch Roadshow (Virtual)

4 November 2021
ZKB - Swiss Equity Conference

26 January 2022
Full-Year Results 2021

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