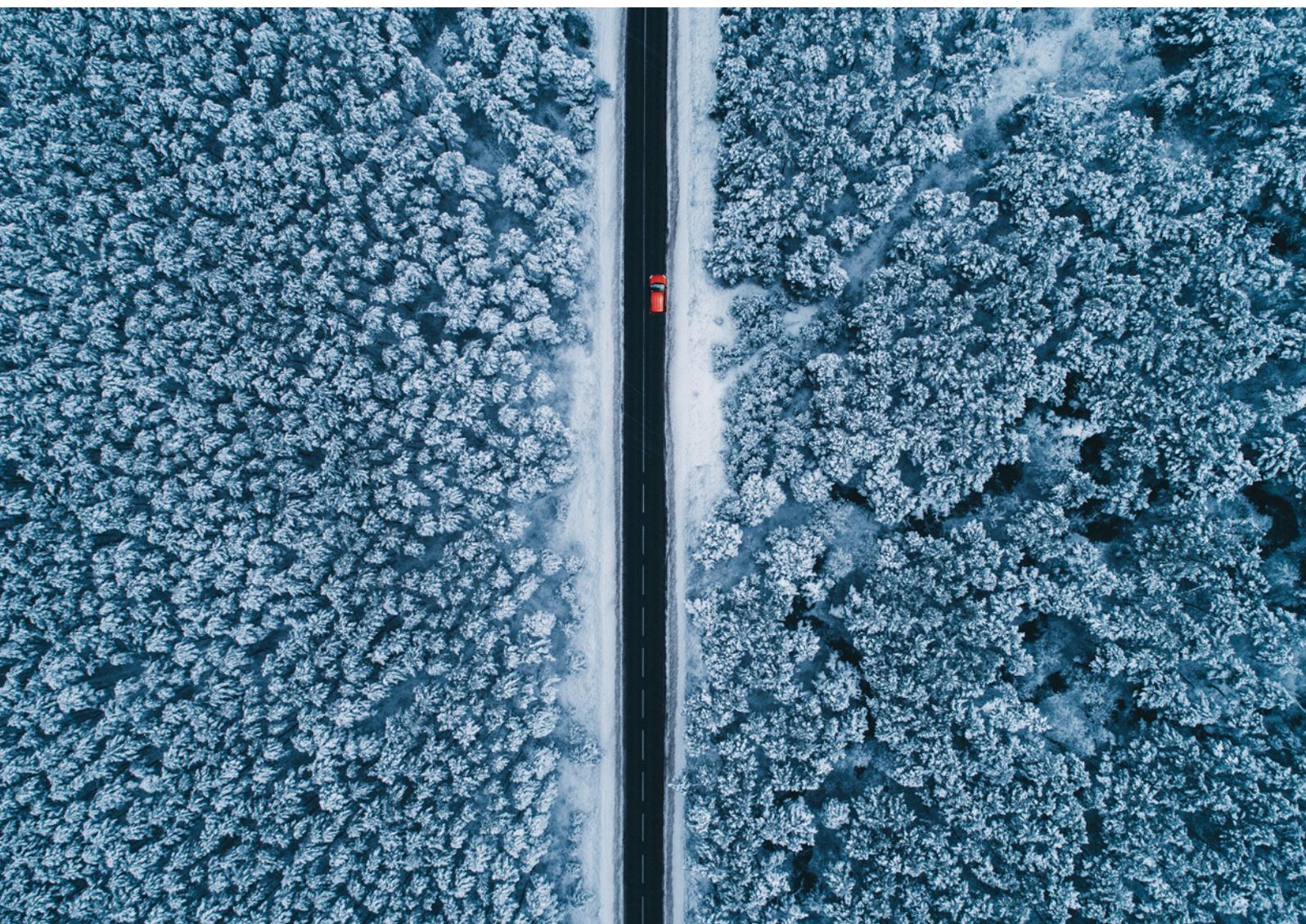


# Full-Year Report **2021**



# Contents

Letter to Stakeholders	4
Financial Highlights	6
Biologics	7
Small Molecules	8
Cell & Gene	9
Capsules & Health Ingredients	10
Discontinued Operations	11
Corporate	12
2022 Outlook and 2024 Mid-Term Guidance	13
Dividend Announced	13
Changes in Board of Directors	14

## Notes

Condensed Financial Statements	15
Selected Explanatory Notes	19
Forward-Looking Statements	27
Disclaimer	27

Lonza delivers CHF 5.4 billion sales and 20% CER<sup>1</sup> sales growth

CHF 1.7 billion CORE EBITDA resulted in a margin of 30.8%

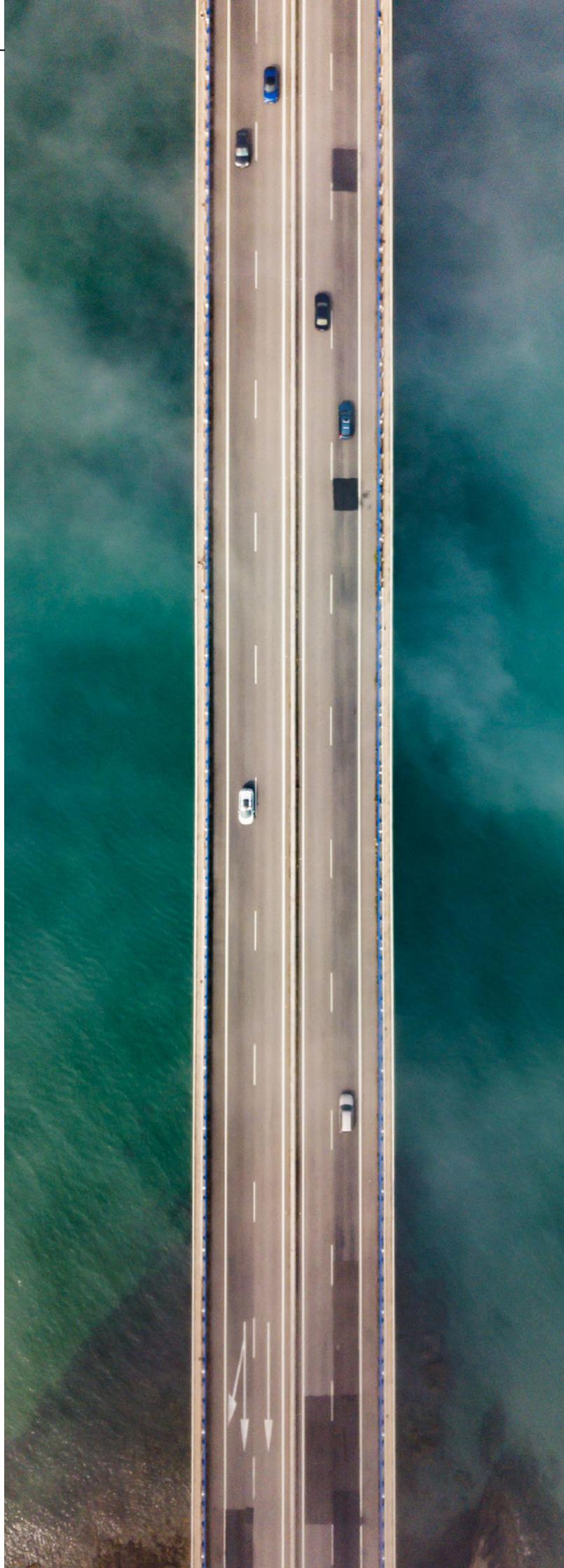
2021 CAPEX reached 24% of sales, supporting long-term plan to deliver attractive margins through de-risked growth investments

Continuing focus on operational excellence and execution of growth projects

Outlook 2022: low to mid-teens CER sales growth and CORE EBITDA margin improvement in line with 2024 Mid-Term Guidance

Mid-Term Guidance 2024 reconfirmed

<sup>1</sup> Constant Exchange Rate





## Dear Stakeholders,

2021 was a year of transformation, consolidation and growth across Lonza's global network. After completing the divestment of our former Specialty Ingredients business, we focused our assets and attention on our role as a dedicated strategic partner to the pharma, biotech and nutrition markets.

During the year, we have experienced strong and sustained levels of customer demand across our divisions. This has provided opportunities to collaborate with new customers as well as extending relationships with our existing loyal customer base. We have worked to ensure that we meet areas of most pressing demand while continuing to retain balance and stability across our customer portfolio.

These sustained high levels of demand can be addressed by our new assets and facilities, as they begin to come online. In 2021 we focused on executing our existing growth investments by ensuring a smooth and efficient ramp-up process as well as confirming new growth projects. We have also worked to accelerate global recruitment efforts, ensuring that leading industry talent is engaged and motivated to join our existing skilled and loyal employee community. Additionally, we focused on continuous improvement and operational excellence across our existing facilities, to improve efficiency, quality and speed of output.

Our strong financial performance in 2021 is the combined result of these endeavors. For the Full-Year 2021, we achieved CHF 5.4 billion in sales, representing 20% CER<sup>1</sup> sales growth, and CHF 1.7 billion CORE EBITDA, equating to a 30.8% margin. These positive results were supported by above market sales growth across our divisions. At the business unit level, our Cell & Gene Technologies business hit a positive margin in Q4 2021, in line with forecasts.

As well as achieving a strong performance for the full year, we have also remained clear in our focus on delivering growth to support our long-term success. We have made strategic investments in areas of sustained customer interest and demand, which allow us to consolidate our global reach and deliver end-to-end solutions across modalities. For instance, we have invested in expanding our Biologics capabilities across clinical development and manufacturing, drug product and microbial services. We have also invested to expand a number of Capsules & Health Ingredients facilities, meaning that we now have the capacity to deliver around 250 billion capsules per year for our customers.

<sup>1</sup> Constant Exchange Rate

Our focus on internal investment is supported by a selective approach to bolt-on acquisitions. Our new sites in Lexington (US) and Siena (IT) will support the expansion of our exosomes offering. Exosomes represent an important emerging area of cellular medicine, and these sites will provide an expanded and differentiated offering for our Cell & Gene division.

Alongside our focus on growth and expansion, we have also navigated the business challenges arising from the COVID-19 pandemic. Despite restrictions on movement and interaction, we grew our employee community by more than 2,000 full-time employees (FTEs) in 2021. This growth was delivered by virtual recruitment, on-boarding and training programs, including virtual reality training, which was deployed across our growing operational teams. While we anticipate that delivery and distribution issues will continue in 2022, we expect to continue to manage the impact, as long as conditions remain comparable with the last two years.

We have also continued to make an active contribution to controlling the impact of the COVID-19 pandemic through our collaboration with Moderna. Since 2020, we have demonstrated our capabilities to deliver the drug substance for Moderna's Spikevax COVID-19 vaccine in record time, facilitated by our Ibex<sup>®</sup> Solutions concept. In 2021, we expanded our collaboration, installing three additional production lines in Visp (CH) and one new production line at our site in Geleen (NL). Our new line in the Netherlands has already commenced operations, and we expect our three new lines in Switzerland to come online in Q1 2022.

During 2021, we also focused on driving further progress with our ambitious sustainability agenda. Our CO<sub>2</sub> emissions were reduced by 35% with the divestment of our former Specialty Ingredients business. We have also refocused our Environmental, Social and Governance (ESG) KPIs in line with the UN's Sustainable Development Goals. To ensure this commitment is shared across our global network, our ESG targets have been incorporated into our global employee and executive incentive plans since the beginning of 2022.

Finally, I would like to thank our customers and investors for their continuing trust in our business during this year of transformation and progress. I would also like to thank our employees for their unwavering commitment, and welcome our new colleagues to our growing community.

Sincerely,

**Pierre-Alain Ruffieux**

Chief Executive Officer

# Financial Highlights for the Twelve Months Ended 31 December<sup>1</sup>

## IFRS Results (Continuing Operations<sup>2</sup>)

Million CHF	2021	Change in %	2020
<b>Sales</b>	<b>5'409</b>	<b>20.0</b>	<b>4'508</b>
<b>EBIT</b>	<b>851</b>	<b>(5.5)</b>	<b>901</b>
Margin in %	15.7		20.0
<b>EBITDA</b>	<b>1'365</b>	<b>(0.9)</b>	<b>1'378</b>
Margin in %	25.2		30.6
<b>Profit for the period</b>	<b>677</b>	<b>(7.5)</b>	<b>732</b>
<b>EPS basic</b> (CHF)	<b>9.08</b>	<b>(7.4)</b>	<b>9.81</b>
<b>EPS diluted</b> (CHF)	<b>9.05</b>	<b>(7.4)</b>	<b>9.77</b>

## CORE Earnings<sup>3</sup> (Continuing Operations<sup>2</sup>)

Million CHF	2021	Change in %	2020 restated <sup>4</sup>
<b>CORE EBITDA</b>	<b>1'665</b>	<b>20.7</b>	<b>1'379</b>
Margin in %	30.8		30.6
<b>CORE Profit for the period</b>	<b>944</b>	<b>28.8</b>	<b>733</b>
<b>CORE EPS basic</b> (CHF)	<b>12.67</b>	<b>29.0</b>	<b>9.82</b>
<b>CORE EPS diluted</b> (CHF)	<b>12.63</b>	<b>29.1</b>	<b>9.78</b>
<b>ROIC in %</b>	<b>10.7</b>	<b>17.6</b>	<b>9.1</b>

## Other Performance Measures (Continuing Operations<sup>2</sup>)

Million CHF	2021	Change in %	2020
Operational free cash flow (before acquisitions and divestitures)	399	(20.8)	504
Operational free cash flow	471	(3.7)	489
Capital expenditures (CAPEX)	1'299	46.1	889
Number of employees (Full-Time Equivalent)	16'218	15.3	14'062

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

Million CHF	2021	Change in %	2020
Operational free cash flow (before acquisitions and divestitures)	406	(43.1)	713
Operational free cash flow	4'451	531.3	705
Net debt	(958)	(134.1)	2'813
Debt – equity ratio	(0.09)	(122.0)	0.41
Net Debt / CORE EBITDA ratio <sup>5</sup>	(0.53)	(131.9)	1.66 <sup>4</sup>
Number of employees (Full-Time Equivalent)	16'218	(3.5)	16'801

1 All financial information for financial year 2021 is unaudited. The audit report on the 2021 consolidated financial statements of Lonza Group will be issued in March 2022 together with the publication of Lonza's 2021 Annual Report

2 All financial information referring to "continuing operations" are exclusive of the Specialty Ingredients business, that was sold on 1 July 2021 and therefore reported as discontinued operations

3 In the CORE results for the items "EBITDA", "Earnings per share" and "ROIC", the impact of impairment and reversal of impairment of assets, special charges / income from restructuring, environmental remediation, acquisitions and divestitures are eliminated. Also refer to the Alternative Performance Measures Brochure published in conjunction with this Full-Year Report

4 CORE results for the Full-year 2020 were restated to reflect the changes from the revised Alternative Performance Measures policy that was introduced on 1 January 2021. Also refer to the Alternative Performance Measures Brochure published in conjunction with this Full-Year Report

5 Net debt/CORE EBITDA is calculated based on the CORE EBITDA of the last twelve months for the total Group. In 2021, this ratio calculated on continuing operations would result in a ratio of (0.58)

# Biologics

## Division

For the twelve months ended 31 December

Million CHF	2021	2020	Change in %
<b>Sales</b>	<b>2'699</b>	<b>2'146</b>	<b>25.8</b>
<b>CORE EBITDA</b>	<b>979</b>	<b>831</b>	<b>17.8</b>
Margin in %	36.3	38.7	
<b>Capital expenditures (CAPEX)</b>	<b>932</b>	<b>637</b>	<b>46.3</b>

### Division Overview

Our Biologics division benefited from sustained customer demand in 2021, with high levels of capacity utilization and batch success rates. Specifically, we saw continued interest in our Ibex® Dedicate offering and work has already started on the new Manufacturing Complex 2 in Visp (CH).

The division was able to meet high levels of demand by bringing online new facilities while also approving significant new expansions across multiple modalities. The first batches were produced in our new mammalian facilities in Portsmouth (US), Visp (CH) and Guangzhou (CN). We also agreed investments in additional drug product capacity in Stein and Basel (CH), and Guangzhou (CN). These will complement the planned drug product manufacturing capacity under development at our Visp site, which is expected to come online in 2022.

Compared to Full-Year 2020, the business achieved 24.7% CER sales growth, with a lower CORE EBITDA margin of 36.3%.

Sales growth momentum is expected to continue in 2022, driven by healthy market fundamentals.

# Small Molecules

## Division

For the twelve months ended 31 December

Million CHF	2021	2020	Change in %
<b>Sales</b>	<b>767</b>	<b>692</b>	<b>10.8</b>
<b>CORE EBITDA</b>	<b>215</b>	<b>192</b>	<b>12.0</b>
Margin in %	28.0	27.7	
<b>Capital expenditures (CAPEX)</b>	<b>118</b>	<b>67</b>	<b>76.1</b>

### Division Overview

Our Small Molecules business saw a significant number of new programs signed, allowing the division to support customers in the supply of five innovator drugs approved by the US Food and Drug Administration (FDA). These will provide benefits to patients across multiple therapeutic areas.

Alongside growth investments in Bend (US) and Nansha (CN), we began work on a new CHF 200 million small molecule manufacturing complex in Visp (CH). All investment programs are on track for delivery in projected timeframes. New manufacturing assets in Visp providing additional capacity came online in 2021 and are already delivering commercial product to customers across bioconjugates and Highly Potent Active Pharmaceutical Ingredients (HPAPIs).

In 2021, the division delivered 11.6% CER sales growth versus Full-Year 2020, alongside a slight margin improvement to 28.0%.

Continued growth ahead of market is anticipated in 2022 as early phase drug product capacity in Bend (US) and HPAPI capability in Nansha (CN) come online.

# Cell & Gene

## Division

For the twelve months ended 31 December

Million CHF	2021	2020	Change in %
<b>Sales</b>	<b>602</b>	<b>481</b>	<b>25.2</b>
<b>CORE EBITDA</b>	<b>106</b>	<b>13</b>	<b>715.4</b>
Margin in %	17.6	2.7	
<b>Capital expenditures (CAPEX)</b>	<b>85</b>	<b>55</b>	<b>54.5</b>

### Division Overview

Across the Cell & Gene division in 2021, there was strong customer demand. The business saw improved synergies between the Bioscience business unit and our CDMO services, such as increased media supply to biologics programs. As anticipated, the Cell & Gene Technologies business achieved a positive margin in Q4.

In 2021, we included an exosomes manufacturing facility in Lexington (US) from Codiak Biosciences and the Exosomics Service Unit in Siena (IT) in our network. Exosomes are emerging as a new modality for advanced therapies and these sites will allow us to bring leading licensed exosomes technologies, expertise and capabilities to our customers.

Looking at specific projects, we continued to drive the commercialization of our Cocoon® Platform. In H2 2021, we entered into several collaborations, allowing for further adoption and development with the addition of new analytical technologies.

In 2021, the division achieved 26.6% CER sales growth and a margin improvement to 17.6%, compared to Full-Year 2020.

Continued sales growth is expected, driven by additional capacity coming online in 2022.

# Capsules & Health Ingredients

## Division

For the twelve months ended 31 December

Million CHF	2021	2020	Change in %
<b>Sales</b>	<b>1'204</b>	<b>1'153</b>	<b>4.4</b>
<b>CORE EBITDA</b>	<b>414</b>	<b>378</b>	<b>9.5</b>
Margin in %	34.4	32.8	
<b>Capital expenditures (CAPEX)</b>	<b>89</b>	<b>62</b>	<b>43.5</b>

### Division Overview

The division saw solid demand across product lines supported by particular regional interest from the Americas and APAC. We have delivered against our ambitious expansion plans and our global capacity increased to around 250 billion capsules annually.

The division achieved 5.6% CER sales growth for Full-Year 2021, versus the previous year. The continued portfolio shift to premium products, such as clean label capsules and active living ingredients, led to an improved margin of 34.4%, compared to Full-Year 2020.

Sustained demand for specialty capsules is expected to support continued sales growth in 2022.

# Discontinued Operations

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

For the twelve months ended 31 December

Million CHF	2021	2020
<b>Sales</b>	<b>887</b>	<b>1'677</b>
<b>CORE EBITDA</b>	<b>146</b>	<b>317</b>
Margin in %	16.5	18.9
<b>Capital expenditures (CAPEX)</b>	<b>42</b>	<b>84</b>

<sup>1</sup> The Specialty Ingredients business was sold effective 1 July 2021. Therefore, 2021 information is not comparable to 2020 results, as it only comprises six months

# Corporate

For the twelve months ended 31 December

Million CHF	2021	2020
<b>Sales<sup>1</sup></b>	<b>137</b>	<b>36</b>
<b>CORE EBITDA</b>	<b>(49)</b>	<b>(35)</b>

<sup>1</sup> In 2021, sales third parties include CHF 84 million of sales to the LSI business (that was divested on 1 July 2021) during the second half of 2021

# Outlook 2022 and Mid-Term Guidance 2024

Lonza provides the following Outlook for Full-Year 2022:

- **Low to mid-teens CER sales growth**
- **CORE EBITDA margin improvement in line with Mid-Term Guidance**

Outlook assumes no further deterioration of supply chain due to COVID-19 pandemic.

Lonza reconfirms its Mid-Term Guidance 2024:

- **Low teens CER sales growth**
- **CORE EBITDA margin of around 33%–35%**
- **Double-digit ROIC**

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## Dividend Announced

Lonza's Board of Directors is proposing an unchanged dividend for shareholders of CHF 3.00 per share for 2021. The proposal represents a pay-out of 7.5%<sup>1</sup> of 2021 reported net profit of Lonza Group. Subject to approval at the upcoming Annual General Meeting (AGM) on 5 May 2022, 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.

<sup>1</sup> Pay-out ratio of 7.5% based on the profit for the period of Lonza Group consolidated (incl. discontinued operations). The pay-out ratio based on the profit for the period of continuing operations would amount to 32.9%.

## Changes in Board of Directors

Two changes in Lonza's Board of Directors were announced. Dorothee Deuring and Werner J. Bauer have decided not to stand for re-election at the upcoming Annual General Meeting (AGM) on 5 May 2022.

Werner J. Bauer has been a member of the Board since 2013 and most recently held the role of chair of the Innovation and Technology Committee. Dorothee Deuring has been a member of the Board since 2020 and chaired the Audit and Compliance Committee. 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, Dr Marion Helmes and Prof Roger M. Nitsch.

Dr Marion Helmes is an experienced CFO and Board member with international exposure. She brings experience from multiple industries including retail, energy and heavy manufacturing. She has served on the Boards of Siemens Healthineers, Heineken, ProSiebenSat.1 Media, British American Tobacco, and others.

Prof Roger M. Nitsch is the CEO and President of Neurimmune and Chairman of Neurimmune Holding AG. He holds an MD from the University of Heidelberg and earned his post-doctoral qualification at the Massachusetts Institute of Technology and Harvard Medical School. Roger is Ordinary Professor at the University of Zurich where he holds a part-time position as a lecturer in Bio-Entrepreneurship.

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

# Condensed Financial Statements

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

Million CHF	2021	2020
<b>Total non-current assets</b>	<b>10'504</b>	<b>9'628</b>
Current assets	2'771	2'287
Short-term investments	1'602	0
Cash and cash equivalents	1'582	495
Assets held for sale <sup>1</sup>	0	2'019
<b>Total current assets</b>	<b>5'955</b>	<b>4'801</b>
<b>Total assets</b>	<b>16'459</b>	<b>14'429</b>
Equity attributable to equity holders of the parent	9'750	6'815
Non-controlling interests	73	69
<b>Total equity</b>	<b>9'823</b>	<b>6'884</b>
Non-current liabilities	2'032	1'664
Non-current debt	2'234	2'784
<b>Total non-current liabilities</b>	<b>4'266</b>	<b>4'448</b>
Current liabilities	2'201	1'746
Current debt	169	796
Liabilities held for sale <sup>1</sup>	0	555
<b>Total current liabilities</b>	<b>2'370</b>	<b>3'097</b>
<b>Total liabilities</b>	<b>6'636</b>	<b>7'545</b>
<b>Total equity and liabilities</b>	<b>16'459</b>	<b>14'429</b>

## Condensed consolidated income statement for the twelve months ended 31 December 2021 (unaudited) and 31 December 2020

Million CHF	2021	2020
<b>Sales</b>	<b>5'409</b>	<b>4'508</b>
Cost of goods sold	(3'299)	(2'660)
<b>Gross profit</b>	<b>2'110</b>	<b>1'848</b>
Operating expenses <sup>2</sup>	(1'259)	(947)
<b>Result from operating activities (EBIT)<sup>3</sup></b>	<b>851</b>	<b>901</b>
Net financial result	(63)	(94)
Share of profit / (loss) from associates / joint ventures	(28)	(4)
<b>Profit before income taxes</b>	<b>760</b>	<b>803</b>
Income taxes	(83)	(71)
<b>Profit from continuing operations<sup>4</sup></b>	<b>677</b>	<b>732</b>
Profit from discontinued operations, net of tax <sup>5</sup>	2'270	139
<b>Profit for the period</b>	<b>2'947</b>	<b>871</b>
<b>Attributable to:</b>		
Equity holders of the parent	2'944	869
Non-controlling interests	3	2
<b>Profit for the period</b>	<b>2'947</b>	<b>871</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)	9.08	9.81
Diluted earnings per share – EPS diluted (CHF)	9.05	9.77
<b>Earnings per share for profit attributable to equity holders of the parent</b>		
Basic earnings per share – EPS basic (CHF)	39.65	11.68
Diluted earnings per share – EPS diluted (CHF)	39.52	11.63

1 In 2020, assets and liabilities held for sale relate to the Specialty Ingredients disposal group

2 Operating expenses in 2021 include environmental remediation costs of CHF 300 million, predominantly related to Gamsenried (CH). Refer to note 6 disclosed in the Full-Year Report 2021

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

4 All financial information referring to "continuing operations" are exclusive of the Specialty Ingredients business, that was sold on 1 July 2021 and therefore reported as discontinued operations

5 Gain from sale of the LSI business – see further details in note 5.1

Condensed consolidated statement of comprehensive income for the twelve months ended 31 December 2021 (unaudited) and 31 December 2020

Million CHF	2021	2020
<b>Profit for the period</b>	<b>2'947</b>	<b>871</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Re-measurements of defined benefit liability	247	(32)
Income tax on items that will not be reclassified to profit or loss	(45)	1
	<b>202</b>	<b>(31)</b>
<b>Items that are or may be reclassified subsequently to profit or loss</b>		
Exchange differences on translating foreign operations	124	(230)
Cash flow hedges	19	(4)
Income tax on items that are or may be reclassified to profit or loss	(7)	8
	<b>136</b>	<b>(226)</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>338</b>	<b>(257)</b>
<b>Total comprehensive income for the period</b>	<b>3'285</b>	<b>614</b>
<b>Total comprehensive income attributable to</b>		
Equity holders of the parent	3'279	614
Non-controlling interests	6	0
<b>Total comprehensive income for the period</b>	<b>3'285</b>	<b>614</b>

## Condensed consolidated cash flow statement for the twelve months ended 31 December 2021 (unaudited) and 31 December 2020

Million CHF	2021	2020
<b>Profit for the period</b>	<b>2'947</b>	<b>871</b>
Adjustment for non-cash items	(1'222)	842
Income tax and interest paid	(230)	(198)
Increase of net working capital	(160)	(203)
Use of provisions	(56)	(52)
Increase/(decrease) in other payables, net	(62)	(130)
<b>Net cash provided by operating activities</b>	<b>1'217</b>	<b>1'130</b>
Purchase of property, plant & equipment and intangible assets	(1'341)	(973)
Acquisition of subsidiaries, net of cash acquired <sup>1</sup>	(48)	(15)
Proceeds from sale of assets held for sale <sup>4</sup>	3'972	29
Disposal of subsidiaries, net of cash disposed of <sup>5</sup>	120	7
Net purchase of other assets and disposals	(51)	(32)
Lease payments received / (lease prepayment)	(17)	(20)
Increase in short-term investments	(1'602)	0
Increase / (decrease) in loans and advances	(15)	(91)
Interest and dividend received	3	6
<b>Net cash provided by / (used for) investing activities</b>	<b>1'021</b>	<b>(1'089)</b>
Issuance of straight bonds	0	970
Repayment of German Private Placement	(784)	0
Repayment of straight bond	(375)	(150)
Repayment of syndicated loan	0	(144)
Repayment of term loan	0	(526)
Increase / (decrease) in debt	(42)	4
Principal payment of lease liabilities	(30)	(30)
Increase in other non-current liabilities <sup>2</sup>	347	316
Purchase of treasury shares	(174)	(141)
Dividends paid <sup>3</sup>	(225)	(206)
<b>Net cash provided by / (used for) financing activities</b>	<b>(1'283)</b>	<b>93</b>
Effect of currency translation on cash	8	(20)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>963</b>	<b>114</b>
Cash and cash equivalents at 1 January	619	505
<b>Cash and cash equivalents at 31 December</b>	<b>1'582</b>	<b>619</b>
Cash and cash equivalents at 31 December classified as held for sale	0	(124)
<b>Cash and cash equivalents at 31 December (as reported)</b>	<b>1'582</b>	<b>495</b>

1 Predominantly represent deferred purchase price payments related to the sterile drug product fill & finish business acquired in 2019 (2021: 43 million, 2020: 15 million)

2 Lonza received CHF 18 million (2020: 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 (2020: CHF 2 million) paid to non-controlling interest shareholders of a subsidiary

4 See note 5.1

5 See note 5.2

Condensed consolidated statement of changes in equity at  
31 December 2021 (unaudited) and 31 December 2020

Million CHF	Attributable to equity holders of the parent						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Hedging reserve	Translation reserve	Treasury shares			
<b>Balance at 1 January 2020</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	(31)	(3)	(221)	0	(255)	(2)	(257)
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>838</b>	<b>(3)</b>	<b>(221)</b>	<b>0</b>	<b>614</b>	<b>0</b>	<b>614</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>4'985</b>	<b>(20)</b>	<b>(928)</b>	<b>(100)</b>	<b>6'815</b>	<b>69</b>	<b>6'884</b>
Profit for the period	0	0	2'944	0	0	0	2'944	3	2'947
Other comprehensive income, net of tax	0	0	202	16	117	0	335	3	338
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>3'146</b>	<b>16</b>	<b>117</b>	<b>0</b>	<b>3'279</b>	<b>6</b>	<b>3'285</b>
Dividends	0	(111)	(112)	0	0	0	(223)	(2)	(225)
Recognition of share-based payments	0	0	51	0	0	0	51	0	51
Movements in treasury shares	0	0	(95)	0	0	(77)	(172)	0	(172)
<b>Balance at 31 December 2021</b>	<b>74</b>	<b>2'693</b>	<b>7'975</b>	<b>(4)</b>	<b>(811)</b>	<b>(177)</b>	<b>9'750</b>	<b>73</b>	<b>9'823</b>

# Selected Explanatory Notes (unaudited)

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

These unaudited condensed financial statements are based on the consolidated financial statements for the twelve-month period ended 31 December 2021 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. On 8 February 2021, Lonza entered into a definitive agreement with Bain Capital and Cinven to sell Lonza's Specialty Ingredients business and operations. The sale was completed effective 1 July 2021 and finally settled before 31 December 2021.

In the consolidated financial statements, the assets and liabilities related to LSI business were reclassified to assets and liabilities of a disposal group held for sale as from 1 October 2020. The results of LSI business, that were disclosed separately in the consolidated income statement as discontinued operations, include not only the LSI business but also certain corporate costs directly attributable to LSI and the carve-out / divestiture process.

### 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:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Interest Rate Benchmark Reform phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

## 2. Impact from COVID-19

There was no major impact on Lonza's performance for the twelve-month period ended 31 December 2021. Lonza's businesses experienced positive and negative operational impacts arising from the COVID-19 pandemic, but overall operations and product demand remained stable and strong. Mitigating actions helped to ensure minimal disruption to Lonza's supply chain.

However, it is not possible at the moment to estimate the potential financial impact of COVID-19 beyond 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 of 2021.

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

### 3. Exchange Rates

Balance sheet		
Period-end rate CHF	31.12.2021	31.12.2020
US dollar	0.91	0.88
Pound sterling	1.23	1.20
Euro	1.03	1.08

Income statement		
Average rate CHF	2021	2020
US dollar	0.91	0.94
Pound sterling	1.26	1.20
Euro	1.08	1.07

### 4. Operating Segments

On 15 October 2020, Lonza published its new divisional structure of its continuing operations as per 1 January 2021. Following the requirements of IFRS 8 "Operating Segments", the Group's reportable segments are described below and accordingly, prior year segment information was restated to conform with the current year presentation:

#### Biologics

The Biologics division is a leading contract development and manufacturing partner for biopharmaceuticals, serving customers for all clinical and commercial manufacturing needs throughout the product lifecycle, including drug substance and drug product manufacturing.

The modalities across Biologics include mammalian and microbial expression systems, bioconjugates, and mRNA. The end-to-end service is complemented by Drug Product Services capabilities.

#### Small Molecules

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

#### Cell & Gene

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

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

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

#### Capsules & Health Ingredients

The Capsules & Health Ingredients is a trusted partner in innovative capsules, dosage form solutions and health ingredients for pharmaceutical and nutraceutical customers.

## Twelve months ended 31 December 2021

Million CHF	Biologics	Small Molecules	Cell & Gene	Capsules & Health Ingredients	Total Operating segments	Corporate / Eliminations <sup>1</sup>	Total Continuing operations
<b>Sales third-party</b>	<b>2'699</b>	<b>767</b>	<b>602</b>	<b>1'204</b>	<b>5'272</b>	<b>137<sup>2</sup></b>	<b>5'409</b>
Inter-segment sales	26	6	47	16	95	(95)	0
<b>Total sales</b>	<b>2'725</b>	<b>773</b>	<b>649</b>	<b>1'220</b>	<b>5'367</b>	<b>42</b>	<b>5'409</b>
<b>CORE EBITDA</b>	<b>979</b>	<b>215</b>	<b>106</b>	<b>414</b>	<b>1'714</b>	<b>(49)</b>	<b>1'665</b>
Margin in %	36.3	28.0	17.6	34.4	32.5	n.a.	30.8

Twelve months ended 31 December 2020 (restated<sup>3</sup>)

Million CHF	Biologics	Small Molecules	Cell & Gene	Capsules & Health Ingredients	Total Operating segments	Corporate / Eliminations <sup>1</sup>	Total Continuing operations
<b>Sales third-party</b>	<b>2'146</b>	<b>692</b>	<b>481</b>	<b>1'153</b>	<b>4'472</b>	<b>36</b>	<b>4'508</b>
Inter-segment sales	4	20	27	6	57	(57)	0
<b>Total sales</b>	<b>2'150</b>	<b>712</b>	<b>508</b>	<b>1'159</b>	<b>4'529</b>	<b>(21)</b>	<b>4'508</b>
<b>CORE EBITDA</b>	<b>831</b>	<b>192</b>	<b>13</b>	<b>378</b>	<b>1'414</b>	<b>(35)</b>	<b>1'379</b>
Margin in %	38.7	27.7	2.7	32.8	31.6	n.a.	30.6

- The "Corporate / Eliminations" column represents the corporate function, including eliminations for reconciliation of the Group total
- In 2021, sales third parties at Corporate include CHF 84 million of sales to the LSI business (that was divested on 1 July 2021) during the second half of 2021. These sales had a dilutive effect of 50 bps on the group margin for the year
- Prior year information was restated to reflect Lonza's new divisional structure effective as from 1 January 2021 and the changes from the revised Alternative Performance Measures policy that was introduced on 1 January 2021

The reconciliation of the CORE EBITDA to the IFRS result for the twelve months ended 31 December in 2021 and 2020 is as follows:

Million CHF	2021	2020 <sup>2</sup>
<b>CORE EBITDA (from continuing operations)</b>	<b>1'665</b>	<b>1'379</b>
Environmental-related expenses	(300)	(8)
Income / (expense) resulting from acquisition and divestitures	0	7
Depreciation & amortization of property, plant and equipment and intangibles, incl. impairment and reversal of impairments	(514)	(477)
<b>Result from operating activities (EBIT)<sup>1</sup> (from continuing operations)</b>	<b>851</b>	<b>901</b>
Net financial result	(63)	(94)
Share of loss from associates/joint ventures	(28)	(4)
<b>Profit before income taxes from continuing operations</b>	<b>760</b>	<b>803</b>

- 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
- CORE results for the Full-year 2020 were restated to reflect the changes from the revised Alternative Performance Measures policy that was introduced on 1 January 2021. Also refer to the Alternative Performance Measures Brochure published in conjunction with this Full-Year Report

### Disaggregation of Third Party Revenues

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

The segments **Biologics, Small Molecules, Cell & Gene and Capsules & Health**

**Ingredients** derive their revenues primarily from long-term supply agreements with pharmaceutical and nutraceutical customers. These operating segments typically provide products and manufacturing services, from research to commercial supply.

Lonza supports customers' research activities as well as the whole life cycle of a customer product from development of a drug substance to commercial supply. Lonza concluded that the revenues of the operating segments shall not be further disaggregated.

The table below shows the segment information provided to the Group's Executive Committee and also illustrates the disaggregation of recognized revenues for the twelve-month period ended 31 December:

Million CHF	2021	2020 restated
Biologics	2'699	2'146
Small Molecules	767	692
Cell & Gene	602	481
Capsules and Health Ingredients	1'204	1'153
Corporate	137	36
<b>Lonza (continuing operations)</b>	<b>5'409</b>	<b>4'508</b>

## 5.1 Sale of Businesses

### Lonza Specialty Ingredients (LSI) business

On 23 July 2020, Lonza's Board of Directors decided to divest the Specialty Ingredients (LSI) segment via a sale process, which was initiated in the second half of 2020.

Consequently, assets and liabilities associated with the LSI disposal group were classified as held for sale in the 2020 financial statements. Furthermore, the results from LSI are presented as part of discontinued operations in 2020 and 2021.

On 8 February 2021, Lonza announced that it has entered into a definitive agreement with Bain Capital and Cinven. The divestment of the former Specialty Ingredients business and operations was completed effective on 1 July 2021 for an enterprise value of CHF 4.2 billion and was finally settled before 31 December 2021.

The Specialty Ingredients business, which is presented as part of discontinued operations, reported below results:

Million CHF	2021 <sup>1</sup>	2020
Sales	887	1'677
Cost of goods sold	(611)	(1'158)
<b>Gross profit</b>	<b>276</b>	<b>519</b>
Operating expenses	(131)	(324)
<b>Result from operating activities (EBIT)</b>	<b>145</b>	<b>195</b>
Net financial result	(4)	(8)
Share of loss of associates / joint ventures	(1)	(4)
<b>Profit from operating activities before income taxes</b>	<b>140</b>	<b>183</b>
Income taxes	(35)	(44)
<b>Profit from operating activities, net of tax</b>	<b>105</b>	<b>139</b>
Gain on sale of discontinued operations <sup>2</sup>	2'172	0
Income tax on sale of discontinued operations	(7)	0
<b>Profit from discontinued operations, net of tax</b>	<b>2'270</b>	<b>139</b>
<b>Attributable to:</b>		
Equity holders of the parent	2'270	139
Non-controlling interests	0	0
Basic earnings per share – EPS basic (CHF)	30.57	1.87
Diluted earnings per share – EPS diluted (CHF)	30.47	1.86

1 The LSI business was sold effective 1 July 2021. Therefore, results from operating activities in 2021 is not comparable to 2020, as it only comprises six months

2 Gain on sale of discontinued operations include the proceeds received net of assets disposed of (CHF 2'414), the divestiture and separation related costs (FY 2021: CHF 56 million, FY 2020: CHF 37 million, that were reported under operating expenses) and the recycling of accumulated exchange rate translation reserve losses (CHF 186 million)

The divestment of the former Specialty Ingredients business and operations was completed on 1 July 2021. The effect of the disposal of the LSI business on the balance sheet are as follows:

#### Effects of the disposal of LSI on the consolidated balance sheet

Million CHF

Non-current assets	(1'423)
Current assets	(647)
Cash and cash equivalents	(44)
Non-current liabilities	188
Current liabilities	324
<b>Net assets disposed of</b>	<b>(1'602)</b>
Consideration received, satisfied in cash	4'016
Cash disposed of	(44)
<b>Cash inflow on disposal</b>	<b>3'972</b>

The primary components of the cash flow from discontinued operations for the twelve months ended of 31 December 2021 and 31 December 2020 are as follows:

Million CHF

	2021	2020
Net cash used for operating activities	(42)	155
Net cash used for investing activities	(41)	(77)
Net cash used for financing activities	(16)	7
<b>Net cash flows for the period</b>	<b>(99)</b>	<b>85</b>

#### Softgels and liquid-filled hard capsules business

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

The sale of the business had no significant impact on the consolidated financial statements for the twelve months ended 31 December 2021.

## 5.2 Acquisition of Businesses

Effective 15 November 2021, Lonza acquired the exosome manufacturing facility located in Lexington, Massachusetts (US) from Codiak BioSciences, a clinical-stage biopharmaceutical company pioneering the development of exosome-based therapeutics. As part of the signed agreement, Codiak will retain its pipeline of therapeutic candidates as well as its exosome engineering and drug-loading technologies. Codiak will receive as part of the deal USD 65 million of cGMP manufacturing services in kind. Lonza will gain worldwide access and sub-licensable rights to Codiak's high-throughput perfusion-based cGMP process for exosome manufacturing.

Effective 1 December 2021, Lonza acquired the service unit from Exosomics, a leading extracellular vesicles biotech company. The agreement includes Exosomics' service team, service assets and laboratories in Siena, Italy. Lonza has been a minority shareholder of Exosomics since 2017 and will remain a shareholder after the acquisition of the service unit is complete. The acquisition strengthens Lonza's position as a leading global CDMO in exosomes bioprocessing.

Both transactions did not have any significant impact on the consolidated financial statements for the twelve-month period ended 31 December 2021.

## 6. Environmental Provisions

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

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

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

In addition, Lonza's detailed investigations have further progressed during 2021. Therefore, Lonza is in the position at 31 December 2021 to define the most likely remediation measures on the most critical area as well as the extent of remediation required. Lonza's estimate of remediation costs for this most critical area regarding groundwater protection amount to CHF 285 million for which Lonza recognized a provision at 31 December 2021.

However, for remaining areas of the landfill, it is not possible as of 31 December 2021 to make an informed judgment on, or reasonably predict, potential additional required remediation measures. With the current available information it is not possible for Management to estimate further potential liabilities other than the provision which was recognized. Lonza continues to closely monitor the development of the situation and will adjust the provision going forward accordingly.

## 7. Net financial result from continuing operations

The net financial result from continuing operations for the twelve-month periods ended 31 December are as follows:

Million CHF	2021	2020
Net interest expenses on debt and bonds	(38)	(45)
Amortization of debt fees and discounts	(5)	(7)
Net interest expenses on financial assets	(10)	0
Net interest expenses on IFRS 16 lease liabilities	(12)	(8)
Net interest expenses on defined benefit plan liabilities	(1)	(2)
Other net interest expenses	0	(2)
Net gain/(loss) on investments measured at fair value through profit or loss	27	2
Interest related to interest derivative instruments	(13)	(9)
Foreign exchange rate differences, including impact from currency-related financial derivative instruments	(7)	(19)
Other net financial expenses	(4)	(4)
<b>Net financial result</b>	<b>(63)</b>	<b>(94)</b>

## 8. Dividends Paid

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

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

## 9. Events After the Balance Sheet Date

As of the date of issuance of these condensed consolidated financial statements, no significant subsequent events have occurred after the reporting period that might affect the Group and that should be included thereto.

# 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 2022 and Mid-Term Guidance 2024 herein may not prove to be correct. The statements in the section on Outlook 2022 and Mid-Term Guidance 2024 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 2022 and Mid-Term Guidance 2024 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 2022 and Mid-Term Guidance 2024. Except as otherwise required by law, Lonza disclaims any intention or obligation to update any forward-looking statements as a result of develop.

## 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.

### **24 March 2022**

Annual and Sustainability Reports publication

### **5 May 2022**

AGM

### **9 May 2022**

Ex- Dividend date

### **10 May 2022**

Record-Dividend Date

### **11 May 2022**

Dividend-Payment Date

### **22 July 2022**

Half-Year Results 2022

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