Full-Year Report 2019

Lonza

Lonza Delivers Strong Full-Year 2019 Group Results, with 11% Pharma Segment Growth

Full-Year 2019 Results

Comparison vs. Prior Year (Continuing Business)

5,920 mn
Sales (CHF) + 6.8 %

1,620 mn
CORE EBITDA (CHF) + 7.2 %

1,525 mn
EBITDA (CHF) + 6.7 %

27.4 %
CORE EBITDA Margin + 10 bps

25.8 %
EBITDA Margin 0 bps

13.59 CHF
CORE EPS Diluted + 13.4 %

10.22 CHF
EPS Diluted + 16.5 %

9.1 %
ROIC + 110 bps

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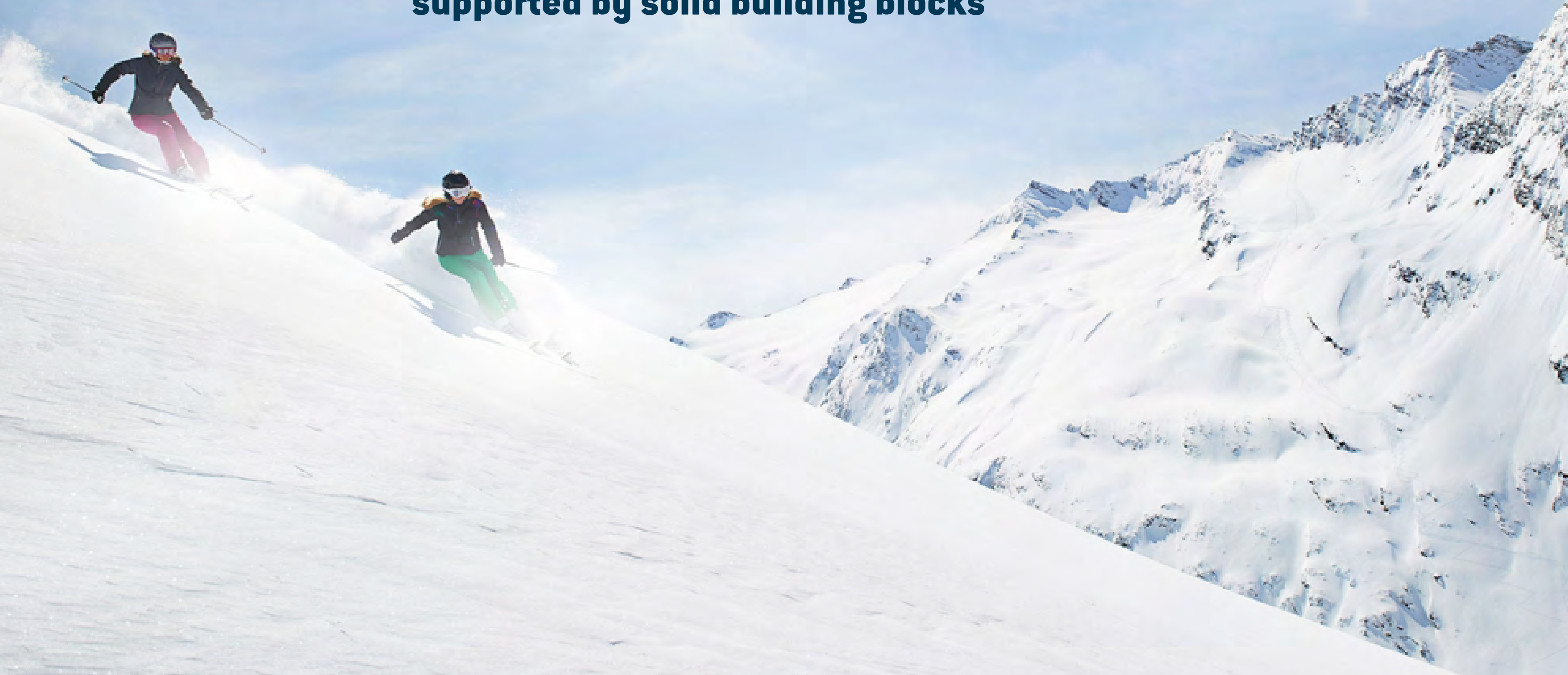
Lonza Group delivers on guidance[1] with 6.8% sales growth, resulting in CHF 5.9 bn sales, and CHF 1.6 bn CORE EBITDA, resulting in a 27.4% margin

Pharma Biotech & Nutrition (LPBN) as driver, with 11.0% sales growth and 32.9% CORE EBITDA margin

Specialty Ingredients (LSI) shows improved 17.8% CORE EBITDA margin, despite sales growth of -3.2%; carve-out progressing according to plan

Lonza Group outlook 2020: above mid single-digit sales growth[2], driven by high single-digit sales growth in LPBN, and overall stable CORE EBITDA margin

Mid-Term Guidance 2022 confirmed, supported by solid building blocks



1 Guidance for FY 2019: mid to high single-digit sales growth and sustained high CORE EBITDA margin level
2 Outlook 2020 in constant currency

Dear Stakeholders,

Our people and business have delivered a strong Full-Year 2019 result; we reported CHF 5.9 billion in sales, CHF 1.6 billion in CORE EBITDA and CHF 1.2 billion in CORE EBIT for the Full-Year 2019. We delivered on our guidance with 6.8% sales growth, 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. The biopharma business achieved double-digit sales growth and a stable CORE EBITDA margin, even though we are investing in significant growth initiatives. In numbers, our Pharma Biotech & Nutrition (LPBN) segment achieved 11.0% sales growth above guidance, despite a contraction in the nutritional hard capsules business. LPBN reported a CORE EBITDA margin of 32.9%, even after an elevated level of operational expenditure (OPEX) behind growth initiatives.

Our specialty chemicals businesses showed soft full-year performance after headwinds, and reported weaker sales than anticipated in H2 2019. The Specialty Ingredients (LSI) segment performance was in line with industry peers and overall softness in global end-markets. However, productivity gains, cost control measures and price increases resulted in a CORE EBITDA margin of 17.8%, as margins began to show improvement.

All figures relate to Lonza's continuing operations, excluding the Water Care business unit, in reported currency[1] and are compared with the same period in 2018 on a like-for-like basis (restated Lonza Full-Year 2018 financial results) to reflect the realignment of the segments. CORE EBITDA margin development was also supported by the impact of the IFRS 16 new accounting standard on leases, resulting in 60 bps incremental margin for Lonza Group, offset by costs related to the divestment of the Water Care business and carve out of Specialty Ingredients. This amounted to 50 bps negative CORE EBITDA margin impact.

2019 was a year of change as we accelerated the portfolio review and significantly progressed with the carve-out of our Specialty Ingredients business. Our leadership changes have had no impact on our employees' collective commitment to deliver for our customers and shareholders.

In 2020, we will focus on executing our growth projects in another major investment year, completing the carve-out of our Specialty Ingredients segment and reviewing future plans. Concurrently, we will work to strengthen a culture of shared values, collective accountability, commitment and transparency. Important for me and for the company alike, we will also increase our efforts to ensure a constant pipeline of talent to develop as future company leaders. Finally, we will establish clearer environmental, social and governance (ESG) targets and action plans for implementation in 2021.

I am confident about our current momentum, and our ability to deliver on our targets in 2020: above mid single-digit sales growth, driven by high single-digit sales growth in LPBN, and overall stable CORE EBITDA margin. We look forward to the successful start of operations for major investment projects by the end of the year, completing the carve-out, announcing a new Group CEO and continuing to work on the delivery of our Mid-Term Guidance 2022.

Finally, let me share our thanks to all of our stakeholders, our customers, shareholders and suppliers who have supported the Lonza business over the last year. I also want to send our thanks to our more than 15,000 employees for their dedication and hard work in serving our hundreds of customers and millions of patients globally.

Yours sincerely,

Albert M. Baehny
Chairman & CEO a.i.
Lonza

1 Currency exchange effects had 50 bps negative impact on actual exchange rate (AER) sales growth

Financial Highlights

IFRS Results (Continuing Business) million CHF		2019	Change in %	2018[2]
Sales		5'920	6.8	5'542
EBITDA		1'525	6.7	1'429
Margin in %		25.8		25.8
Result from operating activities (EBIT)		972	15.4	842
Margin in %		16.4		15.2
Profit for the period		763	15.8	659
EPS basic	CHF	10.28	16.8	8.80
EPS diluted	CHF	10.22	16.5	8.77

CORE Earnings[1] (Continuing Business) million CHF		2019	Change in %	2018[2]
CORE EBITDA		1'620	7.2	1'511
Margin in %		27.4		27.3
CORE EBITDA excl. IFRS 16		1'587	5.0	1'511
Margin in %		26.8		27.3
Result from operating activities (CORE EBIT)		1'245	6.9	1'165
Margin in %		21.0		21.0
Result from operating activities (CORE EBIT) excl. IFRS 16		1'243	6.7	1'165
Margin in %		21.0		21.0
CORE Profit for the period		1'014	12.8	899
CORE EPS basic	CHF	13.67	13.6	12.03
CORE EPS diluted	CHF	13.59	13.4	11.98
CORE RONOA in %		28.5	(9.2)	31.4

Other Performance Measures (Continuing Business) million CHF	2019	Change in %	2018[2]
Operational free cash flow (before acquisitions/divestitures)	495	(44.0)	884
ROIC in %	9.1	13.8	8.0
RONOA in %	12.9	6.6	12.1
Number of employees	15'468	7.2	14'425

Other Performance Measures (Lonza Group Incl. Discontinued Operations) million CHF	2019	Change in %	2018[2]
Operational free cash flow (before acquisitions/divestitures)	399	(52.9)	848
Operational free cash flow	995	21.3	820
Net debt	2'961	(16.2)	3'534
Debt-equity ratio	0.45	(19.6)	0.56
Net Debt / CORE EBITDA ratio	1.83	(19.7)	2.28
Number of employees	15'468	0.6	15'375

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 note 2 "Supplementary Financial Information" of this report on page 27)

2 Prior year information has not been restated to reflect the adoption of IFRS 16 Leases (see note 2)

Full-Year 2019 Results

Comparison vs. Prior Year (Continuing Business)

Pharma Biotech & Nutrition

4,167 mn

Sales (CHF) + 11.0 %

1,371 mn

CORE EBITDA (CHF) + 10.0 %

32.9 %

CORE EBITDA Margin - 30 bps

Specialty Ingredients

1,693 mn

Sales (CHF) - 3.2 %

302 mn

CORE EBITDA (CHF) - 0.3 %

17.8 %

CORE EBITDA Margin + 50 bps

Pharma Biotech & Nutrition
Segment

million CHF	2019	Change in %	2018 (Restated)[1]
Sales	4'167	11.0	3'755
CORE EBITDA	1'371	10.0	1'246
Margin in %	32.9		33.2
CORE EBITDA excl. IFRS 16	1'347	8.1	1'246
Margin in %	32.3		33.2
CORE result from operating activities (EBIT)	1'125	10.3	1'020
Margin in %	27.0		27.2
CORE result from operating activities (EBIT) excl. IFRS 16	1'123	10.1	1'020
Margin in %	26.9		27.2

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

Lonza is proud to sponsor the Olympic Swiss bobsledder Michael Kuonen and his bobsleigh team. When Michael is not training and competing during the Winter months, he works at Lonza in Visp, the same manufacturing plant as his father and – previously – his grandfather.

Lonza Pharma Biotech & Nutrition (LPBN) achieved continued double-digit sales growth above guidance for the Full-Year 2019. The newly expanded segment now includes the nutritional hard capsules business (acquired with Capsugel), as well as a small portfolio of nutritional ingredients and formulation services. LPBN delivered CHF 4.2 billion sales in FY 2019 and a CORE EBITDA of CHF 1.4 billion while investing in strategic growth projects, a number of which are expected to commence operations from the end of 2020.

Lonza Pharma Biotech & Nutrition Segment Overview

CDMO Services Businesses

- Small molecules
- Mammalian and microbial
- Cell and gene technologies

Product Businesses

- Bioscience
- Capsules systems
- Nutritional ingredients

Contract Development and Manufacturing Organization (CDMO) Services Businesses

The ***small molecules*** business continued to benefit from innovative business models (including tailored capacity optimized to customer needs), formulation and encapsulation capabilities. Lonza's highly potent active pharmaceutical ingredients (HPAPI) offerings have made a positive contribution, with a number of new long-term contracts signed with customers including AstraZeneca among others. A contract has also been signed with a major international biopharmaceutical partner for the production of drug substance payloads for antibody drug conjugates. To address bioavailability challenges, the business launched SimpliFiH™ Solutions, a service package specifically designed for small and emerging innovator companies and their early-stage, first-in-human programs. Dosage forms and delivery systems showed strong performance, securing both commercial business and new long-term contracts. Lonza also entered into an integrated development and manufacturing agreement for producing both API and dosage form. The business has partnered with Emerald Health Pharmaceuticals for its novel, synthetic Cannabinoid-derived (CBD) drug candidate using soft gel and liquid filled hard capsules.

Mammalian and microbial saw ongoing strong momentum for its clinical and commercial offerings in FY 2019. Commercial agreements signed for new and existing assets provide meaningful sales visibility for the mid- and long-term. Commercial capacities for 2020 are largely committed. Lonza has confirmed a major multinational pharmaceutical company as a new Ibex™ Dedicate customer in Visp (CH). This agreement relates to the commercial manufacture of a microbial-derived product in addition to other Ibex™ Dedicate partners, including Sanofi and Portola.

Lonza's integrated clinical service offerings gained traction, with shortened development and manufacturing timelines, guaranteed delivery of drug product for IND (Investigational New Drug) applications and secured supply for subsequent clinical and commercial requirements. Customers will benefit from Lonza's gene-to-vial offering in Visp (CH) and Slough (UK), including, among others, Alector, Genmab, and Citryll. Lonza further optimized its proprietary GS Xceed® Toolbox to meet the growing needs for mammalian expression of more complex, innovative therapeutic proteins. Lonza's Drug Product Services (DPS) continue to expand in Basel, Stein and Visp (CH), based on increasing customer demand for new solutions to product design, stability and usability challenges. Lonza's newly acquired sterile fill and finish facility for clinical supply and commercial launch of parenteral drug product in Stein started production in August 2019 and secured initial customers including Novartis.

Cell and gene technologies benefitted from continued sales momentum in a dynamic market environment, with strong interest in offerings including process development and commercial manufacturing. Lonza signed a significant number of clinical and commercial contracts with new customers including, among others, Cellectis, Prevail, and DiNAQOR. The business also signed new contracts with existing partners, including Mesoblast and Gamida, for commercial supply. The cell and gene business expects at least five late-stage registrations in 2020 within its global network. In the coming year, the business unit will continue to focus on improving operational excellence and on delivering seamless service, removing supply chain challenges in autologous cell therapy and ensuring patient safety in personalized therapies while working on a "vein-to-vein" offering.

Product Businesses

Lonza's ***bioscience*** business for media, research tools, testing solutions and quality control software saw increased demand, based on favorable market trends in drug discovery and cell therapy. Lonza is continuing to make progress with operational improvements.

The ***pharma hard capsules*** business saw ongoing demand for specialty polymer and dry powder inhalation (DPI) offerings. The business was supported by new product launches but challenged by market conditions in the US and slower growth in developed markets. Several long-term agreements were signed.

The **nutritional hard capsules** business was negatively impacted by increased competition. This was exacerbated by softer demand for conventional gelatin hard capsules and slower growth than anticipated in specialty polymer empty capsules, particularly in mature markets. The business started to implement commercial countermeasures with first impact in Q4 2019.

The ***nutritional ingredients*** business experienced soft demand. UC-II® manufacturing expansion in Greenwood, SC (USA) is on track to be operational in H1 2020, which will support an improved security of supply.

Investment Projects Progressing as Planned

Lonza is investing in growth opportunities in its core businesses in LPBN. These include capacity expansions and new technologies supporting the full-life cycle of molecules. In 2019, CHF 786 million in Capital expenditures (CAPEX) – 13.3% of sales – was spent financing several important growth projects across Lonza's global network with expansions in Visp (CH) for clinical and commercial biologics, HPAPI and bioconjugates (including Antibody Drug Conjugates), in Portsmouth, NH (USA) for mid-scale mammalian, in Guangzhou (CN) for clinical mammalian, in Houston (TX), Geleen (NL), Singapore (SG) and Portsmouth, NH (USA) for cell and gene, and in the Basel area (CH) for drug product services.

Lonza carefully weighs risk-return profiles when investing in new initiatives and offers different business models to its customers depending on their needs. For larger commercial investments, Lonza seeks contractual commitment before build-out. For multi-purpose assets and clinical assets, decisions are based on robust demand projections. Depending on business models, CAPEX contributions and milestone payments by customers may be part of the investment approach. Lonza announced several new customers for its growth projects in 2019, spanning from biotech companies to big pharma.

More than five significant projects are scheduled to start operations by the end of 2020. Lonza expects a similar level of CAPEX in 2020 as in 2019 as some of the 2019 projects will enter final construction phase and a subsequent set of opportunities will be rolled out. Lonza is at an inflection point as biopharma performance over the last few years was based on historic investments. To continue its current growth trajectory and meet market demand, the business has invested in new capacity, the expansion of its value chain and geographic coverage. 2019 and 2020 constitute a peak investment period with an elevated level of CAPEX spend which is then expected to return to a normalized level. Despite these investments Lonza's net debt/CORE EBITDA level reduced to 1.83×, and Lonza expects to maintain a solid investment grade rating going forward.

To successfully execute these growth investments and ensure the seamless launch and management of new operations, Lonza must hire and train qualified personnel several months in advance of construction completion and ramp-up. In 2019, LPBN has hired more than 1,000 new employees, on average 500 for the full year.

The OPEX impact of growth initiatives will continue to increase in 2020 as Lonza prepares for the start of clinical projects and commercial launches. Currently, LPBN anticipates that it will recruit a further 600 new employees globally in 2020 in addition to the 1000 employees hired in 2019. This scale of on-going recruitment requires a significant investment in on-boarding and training programs, impacting operating margins.

Planned projects are largely expected to contribute to continued growth in Pharma Biotech & Nutrition beyond the Mid-Term Guidance 2022, as facilities are ramped up over several years before full utilization and profitability levels are achieved. The revenue contribution in 2020 of the investments coming on line in Q4 2020 is likely to be modest. New projects are expected to reach peak sales on average five years after start of operations, although there is a wide range of variation, depending on technology.

Specialty Ingredients
Segment

million CHF	2019	Change in %	2018 (Restated)[1]
Sales	1'693	-3.2	1'749
CORE EBITDA	302	-0.3	303
Margin in %	17.8		17.3
CORE EBITDA excl. IFRS 16	297	-2.0	303
Margin in %	17.5		17.3
CORE result from operating activities (EBIT)	223	-1.8	227
Margin in %	13.2		13.0
CORE result from operating activities (EBIT) excl. IFRS 16	222	-2.2	227
Margin in %	13.1		13.0

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

Lonza Specialty Ingredients (LSI) has experienced headwinds during Full-Year 2019. Sales declined 3.2%, resulting in CHF 1,7 billion revenues for the segment. Pricing initiatives, operational improvements and cost control measures resulted in a CORE EBITDA of CHF 302 million and solid 17.8% CORE EBITDA margin. LSI will continue to focus on driving recovery for its business, delivering the carve-out and developing a new market-oriented and efficient organization. Over the course of 2019, LSI has worked to develop the structure of its business to reflect more accurately the underlying technology platforms. The business is now set up with a leading portfolio of Microbial Control Solutions (MCS), supported by a division of dedicated Specialty Chemicals Services (SCS).

Lonza Specialty Ingredients Segment Overview:

Microbial-Control Solutions

- Professional hygiene
- Home and personal care
- Wood protection
- Material protection
- Paints and coatings
- Crop protection

Specialty Chemical Services

- Composites
- Custom manufacturing organization (CMO)
- Performance chemicals & intermediates

While general demand for microbial control applications was solid, the business saw mixed performance, which was related to its various end-markets. Home care disinfection as well as professional hygiene saw positive performance in 2019, with continued strong disinfection sales in veterinary, biosecurity, food service and wipes. Personal care ended the year soft but saw an uptake in H2 as Lonza's anti-dandruff platform for hair care was successfully expanded with the pickup of supply in Europe. Wood protection experienced stable demand, but saw an increasingly competitive environment and pricing pressure, especially in the US market. In material protection, Lonza's oil and gas industry solutions performed strongly; these include corrosion inhibitors and biocides to protect vital operation systems. Polymer and textile faced softer market demand from the automobile industry and still suffered from a suboptimal supply of a BIT (1,2-Benzisothiazolin-3-one)-related intermediate. BIT supply began to regain stability in H2 2019; Lonza expects a fully restored supply by the end of H1 2020. Paints and coatings also showed good performance, despite the shortage of key raw material BIT. Crop protection, especially molluscicides, faced ongoing customer destocking after a dry 2018 summer in Europe, aggressive competition from China and further dry weather in 2019.

The SCS business was negatively impacted by ongoing geopolitical tensions, raw material supply challenges and unfavorable cyclical end-markets. The weak market demand for consumer electronics has been magnified by the US-China trade dispute, impacting the composites business in 2019. Custom manufacturing closed ahead of its 2018 performance level. Competitive pressure from China and supply chain challenges resulted in lower volumes of industrial intermediates. Demand for agrochemical ingredients was down, and the vitamin B3 business was impacted by lower volumes due to the African Swine Fever in Asia and low prices at the beginning of the year.

Carve-out of Specialty Ingredients

The carve-out of Lonza's Specialty Ingredients segment is progressing in line with plans; completion is currently expected in mid-2020. A designated core team of around 40 employees have worked on the carve-out since the program was initiated in June 2019. Cross-functional workstreams include tax, global real estate, HR, environment, IT, communications, treasury, procurement, logistics, legal, IP, regulatory, carve-out structure, regional carve-out and carve-out financials. Carve-out related cost of CHF 19 million had 30 bps negative impact on CORE EBITDA margin for full-year 2019.

Selected milestones in 2020:

- Dedicated legal entities by business/segment (operational in H1 2020)
- Assignment of employees to segments
- Set up of service and supply agreements between the two segments progressing
- Continued progress in setting up systems to reflect new legal entity structure

Outlook 2020 and Mid-Term Guidance 2022

Lonza will continue to execute on all the necessary building blocks to achieve its Mid-Term Guidance 2022. In 2020, Lonza will focus on executing its growth projects in another major investment year, completing the carve-out of its Specialty Ingredients segment and reviewing future plans. The investment in growth projects in LPBN is expected to remain at 2019 levels in order to further expand Lonza's asset and technology platforms for future growth. Lonza has also factored into its outlook the continued macroeconomic uncertainty and some potential ongoing headwinds in the cyclical parts of Lonza's Specialty Ingredients businesses.

Concurrently, Lonza will work to strengthen a culture of shared values, collective accountability, commitment and transparency. Lonza will also increase its efforts to ensure a constant pipeline of talent to develop as future company leaders. Finally, Lonza will establish clearer environmental, social and governance (ESG) targets and action plans for implementation in 2021.

The following outlook for Full-Year 2020 is provided for Lonza Group:

- **Above mid single-digit sales growth, with high single-digit sales growth in Pharma Biotech & Nutrition and low single-digit sales growth in Specialty Ingredients**
- **Stable CORE EBITDA margin**

The Outlook 2020 is the next step in achieving Lonza's Mid-Term Guidance 2022 with all necessary building blocks in place. These include continued operating leverage and efficiency improvements in the LPBN base business, the return to a normalized level of investment in LPBN both in CAPEX and OPEX spend from 2021, alongside productivity gains and business recovery in LSI.

Lonza confirms its Mid-Term Guidance 2022:

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

Outlook 2020 and Mid-Term Guidance 2022 are based on the present business composition, the current macroeconomic environment, existing visibility and constant exchange rates.

CEO Succession

In line with its designated responsibility and remit, the Nomination and Compensation Committee (NCC) of Lonza's Board of Directors is leading the search and evaluation process for a new Chief Executive Officer (CEO). The NCC is recommending potential candidates for assessment by the Board of Directors. The process is expected to be successfully completed with a candidate announced during the course of 2020. To ensure continuing good corporate governance, Lonza appointed Christoph Mäder as Lead Independent Director in November 2019. This will remain in place until a new CEO is appointed, at which time the Chairman will relinquish his additional responsibilities.

Dividend Announced

Lonza's Board of Directors is proposing an unchanged dividend for shareholders of CHF 2.75 per share for 2019. The proposal represents a payout of 30.7% of 2019 reported net profit. Subject to approval at the upcoming Annual General Meeting (AGM) on 28 April 2020, the dividend of CHF 2.75 per share for 2019 will be paid from the reserve capital contribution and 50% will be free from Swiss withholding tax.[1]

1 Erratum: The original text concerning Dividend Announced should be clarified as follows: 50% of the dividend of CHF 2.75 per share for 2019 will be paid out of the capital contribution reserve and will therefore be free from Swiss withholding tax. (published 28 January 2020).

Changes in Board of Directors

Two changes in Lonza's Board of Directors were announced. Patrick Aebischer (Vice Chairperson), and Margot Scheltema have decided not to stand for re-election at the upcoming Annual General Meeting (AGM) on 28 April 2020. Patrick Aebischer has been a member of the Board since 2008 and most recently held the role of Vice Chairperson. Margot Scheltema has been a member of the Board since 2012. The Board would like to thank them both for their contributions during their years of service to Lonza.

The Board of Directors is proposing to Lonza's AGM the election of two new Board members, Ms Dorothée Deuring and Dr Moncef Slaoui.

Dorothée Deuring is a professional Board Director and a Corporate Finance Adviser who brings more than 25 years of experience in the fields of manufacturing, biotech, pharmaceuticals and finance. Ms Deuring currently serves on the board of several companies including Axpo, Bilfinger and Elementis. Her Board memberships span the energy, chemical and biopharmaceutical sectors. She received her Master of Science in Chemistry from Université Louis Pasteur, Strasbourg in 1994. She later received her Master in Business Administration from INSEAD, Fontainebleau in 1996.

Dr Moncef Slaoui brings to Lonza extensive experience from his career with GlaxoSmithKline spanning nearly 30 years. In this time, he held a number of leadership positions, including member of the board of GSK Plc, Chairman Pharmaceutical R&D; Chairman, Global R&D for Vaccines & Oncology; and Chairman, Global Vaccines. Currently, Dr Slaoui is partner at Medicxi, a venture capital firm specializing in seed, Series A, early stage and late stage life sciences investments; he also sits on various biotechnology companies' boards. Dr Slaoui received his Ph.D in Molecular Biology and Immunology from Brussels University in 1983. He later received an accelerated Master of Business Administration from IMD, Switzerland in 1998.

The Board is further proposing to the AGM the re-election of all other Board members.

Discontinued Operations

Water Care million CHF	2019[1]	2018
Sales	74	516
CORE EBITDA	(5)	36

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

Corporate

million CHF	2019[2]	2018
Sales	60	38
CORE EBITDA	(53)	(38)
CORE EBITDA excl. IFRS 16	(57)	(38)
CORE result from operating activities (EBIT)	(103)	(82)
CORE result from operating activities (EBIT) excl. IFRS 16	(102)	(82)

2 The carve out had an impact of CHF 19 million on the CORE EBIT at Corporate

Condensed Financial Statements

Condensed Consolidated Balance Sheet at 31 December million CHF	2019	2018
Total non-current assets	**10'801**	**10'407**
Current assets	2'512	2'229
Cash and cash equivalents	505	461
Assets held for sale[1]	29	824
Total current assets	**3'046**	**3'514**
Total assets	**13'847**	**13'921**
Equity attributable to equity holders of the parent	6'494	6'218
Non-controlling interest	71	72
Total equity	**6'565**	**6'290**
Non-current liabilities	1'835	1'630
Non-current debt	2'799	3'621
Total non-current liabilities	**4'634**	**5'251**
Current liabilities	1'907	1'746
Current debt	741	441
Liabilities held for sale[1]	0	193
Total current liabilities	**2'648**	**2'380**
Total liabilities	**7'282**	**7'631**
Total liabilities and equity	**13'847**	**13'921**

1 In 2019, assets held for sale relate to land in Guangzhou (2018: CHF 34 million). In 2018, there were also assets (CHF 790 million) and liabilities (CHF 193 million) that were related to discontinued operations (see note 4)

Condensed Consolidated Income Statement million CHF		2019	2018
Sales		**5'920**	**5'542**
Cost of goods sold		(3'665)	(3'449)
Gross profit		**2'255**	**2'093**
Operating expenses		(1'283)	(1'251)
Result from operating activities (EBIT)[2]		**972**	**842**
Net financial result		(120)	(34)
Share of loss of associates / joint ventures		(3)	(1)
Profit before income taxes		**849**	**807**
Income taxes		(86)	(148)
Profit from continuing operations		**763**	**659**
Loss from discontinued operations, net of tax		(117)	(96)
Profit for the period		**646**	**563**
Attributable to:			
Equity holders of the parent		645	559
Non-controlling interest		1	4
Profit for the period		**646**	**563**
Earnings per share for profit from continuing operations attributable to equity holders of the parent			
Basic earnings per share – EPS basic	CHF	10.28	8.80
Diluted earnings per share – EPS diluted	CHF	10.22	8.77
Earnings per share for profit attributable to equity holders of the parent			
Basic earningts per share – EPS basic	CHF	8.70	7.51
Diluted earnings per share – EPS diluted	CHF	8.65	7.48

2 Result from operating activities (EBIT) excludes interest income and expenses, as well as financial income and expenses that are not interest related and Lonza's share of profit/loss from associates and joint ventures

Condensed Consolidated Statement of Comprehensive Income million CHF	2019	2018
Profit for the period	**646**	**563**
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Re-measurements of net defined benefit liability	(43)	7
Income tax on items that will not be reclassified to profit or loss	7	(1)
	(36)	**6**
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(153)	(222)
Cash flow hedges	(5)	(16)
Income tax on items that are or may be reclassified to profit or loss	0	3
	(158)	**(235)**
Other comprehensive income for the period, net of tax	**(194)**	**(229)**
Total comprehensive income for the period	**452**	**334**
Total comprehensive income attributable to:		
Equity holders of the parent	452	333
Non-controlling interest	0	1
Total comprehensive income for the period	**452**	**334**

Condensed Consolidated Cash Flow Statement million CHF	2019	2018
Profit for the period	**646**	**563**
Adjustment for non-cash items	965	941
Income tax and interest paid	(208)	(225)
Increase of net working capital	(319)	(29)
Use of provisions	(56)	(45)
Decrease of other payables, net	(42)	(123)
Net cash provided by operating activities	**986**	**1'082**
Purchase of property, plant & equipment and intangible assets	(786)	(575)
Acquisition of subsidiaries, net of cash acquired	(24)	(28)
Disposal of subsidiary, net of cash disposed of	620	(1)
Net purchase of other assets and disposals	(34)	(9)
Increase in loans and advances	(69)	(41)
Interest and dividend received	8	2
Net cash used for investing activities	**(285)**	**(652)**
Repayment of straight bond	(300)	(340)
Repayment of term loan	(977)	0
Issuance of syndicated loan	144	29
Issuance of term loans	1'242	0
Repayment of syndicated loan	(263)	0
Repayment of bank loans	(198)	0
Increase / (decrease) in debt	(94)	152
Payment of lease liabilities	(33)	0
Increase in other non-current liabilities	60	29
Capital injection from non-controlling interest	1	0
Purchase of treasury shares	(48)	(77)
Dividends paid[1]	(206)	(206)
Net cash used for financing activities	**(672)**	**(413)**
Effect of currency translation on cash	(6)	(14)
Net increase in cash and cash equivalents	**23**	**3**
Cash and cash equivalents at 1 January	482	479
Cash and cash equivalents at 31 December	**505**	**482**
Cash and cash equivalents at 31 December classified as held for sale	0	(21)
Cash and cash equivalents at 31 December (as reported)	**505**	**461**

1 Includes dividends of CHF 2 million (2018: CHF 1 million) paid to non-controlling interest shareholders of a subsidiary

Condensed Consolidated Statement of Changes in Equity	Attributable to equity holders of the parent							Non-controlling interests	Total equity
million CHF	Share capital	Share premium	Retained earnings	Hedging reserve	Translation reserve	Treasury shares	Total		
Balance at 1 January 2018	74	3'314	3'139	3	(338)	(59)	6'133	48	6'181
Profit for the period	0	0	559	0	0	0	559	4	563
Other comprehensive income, net of tax	0	0	6	(14)	(218)	0	(226)	(3)	(229)
Total comprehensive income for the period	**0**	**0**	**565**	**(14)**	**(218)**	**0**	**333**	**1**	**334**
Dividends	0	0	(205)	0	0	0	(205)	(1)	(206)
Recognition of share-based payments	0	0	34	0	0	0	34	0	34
Movements in treasury shares	0	0	(65)	0	0	(12)	(77)	0	(77)
Acquisition of subsidiary with non-controlling interest	0	0	0	0	0	0	0	24	24
Balance at 31 December 2018	74	3'314	3'468	(11)	(556)	(71)	6'218	72	6'290
Profit for the period	0	0	645	0	0	0	645	1	646
Other comprehensive income, net of tax	0	0	(36)	(6)	(151)	0	(193)	(1)	(194)
Total comprehensive income for the period	**0**	**0**	**609**	**(6)**	**(151)**	**0**	**452**	**0**	**452**
Capital injection from owners of the non-controlling interests	0	0	0	0	0	0	0	1	1
Dividends	0	0	(204)	0	0	0	(204)	(2)	(206)
Recognition of share-based payments	0	0	76	0	0	0	76	0	76
Movements in treasury shares	0	0	(68)	0	0	20	(48)	0	(48)
Balance at 31 December 2019	74	3'314	3'881	(17)	(707)	(51)	6'494	71	6'565

Selected Explanatory Notes

1 Basis of Preparation of Financial Statements

These unaudited condensed financial statements are based on the consolidated financial statements for the twelve-month period ended 31 December 2019 that will be prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

New Standards, Interpretations and Amendments

The following new or amended standards became applicable for the current reporting period and the Group changed its accounting policies as a result of adopting these standards:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments

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

2 Changes in Accounting Policies

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

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

Nature of Lease Contracts

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

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

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

Right-of-use Assets

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

Lease Liabilities

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

Summary of Impacts on Group's Financial Statements

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of remaining lease payments, discounted at the Group's incremental borrowing rate for each asset class as at 1 January 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

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

- Exemption not to recognize right-of-use assets and liabilities for which the lease term ends within 12 months of the date of initial application
- Excluded initial direct costs from measuring the right-of-use assets at the date of initial application

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

The impact on transition is summarized below:

million CHF	1 January 2019
Right-of-use assets presented in property, plant & equipment	238
Right-of-use assets presented in assets held for sale	15
Lease liabilities	236
Lease liabilities classified as liabilities held for sale	15

For the lease liabilities for leases that were previously classified as operating leases, the Group discounted lease payments using its incremental borrowing rate 1 January 2019. The weighted average rate applied is 3.6%.

Impact for the Period

The Group recognized the following amounts related to leases previously classified as operating leases in the income statement for the twelve-month period ended 31 December 2019.

million CHF	2019
Depreciation of right-of-use assets	31
Interest expenses	9

Lease payments for 2019 amounted to CHF 33 million. Consequently, applying IFRS 16 had a favorable impact of CHF 33 million on the Group's EBITDA and CHF 2 million on the Group's EBIT.

3 Exchange Rates

Balance Sheet period-end rate CHF	31.12.2019	31.12.2018
US dollar	0.97	0.99
Pound sterling	1.27	1.25
Euro	1.09	1.13

Income Statement average rate CHF	2019	2018
US dollar	0.99	0.98
Pound sterling	1.27	1.31
Euro	1.11	1.15

4 Acquisitions and Disposal of Businesses

Acquisition of Sterile Fill and Finish Facility from Novartis

Effective 31 July 2019, Lonza purchased a sterile drug product fill & finish business from Novartis in Stein (Switzerland). The total consideration amounts to CHF 73 million (spread over two years), of which CHF 15 million has been paid as of 31 December 2019. The acquired business is reported within the Pharma Biotech & Nutrition segment.

Water Care – Assets Held for Sale and Discontinued Operations

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

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

The results from the Water Care business, which are presented as discontinued operations, are as follows:

million CHF		2019	2018
Sales		**74**	**516**
Cost of goods sold		(57)	(370)
Gross profit		**17**	**146**
Operating expenses		(22)	(127)
Result from operating activities (EBIT)		**(5)**	**19**
Net financial result		(1)	(9)
Share of loss of associates / joint ventures		0	(1)
Profit/(loss) before income taxes from discontinued operations		**(6)**	**9**
Income taxes		0	2
Profit/(loss) from operating activities, net of tax		**(6)**	**11**
Loss on sale of discontinued operations		(43)	(107)
Income tax on sale of discontinued operations		(68)	0
Loss from discontinued operations, net of tax		**(117)**	**(96)**
Basic earnings per share	CHF	(1.58)	(1.29)
Diluted earnings per share	CHF	(1.58)	(1.29)

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

The 2019 loss from discontinued operations, net of tax of CHF 117 million includes the loss from operating activities (CHF 6 million), estimated income taxes on the sale of the Water Care business (CHF 68 million), the accumulated exchange rate translation impact (CHF 13 million), divestiture related costs (CHF 7 million)and other effects.

5 Dividends Paid

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

6 Net Financial Result from Continuing Operations

The net financial result from continuing operations are as follows:

million CHF	2019	2018
Net interest expenses	(65)	(74)
Net interest expenses on defined benefit plan liabilities	(9)	(10)
Interest expense on IFRS 16 lease liabilities	(9)	0
Amortization of debt fees and discounts	(5)	(7)
Fair value adjustment on Lonza's pre-acquisition investment in Octane	0	32
Foreign exchange rate differences, including impact from currency-related financial derivative instruments	(18)	39
Other net financial expenses	(14)	(14)
Net financial result	**(120)**	**(34)**

Supplementary Financial Information

This Finance Report includes alternative performance measures that are not clearly defined in IFRS (non-GAAP-measures). These supplemental financial measures should not be viewed in isolation or as alternatives to Lonza's consolidated financial position, financial results and cash flows reported in accordance with IFRS.

1 Results at Constant Exchange Rates (CER)

Lonza Group million CHF	2019	Change in %	2018
Sales	5'944	7.3	5'542
CORE EBITDA	1'624	7.5	1'511
Margin in %	27.3		27.3
CORE result from operating activities (EBIT)	1'249	7.2	1'165
Margin in %	21.0		21.0

Pharma Biotech & Nutrition million CHF	2019	Change in %	2018 (Restated)[1]
Sales	4'178	11.3	3'755
CORE EBITDA	1'370	10.0	1'246
Margin in %	32.8		33.2
CORE result from operating activities (EBIT)	1'123	10.1	1'020
Margin in %	26.9		27.2

Specialty Ingredients million CHF	2019	Change in %	2018 (Restated)[1]
Sales	1'706	(2.5)	1'749
CORE EBITDA	307	1.3	303
Margin in %	18.0		17.3
CORE result from operating activities (EBIT)	228	0.4	227
Margin in %	13.4		13.0

Corporate million CHF	2019	2018
Sales	60	38
CORE EBITDA	(53)	(38)
CORE result from operating activities (EBIT)	(102)	(82)

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

2 CORE Results

Lonza believes that disclosing CORE results of the Group's performance enhances the financial markets' understanding of the company because the CORE results enable better comparison across years.

CORE results exclude exceptional expenses and income such as restructuring, environment remediation, acquisitions and divestitures, impairments and amortization of acquisition-related intangible assets, which can differ significantly from year to year. For this same reason, Lonza uses these CORE results in addition to IFRS as important factors in internally assessing the Group's performance.

Reconciliation of IFRS results to CORE Results 2019 million CHF	IFRS result	Amortization of intangible assets from acquisitions	Impairments	Reversal of impairments	Restructuring costs/income	Income/ expense resulting from acquisition and divestitures[1]	Environmental-related expenses	Other	CORE result
Result from operating activities (EBIT)	972	169	16	(7)	30	45	20	0	1'245
Net financial result	(120)	0	0	0	0	4	0	0	(116)
Share of profit / (loss) of associates/joint ventures	(3)	0	0	0	0	0	0	0	0
Profit before income taxes	849	169	16	(7)	30	49	20	3	1'129
Income taxes[2]	(86)	(17)	(2)	0	(3)	(5)	(2)	0	(115)
Profit from continuing operations	763	152	14	(7)	27	44	18	3	1'014
Profit / (loss) from discontinued operations, net of tax	(117)	0	0	0	0	121	0	0	4
Profit for the period	646	152	14	(7)	27	165	18	3	1'018
Non-controlling interest	(1)	0	0	0	0	0	0	0	(1)
Profit for the period, attributable to the equity holders of the parent	645	152	14	(7)	27	165	18	3	1'017
Number of Shares Basic	74'109'308								74'109'308
Number of Shares Diluted	74'564'802								74'564'802
Earnings per share for profit from continuing operations attributable to equity holders of the parent:									
Basic earnings per share – EPS basic CHF	10.28								13.67
Diluted earnings per share – EPS diluted CHF	10.22								13.59
Earnings per share for profit attributable to equity holders of the parent:									
Basic earnings per share – EPS basic CHF	8.70								13.72
Diluted earnings per share – EPS diluted CHF	8.65								13.64

1 Income / expense resulting from acquisition and divestitures
Result from operating activities (EBIT):
– Integration cost resulting from the acquisition of Capsugel (CHF 41 million) and other acquisitions
Discontinued operations:
– Water Care related divestiture expenses

2 Tax impact calculated based on the estimated average Group tax rate of: 10.2%

Reconciliation of IFRS results to CORE Results 2018 million CHF	IFRS result	Amortization of intangible assets from acquisitions	Impairments[1]	Restructuring costs/income	Income/expense resulting from acquisition and divestitures[2]	Environmental-related expenses	Other	CORE result
Result from operating activities (EBIT)	842	164	77	11	30	41	0	1'165
Net financial result	(34)	0	0	0	(32)	0	1	(65)
Share of profit of associates	(1)	0	0	0	0	0	1	0
Profit before income taxes	807	164	77	11	(2)	41	2	1'100
Income taxes[3]	(148)	(30)	(14)	(2)	0	(7)	0	(201)
Profit from continuing operations	659	134	63	9	(2)	34	2	899
Profit / (loss) from discontinued operations, net of tax	(96)	3	69	1	18	0	1	(4)
Profit for the period	563	137	132	10	16	34	3	895
Non-controlling interest	(4)	0	0	0	0	0	0	(4)
Profit for the period, attributable to the equity holders of the parent	559	137	132	10	16	34	3	891
Number of Shares Basic	74'408'243							74'408'243
Number of Shares Diluted	74'723'145							74'723'145
Earnings per share for profit from continuing operations attributable to equity holders of the parent:								
Basic earnings per share – EPS basic CHF	8.80							12.03
Diluted earnings per share – EPS diluted CHF	8.77							11.98
Earnings per share for profit attributable to equity holders of the parent:								
Basic earnings per share – EPS basic CHF	7.51							11.97
Diluted earnings per share – EPS diluted CHF	7.48							11.92

1 Impairment charges relate to the market revaluation of land in Guangzhou (CHF 35 million), the production facilities in Walkersville subsequent to the transfer of the cell-therapy activities to Portsmouth and Houston (CHF 29 million) as well as other production assets in Nansha and Visp

2 Income / expense resulting from acquisition and divestitures
Result from operating activities (EBIT):
– Integration cost resulting from the acquisition of Capsugel (CHF 28 million) and other acquisitions
Net financing costs:
– Fair value adjustment on Lonza's pre-acquisition investment in Octane
Discontinued operations:
– Water Care related divestiture expenses

3 Tax impact calculated based on the estimated average Group tax rate of: 18.3%

Reconciliation of EBIT to EBITDA (Continuing Business)

million CHF	2019	2018
Result from operating activities (EBIT)	972	842
Depreciation of property, plant and equipment	351	322
Amortization of intangible assets	193	188
Impairment and reversal of impairment on property, plant, equipment and intangibles	9	77
Earnings before interests, taxes and depreciation (EBITDA)	1'525	1'429

Reconciliation of EBITDA to CORE EBITDA (Continuing Business)

million CHF	2019	2018
Earnings before interests, taxes and depreciation (EBITDA)	1'525	1'429
Restructuring costs / income	30	11
Income / expense resulting from acquisition and divestitures	45	30
Environmental-related expenses	20	41
CORE EBITDA	1'620	1'511

3 Operational Free Cash Flow

In 2019 and 2018, the development of operational free cash flow by component was as follows:

Components of operational free cash flow[1] million CHF	2019	Change	2018
Earnings before interests, taxes and depreciation (EBITDA)	**1'489**	**47**	**1'442**
Change of operating net working capital	(336)[2]	(307)	(29)
Capital expenditures in tangible and intangible assets	(786)	(211)	(575)
Disposal of tangible and intangible assets	15	7	8
Change of other assets and liabilities	17[3]	15	2
Operational free cash flow (before acquisitions / disposals)	**399**	**(449)**	**848**
Acquisition of subsidiaries	(24)	4	(28)
Disposal of subsidiaries	620	620	0
Operational free cash flow	**995**	**175**	**820**

1 Operational Cash Flow represents Lonza Group incl. Discontinued Operations
2 Includes non-cash amortization of current deferred income of CHF 17 million, recognized in the income statement through EBITDA.
3 Includes non-cash amortization of non-current deferred income of CHF 9 million, recognized in the income statement through EBITDA.

4 Return on Net Operating Assets (RONOA)

Reconciliation of NOA to CORE NOA

Net operating assets (NOA) allow for an assessment of the Group's operating performance independently from financing activities.

NOA contains all operating assets (excluding goodwill) less operating liabilities and is defined as property, plant and equipment, intangible assets, net working capital and long-term net operating assets minus operating liabilities.

CORE NOA adjusts NOA for intangible assets acquired through a business combination.

Components of Net Operating Assets and CORE Net Operating Assets for the Twelve Months Ended 31 December

million CHF	2019	2018
Non-current operating assets excluding goodwill	6'929	6'505
Inventories	1'392	1'250
Trade receivables	759	692
Other operating receivables	295	240
Trade payables	(453)	(428)
Other operating liabilities	(1'499)	(1'464)
NOA	**7'423**	**6'795**
Acquisition-related intangible assets	(2'999)	(3'238)
CORE NOA	**4'424**	**3'557**

Reconciliation of RONOA and CORE RONOA

RONOA is calculated by dividing NOA (average) by the Group's EBIT.
CORE RONOA is calculated by dividing CORE NOA (average) by the Group's CORE EBIT.

million CHF	2019	2018
NOA (average)[1]	7'512	6'956
EBIT	972	842
RONOA	**12.9%**	**12.1%**
CORE NOA (average)[1]	4'363	3'713
CORE EBIT	1'245	1'165
CORE RONOA	**28.5%**	**31.4%**

1 Calculated at historical monthly averages

5 Return On Invested Capital from Continuing Operations

Lonza's Return On Invested Capital (ROIC) is defined as net operating profit after taxes (NOPAT) divided by the average invested capital of Lonza Group.

In 2019 and 2018, the development of ROIC by component was as follows:

Components of Average Invested Capital for the Twelve Months Ended 31 December

million CHF	2019	2018
CORE result from operating activities (CORE EBIT)	1'245	1'165
Amortization of acquisition-related intangibles assets	(169)	(164)
Share of result of associates / joint ventures and interest on operating leases	(3)	(1)
Debt impact of operating leases (ROIC)[1]	0	4
Net operating profit before taxes	**1'073**	**1'004**
Taxes[2]	(104)	(184)
Net operating profit after taxes (NOPAT)	**969**	**820**
Average invested capital	**10'648**	**10'254**
ROIC (in %)	**9.1**	**8.0**

1 Adjustment for financial year 2018 to reflect the expected impact from the adoption of IFRS 16-Leases on the operating profit. Following the adoption of IFRS 16, this adjustment is not required for the financial year 2019
2 Group tax rate of 10.2% for 2019 and 18.3% for 2018

The invested capital represents the average of the monthly balances of the following components:

Components of Average Invested Capital for the Twelve Months Ended 31 December

million CHF	2019	Change	2018
CORE net operating assets	4'363	650	3'713
Goodwill	3'722	(64)	3'786
Acquisition-related intangible assets	3'149	(95)	3'244
Other assets[1]	219	(101)	320
Net current and deferred tax liabilities	(805)	4	(809)
Average invested capital	**10'648**	**394**	**10'254**

1 Investments in associates / joint ventures and operating cash. Also includes the present value of operating leases for 2018 only (from 2019, leases are part of CORE net operating assets)

6 Net Debt

The Net Debt Comprises:

million CHF	2019	Change	2018
Debt			
Non-current debt	2'799	(822)	3'621
Current debt	741	300	441
Total debt	**3'540**	**(522)**	**4'062**
Loans and advances			
Non-current loans and advances	(72)	(26)	(46)
Current advances	(2)	(2)	0
Cash and cash equivalents	(505)	(44)	(461)
Cash and cash equivalents classified as held for sale	0	21	(21)
Total loans and advances and cash and cash equivalents	**(579)**	**(51)**	**(528)**
Net debt	**2'961**	**(573)**	**3'534**

Refinancing Extension and Increase of Term and Revolving Bank Facilities

Following the assignment of Lonza's investment grade rating by S&P (BBB+), Lonza refinanced and extended its syndicated Term and Revolving Bank Facilities Agreement effective 6 September 2019.

Former terms of Lonza's syndicated loans included a credit facility of CHF 700 million, of which CHF 259 million was used as of 31 December 2018, due 2023, at floating interest rated (based on LIBOR). After the refinancing, Lonza's syndicated loans include a credit facility of CHF 1,000 million, of which CHF 80 million and USD 65 million was used as of 31 December 2019.

Former term loans included EUR 450 million and USD 489 million, repayable in 2020 and 2022 (EUR 225 million and USD 245 million at the first maturity date). After the refinancing, term loans include USD 700 million and EUR 500 million, repayable in tranches up until 2025.

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 2020 and Mid-Term Guidance 2022 herein may not prove to be correct. The statements in the section on Outlook 2020 and Mid-Term Guidance 2022 constitute forward-looking statements and are not guarantees of future financial performance.

Lonza's actual results of operations could deviate materially from those set forth in the section on Outlook 2020 and Mid-Term Guidance 2022 as a result of the factors described above or other factors. Investors should not place undue reliance on the statements in the section on Outlook 2020 and Mid-Term Guidance 2022. Except as otherwise required by law, Lonza disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after this presentation was published.

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

www.lonza.com

10–11 Feb 2020
CEO roadshow Boston & New York (BAML)

18 Feb 2020
CEO & CFO roadshow London (Morgan Stanley)

3–4 March 2020
Credit Suisse Healthcare Conference (London)

17 March 2020
Annual Report 2019 (Tentative)

28 April 2020
Annual General Meeting, Basel (CH)

30 April 2020
Ex-Dividend Date

4 May 2020
Record-Dividend Date

5 May 2020
Dividend-Payment Date

24 July 2020
Half-Year Results 2020

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