

Speech of the Chairman of the Board of Directors and CEO *ad interim* at the Annual General Meeting, held on Tuesday, April 28 2020, from 10.00 a.m. to 10.30 a.m., at the company's head office in Basel, Switzerland
Chairman: Albert M. Baehny

Due to the protective measures in place to prevent the spread of the coronavirus, this Annual General Meeting is taking place on an unusually small scale. Nevertheless, as is tradition, I will take a look back on the past year before looking ahead, as far as it is possible to in these uncertain times.

2019 proved to be another successful year for the Lonza Group from a commercial and financial perspective. At the same time, we have continued to work on positioning the company for long-term growth and profitability. We focused our attention on structural improvements to better align our business and segments with their respective markets. We have made growth investments in our Pharma Biotech & Nutrition segment to achieve sustainable performance over the long term.

Our people and our business have delivered strong results for the full year 2019; we achieved full-year 2019 sales of CHF 5.9 billion, CORE EBITDA of CHF 1.6 billion and CORE EBIT of CHF 1.2 billion. With a sales growth of 6.8% (7.3% currency-adjusted), we met our targets, resulting in a CORE EBITDA margin of 27.4% in an important investment year.

These strong results reflect the continued positive momentum of our pharma-related businesses. Expressed in figures, our **Pharma Biotech & Nutrition (LPBN)** segment achieved sales growth of 11.0% (11.3% at constant exchange rates), which was above forecast despite a decline in the hard capsules business for the food sector. LPBN recorded a CORE EBITDA margin of 32.9%, even after an increase in operating expenses (OPEX) as a result of growth initiatives.

Our Special Ingredients (LSI) business showed a weak full year performance due to headwinds and a general weakness in global end markets. However, productivity improvements, cost control measures and price increases resulted in a CORE EBITDA margin of 17.8%.

Our decision to begin the **carve-out of our Specialty Ingredients (LSI)** segment in 2019 marks a turning point for our business. It reflects our internal recognition, in the interest of all our stakeholders, that we operate in two different industries. With the decision to carve-out the LSI segment, we want to give the segment the opportunity to operate independently and be more market-oriented, and to take on a greater leadership role in the field of microbial control. It also provided an opportunity to explore operational improvements and greater efficiency. At

the same time, the carve-out process allows the Pharma and Biotech segment to focus more on its leading position in an attractive industry with future growth potential.

The long-term commitment of our company to the pharma and biotech industry is reflected in the number and scope of growth investments in the LPBN segment during 2019:

Our most important **investments** include capacity expansions and new technologies that support the entire life cycle of molecules. In 2019, almost CHF 800 million in capital expenditures (CAPEX) - more than 13% of the total company's turnover - were used to finance several important growth projects in our global network. This allowed for expansion:

- in Visp (CH) for clinical and commercial biologics, highly potent active pharmaceutical ingredients (HPAPI) and bioconjugates (including antibody conjugates);
- in Portsmouth, NH (USA) for mid-scale mammalian biologics;
- in Guangzhou (CN) for clinical mammalian biologics;
- in Houston, TX (USA), Geleen (NL), Singapore (SG) and Portsmouth, NH (USA) for cell and gene technology; and
- in Basel (CH) region for drug product services.

We have also invested in new therapeutic areas and innovation by entering the microbiome field. In 2019, we partnered with Chr. Hansen to create BacThera, a joint venture to support the manufacture of living biotherapeutic products.

All our investment projects are calculated to deliver attractive returns. However, these returns take time to realize, even after new facilities become operational. This reflects the scale and specificity of the facilities, as well as the highly regulated and complex nature of the products we manufacture.

The length and complexity of the "investment journey" can easily be underestimated. For example, the first construction phase of a total project to build a biological plant worth CHF 400 million can take up to three years before we can start operating. This is followed by a further two to three year "start-up phase" during which the plant is productive but not yet fully operational. In this phase, new products are introduced, production processes are refined and employees receive further training.

We must make the investments now in order to be able to take full advantage of the opportunities in an attractive, constantly changing environment. As pharmaceutical companies look to become more profitable and efficient by focusing on their core business, we believe that the relevance and opportunities for outsourcing will increase. Through our investments, we intend to remain well positioned to provide high quality services that meet the needs of our pharma and biotech customers and underpin our ambition to remain a global leader in contract development and manufacturing (CDMO) in terms of scale, capabilities and innovation.

In addition to our investment activities in 2019, we have also made improvements in all existing businesses. We continued to drive forward our operational excellence, focusing on improving our manufacturing and logistics systems and processes. These efforts were supported by the establishment of a global technical operations function (TechOps), which brings together all

aspects of our operations and manufacturing functions within a single framework to promote an internal culture of efficiency and performance.

We have also focused on our **sustainability** efforts to implement best practices. This is an ethical and commercial imperative for our business and an issue that is increasingly being discussed by both management and our customer base. You can read about our intention and activities to be a sustainable company in our Sustainability Report.

Our sustainability policy and practices not only demonstrate our integrity in a decisive way, but are also designed to attract a new generation of young talent. Millennials are attracted by fulfilling work, development opportunities and the ability to make a meaningful difference. Like so many companies that operate in our markets, our performance and success depends on our ability to attract and retain leading talent. This is particularly important as we continue to pursue strategic growth projects in 2020 that require sustained recruiting and a strong employer brand.

I am currently confident about our momentum and our ability to achieve **our goals** in 2020. However, the outbreak and global spread of COVID-19 also poses challenges for Lonza. Currently, our plants are operational and we have limited constraints in global supply chains. With the production of life-saving drugs and disinfection applications, both LPBN and LSI have “essential supplier” status. However, we cannot foresee how the health situation and the government measures that have been introduced, will develop. Based on the visibility we have today, we are continuing to work towards meeting our full-year guidance, successfully starting up operations on major investment projects, completing the carve-out of LSI and announcing a new Group CEO.

On behalf of the company, I would like to **thank** all our stakeholders, our customers, shareholders and suppliers who have supported Lonza's business over the past year. As a final word, I would also like to express my sincere thanks to our 15,500 employees for their hard work and commitment in 2019 to serve our hundreds of customers, and their millions of patients and consumers worldwide. The dedication and determination of our employees has enabled us to achieve our financial goals for the Group while creating a foundation for long-term benefits. I am proud of their achievements and look forward to working with them on the next stage of our journey in 2020.

Let me conclude with reference to the current situation: both segments of our company are working actively to combat the **coronavirus**. Our Pharma and Biotech segment continues to develop and produce a large number of life-saving treatments. These enable our customers to protect their patients, whose needs have never been greater. At the same time, our LSI segment focuses on providing microbial control solutions. More than twenty of our microbial control solutions have been shown to be effective against COVID-19 in tests conducted by the US Environmental Protection Agency (EPA). These solutions are more important than ever for maintaining hygiene and safety in hospitals, homes, schools and offices around the world. In response to the challenges posed by the coronavirus, the determination and commitment of our employees has only increased. I am very proud of their courage, as we make our global contribution to the fight against the spread of the coronavirus.

Albert M. Baehny, Chairman of the Board of Directors and CEO *ad interim*