



**Lonza**

# Full-Year Report 2020

Lonza Reports Strong 2020 Performance,  
Driven By Sales Growth in Pharma and  
Biotech Business

# Full-Year 2020 Results

Comparison vs. Prior Year (Continuing Business<sup>1</sup>)

4'508 mn

Sales (CHF) +12.0%<sup>2</sup>

1'406 mn

CORE EBITDA (CHF) +5.4%

1'378 mn

+9.0% EBITDA (CHF)

31.2 %

CORE EBITDA Margin -50 bps

30.6 %

+60 bps EBITDA Margin

12.19 CHF

CORE EPS Diluted +6.9%

9.77 CHF

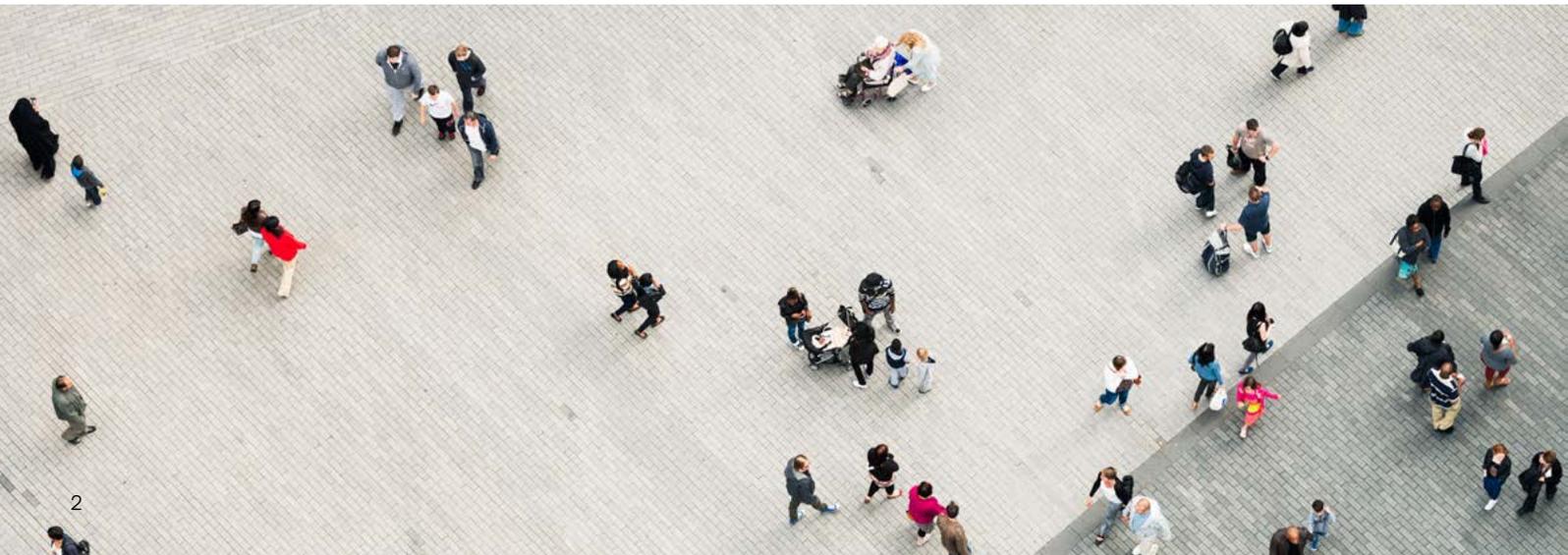
+12.6% EPS Diluted

9.6 %

ROIC +40 bps

<sup>1</sup> All financial information referring to "Continuing Business" in both 2019 and 2020 are exclusive of the Specialty Ingredients business that was reclassified to discontinued operations (see note 4 in the unaudited condensed financial statements)

<sup>2</sup> Sales growth figures, expressed as a percentage (%), are at constant exchange rate (CER)



# Contents

Letter to the Stakeholders	5
Financial Highlights	6
Pharma Biotech & Nutrition Segment	7
Discontinued Operations	9
Corporate	11
Outlook 2021 and Mid-Term Guidance 2023	12
New Executive Committee Members	12
Dividend Announced	12

## Notes

Condensed Financial Statements	13
Selected Explanatory Notes	17
Supplementary Financial Information	20
Forward-Looking Statements	27

Lonza delivers on guidance<sup>1</sup> with CHF 4.5 billion sales, 12.0%<sup>2</sup> sales growth, and CHF 1.4 billion CORE EBITDA, resulting in a 31.2% margin

Lonza results mainly reflect Pharma Biotech & Nutrition (LPBN) performance, as Specialty Ingredients (LSI) is reported as a discontinued operation

Strong LPBN performance: 12.2%<sup>2</sup> sales growth and 32.1% CORE EBITDA margin

Production of the drug substance for Moderna COVID-19 Vaccine has commenced at Portsmouth (USA) and Visp (CH) sites

Executive Committee expanded to ensure divisional representation, effective as of 1 April 2021

2021 Outlook: low double-digit CER sales growth, with a CORE EBITDA margin improvement aligned with the recently announced Mid-Term 2023 Guidance

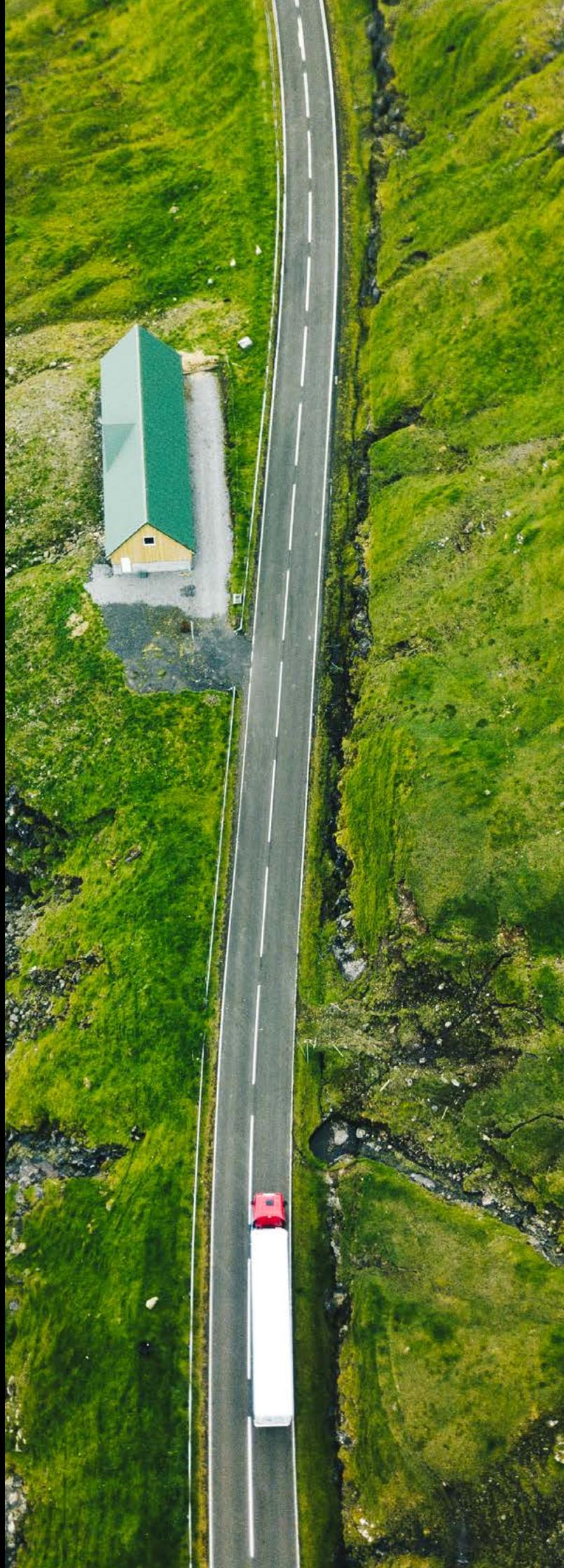
LSI<sup>3</sup> delivered 3.4%<sup>2</sup> sales growth and 20.3%<sup>4</sup> CORE EBITDA margin. LSI divestment deal announcement expected in Q1 2021

<sup>1</sup> 2020 Guidance relates to Lonza Group results without LSI reported as discontinued operations

<sup>2</sup> All sales growth figures, expressed in percentage (%), are at a constant exchange rate (CER)

<sup>3</sup> Specialty Ingredients Business (excluding Corporate / carve-out and divestiture costs directly attributable to LSI)

<sup>4</sup> CORE EBITDA Margin at a constant exchange rate (CER)



# Dear Stakeholders,

In 2020, we faced unprecedented times of challenge and uncertainty, which have caused a review and redesign of business operations and working habits across the business world. For many companies, it has been an achievement simply to have weathered the storm. In this context, Lonza has delivered a strong performance in an extraordinary year.

We have managed disruptions to workforce movement, supply and distribution to maintain business continuity across the large majority of our sites and operations. In doing so, we have continued to deliver for our customers at a time when the global need for our products and services has never been greater. Moreover, we have made an active and decisive contribution to helping control the COVID-19 pandemic across our Lonza Pharma Biotech & Nutrition (LPBN) and Lonza Specialty Ingredients (LSI) businesses.

The resolve and dedication of our employees has been consistently exemplary throughout the year. With their help, we have delivered a strong set of Full-Year Results. With the LSI segment classified as a discontinued operation, the Lonza business delivered 12.0%<sup>1</sup> sales growth and CHF 1.4 billion CORE EBITDA, equating to a 31.2% margin. At a segment level, the LPBN business achieved 12.2%<sup>1</sup> sales growth and a 32.1% CORE EBITDA margin. We saw a strong performance across our LPBN businesses, with Biologics remaining a primary driver of growth. The LSI segment<sup>2</sup> also reported a strong performance, with 3.4%<sup>1</sup> sales growth alongside an improved CORE EBITDA margin, reported at 20.3%<sup>3</sup>.

In the LPBN business, our collaboration with Moderna on its COVID-19 vaccine represented a milestone for our Biologics business in 2020. Production of the drug substance for Moderna's COVID-19 Vaccine is underway at both Lonza Portsmouth (USA) and Lonza Visp (CH) sites. We are also helping a broad range of customers in developing vaccine candidates, treatments and therapies related to COVID-19. LSI has also made a strong contribution to controlling the pandemic, with 16 microbial control solutions currently approved by the US Environmental Protection Agency to eradicate COVID-19 on surfaces.

In July 2020, Lonza took the decision to divest the LSI segment. Since that time, we have made strong progress with the bidding process and we are hopeful that we will be able to make a sale announcement in Q1 2021. This provides the LSI business with a significant opportunity to find a home where its value can be fully appreciated and its potential can be unlocked.

Having decided to divest the LSI segment, we are now able to focus on the LPBN segment, which will become the future Lonza. We see this as a moment of significant opportunity, as we achieve a clear identity as a single business, operating as a preferred global partner to the healthcare industry. To support future success, we have redesigned

the business into four divisions and five functions. Financial reporting will be updated to include divisional performance in the future.

Accompanying our updated structural design, I am also pleased to confirm that we have expanded our leadership team, with three new members of the Executive Committee, effective as of 1 April 2021. Claude Dartiguelongue heads up the Capsules and Health Ingredients Division, while Gordon Bates heads up the Small Molecules division. Finally, Jean-Christophe Hyvert leads the Biologics Division, as well as the Cell a Gene Therapy and Bioscience Division. I congratulate them all on their appointments.

As we look towards 2021, we are cautiously optimistic about our performance. We have 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 CER sales growth, driven by sustained strong momentum across our businesses. We expect this to translate into a CORE EBITDA margin improvement that aligns to our 2023 Mid-Term Guidance trajectory.

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

At a strategic level, we will remain focused on building the foundation we laid in 2020. We remain fully committed to maintaining our ambitious levels of CAPEX investment, which is key to delivering sustainable business growth in the long term. We will also continue to extend and deepen our sustainability credentials while working on improved operational excellence. Internally, we will continue to focus on improved efficiency, with a focus on lean operations. We will also work to ensure that our environmental, social and governance (ESG) measures are comprehensive and robust under the new and expanded leadership team. These are all critical components of our customer value proposition.

Finally, I would like to thank our customers and investors for their continuing confidence and trust in our business. I would also like to thank our employees. Our strong results are a testament to their capability and commitment.

Sincerely,

**Pierre-Alain Ruffieux**  
Chief Executive Officer

- 1 All sales growth figures are at a constant exchange rate (CER)
- 2 Specialty Ingredients Business (excluding Corporate / carve-out and divestiture costs directly attributable to LSI)
- 3 CORE EBITDA Margin at a constant exchange rate (CER)

# Financial Highlights

## IFRS Results (Continuing Business)

Million CHF	2020	Change in %	2019 (Restated) <sup>2</sup>
<b>Sales</b>	<b>4'508</b>	<b>7.2</b>	<b>4'207</b>
<b>EBITDA</b>	<b>1'378</b>	<b>9.0</b>	<b>1'264</b>
Margin in %	30.6		30.0
<b>Result from operating activities (EBIT)</b>	<b>901</b>	<b>9.2</b>	<b>825</b>
Margin in %	20.0		19.6
<b>Profit for the period</b>	<b>732</b>	<b>13.0</b>	<b>648</b>
<b>EPS basic</b> (CHF)	<b>9.81</b>	<b>12.4</b>	<b>8.73</b>
<b>EPS diluted</b> (CHF)	<b>9.77</b>	<b>12.6</b>	<b>8.68</b>

## CORE Earnings<sup>1</sup> (Continuing Business)

Million CHF	2020	Change in %	2019 (Restated) <sup>2</sup>
<b>CORE EBITDA</b>	<b>1'406</b>	<b>5.4</b>	<b>1'334</b>
Margin in %	31.2		31.7
<b>Result from operating activities (CORE EBIT)</b>	<b>1'094</b>	<b>4.8</b>	<b>1'044</b>
Margin in %	24.3		24.8
<b>CORE Profit for the period</b>	<b>913</b>	<b>7.3</b>	<b>851</b>
<b>CORE EPS basic</b> (CHF)	<b>12.24</b>	<b>6.7</b>	<b>11.47</b>
<b>CORE EPS diluted</b> (CHF)	<b>12.19</b>	<b>6.9</b>	<b>11.40</b>
<b>CORE RONOA in %</b>	<b>28.9</b>	<b>(10.0)</b>	<b>32.1</b>

## Other Performance Measures (Continuing Business)

Million CHF	2020	Change in %	2019 (Restated) <sup>2</sup>
Operational free cash flow (before acquisitions)	504	35.8	371
ROIC in %	9.6	4.3	9.2
RONOA in %	14.0	4.5	13.4
Number of employees (Full-Time Equivalent)	13'856	8.9	12'718

## Other Performance Measures (Lonza Group incl. Discontinued Operations)

Million CHF	2020	Change in %	2019
Operational free cash flow (before acquisitions)	713	78.7	399
Operational free cash flow	705	(29.1)	995
Net debt	2'813	(5.0)	2'961
Debt - equity ratio	0.41	(8.9)	0.45
Net Debt / CORE EBITDA ratio	1.63	(10.9)	1.83
Number of employees (Full-Time Equivalent)	16'540	6.9	15'468

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 21)

2 Restated to reflect the classification of Specialty Ingredients as discontinued operations (see note 4 in the unaudited condensed financial statements)

# Pharma Biotech & Nutrition Segment

Million CHF	2020	2019	Change in %
<b>Sales</b>	<b>4'472</b>	<b>4'167</b>	<b>7.3</b>
<b>CORE EBITDA</b>	<b>1'436</b>	<b>1'371</b>	<b>4.7</b>
Margin in %	32.1	32.9	
<b>CORE result from operating activities (EBIT)</b>	<b>1'172</b>	<b>1'125</b>	<b>4.2</b>
Margin in %	26.2	27.0	

## Market and Segment Overview<sup>1</sup>

The LPBN businesses proved to be resilient to the potential impacts of COVID-19. Facilities remained open and our supply chain was managed to ensure that business continuity was maintained across the segment.

The COVID-19 pandemic caused only limited disruption or refocus to market demand in 2020. Many LPBN businesses experienced continued or increased demand levels over the course of the year. The variety of new customer contracts confirms that the LPBN businesses are working across the value chain for many complex mole-

cules. A number of new customers in 2020 have been focused on commercializing treatments to control the COVID-19 pandemic. There was also a high level of continued commercial appetite for the Ibex<sup>®</sup> Solutions pre-planned offerings and facilities.

The LPBN businesses worked with diligence and focus over the course of the year to expand their service offerings to customers. Many businesses also expanded their production capacity, in response to demand, with further planned CAPEX investments driving continued growth in 2021.

<sup>1</sup> Comparison versus 2019 at a constant exchange rate (CER)

The **Small Molecules** business successfully managed any potential impacts from the pandemic, by maintaining a robust approach to supply chain planning while adapting quickly to virtual customer engagement. The business has grown with new project wins as well as launching new service offerings. New investment approvals will increase capacity and extend the customer offering into early phase development. The business delivered high single-digit sales growth, as well as reporting a margin increase over the last year. Forecasts for 2021 anticipate double-digit sales growth, resulting from new customer contracts.

The **Biologics** business experienced some limited supply and manufacturing risks arising from the pandemic, but has continued to manage the situation. 2020 saw an increase in new customers and programs, a number of which were focused on new drug candidates for COVID-19. There was a high level of interest in the Ibex® Dedicate offering from customers looking to expand their mid-scale microbial capacity. There was high utilization across clinical and commercial – from small to large scale. The business reported strong financials for 2020, with sales growth in the mid-teens, but lower operating margin as a result of the operational expenses arising from growth projects. Forecasts for 2021 anticipate double-digit sales growth for the third consecutive year. This will be supported by key strategic growth initiatives across the business.

The **Cell & Gene Therapy** business maintained business continuity through the pandemic, with strong demand for products and services. Agreements with new customers have allowed the business to expand its service offering and its vein-to-vein supply chain network. This has extended the customer offering beyond manufacturing. The business reported strong sales growth, well ahead of the market. Margin and operational improvements were achieved, with increased throughput on existing assets. Forecasts for 2021 anticipate further margin improvements in the coming year, as asset utilisation continues to pick up and further efficiencies are achieved.

The **Bioscience** business experienced a solid level of organic growth from existing customers over the course of 2020. Lonza Bioscience sites remained operational and the business reviewed its commercial operations to improve both customer experience and operational efficiency. The business reported high single-digit sales growth for the year, along with margin gains, driven by efficiency improvements. Forecasts for 2021 anticipate low double-digit sales growth. This will be supported by continuing digital investment and innovation to maintain and extend existing customer relationships.

The **Capsules & Health Ingredients** business has maintained operations and business continuity throughout 2020, with minimal disruption arising from the pandemic. There was high capacity utilization across existing assets, which led to increased lead time for capsule products. New CAPEX investments have been approved to expand capacity by around 15% in the coming year. The business reported high single-digit sales growth for the full year, mainly driven by its nutritional offerings. In 2021, demand for nutritional offerings is likely to remain high as the pandemic continues. In this context, the forecast for 2021 anticipates low single-digit growth until new assets come online.



# Discontinued Operations

## Specialty Ingredients<sup>1</sup>

Million CHF	2020	2019 (Restated) <sup>2</sup>	Change in %
<b>Sales</b>	<b>1'677</b>	<b>1'713</b>	<b>(2.1)</b>
<b>CORE EBITDA</b>	<b>322</b>	<b>286</b>	<b>12.6</b>
Margin in %	19.2	16.7	
<b>CORE result from operating activities (EBIT)</b>	<b>263</b>	<b>201</b>	<b>30.8</b>
Margin in %	15.7	11.7	

<sup>1</sup> For both 2019 and 2020, Specialty Ingredients reported as discontinued operations includes certain corporate costs directly attributable to LSI together with carve-out/divestiture related costs

<sup>2</sup> The year 2019 was restated to reflect the classification of Specialty Ingredients as discontinued operations (see note 4 in the unaudited condensed financial statements). Carve-out and divestiture costs related to Specialty Ingredients (CHF 19 mio.) which were previously reported in Corporate in 2019 have been reclassified to discontinued operations

### Market and Segment Overview<sup>3</sup>

LSI largely maintained business continuity through the pandemic, with some minor headwinds caused by demand fluctuations. Despite these challenges, the LSI<sup>4</sup> business delivered a strong performance across the year, supported by sustained high demand for Microbial Control Solutions, arising from global efforts to control the COVID-19 pandemic. Over the course of the year, the LSI segment continued to show resilience across the top and bottom lines, supported by a market orientated organization and a strategic focus on efficiency.

In July 2020, Lonza announced its decision to divest LSI. This will allow the LSI business to find a home where its value can be fully appreciated and its potential can be unlocked. A short list of high quality bidders has already been identified, and current timelines suggest that a deal may be signed in Q1 2021.

**Microbial Control Solutions** delivered a strong performance in Hygiene, supported by a series of new long-term customer agreements. The Home and Personal Care business saw increased interest in its preservation and laundry offerings. However, there was reduced market demand for skin care, hair care and food. The Wood Protection business experienced increased demand, leading to a strong performance. Paintings and Coatings, Material Protection and Crop Protection were all negatively impacted by various market challenges, many of which arose from the COVID-19 pandemic. Despite these challenges, the Crop Protection business has worked to expand into North America, Latin America and South East Asia over the course of 2020.

**Specialty Chemical Services** felt some headwinds in the Composite Materials business, as the electronics and aviation sectors were negatively impacted by COVID-19. However, the business saw solid demand in the industrial sector and a strong project pipeline in certain geographies and applications. The CDMO business performance was driven by the successful scale-up of new projects in Visp (CH), supported by indicators of growth in the fermentation business. Performance Intermediates and Chemicals reported good performance, which was driven by increased production volumes and supported by price increases in Vitamin B3. The business was also impacted by the slow-down in consumer electronics and industrial applications. Looking towards 2021, the business expects solid demand in the first half of the year, with some recovery in industrial applications.

<sup>3</sup> Comparison versus 2019 at a constant exchange rate (CER)

<sup>4</sup> Specialty Ingredients Business (excluding Corporate / carve-out and divestiture costs directly attributable to LSI)

## Water Care<sup>1</sup>

Million CHF	2020	2019
<b>Sales</b>	<b>0</b>	<b>74</b>
<b>CORE EBITDA</b>	<b>0</b>	<b>(5)</b>

<sup>1</sup> The Water Care business was sold effective 28 February 2019

# Corporate

Million CHF	2020	2019 (Restated) <sup>1</sup>
<b>Sales</b>	<b>36</b>	<b>40</b>
<b>CORE EBITDA</b>	<b>(30)</b>	<b>(37)</b>
<b>CORE result from operating activities (EBIT)</b>	<b>(78)</b>	<b>(81)</b>

<sup>1</sup> The year 2019 was restated to reflect the classification of Specialty Ingredients as discontinued operations (see note 4 in the unaudited condensed financial statements). Carve-out and divestiture costs related to Specialty Ingredients (CHF 19 mio.) which were previously reported in Corporate in 2019 have been reclassified to discontinued operations

## Outlook 2021 and Mid-Term Guidance 2023

Lonza provides the following Outlook for Full-Year 2021:

- **Low double-digit CER sales growth**
- **CORE EBITDA margin improvement in-line with Mid-Term Guidance**

Outlook 2020 and Mid-Term Guidance 2023 are based on the present business composition, existing visibility and constant exchange rates. While the businesses have shown a strong levels of resilience during the pandemic, all forecasts should continue to be treated with some caution at this time of global uncertainty arising from the COVID-19 pandemic.

Lonza confirms its Mid-Term Guidance 2023:

- **Double-digit sales growth per year**
- **CORE EBITDA Margin of around 33%–35%**
- **Double-digit ROIC**

## New Executive Committee Members

Three new members (Claude Dartiguelongue, Gordon Bates and Jean-Christophe Hyvert) have been appointed to Lonza's Executive Committee, effective as of 1 April 2021.

**Claude Dartiguelongue** joined Lonza in 2020 as President of the newly formed Capsules and Health Ingredients division. Bringing to bear her industry experience and expertise, Claude has made significant progress in developing a clear market position for the division, as well as strengthening its global manufacturing network and innovation capabilities.

**Jean-Christophe Hyvert** joined Lonza in 2017. In his previous role as Chief Commercial Officer, Lonza Pharma Biotech & Nutrition (LPBN), his business expertise and strong understanding of the segment's financial structure

drove LPBN's strategic approach to commercial development and growth. Jean-Christophe originally qualified as a physicist and worked in operations, before moving into a financial role. His experience in operations and finance have provided him with a broad knowledge of both the science and the business sides of Lonza and its divisions.

**Gordon Bates** has worked for Lonza for more than 18 years, holding a number of roles of increasing responsibility within the organization. During this time, he has held operational and commercial responsibilities across multiple pharma business units and divisions including biologics, small molecule and pharma capsules.

## Dividend Announced

Lonza's Board of Directors is proposing a dividend increase for shareholders of CHF 0.25 per share to CHF 3.00 per share. The proposal represents a pay-out of 25.8% of 2020 reported net profit. Subject to approval at the upcoming Annual General Meeting (AGM) on 6 May 2021, 50% of the dividend of CHF 3.00 per share will be paid out of the capital contribution reserve and will therefore be free from Swiss withholding tax.

## Condensed Financial Statements

## Condensed consolidated balance sheet at 31 December

Million CHF	2020	2019
<b>Total non-current assets</b>	<b>9'635</b>	<b>10'801</b>
Current assets	2'329	2'506
Cash and cash equivalents	495	505
Assets of disposal group classified as held for sale <sup>2</sup>	1'971	29
<b>Total current assets</b>	<b>4'795</b>	<b>3'040</b>
<b>Total assets</b>	<b>14'430</b>	<b>13'841</b>
Equity attributable to equity holders of the parent	6'781	6'494
Non-controlling interests	69	71
<b>Total equity</b>	<b>6'850</b>	<b>6'565</b>
Non-current liabilities	1'690	1'835
Non-current debt	2'784	2'766
<b>Total non-current liabilities</b>	<b>4'474</b>	<b>4'601</b>
Current liabilities	1'747	1'901
Current debt	796	774
Liabilities of disposal group classified as held for sale <sup>2</sup>	563	0
<b>Total current liabilities</b>	<b>3'106</b>	<b>2'675</b>
<b>Total liabilities</b>	<b>7'580</b>	<b>7'276</b>
<b>Total liabilities and equity</b>	<b>14'430</b>	<b>13'841</b>

## Condensed consolidated income statement

Million CHF	2020	2019 (restated) <sup>1</sup>
<b>Sales</b>	<b>4'508</b>	<b>4'207</b>
Cost of goods sold	(2'644)	(2'444)
<b>Gross profit</b>	<b>1'864</b>	<b>1'763</b>
Operating expenses	(963)	(938)
<b>Result from operating activities (EBIT)<sup>3</sup></b>	<b>901</b>	<b>825</b>
Net financial result	(94)	(104)
Share of loss of associates / joint ventures	(4)	(2)
<b>Profit before income taxes</b>	<b>803</b>	<b>719</b>
Income taxes	(71)	(71)
<b>Profit from continuing operations</b>	<b>732</b>	<b>648</b>
Profit/Loss from discontinued operations, net of tax	139	(2)
<b>Profit for the period</b>	<b>871</b>	<b>646</b>
<b>Attributable to:</b>		
Equity holders of the parent	869	645
Non-controlling interests	2	1
<b>Profit for the period</b>	<b>871</b>	<b>646</b>
<b>Earnings per share for profit from continuing operations attributable to equity holders of the parent</b>		
Basic earnings per share - EPS basic (CHF)	9.81	8.73
Diluted earnings per share - EPS diluted (CHF)	9.77	8.68
<b>Earnings per share for profit attributable to equity holders of the parent</b>		
Basic earnings per share - EPS basic (CHF)	11.68	8.70
Diluted earnings per share - EPS diluted (CHF)	11.63	8.65

- 1 Restated to reflect classification of Specialty Ingredients as discontinued operations (see note 4 in the unaudited condensed financial statements)
- 2 In 2020, assets and liabilities held for sale relate to Specialty Ingredients disposal group. In 2019, assets held for sale relate to land in Guangzhou, that was sold in 2020
- 3 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	2020	2019
<b>Profit for the period</b>	<b>871</b>	<b>646</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Re-measurements of defined benefit liability	(73)	(43)
Income tax on items that will not be reclassified to profit or loss	8	7
	<b>(65)</b>	<b>(36)</b>
<b>Items that are or may be reclassified subsequently to profit or loss</b>		
Exchange differences on translating foreign operations	(230)	(153)
Cash flow hedges	(4)	(5)
Income tax on items that are or may be reclassified to profit or loss	8	0
	<b>(226)</b>	<b>(158)</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>(291)</b>	<b>(194)</b>
<b>Total comprehensive income for the period</b>	<b>580</b>	<b>452</b>
<b>Total comprehensive income attributable to</b>		
Equity holders of the parent	580	452
Non-controlling interests	0	0
<b>Total comprehensive income for the period</b>	<b>580</b>	<b>452</b>

## Condensed consolidated cash flow statement

Million CHF	2020	2019
<b>Profit for the period</b>	<b>871</b>	<b>646</b>
Adjustment for non-cash items	842	965
Income tax and interest paid	(198)	(217)
Increase of net working capital	(203)	(319)
Use of provisions	(52)	(56)
Decrease of other payables, net	(130)	(42)
<b>Net cash provided by operating activities</b>	<b>1'130</b>	<b>977</b>
Purchase of property, plant & equipment and intangible assets	(973)	(786)
Acquisition of subsidiaries and businesses, net of cash acquired <sup>1</sup>	(15)	(24)
Disposal of subsidiary, net of cash disposed of	7	620
Proceeds from sale of assets held for sale	29	0
Net purchase of other assets and disposals	(32)	(13)
Prepayment of leases	(20)	(21)
Increase in loans and advances	(91)	(69)
Interest and dividend received	6	8
<b>Net cash used for investing activities</b>	<b>(1'089)</b>	<b>(285)</b>
Issuance of straight bonds	970	0
Issuance of syndicated loan	0	144
Issuance of term loans	0	1'242
Repayment of bank loans	0	(198)
Repayment of straight bonds	(150)	(300)
Repayment of syndicated loan	(144)	(263)
Repayment of term loan	(526)	(977)
Increase / (decrease) in debt	4	(94)
Principal payments of lease liabilities	(30)	(24)
Increase in other non-current liabilities <sup>2</sup>	316	60
Capital injection from non-controlling interests	0	1
Purchase of treasury shares	(141)	(48)
Dividends paid <sup>3</sup>	(206)	(206)
<b>Net cash used for financing activities</b>	<b>93</b>	<b>(663)</b>
Effect of currency translation on cash	(20)	(6)
<b>Net increase in cash and cash equivalents</b>	<b>114</b>	<b>23</b>
Cash and cash equivalents at 1 January	505	482
<b>Cash and cash equivalents at 31 December</b>	<b>619</b>	<b>505</b>
Cash and cash equivalents at 31 December classified as held for sale	(124)	0
<b>Cash and cash equivalents at 31 December (as reported)</b>	<b>495</b>	<b>505</b>

- 1 In 2020, CHF 15 million deferred purchase price payment related to the sterile drug product fill & finish business acquired in 2019
- 2 During 2020 Lonza received CHF 19 million of funds from customers to purchase equipment for utilization at Lonza facilities. These amounts are not separately disclosed in the consolidated cash flow statement as the related equipment is not owned by Lonza
- 3 Includes dividends of CHF 2 million (2019: CHF 2 million) paid to non-controlling interest shareholders of a subsidiary

## Condensed consolidated statement of changes in equity

Million CHF	Share capital	Share premium	Retained earnings	Hedging reserve	Translation reserve	Treasury shares	Total	Non-controlling interests	Total equity
<b>Balance at 1 January 2019</b>	<b>74</b>	<b>3'110</b>	<b>3'672</b>	<b>(11)</b>	<b>(556)</b>	<b>(71)</b>	<b>6'218</b>	<b>72</b>	<b>6'290</b>
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)
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>609</b>	<b>(6)</b>	<b>(151)</b>	<b>0</b>	<b>452</b>	<b>0</b>	<b>452</b>
Dividends	0	(204)	0	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)
Capital injection from owners of the parent	0	0	0	0	0	0	0	1	1
<b>Balance at 31 December 2019</b>	<b>74</b>	<b>2'906</b>	<b>4'289</b>	<b>(17)</b>	<b>(707)</b>	<b>(51)</b>	<b>6'494</b>	<b>71</b>	<b>6'565</b>
Profit for the period	0	0	869	0	0	0	869	2	871
Other comprehensive income, net of tax	0	0	(65)	(3)	(221)	0	(289)	(2)	(291)
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>804</b>	<b>(3)</b>	<b>(221)</b>	<b>0</b>	<b>580</b>	<b>0</b>	<b>580</b>
Dividends	0	(102)	(102)	0	0	0	(204)	(2)	(206)
Recognition of share-based payments	0	0	54	0	0	0	54	0	54
Movements in treasury shares	0	0	(94)	0	0	(49)	(143)	0	(143)
<b>Balance at 31 December 2020</b>	<b>74</b>	<b>2'804</b>	<b>4'951</b>	<b>(20)</b>	<b>(928)</b>	<b>(100)</b>	<b>6'781</b>	<b>69</b>	<b>6'850</b>



# 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 2020 that will be prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Following the Board of Directors' decision on 23 July 2020 to divest the Specialty Ingredients (LSI) segment, a divestment process was initiated in H2 2020. In the consolidated financial statements 2020, discontinued operations in both 2020 and 2019 (restated) include the LSI business together with certain corporate costs directly attributable to LSI and the carve-out / divestiture process. Furthermore, as of 1 October 2020, the assets and liabilities related to LSI business were reclassified to assets and liabilities of a disposal group held for sale. The prior year balance sheet is not required to be restated.

### New Standards, Interpretations and Amendments

The following new or amended standards became applicable for the current reporting period and did not have any material effect on the Group's financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business – Amendments to IFRS 3
- Definition of Material – Amendments to IAS 1 and IAS 8
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7

## 2. Impact from COVID-19

There were no major financial impacts on Lonza's financial performance for the twelve-month period ended 31 December 2020. Lonza's businesses experienced positive and negative impacts arising from the COVID-19 pandemic, but overall operations and product demand remained very 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 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 year 2020. In addition, Lonza successfully issued debt instruments during the year.

## 3. Exchange Rates

Balance sheet		
Period-end rate CHF	31.12.2020	31.12.2019
US dollar	0.88	0.97
Pound sterling	1.20	1.27
Euro	1.08	1.09

Income statement		
Average rate CHF	2020	2019
US dollar	0.94	0.99
Pound sterling	1.20	1.27
Euro	1.07	1.11

## 4. Disposal of Businesses

### Specialty Ingredients – Assets Held for Sale and Discontinued Operations

Refer to note 1 “Basis of Preparation of Financial Statements”.

### 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 for USD 630 million.

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

The results from the Specialty Ingredients (for 2019 and 2020) and Water Care (two months in 2019) businesses, which are presented as discontinued operations, are as follows:

Million CHF	2020 <sup>2</sup>	2019 (Restated) <sup>1</sup>	Specialty Ingredients	Water Care
	Total	Total		
Sales	1'677	1'787	1'713	74
Cost of goods sold	(1'145)	(1'278)	(1'221)	(57)
<b>Gross profit</b>	<b>532</b>	<b>509</b>	<b>492</b>	<b>17</b>
Operating expenses <sup>3</sup>	(337)	(367)	(345)	(22)
<b>Result from operating activities (EBIT)</b>	<b>195</b>	<b>142</b>	<b>147</b>	<b>(5)</b>
Net financial result	(8)	(17)	(16)	(1)
Share of loss of associates / joint ventures	(4)	(1)	(1)	0
<b>Profit / (loss) before income taxes from discontinued operations</b>	<b>183</b>	<b>124</b>	<b>130</b>	<b>(6)</b>
Income taxes	(44)	(15)	(15)	0
<b>Profit / (loss) from operating activities, net of tax</b>	<b>139</b>	<b>109</b>	<b>115</b>	<b>(6)</b>
Loss on sale of discontinued operations	0	(43)	0	(43)
Income tax on sale of discontinued operations	0	(68)	0	(68)
<b>Profit / Loss from discontinued operations, net of tax</b>	<b>139</b>	<b>(2)</b>	<b>115</b>	<b>(117)</b>
Basic earnings per share	(CHF) 1.87	(0.03)	1.55	(1.58)
Diluted earnings per share	(CHF) 1.86	(0.03)	1.55	(1.58)

1 Restated to reflect classification of Specialty Ingredients as discontinued operations (see note 4 in the unaudited condensed financial statements)

2 2020 contains an operating expense loss (CHF 2 mio.) and an income tax gain (CHF 1 mio.) related to Water Care

3 Including carve-out and divestiture costs related to Specialty Ingredients (2020: CHF 35 mio, 2019: CHF 19 mio.)

At 31 December 2020, the assets held for sale and liabilities directly associated with assets held for sale related to the Specialty Ingredients business are the following:

Million CHF	Specialty Ingredients
Non-current assets	1'358
Current assets	489
Cash and cash equivalents	124
<b>Assets of disposal group classified as held for sale at December 31, 2020</b>	<b>1'971</b>
Non-current liabilities	279
Current liabilities	284
<b>Liabilities directly associated with assets of disposal group classified as held for sale at December 31, 2020</b>	<b>563</b>

## 5. Dividends Paid

On 28 April 2020, the Annual General Meeting approved the distribution of a dividend of CHF 2.75 (financial year 2018: CHF 2.75) per share in respect of the 2019 financial year. The distribution to holders of outstanding shares totaled CHF 204 million (2019: CHF 204 million), equally recorded against the retained earnings (102 million) and the reserves from capital contribution of Lonza Group Ltd (102 million).

## 6. Net financial result from continuing operations

The net financial result from continuing operations are as follows:

Million CHF	2020	2019 (Restated) <sup>1</sup>
Net interest expenses	(49)	(60)
Net interest expenses on defined benefit plan liabilities	(2)	(3)
Interest expenses on IFRS 16 lease liabilities	(8)	(8)
Amortization of debt fees and discounts	(7)	(5)
Foreign exchange rate differences, including impact from currency and interest related financial derivative instruments	(28)	(18)
Other net financial expenses	0	(10)
<b>Net financial result</b>	<b>(94)</b>	<b>(104)</b>

<sup>1</sup> Restated to reflect classification of Specialty Ingredients as discontinued operations (see note 4 in the unaudited condensed financial statements)

## 7. Events after the balance sheet date

Following the approval by Lonza's Board of Directors, on 19 January 2021, Lonza announced an agreement with NextPharma for the potential sale of Lonza's Ploermel (FR) and Edinburgh (UK) sites, which employ 260 and 130 staff respectively. The agreement is subject to relevant conditions and regulatory approvals. Where applicable, both parties will consult with local Works Councils.

# 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 and financial results reported in accordance with IFRS.

## 1. Results at Constant Exchange Rates (CER)

The tables below compare the 2020 financial results based on constant exchange rates (i.e. 2019 exchange rates) with the actual 2019 financial results.

### Lonza Group

Million CHF	2020	2019 (Restated) <sup>1</sup>	Change in %
<b>Sales</b>	<b>4'711</b>	<b>4'207</b>	<b>12.0</b>
<b>CORE EBITDA</b>	<b>1'456</b>	<b>1'334</b>	<b>9.1</b>
Margin in %	30.9	31.7	
<b>CORE result from operating activities (EBIT)</b>	<b>1'133</b>	<b>1'044</b>	<b>8.5</b>
Margin in %	24.1	24.8	

### Pharma Biotech & Nutrition

Million CHF	2020	2019	Change in %
<b>Sales</b>	<b>4'675</b>	<b>4'167</b>	<b>12.2</b>
<b>CORE EBITDA</b>	<b>1'492</b>	<b>1'371</b>	<b>8.8</b>
Margin in %	31.9	32.9	
<b>CORE result from operating activities (EBIT)</b>	<b>1'217</b>	<b>1'125</b>	<b>8.2</b>
Margin in %	26.0	27.0	

### Corporate

Million CHF	2020	2019 (Restated) <sup>1</sup>
<b>Sales</b>	<b>36</b>	<b>40</b>
<b>CORE EBITDA</b>	<b>(36)</b>	<b>(37)</b>
<b>CORE result from operating activities (EBIT)</b>	<b>(84)</b>	<b>(81)</b>

<sup>1</sup> Restated to reflect classification of Specialty Ingredients as discontinued operations (see note 4 in the unaudited condensed financial statements)

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

Million CHF	2020	2019	Change in %
<b>Sales</b>	<b>1'751</b>	<b>1'693</b>	<b>3.4</b>
<b>CORE EBITDA</b>	<b>355</b>	<b>302</b>	<b>17.5</b>
Margin in %	20.3	17.8	

## 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, environmental 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.

Following the decision of the Board of Directors to initiate a sales process of the Specialty Ingredients segment, to commence in H2 2020, all of the 2020 carve-out related costs have been excluded from the Core results for the full year 2020.

### Reconciliation of IFRS results to CORE Results 2020

Million CHF	IFRS result	Amortization of intangible assets from acquisitions	Impairments	Reversal of impairments	Restructuring costs/income	Income/expense resulting from acquisition and divestitures <sup>1</sup>	Environmental-related expenses	Other	CORE result
<b>Result from operating activities (EBIT)</b>	<b>901</b>	<b>142</b>	<b>24</b>	<b>0</b>	<b>22</b>	<b>(5)</b>	<b>11</b>	<b>0</b>	<b>1'095</b>
Net financial result	(94)	0	0	0	0	0	0	0	(94)
Share of profit / (loss) of associates/joint ventures	(4)	0	0	0	0	0	0	4	0
<b>Profit before income taxes</b>	<b>803</b>	<b>142</b>	<b>24</b>	<b>0</b>	<b>22</b>	<b>(5)</b>	<b>11</b>	<b>4</b>	<b>1'001</b>
Income taxes <sup>2</sup>	(71)	(12)	(2)	0	(2)	0	(1)	0	(88)
<b>Profit from continuing operations</b>	<b>732</b>	<b>130</b>	<b>22</b>	<b>0</b>	<b>20</b>	<b>(5)</b>	<b>10</b>	<b>4</b>	<b>913</b>
Profit / (loss) from discontinued operations, net of tax <sup>2</sup>	139	12	13	(3)	3	33	3	4	204
<b>Profit for the period</b>	<b>871</b>	<b>142</b>	<b>35</b>	<b>(3)</b>	<b>23</b>	<b>28</b>	<b>13</b>	<b>8</b>	<b>1'117</b>
Non-controlling interests	(2)	0	0	0	0	0	0	0	(2)
<b>Profit for the period, attributable to the equity holders of the parent</b>	<b>869</b>	<b>142</b>	<b>35</b>	<b>(3)</b>	<b>23</b>	<b>28</b>	<b>13</b>	<b>8</b>	<b>1'115</b>
Number of Shares Basic	74'403'508								74'403'508
Number of Shares Diluted	74'709'049								74'709'049
<b>Earnings per share for profit from continuing operations attributable to equity holders of the parent:</b>									
Basic earnings per share – EPS basic (CHF)	<b>9.81</b>								<b>12.24</b>
Diluted earnings per share – EPS diluted (CHF)	<b>9.77</b>								<b>12.19</b>
<b>Earnings per share for profit attributable to equity holders of the parent:</b>									
Basic earnings per share – EPS basic (CHF)	<b>11.68</b>								<b>14.99</b>
Diluted earnings per share – EPS diluted (CHF)	<b>11.63</b>								<b>14.92</b>

1 Discontinued operations: Mainly includes carve-out costs related to Specialty Ingredients (CHF 35 mio. before taxes)

2 Tax impact calculated based on the estimated average Group tax rate on continuing operations of: 8.8%

## Reconciliation of IFRS results to CORE Results 2019<sup>1</sup>

Million CHF	IFRS result	Amortization of intangible assets from acquisitions	Impairments	Reversal of impairments	Restructuring costs/income	Income/expense resulting from acquisition and divestitures <sup>2</sup>	Environmental-related expenses	Other	CORE result
<b>Result from operating activities (EBIT)</b>	<b>825</b>	<b>150</b>	<b>3</b>	<b>(4)</b>	<b>8</b>	<b>45</b>	<b>17</b>	<b>0</b>	<b>1'044</b>
Net financial result	(104)	0	0	0	0	5	0	0	(99)
Share of profit / (loss) of associates/joint ventures	(2)	0	0	0	0	0	0	2	0
<b>Profit before income taxes</b>	<b>719</b>	<b>150</b>	<b>3</b>	<b>(4)</b>	<b>8</b>	<b>50</b>	<b>17</b>	<b>2</b>	<b>945</b>
Income taxes <sup>3</sup>	(71)	(15)	0	0	(1)	(5)	(2)	0	(94)
<b>Profit from continuing operations</b>	<b>648</b>	<b>135</b>	<b>3</b>	<b>(4)</b>	<b>7</b>	<b>45</b>	<b>15</b>	<b>2</b>	<b>851</b>
Profit / (loss) from discontinued operations, net of tax <sup>3</sup>	(2)	17	11	(3)	20	121	3	0	167
<b>Profit for the period</b>	<b>646</b>	<b>152</b>	<b>14</b>	<b>(7)</b>	<b>27</b>	<b>166</b>	<b>18</b>	<b>2</b>	<b>1'018</b>
Non-controlling interests	(1)	0	0	0	0	0	0	0	(1)
<b>Profit for the period, attributable to the equity holders of the parent</b>	<b>645</b>	<b>152</b>	<b>14</b>	<b>(7)</b>	<b>27</b>	<b>166</b>	<b>18</b>	<b>2</b>	<b>1'017</b>

Number of Shares Basic 74'109'308

Number of Shares Diluted 74'564'802

74'109'308

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)	<b>8.73</b>	<b>11.47</b>
Diluted earnings per share – EPS diluted (CHF)	<b>8.68</b>	<b>11.40</b>

### Earnings per share for profit attributable to equity holders of the parent:

Basic earnings per share – EPS basic (CHF)	<b>8.70</b>	<b>13.72</b>
Diluted earnings per share – EPS diluted (CHF)	<b>8.65</b>	<b>13.64</b>

1 Restated to reflect classification of Specialty Ingredients as discontinued operations (see note 4 in the unaudited condensed financial statements)

2 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

3 Tax impact calculated based on the estimated average Group tax rate on continuing operations of: 9.9%

## Reconciliation of EBIT to EBITDA (Continuing business)

Million CHF	2020	2019 (Restated) <sup>1</sup>
<b>Result from operating activities (EBIT)</b>	<b>901</b>	<b>825</b>
Depreciation of property, plant and equipment	284	274
Amortization of intangible assets	169	166
Impairment and reversal of impairment on property, plant, equipment and intangibles	24	(1)
<b>Earnings before interest, taxes and depreciation (EBITDA)</b>	<b>1'378</b>	<b>1'264</b>

## Reconciliation of EBITDA to CORE EBITDA (Continuing business)

Million CHF	2020	2019 (Restated) <sup>1</sup>
<b>Earnings before interest, taxes and depreciation (EBITDA)</b>	<b>1'378</b>	<b>1'264</b>
Restructuring costs	22	8
Income / expense resulting from acquisition and divestitures	(5)	45
Environmental-related expenses	11	17
<b>CORE EBITDA</b>	<b>1'406</b>	<b>1'334</b>

1 Restated to reflect classification of Specialty Ingredients as discontinued operations (see note 4 in the unaudited condensed financial statements)

### 3. Operational Free Cash Flow

In 2020 and 2019, the development of operational free cash flow by component was as follows:

Components of operational free cash flow <sup>1</sup>			
Million CHF	2020	2019	Change
<b>Earnings before interest, taxes and depreciation (EBITDA)</b>	<b>1'656</b>	<b>1'489</b>	<b>167</b>
Change of operating net working capital <sup>2</sup>	(246)	(336)	90
Capital expenditures in tangible and intangible assets	(973)	(786)	(187)
Disposal of tangible and intangible assets	14	15	(1)
Change of other assets and liabilities <sup>3</sup>	262	17	245
<b>Operational free cash flow (before acquisitions / disposals)</b>	<b>713</b>	<b>399</b>	<b>314</b>
Acquisition of subsidiaries	(15)	(24)	9
Disposal of subsidiaries	7	620	(613)
<b>Operational free cash flow</b>	<b>705</b>	<b>995</b>	<b>(290)</b>

1 Operational Cash Flow represents Lonza Group incl. Discontinued Operations

2 Includes non-cash amortization of current deferred income of CHF 43 million (2019: CHF 17 million), recognized in the income statement through EBITDA.

3 Includes non-cash amortization of non-current deferred income of CHF 6 million (2019: CHF 9 million), recognized in the income statement through EBITDA.

### 4. Return on Net Operating Assets (RONOA) from Continuing Operations

#### 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 year ended 31 December		
Million CHF	2020	2019 (Restated) <sup>1</sup>
Non-current operating assets excluding goodwill	6'260	5'901
Inventories	1'137	1'069
Trade receivables	761	569
Other operating receivables	310	271
Trade payables	(330)	(341)
Other operating liabilities	(1'727)	(1'303)
<b>NOA</b>	<b>6'411</b>	<b>6'166</b>
Acquisition-related intangible assets	(2'531)	(2'774)
<b>CORE NOA</b>	<b>3'880</b>	<b>3'392</b>

1 Restated to reflect classification of Specialty Ingredients as discontinued operations (see note 4 in the unaudited condensed financial statements)

## Reconciliation of RONO and CORE RONO

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

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

### Components of Net Operating Assets and CORE Net Operating Assets for the twelve months ended 31 December

Million CHF	2020	2019 (Restated) <sup>1</sup>
NOA (average) <sup>2</sup>	6'423	6'162
EBIT	901	825
<b>RONO (in %)</b>	<b>14.0</b>	<b>13.4</b>
CORE NOA (average) <sup>2</sup>	3'787	3'251
CORE EBIT	1'095	1'044
<b>CORE RONO (in %)</b>	<b>28.9</b>	<b>32.1</b>

1 Restated to reflect classification of Specialty Ingredients as discontinued operations (see note 4 in the unaudited condensed financial statements)

2 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 2020 and 2019, the development of ROIC by component was as follows:

### Components of average invested capital for the year ended 31 December

Million CHF	2020	2019 (Restated) <sup>1</sup>
<b>CORE result from operating activities (CORE EBIT)</b>	<b>1'095</b>	<b>1'044</b>
Amortization of acquisition-related intangibles assets	(142)	(150)
Share of result of associates / joint ventures	(4)	(1)
<b>Net operating profit before taxes</b>	<b>949</b>	<b>893</b>
Taxes <sup>2</sup>	(84)	(88)
<b>Net operating profit after taxes (NOPAT)</b>	<b>865</b>	<b>805</b>
<b>Average invested capital</b>	<b>9'019</b>	<b>8'788</b>
<b>ROIC</b>	<b>9.6</b>	<b>9.2</b>

1 Restated to reflect classification of Specialty Ingredients as discontinued operations (see note 4 in the unaudited condensed financial statements)

2 Group tax rate on continuing operations of 8.8% for 2020 and 9.9% for 2019

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

### Components of average invested capital for the year ended 31 December

Million CHF	2020	2019 (Restated) <sup>1</sup>	Change
CORE net operating assets	3'787	3'251	536
Goodwill	3'066	3'182	(116)
Acquisition-related intangible assets	2'635	2'911	(276)
Other assets <sup>2</sup>	209	178	31
Net current and deferred tax liabilities	(678)	(734)	56
<b>Average invested capital</b>	<b>9'019</b>	<b>8'788</b>	<b>231</b>

1 Restated to reflect classification of Specialty Ingredients as discontinued operations (see note 4 in the unaudited condensed financial statements)

2 Investments in associates / joint ventures and operating cash



## 6. Results from Continuing and Discontinued Operations

Income Statement		2020			2019				
		Continuing operations	Discontinued Operations <sup>5</sup>	Lonza Group as reported in 2020 (unaudited)	Continuing operations <sup>1</sup>	Specialty Ingredients classified as Discontinued Operations <sup>1</sup>	Total including Specialty Ingredients <sup>2</sup>	Water Care Discontinued Operations as reported in 2019	Lonza Group as reported in 2019
Million CHF									
Sales		4'508	1'677	6'185	4'207	1'713	5'920	74	5'994
Cost of goods sold		(2'644)	(1'145)	(3'789)	(2'444)	(1'221)	(3'665)	(57)	(3'722)
<b>Gross profit</b>		<b>1'864</b>	<b>532</b>	<b>2'396</b>	<b>1'763</b>	<b>492</b>	<b>2'255</b>	<b>17</b>	<b>2'272</b>
Operating expenses		(963)	(337)	(1'300)	(938)	(345)	(1'283)	(22)	(1'305)
<b>Result from operating activities (EBIT)</b>		<b>901</b>	<b>195</b>	<b>1'096</b>	<b>825</b>	<b>147</b>	<b>972</b>	<b>(5)</b>	<b>967</b>
Net financing costs		(94)	(8)	(102)	(104)	(16)	(120)	(1)	(121)
Share of profit / (loss) of associates / joint ventures		(4)	(4)	(8)	(2)	(1)	(3)	0	(3)
<b>Profit before income taxes</b>		<b>803</b>	<b>183</b>	<b>986</b>	<b>719</b>	<b>130</b>	<b>849</b>	<b>(6)</b>	<b>843</b>
Income taxes		(71)	(44)	(115)	(71)	(15)	(86)	0	(86)
<b>Profit from operating activities, net of tax</b>		<b>732</b>	<b>139</b>	<b>871</b>	<b>648</b>	<b>115</b>	<b>763</b>	<b>(6)</b>	<b>757</b>
Loss on sale of discontinued operations		0	0	0	0	0	0	(43)	(43)
Income tax on sale of discontinued operations		0	0	0	0	0	0	(68)	(68)
<b>Profit &amp; (loss) net of tax</b>		<b>732</b>	<b>139</b>	<b>871</b>	<b>648</b>	<b>115</b>	<b>763</b>	<b>(117)</b>	<b>646</b>
<b>Attributable to:</b>									
Equity holders of the parent		730	139	869	647	115	762	(117)	645
Non-controlling interest		2	0	2	1	0	1	0	1
<b>Profit for the period</b>		<b>732</b>	<b>139</b>	<b>871</b>	<b>648</b>	<b>115</b>	<b>763</b>	<b>(117)</b>	<b>646</b>
Basic earnings per share	(CHF)	9.81	1.87	11.68	8.73	1.55	10.28	(1.58)	8.70
Diluted earnings per share	(CHF)	9.77	1.86	11.63	8.68	1.55	10.22	(1.58)	8.65

1 Restated to reflect classification of Specialty Ingredients as discontinued operations (see note 4 in the unaudited condensed financial statements)

2 Reported as continuing operations in 2019

3 2020 contains an operating expense loss (CHF 2 mio.) and an income tax gain (CHF 1 mio.) related to Water Care

## 7. Net Debt

The net debt comprises:

Million CHF	2020	2019	Change
<b>Debt</b>			
Non-current debt	2'784	2'766	18
Current debt	796	774	22
Current debt classified as held for sale	14	0	14
<b>Total debt</b>	<b>3'594</b>	<b>3'540</b>	<b>54</b>
<b>Loans and advances</b>			
Non-current loans and advances	(162)	(72)	(90)
Current advances	0	(2)	2
Cash and cash equivalents	(495)	(505)	10
Cash and cash equivalents classified as held for sale	(124)	0	(124)
<b>Total loans and advances and cash and cash equivalents</b>	<b>(781)</b>	<b>(579)</b>	<b>(202)</b>
<b>Net debt</b>	<b>2'813</b>	<b>2'961</b>	<b>(148)</b>

In 2020 Lonza issued the following debt instruments:

- Straight bond of CHF 300 million, due on 28 April 2023 (coupon: 1 % p.a.)
- Eurobond of EUR 500 million, due on 21 April 2027 (coupon: 1.625% p.a.)

The proceeds from the Eurobond were primarily used for the repayment of the EUR 500 million term loan tranche.

# Forward-Looking Statements

**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 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 and Mid-Term Guidance 2023 herein may not prove to be correct. The statements in the section on Outlook 2021 and Mid-Term Guidance 2023 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 and Mid-Term Guidance 2023 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 and Mid-Term Guidance 2023. 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.

## **25 March 2021**

Annual Report 2020  
(Tentative)

## **6 May 2021**

Annual General Meeting,  
Basel (CH)

## **10 May 2021**

Ex-Dividend Date

## **11 May 2021**

Record-Dividend Date

## **12 May 2021**

Dividend-Payment Date

## **23 July 2021**

Half-Year Results 2021

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