

AGM Speeches from the **Chairman** of the Board of Directors and the **CEO**

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Albert M. Baehny

Chairman of the Board of Directors

Chairman's Speech

A warm welcome to you all and thanks for joining the 2021 Lonza Group Annual General Meeting (AGM). Like last year, the AGM will be conducted without the presence of shareholders, as we maintain protective measures to control the spread of the pandemic.

Despite the challenges arising from COVID-19, I am pleased to report that Lonza has maintained impressive performance levels. In 2020, Lonza Specialty Ingredients (LSI) was reported as discontinued operations. Excluding LSI, Lonza achieved CHF 4.5 billion in sales, CHF 1.4 billion in CORE EBITDA, and CHF 1.1 billion in CORE EBIT. Importantly, we also delivered on our guidance, with 12.0% sales growth in constant currency.

These strong results reflect the momentum of the Lonza Pharma Biotech and Nutrition business, which achieved 12.2% sales growth in constant currency and 32.1% CORE EBITDA margin. Last year, we invested around 20% of sales in CAPEX to expand the asset footprint. This will support our double-digit sales growth and ROIC increase in the future.

LSI¹ also reported a strong performance, with 3.4%² sales growth alongside an improved CORE EBITDA margin, reported at 20.3%².

While focusing on our growth, we have also worked to establish a stronger cash position. In April 2020, we successfully placed our inaugural Eurobond with a value of EUR 500 million. This was further supported by our issuance of a CHF 150 million straight-bond in August.

This enhanced cash position provided additional stability in a year of unprecedented uncertainty. The COVID-19 pandemic has demanded adaptation and agility across the global business landscape. In Lonza, we are proud that our global workforce has risen to the challenge, with flexibility, patience and determination. Our office-based colleagues have adapted to home working, while our lab and factory workers have

¹ Specialty Ingredients Business (excluding Corporate/carve-out and divestiture costs directly attributable to LSI)

² Sales and CORE EBITDA margin at a constant exchange rate (CER)

adjusted to new safety measures to protect themselves and each other, while maintaining operations.

As a business, we have worked with focus and pace to make an active and decisive contribution to controlling the pandemic. The Pharma, Biotech and Nutrition business maintained operations to deliver treatments for our customers and their patients. Importantly, we have also worked with customers on therapies designed to combat the impacts of COVID-19. Our partnership with Moderna on its COVID-19 Vaccine has positioned Lonza as a company at the forefront of efforts to control the spread of the virus. Meanwhile, the LSI segment has delivered microbial control solutions that play a significant role by sanitizing hard surfaces against the Coronavirus.

While managing these global challenges, we have also worked to redesign our business structure. After agreeing to divest our LSI segment in 2020, we redoubled our focus on our Pharma, Biotech and Nutrition business. We now have four clear divisions and five global functions, which were designed and developed in 2020, and operationalized at the beginning of 2021. From now on, we will provide enhanced transparency in our external reporting, in line with the new divisional structure.

Our renewed focus on the Pharma, Biotech and Nutrition business is also reflected in our ambitious strategic growth plans. We have continued to maintain momentum with a number of new investments approved, and a wide range of new facilities either ramping up or coming on line. Let me give you a snapshot of our growth activities in 2020:

- We have undertaken landmark work in developing mRNA facilities at our sites in Portsmouth (USA), and Visp (CH).
- We have opened a new facility for antibody-drug conjugates payload manufacturing in Visp (CH).
- We have expanded our Drug Product Services and we are ramping up operations at our new Fill and Finish site in Stein (CH).
- We have expanded our capsule manufacturing capacity by 10 billion capsules annually.
- We have expanded our highly potent drug product development and manufacturing capabilities in Tampa (USA).
- We have expanded our particle engineering and drug product capabilities in Bend (USA).
- We qualified the Cocoon® Platform towards clinical and commercial readiness and saw the first patient treated with an autologous CAR-T therapy, manufactured using the Cocoon® Platform.

This list is long, but it only includes a selection of highlights from the year. Many other important expansion plans are in development or on the horizon.

Our performance and growth are both dependent on a combination of critical factors, including manufacturing speed, scale, quality and sustainability. All of these are important, but we see that sustainability and environmental, social and governance (ESG) issues feature ever-more prominently on the corporate agenda. Sustainability is an essential component of our long-term strategy. It is an ethical imperative for our business, and it also allows us to align with the expectations of our customers, investors and employees.

As part of our sustainability agenda, in recent years we have actively tackled a number of legacy issues and successfully implemented solutions. During 2020 we informed the public of nitrous oxide emissions caused by niacin production at our site in Visp (CH). While these emissions are not subject to regulatory requirements, we have invested in a catalyst, which will reduce these emissions by at least 98%. This will be operational from 2021.

Turning from our past to our future, I would like to take this chance to welcome Pierre-Alain Ruffieux to the Lonza business as the new Group CEO. Pierre-Alain joined us in November from Roche where he was the Head of Global Pharma Technical Operations. His previous roles in Roche and Novartis have provided him with broad and deep experience in leading global pharma and biotech manufacturing; they have also allowed him a view into the Lonza business from a customer's perspective. I will hand over to Pierre-Alain to say a few words in a moment.

As we look towards 2021, we are cautiously optimistic about our performance. Our business has proved to be robust and resilient to challenges during 2020 and we remain positive that we will continue to manage any new challenges in the months to come. In this context, our 2021 Outlook anticipates low double-digit sales growth in constant currency. We anticipate sustained momentum across our businesses, which looks set to translate into a CORE EBITDA margin improvement that aligns to our 2023 Mid-Term Guidance trajectory.

Looking to the longer term, we have reconfirmed our 2023 Mid-Term Guidance at double-digit sales growth each year driven by Biologics, Small Molecules and Cell & Gene. We anticipate a CORE EBITDA margin of around 33% to 35%, accompanied by double-digit ROIC, driven by growth and margin expansion.

As I close, I would like to extend my thanks to all our stakeholders, our customers, shareholders and suppliers, who have supported the Lonza business in 2020. Most importantly, I wish to recognize the exceptional contributions of our global community of more than 16,000 employees. Their perseverance and commitment has allowed us to grow and flourish during a year of unprecedented uncertainty.

And now I would like to hand over to our new Group CEO Pierre-Alain Ruffieux.



Pierre-Alain Ruffieux

Chief Executive Officer

CEO's Speech

Many thanks for the introduction Albert.

Since joining Lonza in November 2020, I have been working to form connections with colleagues and understand our priorities and challenges at a Group level. So far, I am pleased and impressed with all that I have seen. I already had a strong and positive impression of Lonza from my time as a customer. Everything I have seen since joining has reinforced my admiration and respect for the company's capabilities, assets, operations and customer service.

Albert has already provided an overview of our operations and achievements for 2020, so I would like to take this chance to provide a brief update on the business over the first quarter of 2021.

As we continue to track progress through the second wave of the pandemic here in Europe, we see that the sprint we expected in 2020 has now become a marathon. We remain focused on the critical importance of safety across our global employee community, as well as ensuring that we continue to deliver our essential products and services to control the pandemic. Albert has already mentioned our new mRNA manufacturing facilities, developed in collaboration with Moderna. We are continuing to ramp up operations, but we understand that more drug substance supply is needed to meet the urgent global demand for vaccines.

As part of our efforts to meet this challenge, last week we announced a new agreement with Moderna to add three new production lines to our facilities in Visp (CH). The new lines will double our mRNA vaccine drug substance manufacturing capacity in Switzerland. The agreement is a vote of confidence from our customer, and is the result of a year of close collaboration and collective learning. We have already ramped up existing mRNA production lines at an unprecedented rate and scale, and we are confident that we can take learnings from our experience to operationalize the three new lines in Visp at an accelerated speed. We expect the new lines to be operational in the earlier part of 2022.

Alongside this critical program, we are also working to support a broad range of customers to develop treatments and therapies related to COVID-19, including AstraZeneca and Humanigen. In 2021, we have also signed an agreement to expand our work for Altimmune with a dedicated manufacturing suite in Houston (USA) for the clinical and commercial production of AdCOVID, a vaccine candidate for COVID-19. Finally, we have announced an agreement with Capricor to develop its cell therapy candidate for the treatment of complications arising from COVID-19.

Looking to the wider business, we have announced a series of customer agreements since the beginning of the year. We have new or extended customer agreements with Aruvant, aTyr Pharma, Immunitas Therapeutics, Junshi Biosciences, Pionyr Immunotherapeutics and PsiVac (listed alphabetically).

To support this healthy level of customer demand, we are making active investments in strategic growth projects to support our long-term success. In April 2021, we announced the construction of a new small molecule manufacturing complex in Visp (CH), in collaboration with a major biopharmaceutical partner. Our CHF 200 million CAPEX investment provides for a new manufacturing facility, designed to accommodate future Small Molecules expansions. The complex will make a significant and sustained contribution to the future success of our Small Molecules division and the Group business.

While continuing to support and accelerate the growth of the Pharma, Biotech and Nutrition business, we have also recently announced the next step of the LSI divestment process. In February 2021, we entered into an agreement with Bain Capital and Cinven to sell the LSI business and operations for an enterprise value of CHF 4.2 billion. The transaction is anticipated to close in H2 of this year. Bain and Cinven have shown they understand the value of the experience and expertise of our Specialty Ingredients employees. They presented the most compelling industrial strategy and vision for the business, and are also keen to prioritize R&D and innovation, as well as to invest in existing facilities to unlock the potential of the business.

The divestment of LSI has allowed us to refine our focus and consolidate our identity. As part of this process, we have reviewed and expanded our senior leadership team, with three new members joining our Executive Committee in April 2021. Claude Dartiguelongue, Gordon Bates and Jean-Christophe Hyvert lead our divisions, and have been appointed to EC to provide divisional representation. This will help us to sharpen our commercial focus as we progress towards operating as the preferred global partner to the healthcare industry.

Our newly-formed EC now includes more than 25% female representation, while female representation on our Board of Directors is approaching 40%. These increasing proportions support our wider work in Diversity and Inclusion. Within the wider business, our recently-formed Global Diversity and Inclusion Taskforce has been working to establish a network of site-based ambassadors to create a truly inclusive working environment and embrace all aspects of diversity. Alongside these cultural commitments, we have also been working on our environmental responsibilities. In 2020, we have continued to actively manage our use of energy, water and material demand per unit.

All this work has supported our listing as one of the World's Most Ethical Companies by the Ethisphere Institute, announced in February 2021. Lonza's designation as one of the World's Most Ethical Companies recognizes the company's high standards of corporate integrity and respect towards its customers, suppliers, business partners and other stakeholders. Lonza is one of just two companies headquartered in Switzerland to be included in the 2021 ranking. It is also one of only two companies to be named within the pharmaceuticals designation of the ranking system.

Looking back on 2020, I would like to take this chance to thank Albert Baehny and his leadership team for their tireless work. In his role as CEO ad interim until November 2020, Albert has galvanized and led the business through a time of external uncertainty and internal transformation. Importantly, he has handed over a business with a clear structure that is ready to capitalize on future opportunities.

As we look towards the future, I anticipate that the coming months will be a time for Lonza to consolidate its new structure and identity, while continuing to drive its ambitious growth trajectory. I am continuing to work on a strategy for the business at a Group level, while overseeing our performance at a divisional level.

Finally, I would like to take a moment to recognise the achievement of our global employee community. The stability of the business through this time of global pandemic disruption is a testament to the resilience and resolve of every employee. Their efforts have enabled us to achieve our financial targets for the Group, while setting a foundation to deliver long-term advantage. I am proud and grateful for their achievements and look forward to working with them on the next stage of our journey.