Tokyo, Tsukiji bridge

Financial Statements

Consolidated Balance Sheet

Assets[1]

million CHF	Notes[2]	2021	2020
Non-current assets			
Property, plant and equipment	7	4,694	3,591
Intangible assets	6	2,454	2,640
Goodwill	6	2,986	3,072
Other non-current assets	8	352	301
Deferred tax assets	22	18	24
Total non-current assets		**10,504**	**9,628**
Current assets			
Inventories	10	1,501	1,136
Trade receivables	11	928	715
Current tax receivables		28	32
Other receivables, prepaid expenses and accrued income, incl. derivatives	12	314	404
Short-term investments	15	1,602	0
Cash and cash equivalents	13	1,582	495
Assets held for sale[3]	5.1	0	2,019
Total current assets		**5,955**	**4,801**
Total assets		**16,459**	**14,429**

[1] At 31 December
[2] See the accompanying notes to the consolidated financial statements
[3] In 2020, assets held for sale related to the Specialty Ingredients disposal group (see note 5).

Equity and Liabilities [1]

million CHF	Note [2]	2021	2020
Equity			
Share capital	26	74	74
Share premium		2,693	2,804
Treasury shares		(177)	(100)
Retained earnings and reserves		7,160	4,037
Total equity attributable to equity holders of the parent		**9,750**	**6,815**
Non-controlling interests		73	69
Total equity		**9,823**	**6,884**
Liabilities			
Non-current provisions	14	368	90
Employee benefit liabilities	24	97	283
Other non-current liabilities	16	1,027	710
Non-current debt	15	2,234	2,784
Deferred tax liabilities	22	540	581
Total non-current liabilities		**4,266**	**4,448**
Current provisions	14	44	67
Other current liabilities	16	1,545	1,212
Trade payables	17	483	308
Current debt	15	169	796
Current tax payables	22	129	159
Liabilities held for sale [3]	5.1	0	555
Total current liabilities		**2,370**	**3,097**
Total liabilities		**6,636**	**7,545**
Total equity and liabilities		**16,459**	**14,429**

1 At 31 December
2 See the accompanying notes to the consolidated financial statements
3 In 2020, liabilities held for sale related to the Specialty Ingredients disposal group (see note 5)

Consolidated Income Statement[1]

Million CHF	Notes[2]		2021	2020
Sales	**3**		**5,409**	**4,508**
Cost of goods sold			(3,299)	(2,660)
Gross profit			**2,110**	**1,848**
Marketing and distribution			(224)	(235)
Research and development	23		(90)	(84)
Administration and general overheads[3]			(671)	(610)
Other operating income	20.1		62	42
Other operating expenses[4]	20.2		(336)	(60)
Result from operating activities (EBIT)[5]			**851**	**901**
Financial income	21.1		33	12
Financial expenses	21.2		(96)	(106)
Net financial result			**(63)**	**(94)**
Share of loss of associates / joint ventures	9		(28)	(4)
Profit before income taxes			**760**	**803**
Income taxes	22		(83)	(71)
Profit from continuing operations			**677**	**732**
Profit from discontinued operations, net of tax[6]	5.1		2,270	139
Profit for the period			**2,947**	**871**
Attributable to:				
Equity holders of the parent			2,944	869
Non-controlling interest			3	2
Profit for the period			**2,947**	**871**
Earnings per share for profit from continuing operations attributable to equity holders of the parent:				
Basic earnings per share - EPS basic	27	CHF	9.08	9.81
Diluted earnings per share - EPS diluted	27	CHF	9.05	9.77
Earnings per share for profit attributable to equity holders of the parent:				
Basic earnings per share - EPS basic	27	CHF	39.65	11.68
Diluted earnings per share - EPS diluted	27	CHF	39.52	11.63

1 For the year ended 31 December
2 See the accompanying notes to the consolidated financial statements
3 Includes the amortization of acquisition-related intangible assets (2021: CHF 141 million, 2020: CHF 142 million)
4 Operating expenses in 2021 include environmental remediation costs of CHF 300 million, predominantly related to Gamsenried (CH) (see note 14)
5 Result from operating activities (EBIT) excludes interest income and expenses as well as financial income and expenses that are not interest related (see note 21) and Lonza's share of profit / loss from associates and joint ventures
6 The Specialty Ingredients business was sold effective on 1 July 2021 (see note 5)

Consolidated Statement of Comprehensive Income[1]

Million CHF	Notes[2]		2021		2020
Profit for the period			**2,947**		**871**
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Remeasurements of net defined benefit liability		247[3]		(32)	
Income tax on items that will not be reclassified to profit or loss	22.2	(45)	202	1	(31)
Items that are or may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		(68)		(230)	
Reclassification of foreign currency differences related to divested businesses	5.1, 5.2	191		0	
Cash flow hedges - effective portion of changes in fair value		29		(5)	
Cash flow hedges - reclassified to profit or loss		(10)		1	
Income tax on items that are or may be reclassified to profit or loss	22.2	(6)	136	8	(226)
Other comprehensive income for the period, net of tax			**338**		**(257)**
Total other comprehensive income for the period			**3,285**		**614**
Total comprehensive income attributable to:					
Equity holders of the parent			3,279		614
Non-controlling interests			6		0
Total comprehensive income for the period			**3,285**		**614**

[1] For the year ended 31 December
[2] See the accompanying notes to the consolidated financial statements
[3] CHF 169 million relate to continuing operations (note 24) and CHF 78 million relate to discontinued operations

Consolidated Cash Flow Statement[1]

Million CHF	Notes[2]	2021	2020
Profit for the period		**2,947**	**871**
Adjustments for non-cash items:			
– Income taxes	5,22	125	115
– Net financial result		67	102
– Share of loss of associates / joint ventures	9	28	8
– Depreciation of property, plant and equipment (incl. depreciation of right-of-use assets)	7	347	340
– Amortization of intangibles	6	175	186
– Reversal of impairment	4,7	(8)	(3)
– Impairment losses on property, plant, equipment, intangibles and assets held for sale	4,6,7	1	38
– Impairment losses on capitalized contract assets		0	12
– Increase in provisions	14	309	42
– Increase / (decrease) in employee benefit liability		10	(2)
– Loss on disposal of property, plant and equipment		2	7
– Gain on sale of divested businesses	5.1,5.2	(2,421)	0
– Recycling of accumulated foreign exchange losses related to divested businesses	5.1,5.2	191	(3)
– Amortization of other liabilities / assets		(94)	(47)
– Share-based payments	25	45	48
Income taxes paid		(166)	(150)
Interest paid		(63)	(49)
Total before change in net working capital		1,495	1,515
Increase in inventories		(381)	(129)
Increase in trade receivables		(292)	(167)
Increase / (decrease) in trade payables		213	(38)
(Increase) / decrease other net working capital		300	131
Use of provisions	14	(56)	(52)
Decrease in other payables, net		(62)	(130)
Net cash provided by operating activities		**1,217**	**1,130**
Purchase of property, plant and equipment	7	(1,301)	(892)
Purchase of intangible assets	6	(40)	(81)
Acquisitions of subsidiaries, net of cash acquired[3]	5.4	(48)	(15)
Divestitures of subsidiaries, net of cash disposed of	**5.2**	**120**	**7**
Purchase of unconsolidated investments		(18)	(32)
Proceeds from unconsolidated investments		11	9
Proceeds from assets held for sale	5.1	3,972	29
Lease payments received / (lease prepayment)		(17)	(20)
Capitalized contract costs		(39)	(17)
Net proceeds from sales and purchases of other assets		(5)	8
Increase in short-term investments	15	(1,602)	0
Increase / (decrease) in loans and advances		(15)	(91)
Interest received		3	5
Dividends received		0	1
Net cash provided by / (used for) investing activities		**1,021**	**(1,089)**

Million CHF	Notes [2]	2021	2020
Repayment of straight bonds	15	(375)	(150)
Repayment of German private placements	15	(784)	0
Repayment of syndicated loan	15	0	(144)
Issuance / (repayment) of term loan	15	0	(526)
Issuance of straight bonds	15	0	970
Increase / (decrease) in debt	15	(42)	4
Principal elements of lease payments		(30)	(30)
Increase in other non-current liabilities [4]		347	318
Decrease in other non-current liabilities		0	(2)
Purchase of treasury shares		(174)	(141)
Dividends paid [5]	27	(225)	(206)
Net cash provided by / (used for) financing activities		**(1,283)**	**93**
Effect of currency translation on cash		8	(20)
Net increase in cash and cash equivalents		**963**	**114**
Cash and cash equivalents at 1 January		619	505
Cash and cash equivalents at 31 December		**1,582**	**619**
Cash and cash equivalents classified as held for sale	5	0	(124)
Cash and cash equivalents at 31 December (as reported)		**1,582**	**495**

[1] For the year ended 31 December, the Group has elected to present a statement of cash flows that includes an analysis of all cash flows in total – i.e. including both continuing and discontinued operations. As a consequence, the Group cash flow statement cannot be tied directly to the notes that were prepared on a continuing basis. Amounts related to discontinued operations by operating, investing and financing activities are disclosed in Note 5.1
[2] See the accompanying notes to the consolidated financial statements
[3] Predominantly represent deferred purchase price payments related to the sterile drug product fill & finish business acquired in 2019 (2021: 43 million, 2020: 15 million)
[4] 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
[5] Includes dividends of CHF 2 million (2020: CHF 2 million) paid to non-controlling interest shareholders of a subsidiary

Consolidated Statement of Changes in Equity

million CHF	Notes[1]	Attributable to equity holders of the parent							Non-controlling interests	Total equity
		Share capital	Share premium	Retained earnings	Hedging reserve	Translation reserve	Treasury shares	Total		
At 1 January 2020		**74**	**2,906**	**4,289**	**(17)**	**(707)**	**(51)**	**6,494**	**71**	**6,565**
Profit for the period		0	0	869	0	0	0	869	2	871
- Remeasurement of defined benefit liability		0	0	(31)	0	0	0	(31)	0	(31)
- Exchange differences on translating foreign operations		0	0	0	0	(221)	0	(221)	(2)	(223)
- Cash flow hedges		0	0	0	(3)	0	0	(3)	0	(3)
Other comprehensive income, net of tax		0	0	(31)	(3)	(221)	0	(255)	(2)	(257)
Total comprehensive income for the period		**0**	**0**	**838**	**(3)**	**(221)**	**0**	**614**	**0**	**614**
Dividends	27	0	(102)	(102)	0	0	0	(204)	(2)	(206)
Recognition of share-based payments	25	0	0	54	0	0	0	54	0	54
Movements in treasury shares		0	0	(94)	0	0	(49)	(143)	0	(143)
At 31 December 2020		**74**	**2,804**	**4,985**	**(20)**	**(928)**	**(100)**	**6,815**	**69**	**6,884**
Profit for the period		0	0	2,944	0	0	0	2,944	3	2,947
- Remeasurement of defined benefit liability		0	0	202	0	0	0	202	0	202
- Exchange differences on translating foreign operations		0	0	0	0	117	0	117	3	120
- Cash flow hedges		0	0	0	16	0	0	16	0	16
Other comprehensive income, net of tax		0	0	202	16	117	0	335	3	338
Total comprehensive income for the period		**0**	**0**	**3,146**	**16**	**117**	**0**	**3,279**	**6**	**3,285**
Dividends	27	0	(111)	(112)	0	0	0	(223)	(2)	(225)
Recognition of share-based payments	25	0	0	51	0	0	0	51	0	51
Movements in treasury shares		0	0	(95)	0	0	(77)	(172)	0	(172)
At 31 December 2021		**74**	**2,693**	**7,975**	**(4)**	**(811)**	**(177)**	**9,750**	**73**	**9,823**

[1] See the accompanying notes to the consolidated financial statements

Translation reserve
The translation reserve of the consolidated statement of changes in equity comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities including the impact on translating monetary items that form a net investment in a foreign operation.

Notes to the Consolidated Financial Statements

Note 1
Accounting Principles

1.1
Lonza Group

Lonza Group Ltd and its subsidiaries (hereafter «the Group» or «Lonza») operate under the name Lonza. Lonza Group Ltd is a limited liability company incorporated and domiciled in Switzerland. The Group is headquartered in Basel, Switzerland. Lonza is one of the world's leading and most-trusted suppliers to the pharmaceutical, biotech and nutrition markets.

By combining technological insight with world-class manufacturing, scientific expertise and process excellence, Lonza help its customers to deliver new and innovative medicines that help treat a wide range of diseases.

1.2
Basis of Preparation

The consolidated financial statements for 2021 and 2020 are reported in Swiss francs (CHF), rounded to millions, and based on the annual accounts of Lonza Group Ltd (Company) and its subsidiaries at 31 December, which have been drawn up according to uniform Group accounting principles. The consolidated accounts are prepared in accordance with International Financial Reporting Standards (IFRS) and with Swiss law. They are prepared on the historical cost basis, except that money market funds, derivative financial instruments and contingent considerations are stated at their fair values and the employee benefit liability is stated at the fair value of plan assets less the present value of the defined benefit obligation.

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. As a consequence, 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.

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 on 1 July 2021 and finally settled before 31 December 2021. In the consolidated financial statements, discontinued operations in both 2021 (six months) and 2020 (twelve months) include the LSI business together with certain corporate costs directly attributable to LSI together with carve-out / divestiture related costs.

1.3
Changes in Accounting Standards

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:

- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

- Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

1.4
Accounting Standards Issued, but Not Yet Effective

The following revised standards have been issued, but are not yet effective. They have not been applied early in these consolidated financial statements.

These amendments are still being evaluated and the Group does not currently expect them to have a significant impact on the consolidated financial statements.

Standard/Interpretation	Effective date
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment to IAS 12)	1 January 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023

1.5
Significant Accounting Policies

Principles of Consolidation
The consolidated financial statements represent the accounts for the year ended 31 December of Lonza Group Ltd and its subsidiaries. Subsidiaries are those entities controlled, directly or indirectly, by Lonza Group Ltd. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and if they do not result in a loss of control. The significant subsidiaries included in the consolidated financial statements are shown in note 33.

The full consolidation method is used, whereby the assets, liabilities, income and expenses are incorporated in full, irrespective of the extent of any non-controlling interests. Payables, receivables, income and expenses between Lonza consolidated companies are eliminated. Intercompany profits included in year-end inventories of goods produced within Lonza are eliminated, as well as unrealized gains on transactions between subsidiaries. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures, as disclosed in note 9. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Associates and interests in joint ventures are accounted for in the consolidated financial statements using the equity method of accounting. They are recognized initially at cost, which includes transaction costs.

Subsequent to the initial recognition, the consolidated financial statements include the Group's share of the profit and loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases. Dividends paid during the year reduce the carrying value of the investments.

Segment Reporting

For the purpose of segment reporting, the Group's Executive Committee (EC) is considered to be the Group's Chief Operating Decision Maker. The determination of the Group's operating segments is based on the organizational units for which financial information including dedicated performance measures are reported to the EC on a regular basis. The information provided is used as the basis of the segment revenue and profit disclosures reported in note 2.

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. Residual operating activities from certain global activities are reported as «Corporate.» These include the EC and global group functions for communications, human resources, finance (including treasury and tax), IT, legal, environmental and safety services. Transfer prices between operating segments are set on an arm's-length basis.

Revenue Recognition

Revenue is measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. Revenues are recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. In the custom manufacturing business, customer agreements may foresee payments at or near inception of contracts, which typically relate to setup efforts (e.g. system preparation, facility modification) for new customer-dedicated production facilities. Such setup efforts typically do not represent separate performance obligations, as no good or service is transferred to the customer. The payments for these setup efforts comprise part of the expected transaction price and are deferred as contract liabilities (non-current deferred income) until performance obligations are satisfied. Product sales are recognized when control of the products has been transferred, i.e. when the products are delivered to the customer, the customer has full discretion over the sales channel and pricing of the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Contracts with customers may include volume discounts based on aggregate sales over a specified period. Revenues from these sales are recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for such discounts, using the expected value method, and revenues are only recognized to the extent that it is highly probable that no significant reversal will occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. Revenues from providing services are recognized in the accounting period in which these services are rendered. For most services revenue recognition over time is appropriate. This is done with reference to output (i.e. analysis delivered) to measure the amount of revenue to be recognized. Revenue recognition over time is not applied for customer service contracts where the consideration depends on a defined outcome or result and its achievement cannot be estimated. In this case, revenues are only recognized at the point in time when the service has been completed and accepted by the customer.

Research & Development

Research & development costs are generally charged against income as incurred. Development costs are only capitalized when the related products meet the recognition criteria of an internally generated intangible asset, which mainly require the technical feasibility of completing the intangible asset, the probability of future economic benefits, the reliable measurement of costs and the ability and intention of the Group to use or sell the intangible asset. Fixed assets (buildings, machinery, plant, equipment) used for research purposes are valued similarly to other fixed assets. Such assets are capitalized and depreciated over their estimated useful lives.

Expenses for research & development include associated wages and salaries, material costs, depreciation on fixed assets, as well as overhead costs.

Other Operating Income and Other Operating Expenses

Other operating income and other operating expenses include items not assignable to other functions of the consolidated income statement. They mainly include gains and losses from the disposal of intangible assets, property, plant and equipment and other non-current assets, income and expenses from the release and recognition of provisions, income and expense related to restructuring.

Net Financial Result

Net financial result comprises interest payable on borrowings calculated using the effective interest method, the interest expenses on the net defined-benefit liability, the finance charge for finance leases, dividend income, foreign exchange gains and losses, gains and losses on hedging instruments that are recognized in the income statement and gains/losses on sale of financial assets. Interest income/expense is recognized in the income statement as it accrues, taking into account the effective yield of the asset or liability or an applicable floating rate. Dividend income is recognized in the income statement on the date that the dividend is declared. Interest income and expense include the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Foreign Currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Swiss francs (CHF), which is the Group's presentation currency. For consolidation purposes the balance sheet of foreign consolidated companies is translated to CHF with the exchange rate on the balance sheet date. Income, expenses and cash flows of the foreign consolidated companies are translated into CHF using the monthly average exchange rates during the year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). Exchange rate differences arising from the different exchange rates applied in balance sheets and income statements are recognized in other comprehensive income. In the individual company's financial statements, transactions in foreign currencies are translated at the foreign exchange rate applicable at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. All resulting foreign exchange gains and losses are recognized in the individual company's profit or loss statement, except when they arise on monetary items that form a part of the Group's net investment in a foreign entity. In such a case, the exchange gains and losses are recognized in other comprehensive income.

Hedge Accounting

The Group uses derivatives to manage its exposures to foreign currency and interest rate risks. The instruments used may include interest rate swaps, forward exchange contracts, FX swaps and options. The Group generally limits the use of hedge accounting to certain significant transactions. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash Flow Hedging

This is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. The hedging instrument is recorded at fair value. The effective portion of the hedge is included in other comprehensive income and any ineffective portion is reported in other operating income/expenses (instruments to manage the foreign currency exposure related to sales or purchases) or financial income/expenses (foreign currency exposure related to debt repayment or interest exposure on the Group's debt). If the hedging relationship is the hedge of the foreign currency risk of a firm commitment or highly probable forecasted transaction that results in the recognition of a non-financial item, the cumulative changes in the fair value of the hedging instrument that have been recorded in other comprehensive income are included in the initial carrying value of the non-financial item at the date of recognition. For all other cash flow hedges, the cumulative changes in the fair value of the hedging instrument that have been recorded in other comprehensive income are included in the cost of goods sold, other operational income/expenses or other financial income/expense (based on the principles explained above) when the forecasted transaction affects net income.

Fair Value Hedging

This is a hedge of the exposure to changes in fair value of a recognized asset or liability, or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. The hedging instrument is recorded at fair value and the hedged item is recorded at its previous carrying value, adjusted for any changes in fair value that are attributable to the hedged risk. Changes in the fair values are reported in other operating income/expenses (instruments to manage the foreign currency exposure related to sales or purchases) or financial income/expenses (foreign currency exposure related to debt repayment or interest exposure on the Group's debt).

Capitalized Contract Costs

The Group recognizes contract assets mainly consisting of contract fulfilment costs that are incurred after a contract is obtained but before goods or services have been delivered to the customer. These costs arise from long-term contracts in the custom manufacturing business for customer specific production facility expansions or modifications on Lonza's premises. They typically include costs for commissioning, qualification and start-up, as well as for activities relating to process development and technology transfer.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The assets are depreciated on a component basis over their estimated useful lives, which vary from 10 to 50 years for buildings and structures, and 5 to 16 years for production facilities, machinery, plant, equipment and vehicles. Fixed assets are depreciated using the straight-line method over their estimated useful lives. Subsequent expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. Borrowing costs incurred with respect to qualifying assets are capitalized and included in the carrying value of the assets. All other expenditure is recognized in the income statement as an expense as incurred. The residual values and the useful life of items of property, plant and equipment are reviewed and adjusted, if appropriate, at each balance sheet date.

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lonza applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Lonza recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, restoration costs and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to Lonza at the end of the lease term or the cost of the right-of-use asset reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities are initially measured at the present value of the lease payments, considering fixed payments (including in-substance fixed payments), variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. This assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

In calculating the present value of lease payments, Lonza uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is derived from market information, the weighted average duration of the lease and the underlying specifics of the leased asset. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Lonza applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of other movables that are considered to be of low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

In some circumstances, Lonza could act as a lessor. In case of a sublease, Lonza would account for the head lease and the sublease as two separate contracts. The sublease will be classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Intangible Assets
Purchased intangible assets with a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses. Intangible assets acquired in a business combination are recognized at their fair value. Intangibles include software, licenses, patents, trademarks and similar rights granted by third parties, capitalized product development costs and capitalized computer software development costs. Costs associated with internally developed or maintained computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate future economic benefits exceeding costs beyond one year, are recognized as intangible assets. Those direct costs include the software development employee costs and an appropriate portion of relevant overheads. Intangible assets are amortized using the straight-line method over their estimated useful lives, which is the lower of the legal duration and the economic useful life. Useful lives vary from 3 to 6 years for software, 5 to 35 years for patents, trademarks and similar rights and 4 to 16 years for development costs. All intangible assets in Lonza have finite useful lives, except for the Capsugel trade name acquired in 2017 and the trademarks acquired in 2007 through the Cambrex business combination. The Group considers that these trademarks have an indefinite useful life as they are well established in the respective markets and have a history of strong performance. The Group intends and has the ability to maintain these trademarks for the foreseeable future.

Goodwill and Business Combinations
Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition and includes the cash paid plus the fair value at the date of exchange of assets, liabilities incurred or assumed and equity instruments issued by the Group. The fair value of the consideration transferred also includes contingent consideration arrangements at fair value. Directly attributable acquisition-related costs are expensed in the period the costs are incurred and the services are received and reported within administration and general overhead expenses. At the date of acquisition, the Group recognizes the identifiable assets acquired, the liabilities assumed and

any non-controlling interest in the acquired business. The identifiable assets acquired and the liabilities assumed are initially recognized at fair value. Where the Group does not acquire 100% ownership of the acquired business, non-controlling interests are recorded as the proportion of the fair value of the acquired net assets attributable to the non-controlling interest. Goodwill is recorded as the surplus of the consideration transferred over the Group's interest in the fair value of the acquired net assets. Any goodwill and fair value adjustments are recorded as assets/liabilities of the acquired business in the functional currency of that business.

When the initial accounting for a business combination is incomplete at the end of a reporting period, provisional amounts are recognized. During the measurement period, the provisional amounts are retrospectively adjusted and additional assets and liabilities may be recognized to reflect new information obtained about the facts and circumstances that existed at the acquisition date which, had they been known, would have affected the measurement of the amounts recognized at that date. The measurement period does not exceed 12 months from the date of acquisition. Goodwill is not amortized but is tested annually for impairment. Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and if they do not result in a loss of control. Goodwill may also arise upon investments in associates and joint ventures, being the surplus of the cost of investment over the Group's share of the fair value of the net identifiable assets. Such goodwill is recorded within investments in associates and joint ventures.

Inventories
Inventories are reported at the lower of cost (purchase price or production cost) or market value (net realizable value). In determining net realizable value, any costs of completion and selling costs are deducted from the realizable value. The cost of inventories is calculated using the weighted average method. Prorated production overheads are included in the valuation of inventories. Adjustments are made for inventories with a lower market value or which are slow moving. Unsalable inventory is fully written off. Costs include all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Receivables
Receivables are carried at the original invoice amount less allowances made for doubtful accounts, volume rebates and similar allowances. A receivable represents a right to consideration that is unconditional and excludes contract assets. An allowance for doubtful accounts is recorded for expected credit losses over the term of the receivables. These estimates are based on specific indicators, such as the ageing of customer balances and specific credit circumstances. Expenses for doubtful trade receivables are recognized within the cost of goods sold. Volume rebates and similar allowances are recorded on an accrual basis consistent with the recognition of the related sales, using estimates based on existing contractual obligations, historical trends and the Group's experience. Receivables are written off (either partly or in full) when there is no reasonable expectation of recovery.

For trade receivables, the Group applies the simplified approach prescribed by IFRS 9, which requires/permits the use of the lifetime expected loss provision from initial recognition of the receivables. The Group measures an allowance for doubtful accounts equal to the credit losses expected over the lifetime of the trade receivables.

Financial Instruments
The Group has classified its financial assets in the following measurement categories, which are disclosed in note 29: amortized cost or fair value through profit or loss (including hedging instruments). At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Amortized Cost
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost, less provision for impairment. Interest income from these financial assets is included in other financial income using the effective interest rate method. The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. Assets at amortized cost are mainly comprised of time deposits with an original maturity of more than 3 months, accounts receivable, cash and cash equivalents and loans and advances.

Equity Investments at Fair Value Through Profit or Loss
These are equity investments in quoted and non-quoted companies that are kept for strategic reasons and in investment vehicles that invest in the Group's target markets. These assets are subsequently measured at fair value. Dividends are recognized as financial income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized as a financial income or a financial expense in the income statement.

Fair Value Through Profit or Loss
These are primarily money market funds as well as contingent consideration assets (and liabilities) that are initially recorded at costs and subsequently carried at fair value with changes in fair value recorded as a financial income or a financial expense in the income statement.

Fair Value Through Profit or Loss – Hedging Instruments
These are derivative financial instruments that are used to manage the exposures to foreign currency and interest rates. These instruments are initially recorded and subsequently carried at fair value. Apart from those derivatives designated as qualifying cash flow hedging instruments, all changes in fair value are recorded as other operating income/expenses (instruments to manage the foreign currency exposure related to sales or purchases) or financial income/expenses (foreign currency exposure related to debt repayment or interest exposure on the Group's debt).

Debt Instruments
These are initially recorded at cost, which is the proceeds received net of transaction costs. They are subsequently stated at amortized cost; any difference between the net proceeds and the redemption value is recognized in the income statement over the period of the debt instrument using the effective interest method.

Cash and Cash Equivalents
Cash and cash equivalents include cash in hand, in postal and bank accounts, as well as short-term deposits and highly liquid funds that have an original maturity of less than three months.

Impairment
Assets that are subject to amortization and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that the assets may be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Calculation of recoverable amount – in assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversal of impairment – an impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Assets Held for Sale and Discontinued Operations
Disposal groups comprising assets and liabilities are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such disposal groups are generally measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated first to goodwill and then to the remaining assets and liabilities on a pro rata bases, except that no loss is allocated to inventories, financial assets or deferred tax assets, which continue to be recognized in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated. A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of such a line of business or area of operations. Classification as a discontinued operations occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

The income statement activity of the discontinued operations is presented separately in the consolidated income statement. The comparative consolidated income statement and consolidated statement of comprehensive income are restated to show the discontinued operations separately from continuing operations. Balance sheet and cash flow information related to discontinued operations are disclosed separately in the notes.

Deferred Taxes
Tax expense is calculated using the balance-sheet liability method. Additional deferred taxes are provided wherever temporary differences exist between the tax base of an asset or liability and its carrying amount in the consolidated accounts for the year.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and, for deferred tax assets, operating loss and tax credit carry-forwards.

Deferred tax assets and liabilities are measured using enacted or substantially enacted tax rates in the respective jurisdictions in which Lonza operates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In assessing the recoverability of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will not be realized. For transactions and other events recognized in other comprehensive income or directly in equity, any related tax effect is recognized in other comprehensive income or in equity.

Liabilities for income taxes, mainly withholding taxes, which could arise on the remittance of retained earnings, principally relating to subsidiaries, are only recognized where it is probable that such earnings will be remitted in the foreseeable future.

Employee Benefits
Employee-benefit liabilities as stated in the consolidated balance sheet include obligations from defined-benefit pension plans, other post-employment benefits (medical plans) as well as other long-term employee-related liabilities, such as long-term vacation accounts.

Defined-Benefit Plans (Pension Plans)
Most of Lonza's subsidiaries operate their own pension plans. Generally, they are funded by employees' and employers' contributions. In addition, the Group operates three medical plans in the United States. The Group's net obligation in respect of defined-benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined-benefit obligations is performed annually by a qualified external actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements. Remeasurements of the defined-benefit liability, which comprise actuarial gains and losses and the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income.

The Group determines the net interest expense on the net defined-benefit liabilities for the period by applying the discount rate used to measure the defined-benefit obligation at the beginning of the annual period to the net defined-benefit liability, taking into account any changes in the net defined-benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined-benefit plans are recognized in profit or loss. While the net interest expense is disclosed within financial expenses, the other expenses related to defined-benefit plans are allocated to the different functions of the operating activities. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that related to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined-benefit plan when the settlement occurs.

Provisions
A provision is recognized in the balance sheet when (i) the Group has a legal or constructive obligation as a result of a past event, (ii) it is probable that an outflow of economic benefits will be required to settle the obligation, and (iii) a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or been announced publicly. Future operating costs are not provided for.

Provisions for environmental liabilities are made when there is a legal or constructive obligation for the Group that will result in an outflow of economic resources. Provisions are made for remedial work where there is an obligation to remedy environmental damage, as well as for containment work where required by environmental regulations.

Share Capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group company purchases Lonza Group Ltd's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of.

Dividend
Dividend distribution to Lonza's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Lonza shareholders.

Share-Based Compensation
The Group operates various equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of shares and other share-based compensations is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted. At each balance sheet date, the entity revises its estimates of the number of shares that are expected to become vested. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

1.6 Significant Accounting Estimates and Judgments

Key Assumptions and Sources of Estimation Uncertainty

Use of Estimates
The preparation of the financial statements and related disclosures in conformity with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from those estimates. Estimates are used in impairment tests, accounting for allowances for doubtful receivables, inventory obsolescence, depreciation, employee benefits, taxes, environmental provisions and contingencies. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. The key assumptions about the future key sources of estimation uncertainty that entail a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are described below.

Impairment Test of Property, Plant and Equipment, Intangible Assets and Goodwill
The Group has carrying values with regard to property, plant and equipment of CHF 4,320 million (2020: CHF 3,369 million), goodwill of CHF 2,986 million (2020: CHF 3,072 million) and intangible assets of CHF 2,454 million (2020: CHF 2,640 million) (see notes 6 and 7). The intangible assets include trademarks acquired through business combinations with a carrying value of CHF 252 million (2020: CHF 261 million), which have an indefinite useful life and are not systematically amortized. Goodwill and intangible assets with indefinite useful lives are reviewed annually for impairment. To assess if any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its possible disposal. Actual outcomes could vary significantly from such estimates of discounted future cash flows. Factors such as changes in the planned use of buildings, machinery or equipment, or closure of facilities, the presence or absence of competition, technical obsolescence or lower-than-anticipated sales of products with capitalized rights could result in shortened useful lives or impairment. The impairment analysis as explained in note 6 is sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash-inflows and the growth rate used for calculation purposes. The key assumptions used to determine the recoverable amount for the different cash-generating units are further explained in note 6.2.

Pensions
Many of the Group's employees participate in post-employment plans. The calculations of the recognized assets and liabilities from such plans are based upon statistical and actuarial calculations. In particular, the present value of the defined-benefit obligation is influenced by assumptions on discount rates used to arrive at the present value of future pension liabilities and assumptions on future increases in salaries and benefits.

Furthermore, the Group's independent external actuaries use statistically based assumptions, covering areas such as future withdrawals of participants from the plan and estimates of life expectancy. At 31 December 2021, the present value of the Group's defined-benefit obligation was CHF 2,265 million (2020: CHF 2,218 million). The plan assets at fair value amounted to CHF 2,171 million (2020: CHF 1,940 million), resulting, compared with the present value of the pension obligation, in a funded status deficit of CHF 94 million (2020: CHF 278 million) (see note 24). The actuarial assumptions used may differ materially from actual results due to changes in market and economic conditions, higher or lower withdrawal rates or longer or shorter lifespans of participants and other changes in the factors being assessed. These differences could affect the fair value of assets or liabilities recognized in the balance sheet in future periods.

Environmental Provisions
Lonza is exposed to environmental liabilities and risks relating to its operations, principally in respect of provisions for remediation costs, which at 31 December 2021 amounted to CHF 394 million (2020: CHF 113 million), as disclosed in note 14. Provisions for non-recurring remediation costs are made when there is a legal or constructive obligation and the cost can be reliably estimated. It is difficult to estimate any future action required by Lonza to correct the effects on the environment of prior disposal or release of chemical substances by Lonza or other parties, and the associated costs, pursuant to environmental laws and regulations. The material components of the environmental provisions consist of costs to clean and refurbish contaminated sites and to treat and contain contamination at sites. The Group's future remediation expenses are affected by a number of uncertainties that include, but are not limited to, the method and extent of remediation and the responsibility attributable to Lonza at the remediation sites, relative to that attributable to other parties. The Group permanently monitors the various sites identified as at risk for environmental exposures. Lonza believes that its provisions are adequate, based upon currently available information; however, given the inherent difficulties in estimating liabilities in this area, there is no guarantee that additional costs will not be incurred beyond the amounts provided. Due to the uncertainty of both the amount and timing of future expenses, the provisions provided for environmental remediation costs could be affected in future periods.

Income Taxes

At 31 December 2021, deferred tax assets of CHF 18 million (2020: CHF 24 million), current tax receivables of CHF 28 million (2020: CHF 32 million), deferred tax liabilities of CHF 540 million (2020: CHF 581 million) and current tax payables of CHF 129 million (2020: CHF 159 million) are included in the consolidated balance sheet. Significant estimates are required in determining the current and deferred assets and liabilities for income taxes. Certain of these estimates are based on interpretations of existing tax laws or regulations.

Lonza operates in numerous tax jurisdictions and, as a result, is regularly subject to audit by tax authorities. Lonza provides for income tax-related uncertainties whenever it is deemed more likely than not that a tax position may not be sustained on audit, including resolution of related appeals or litigation processes, if any. The provisions are recorded based on the technical merits of a filing position, considering the applicable tax regulations and are based on Lonza's evaluations of the facts and circumstances as of the end of each reporting period.

Management believes that the estimates are reasonable and that the recognized liabilities for income tax-related uncertainties are adequate. Various internal and external factors may have favorable or unfavorable effects on the actual amounts of estimated income tax assets and liabilities. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations and changes in overall levels of pre-tax earnings. Such changes that arise could affect the assets and liabilities recognized in the balance sheet in future periods. Such changes in the facts and circumstances could affect the assets and liabilities recognized in the balance sheet in future periods.

Critical Accounting Judgments in Applying the Group's Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements (apart from those involving estimations, which are dealt with above).

Revenue Recognition

The Group has recognized revenues for sales of goods during the year to customers who have the right to rescind the sale if the goods do not meet the agreed quality. The Group believes that, based on past experience with similar transactions, the quality delivered will be accepted. Therefore, it is appropriate to recognize revenue on these transactions in the reporting period.

Revenues are recognized only when, according to management's judgment, performance obligations are satisfied, control over the assets have been transferred to the customer and no future performance obligation exists. For certain transactions, recognition of revenues is based on the performance of the conditions agreed in particular contracts, the verification of which requires evaluation and judgments by management.

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment, the Group assesses the impact of any variable consideration in the contract, due to potential refunds, contractual price changes, batch success fees, estimated breakage, discounts or penalties, additional commission paid by distributors, profit sharing and the existence of any significant financing components. In determining the impact of variable consideration the Group uses accumulated experience to estimate the impact of variable consideration.

The Group has various contractual agreements that contain several components promised to the customer. As these contracts may include multiple performance obligations, the transaction price must be allocated to the performance obligations on a relative stand-alone selling price basis. Management estimates the stand- alone selling price at contract inception based on observable prices of the type of product likely to be provided and the services rendered in similar circumstances to similar customers. If a discount is granted, it is allocated to both performance obligations based on their relative stand-alone selling prices. Contractually agreed upfront or other one-time payments are allocated to the performance obligation to which they relate.

Intangible Assets

The Group considers the Capsugel trade name acquired through the business combination in 2017, as well as the trademarks acquired in 2007 through the Cambrex business combination, to have indefinite useful lives, as they are well established in the respective markets and have a history of strong performance.

The Group intends, and has the ability, to maintain these trademarks for the foreseeable future. The assumption of an indefinite useful life is reassessed whenever there is an indication that a trademark may have a definite useful life. In addition, intangible assets with indefinite useful lives are tested for impairment on an annual basis (see note 6).

Note 2
Operating Segments

2.1
General Information

On 15 October 2020, Lonza published its new divisional structure of its continuing operations as per 1 January 2021. The transformations of the LPBN operations into four new divisions strengthens Lonza's offering in translation of technology and knowhow from pharma to nutrition, including regulatory and scientific expertise.

Following the requirements of IFRS 8 "Operating Segments", the Group's reportable segments/divisions 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 business is a trusted partner in innovative capsules, dosage form solutions and health ingredients for pharmaceutical and nutraceutical companies.

Corporate
Corporate includes mainly corporate functions, such as finance and accounting, legal, communication, information technology and human resources.

2.2 Information about Reportable Segment Profit or Loss, Assets and Liabilities including Reconciliations

In the following table, revenues and profit or loss are disclosed by the four reportable segments and corporate, which include the costs of the corporate functions, including eliminations, and adds up to the Group total. Lonza does not allocate financial result, income and expenses from associates and joint ventures as well as taxes to the reportable segments. The information disclosed by the operating segments is the same as that reported monthly to the Group's Executive Committee.

Year ended
31 December 2021

million CHF	Biologics	Small Molecules	Cell & Gene	Capsules & Health Ingredients	Total operating segments	Corporate / Eliminations	Group total
Sales third-party	2,699	767	602	1,204	5,272	137[3]	5,409
Intersegment sales[1]	26	6	47	16	95	(95)	0
Total sales	**2,725**	**773**	**649**	**1,220**	**5,367**	**42**	**5,409**
CORE EBITDA[2]	**979**	**215**	**106**	**414**	**1,714**	**(49)**	**1,665**
– Percentage return on sales in %	36.3	28.0	17.6	34.4	32.5	n.a.	30.8
included in results from operating activities:							
Research and development	(119)	(19)	(31)	(12)	(181)	0	(181)
Depreciation and amortization	(171)	(56)	(51)	(178)	(456)	(65)	(521)
Impairment, net of reversal of impairment	0	0	0	0	0	8	8
Restructuring income / (expense)	6	0	0	1	7	(1)	6
Environmental expenses	0	0	0	0	0	(304)	(304)
Other segment information:							
Additions to property, plant and equipment	920	118	84	83	1,205	53	1,258
Additions to property, plant and equipment from acquisitions	0	0	8	0	8	0	8
Additions to intangible assets	12	0	2	5	19	21	40
Additions to goodwill and intangible assets from acquisitions	0	0	53	0	53	0	53
Additions to investment in associates / joint ventures	0	0	0	3	3	0	3

1 Intersegment sales were based on prevailing market prices
2 Refer to section "Alternative Performance Measures" for details on the calculation methodology
3 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

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[2]
CORE EBITDA (from continuing operations)	**1,665**	**1,379**
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)
Result from operating activities (EBIT)[1] (from continuing operations)	**851**	**901**
Net financial result	(63)	(94)
Share of loss from associates/joint ventures	(28)	(4)
Profit before income taxes from continuing operations	**760**	**803**

1 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
2 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. Refer to section "Alternative Performance Measures"

Year ended
31 December 2020 (restated)

million CHF	Biologics	Small Molecules	Cell & Gene	Capsules & Health Ingredients	Total operating segments	Corporate / Eliminations	Group total
Sales third-party	2,146	692	481	1,153	4,472	36	4,508
Intersegment sales[1]	4	20	27	6	57	(57)	0
Total sales	**2,150**	**712**	**508**	**1,159**	**4,529**	**(21)**	**4,508**
CORE EBITDA[2]	**831**	**192**	**13**	**378**	**1,414**	**(35)**	**1,379**
– Percentage return on sales in %	38.7	27.7	2.7	32.8	31.6	n.a.	30.6
included in results from operating activities:							
Research and development	(97)	(18)	(24)	(14)	(153)	(1)	(154)
Depreciation and amortization	(114)	(59)	(50)	(183)	(406)	(47)	(453)
Impairment, net of reversal of impairment	(12)	0	(3)	0	(15)	(20)	(35)
Restructuring expenses	(7)	1	(1)	(14)	(21)	(1)	(22)
Environmental expenses	0	0	0	0	0	(11)	(11)
Other segment information:							
Additions to property, plant and equipment	633	67	54	55	809	51	860
Additions to intangible assets	4	0	1	7	12	17	29
Additions to investment in associates / joint ventures	0	0	0	6	6	0	6

1 Intersegment sales were based on prevailing market prices
2 Refer to section “Alternative Performance Measures” for details on the calculation methodology

2.3 Measurement of Operating Segment Profit or Loss

The accounting principles applied to the operating segments are based on the same accounting principles used for the consolidated financial statements. Lonza evaluates the performance of its operating segments on the basis of the result from operating activities (EBIT) as well as the CORE result from operating activities.

2.4
Geographical Information

Year ended
31 December 2021

million CHF	Revenue from external customers (sales)[1]	Property, plant and equipment	Intangible assets	Goodwill	Other non-current assets	Total non-current assets[2]
Belgium	202	98	1,214	2,446	35	3,793
Czech Republic	7	0	0	0	0	0
Denmark	131	5	0	10	0	15
France	97	57	81	9	1	148
Germany	201	5	16	60	0	81
Ireland	399	0	0	0	0	0
Italy	38	0	0	2	0	2
Netherlands	76	57	0	29	6	92
Spain	44	121	1	0	0	122
Sweden	142	0	0	0	0	0
Switzerland	656	2,210	113	63	263	2,649
United Kingdom	170	152	2	8	0	162
Rest of Europe	218	0	0	0	1	1
Europe	**2,381**	**2,705**	**1,427**	**2,627**	**306**	**7,065**
Canada	82	3	134	23	0	160
Mexico	30	13	20	0	0	33
United States	2,117	1,329	643	333	41	2,346
Rest of North and Central America	1	1	0	0	0	1
North and Central America	**2,230**	**1,346**	**797**	**356**	**41**	**2,540**
Brazil	60	0	11	0	0	11
Rest of Latin America	47	0	0	0	0	0
Latin America	**107**	**0**	**11**	**0**	**0**	**11**
China	143	337	74	0	0	411
India	40	18	22	2	1	43
Indonesia	18	22	14	0	0	36
Japan	206	37	37	0	3	77
Singapore	139	225	36	0	0	261
South Korea	79	0	0	0	0	0
Thailand	17	0	27	0	0	27
Rest of Asia	31	4	2	0	0	6
Asia	**673**	**643**	**212**	**2**	**4**	**861**
Australia & New Zealand	**17**	**0**	**7**	**1**	**0**	**8**
Other countries	**1**	**0**	**0**	**0**	**1**	**1**
Total	**5,409**	**4,694**	**2,454**	**2,986**	**352**	**10,486**

1 Revenue from external customers (sales) based on the geographic location of the customers
2 Total non-current assets excludes deferred tax assets

Year ended
31 December 2020 (restated)

million CHF	Revenue from external customers (sales)[1]	Property, plant and equipment	Intangible assets	Goodwill	Other non-current assets	Total non-current assets[2]
Belgium	366	87	1,347	2,557	29	4,020
Czech Republic	3	0	0	0	0	0
Denmark	106	5	0	10	0	15
France	207	82	130	10	2	224
Germany	87	5	19	63	0	87
Ireland	259	0	0	0	0	0
Italy	9	0	0	0	0	0
Netherlands	28	39	0	30	1	70
Spain	3	122	1	0	0	123
Sweden	151	0	0	0	0	0
Switzerland	394	1,483	110	63	250	1,906
United Kingdom	143	132	20	8	0	160
Rest of Europe	46	0	0	0	0	0
Europe	**1,802**	**1,955**	**1,627**	**2,741**	**282**	**6,605**
Canada	52	2	139	22	0	163
Mexico	27	10	22	0	0	32
United States	2,048	1,174	618	306	14	2,112
Rest of North and Central America	10	3	0	0	0	3
North and Central America	**2,137**	**1,189**	**778**	**328**	**14**	**2,309**
Brazil	32	0	11	0	0	11
Rest of Latin America	11	0	0	0	0	0
Latin America	**43**	**0**	**11**	**0**	**0**	**11**
China	85	160	72	0	1	233
India	30	16	23	2	1	42
Indonesia	26	20	14	0	0	34
Japan	145	41	41	0	3	85
Singapore	75	207	36	0	0	243
South Korea	101	0	0	0	0	0
Thailand	27	0	30	0	0	30
Rest of Asia	22	3	0	0	0	3
Asia	**511**	**447**	**216**	**2**	**5**	**670**
Australia & New Zealand	**14**	**0**	**8**	**1**	**0**	**9**
Other countries	**0**	**0**	**0**	**0**	**0**	**0**
Total	**4,508**	**3,591**	**2,640**	**3,072**	**301**	**9,604**

[1] Revenue from external customers (sales) based on the geographic location of the customers
[2] Total non-current assets excludes deferred tax assets

2.5 Information about Major Customers

In 2021, Lonza's largest customer accounted for 7.8% and the second, third, fourth and fifth largest customers for 6.4%, 5.7%, 5.3% and 3.1% in relation to total Group sales, respectively. No other customer accounted for 2.9% or more of Lonza's total sales.

In 2020, Lonza's largest customer accounted for 4.7% and the second, third, fourth and fifth largest customers for 4.4%, 4.4%, 3.7% and 2.3% in relation to total Group sales, respectively. No other customer accounted for 2.0% or more of Lonza's total sales.

Note 3
Revenues

3.1
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 Group derives its revenues primarily from long-term supply agreements with customers across the pharma, biotech and nutrition markets. Through its operating segments, Lonza 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. Each segment focuses on different modalities and markets:

- **Biologics** is the 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** 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** 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** is the trusted partner in innovative capsules and dosage form solutions and in health ingredients for pharmaceutical and nutraceutical customers.

The table below shows information for the Group's four operating segments 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
Biologics	2,699	2,146
Small Molecules	767	692
Cell & Gene	602	481
Capsules & Health Ingredients	1,204	1,153
Corporate	137	36
Total	**5,409**	**4,508**

3.2
Contract Assets and Liabilities

The Group recognized contract assets mainly consisting of contract fulfilment costs that are incurred after a contract is obtained but before goods or services have been delivered to the customer. These costs arise from long-term contracts in the custom manufacturing business for customer-specific production facility expansions or modifications on Lonza's premises. They typically include costs for commissioning, qualification and start-up, as well as for activities relating to process development and technology transfer. The assets are amortized on a straight line basis over the term of the specific contract they relate to, consistent with the pattern of recognition of the associated revenue. Additionally, if services rendered by Lonza exceed the payment received, a contract asset (accrued income) is recognized.

Contract liabilities mainly consist of upfront and other one-time payments, typically resulting from long-term contracts in the contract development and manufacturing business. These payments make up part of the expected transaction price and are deferred until batches are released. Additionally, if the payments received exceed services rendered, a contract liability (deferred income) is recognized. The non-current portion of deferred revenue is included in other long-term liabilities in the consolidated balance sheet.

The Group has recognized the following revenue-related contract assets and liabilities:

million CHF	2021	2020
Trade receivables	928	715
Total trade receivables	**928**	**715**

million CHF	2021	2020
Accrued income	127	185
Capitalized contract cost[1]	54	42
Total contract assets	**181**	**227**

[1] Thereof non-current CHF 32 million (2020: CHF 29 million) and current CHF 22 million (2020: 13 million)

million CHF	Notes	2021	2020
Non-current deferred income	16	675	444
Current deferred income	16	667	513
Total contract liabilities		**1,342**	**957**

Movement in Capitalized Costs to Fulfill a Contract

million CHF	2021	2020
At 1 January	**42**	**31**
Asset recognised from costs incurred to fulfill a contract at 31 December	39	28
Amortisation and impairment loss recognised as cost of providing services during the period	(27)	(17)
At 31 December	**54**	**42**

Movement in Contract Liabilities

million CHF	2021	2020
At 1 January	**957**	**609**
Revenue recognized that was included in the contract liability balance at the beginning of the period	(520)	(365)
Increases due to cash received, excluding amounts recognised as revenue during the period	841	739
Reclassification to asset held for sale	0	(13)
Acquisition of subsidiaries	60	0
Currency translation effects	4	(13)
At 31 December	**1,342**	**957**

Note 4
Restructuring

Year ended
31 December 2021

million CHF	Total operating segments	Corporate	Total
Impairment / (reversal of impairment) of property, plant and equipment and intangible assets	0	(8)	(8)
Restructuring charges / (income)	(7)	1	(6)
Total	**(7)**	**(7)**	**(14)**

Year ended
31 December 2020[1]

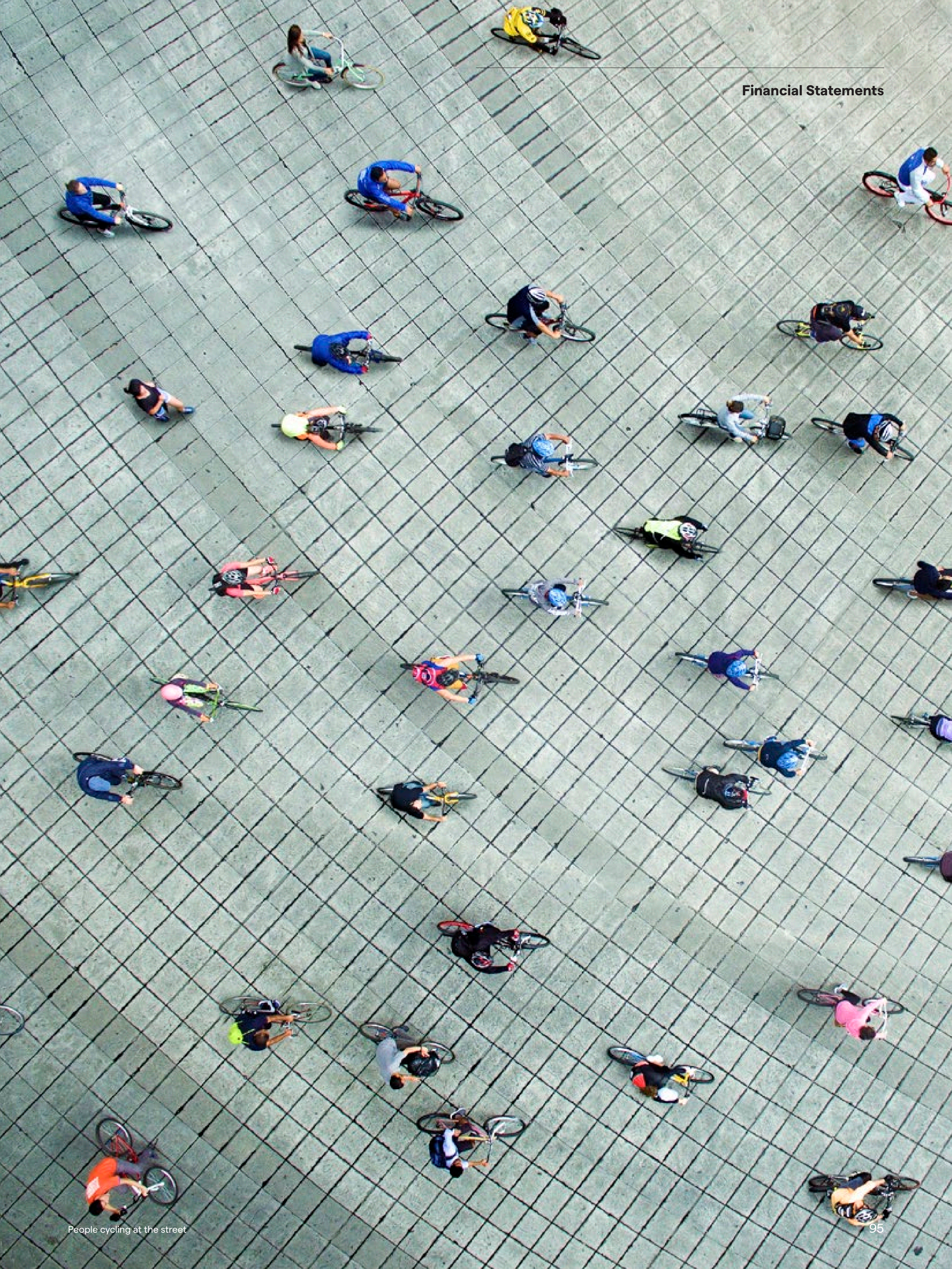
million CHF	Total operating segments	Corporate	Total
Impairment / (reversal of impairment) of property, plant and equipment and intangible assets	4	20	24
Restructuring charges / (income)	21	1	22
Total	**25**	**21**	**46**

[1] 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

In 2020, Lonza recognized an impairment loss of CHF 20 million related to production facilities in Nansha. These assets were previously reported in the former Specialty Ingredients segment. However, due to local regulatory requirements, these assets were retained by Lonza following the divestment of the Specialty Ingredients business subject to a supply agreement with a limited contractual term. The impairment of CHF 20 million reflected the estimated future cash flow expected to be generated under the supply agreement.

In 2021, Lonza recognized an impairment reversal of CHF 8 million related to the same assets to reflect revised contractual terms / expected future cash flows under the same supply agreement.

For both years, the impairment related charge and its partial reversal have been recognized as a component of other operating expenses.



People cycling at the street

Note 5
Business Combinations and Sale of Businesses

5.1
Divestment of Lonza Specialty Ingredients (LSI) Business (2021)

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

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

In accordance with IFRS 5, assets and liabilities related to the LSI business were reclassified to assets and liabilities of a disposal group held for sale in the statement of financial position as from 1 October 2020. As the carrying amount of the disposal group held for sale was lower than its respective fair value less costs to sell, no impairment losses had been recorded.

Furthermore, the results from LSI were presented as part of discontinued operations in 2020 and 2021.

Intragroup transactions between Lonza's continuing and discontinued operations have been attributed in a way that reflects how these transactions are expected to be continued in the future. As intercompany loans and debts were expected to be settled prior to or at the closing of the transaction, effects from these transactions within financial result were eliminated. To the contrary, certain supply and service agreements continue to be in place even after the closing of the transaction and therefore were not eliminated. The Group has primarily identified supply and service agreements between continuing operations and LSI in Lonza's facilities in Visp (CH) and Nansha (CN). In 2021, sales from the Lonza continuing business to discontinued operations amounted to CHF 107 million (2020: CHF 104 million) while sales from discontinued operations to the Lonza continuing business amounted to CHF 30 million (2020: CHF 36 million).

The results from the Specialty Ingredients business (six months for 2021 and twelve months for 2020), which are presented as discontinued operations, are as follows:

million CHF	2021[1]	2020
Sales	887	1,677
Costs of goods sold[2]	(611)	(1,158)
Gross profit	**276**	**519**
Marketing and distribution	(49)	(107)
Research and development	(15)	(35)
Administration and general overheads[3]	(70)	(176)
Other operating income	10	26
Other operating expenses	(7)	(32)
Result from operating activities (EBIT)	**145**	**195**
Net financial result	(4)	(8)
Share of loss of associates / joint ventures	(1)	(4)
Profit from operating activities before taxes	**140**	**183**
Income taxes	(35)	(44)
Profit from operating activities, net of tax	**105**	**139**
Gain on sale of discontinued operations[4]	2,172	0
Income tax on sale of discontinued operations	(7)	0
Profit from discontinued operations, net of tax	**2,270**	**139**
Attributable to:		
Equity holders of the parent	2,270	139
Non-controlling interest	0	0
	CHF	
Basic earnings per share	30.57	1.87
Diluted earnings per share	30.47	1.87

[1] The LSI business was sold effective 1 July 2021. Therefore, results from operating activities in 2021 are not comparable to 2020, as it only comprises six months
[2] In 2020, including impairment charges on active production sites (CHF 13 million, mainly in Visp and Kourim)
[3] In 2020, including carve-out and divestiture costs related to Specialty Ingredients (CHF 35 million)
[4] In 2021, the gain from discontinued operations includes the proceeds received (CHF 4,016 million), the net assets that were disposed of (CHF 1,602 million), the divestiture and separation related costs (FY 2021: CHF 56 million, FY 2020: CHF 37 million) and the recycling of accumulated exchange rate translation reserve losses (CHF 186 million)

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

million CHF	2021	2020
Net cash used for / (provided by) operating activities	(42)	155
Net cash used for / (provided by) investing activities	(41)	(77)
Net cash used for / (provided by) financing activities	(16)	7
Net cash flows for the year	**(99)**	**85**

At 31 December 2020 the assets and liabilities held for sale related to LSI were as follows:

million CHF	
Goodwill	492
Intangible assets	206
Property, plant & equipment	605
Other non-current assets	54
Inventories	309
Trade receivables	180
Other receivables	49
Cash and cash equivalents	124
Assets of disposal group classified as held for sale	**2,019**
Non-current provisions	(18)
Employee benefit liability	(191)
Other non-current liabilities	(14)
Deferred tax liabilities	(48)
Trade payables	(91)
Other current liabilities	(173)
Current debt	(14)
Current tax payables	(6)
Liabilities directly associated with assets of disposal group classified as held for sale	**(555)**
Net assets directly associated with disposal group classified as held for sale	**1,464**

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

million CHF	
Goodwill	(513)
Intangible assets	(216)
Property, plant & equipment	(669)
Other non-current assets	(25)
Inventories	(332)
Trade receivables	(257)
Other receivables	(58)
Cash and cash equivalents	(44)
Deferred tax liabilities	56
Non-current liabilities	131
Trade payables	145
Other current liabilities	179
Net assets disposed of	**(1,602)**
Consideration received, satisfied in cash	4,016
Cash and cash equivalents disposed of	(44)
Cash inflow on disposal	**3,972**

5.2
Divestment of 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 generating CHF 120 million net cash proceeds.

The gain from disposal amounts to CHF 4 million before taxes, taking into account the reclassification of the accumulated exchange rate translation reserve losses of CHF 5 million to the income statement and disposal-related expenses of CHF 2 million.

million CHF	
Intangible assets	(55)
Property, plant & equipment	(44)
Other non-current assets	(1)
Current assets (other than cash and cash equivalents)	(37)
Cash and cash equivalents	(8)
Non-current liabilities	13
Current liabilities	16
Net assets disposed of	**(116)**
Consideration received, satisfied in cash	128
Cash and cash equivalents disposed of	(8)
Cash inflow on disposal	**120**

5.3
Acquisitions in Exosomes Bioprocessing Business

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 Group consolidated financial statements for the twelve-month period ended 31 December 2021.

The net identifiable assets acquired from the 2021 acquisitions are set out in the table below:

million CHF	
Intangible assets (technologies and customer relationships)	35
Property, plant & equipment	8
Net identifiable assets	**43**
Goodwill	18
Total consideration	**61**
Cash consideration	1
Manufacturing services in kind	60
Total consideration transferred	**61**

5.4
Cash Flow from Acquisitions of Subsidiaries

million CHF	2021	2020
Deferred consideration paid related to Fill and Finish Business, Stein (CH)	(43)	(15)
Cash consideration paid [1]	(3)	0
Contingent consideration paid [2]	(2)	0
Cash in acquired companies	0	0
Net cash outflow	**(48)**	**(15)**

[1] Payments predominantly related to the acquired Exosomes bioprocessing business
[2] See note 29.6

Note 6
Intangible Assets and Goodwill

6.1
Cost and Accumulated Amortization and Impairment

Intangible assets include software purchased from third parties, related software implementation costs, as well as patents, trademarks, client relationships acquired and development costs. Their amortization is included in the line item “Administration and general overheads” of the consolidated income statement.

The Capsugel trade name acquired through the business combination in 2017 as well as the trademarks acquired through the acquisition of Cambrex (2007) are considered to have indefinite useful lives. As a result, these intangible assets with a carrying amount of CHF 251 million as of 31 December 2021 (2020: CHF 261 million) are not systematically amortized.

Development costs as of 31 December 2021 predominantly include technologies acquired with the acquisitions of Capsugel, amounting to CHF 800 million (2020: CHF 912 million) and Octane of CHF 94 million (2020: CHF 100 million).

Year ended
31 December 2021

million CHF	Goodwill	Capsugel trade name and Cambrex Trademarks	Patents, trademarks, client relationship	Computer software	Technologies / Development cost	Construction in progress	Total
Cost							
At 1 January	**3,072**	**261**	**1,567**	**201**	**1,351**	**0**	**6,452**
Additions	0	0	7	26	5	2	40
Disposals	0	0	0	(1)	0	0	(1)
Acquisition of subsidiaries	18	0	24	0	11	0	53
Disposal of subsidiary	0	0	(61)	0	0	0	(61)
Currency translation differences	(104)	(9)	10	0	(43)	(1)	(147)
At 31 December	**2,986**	**252**	**1,547**	**226**	**1,324**	**1**	**6,336**
Accumulated amortization and impairment							
At 1 January	**0**	**0**	**(296)**	**(125)**	**(319)**	**0**	**(740)**
Amortization	0	0	(55)	(25)	(95)	0	(175)
Disposals	0	0	0	1	0	0	1
Disposal of subsidiary	0	0	6	0	0	0	6
Currency translation differences	0	0	(2)	0	14	0	12
At 31 December	**0**	**0**	**(347)**	**(149)**	**(400)**	**0**	**(896)**
Net carrying amount 31 December	**2,986**	**252**	**1,200**	**77**	**924**	**1**	**5,440**

Year ended
31 December 2020

million CHF	Goodwill	Capsugel trade name and Cambrex Trademarks	Patents, trademarks, client relationship	Computer software	Technologies / Development cost	Construction in progress	Total
Cost							
At 1 January	**3,651**	**353**	**1,918**	**173**	**1,438**	**2**	**7,535**
Additions	0	0	3	69	7	0	79
Disposals	0	0	(3)	(23)	(5)	0	(31)
Reclassification from property, plan and equipment	0	0	3	0	0	0	3
Reclassification to asset held for sale	(492)	(82)	(236)	(15)	(63)	0	(888)
Transfers / reclassification	0	0	2	0	0	(2)	0
Currency translation differences	(87)	(10)	(120)	(3)	(26)	0	(246)
At 31 December	**3,072**	**261**	**1,567**	**201**	**1,351**	**0**	**6,452**
Accumulated amortization and impairment							
At 1 January	**0**	**0**	**(397)**	**(144)**	**(270)**	**0**	**(811)**
Amortization	0	0	(68)	(21)	(97)	0	(186)
Disposals	0	0	3	23	2	0	28
Impairment losses	0	0	(1)	(1)	0	0	(2)
Reclassification to asset held for sale	0	0	138	15	40	0	193
Currency translation differences	0	0	29	3	6	0	38
At 31 December	**0**	**0**	**(296)**	**(125)**	**(319)**	**0**	**(740)**
Net carrying amount 31 December	**3,072**	**261**	**1,271**	**76**	**1,032**	**0**	**5,712**

6.2 Impairment Tests for Cash-Generating Units Containing Goodwill and Intangible Assets with Indefinite Useful Lives

Following the reorganizational changes of Lonza's former Pharma Biotech & Nutrition segment into four operational divisions, Lonza made a comprehensive reassessment of the cash-generating units used for allocating goodwill within its operational divisions and accordingly, prior year information was restated to conform with the current year presentation.

Biologics
Various technologies (mammalian, microbial, etc.) applied within the Biologics division are the cash-generating units identified and subject to impairment testing of goodwill.

Small Molecules
In providing customized API development and manufacturing services, the Small Molecules division applies different chemical technologies representing a separate cash-generating unit. This cash-generating unit is subject to impairment testing of goodwill.

Cell & Gene
The Cell and Gene division applies various technologies (bioscience solutions, cell therapy, viral therapeutics etc.) which are cash-generating units and subject to impairment testing of goodwill and intangible assets with indefinite useful lives.

Capsules & Health Ingredients
The business offers nutritional formulation know-how, capsule and encapsulation technologies. The applied technologies represents the cash-generating unit that is subject to impairment testing of goodwill and intangible assets with indefinite useful lives.

The reported goodwill and intangible assets with indefinite useful lives are monitored on operational division level. The following divisions maintain carrying amounts of goodwill as presented below (at year-end exchange rates):

million CHF	2021	2020
Biologics	34	34
Small Molecules [1]	1,129	38
Cell & Gene	385	368
Capsules & Health Ingredients [1]	1,438	0
Chemical and Capsules & Health Ingredients business (representing a group of cash-generating units) [1]	0	2,632
Total carrying amounts of goodwill as at 31 December	**2,986**	**3,072**

[1] Goodwill resulting from the acquisition of Capsugel was proportionally reallocated to combined businesses of Capsules & Health Ingredients as well as Small Molecules

The following divisions maintain carrying amounts of intangible assets with indefinite useful lives as presented below (at year-end exchange rates):

million CHF	2021	2020
Cell & Gene	25	24
Capsules & Health Ingredients [1]	227	237
Total carrying amounts of intangible assets with indefinite useful life as at 31 December	**252**	**261**

The recoverable amount of the cash-generating units is based on the value-in-use calculation. The supporting cash flow projections for 2022 to 2026 are based on the Lonza business strategy review and exclude any future cash inflows and outflows expected to arise from the growth potential of future capital expenditures.

The cash flow projections beyond the five-year period, of the most significant cash-generating units below, are based on the concept of perpetual growth rates, which do not necessarily reflect the Group's strategic objective targets for the future growth potential of the underlying businesses. The key assumptions and the approach to determining the value in use of the significant cash-generating units carrying significant goodwill are based on the following:

The cash-generating unit capsules & health ingredients provide cash flow projections for 2022–2026 based on a 4.4% average sales growth with increasing EBIT margins. The cash flow projections beyond the five-year period are based on 2.0% growth rate. A pre-tax discount rate of 7.3% has been used in discounting the projected cash flows.

The chemical cash-generating unit represents the business activities of the Small Molecules division. The cash flow projections for 2022–2026 are based on a 10.3% average sales growth with increasing EBIT margins. The cash flow projections beyond the five-year period are based on 2.0% growth rate. A pre-tax discount rate of 5.5% has been used in discounting the projected cash flows.

Bioscience Solutions / Cell Therapy / Viral Therapeutics businesses is a group of cash-generating units reported in the Cell and Gene division. The businesses are characterized by strong dynamic growth across the majority of its markets, driven by the aging population and improved access to healthcare. The cash flow projections for 2022–2026 are based on a 20.6% (2020: 20.9%) average sales growth. The cash flow projections beyond the five-year period are extrapolated using a 2.0% (2020: 2.0%) growth rate. A pre-tax discount rate of 5.8% (2020: 5.7%) has been used in discounting the projected cash flows.

A sensitivity analysis for the cash-generating units and groups of cash-generating units to which a significant amount of goodwill or intangible assets with indefinite useful lives are allocated was performed. The analysis was based on changes in key inputs which management considers to be reasonably possible:

- A reduction in cash flows by 10%
- Or an increase in discount rate by one percentage point
- Or a reduction in the perpetual growth rate by one percentage point.

Management concluded that no impairment loss would need to be recognized on goodwill or intangible assets with indefinite useful lives in any of the cash-generating units (or group of cash-generating units).

Note 7
Property, Plant and Equipment

million CHF	2021	2020
Property, plant and equipment own assets	4,320	3,369
Right-of-use of leased assets	374	222
Total	**4,694**	**3,591**

7.1
Property Plant and Equipment Own Assets

Year ended
31 December 2021

million CHF	Notes	Land	Buildings and structures	Production facilities	Construction in progress	Total
Cost						
At 1 January		**82**	**1,673**	**3,382**	**1,217**	**6,354**
Additions		0	119	228	911	1,258
Disposals		0	(10)	(41)	(3)	(54)
Acquisition of subsidiaries		0	0	8	0	8
Disposal of subsidiary		(2)	(22)	(22)	(4)	(50)
Transfers / reclassification		0	269	500	(766)	3
Currency translation differences		(1)	13	50	8	70
At 31 December		**79**	**2,042**	**4,105**	**1,363**	**7,589**
Accumulated depreciation and impairment						
At 1 January		**(1)**	**(872)**	**(2,112)**	**0**	**(2,985)**
Depreciation charge		0	(64)	(247)	0	(311)
Disposals		0	4	35	0	39
Impairment losses	4	0	0	(1)	0	(1)
Reversal of impairment losses	4	0	2	6	0	8
Disposal of subsidiary		0	3	5	0	8
Currency translation differences		0	(4)	(23)	0	(27)
At 31 December		**(1)**	**(931)**	**(2,337)**	**0**	**(3,269)**
Net carrying amount 31 December		**78**	**1,111**	**1,768**	**1,363**	**4,320**

Year ended
31 December 2020

million CHF	Notes	Land	Buildings and structures	Production facilities	Construction in progress	Total
Cost						
At 1 January		**99**	**2,048**	**4,805**	**978**	**7,930**
Additions		0	23	135	712	870
Disposals		0	(4)	(25)	(1)	(30)
Reclassification to asset held for sale		(10)	(414)	(1,603)	(91)	(2,118)
Transfers / reclassification		1	87	251	(339)	0
Currency translation differences		(8)	(67)	(181)	(42)	(298)
At 31 December		**82**	**1,673**	**3,382**	**1,217**	**6,354**
Accumulated depreciation and impairment						
At 1 January		**(6)**	**(1,117)**	**(3,226)**	**0**	**(4,349)**
Depreciation charge		0	(67)	(243)	0	(310)
Disposals		0	7	20	0	27
Impairment losses	4	0	(10)	(26)	0	(36)
Reversal of impairment losses	4	0	0	3	0	3
Reclassification to asset held for sale		4	289	1,258	0	1,551
Currency translation differences		1	26	102	0	129
At 31 December		**(1)**	**(872)**	**(2,112)**	**0**	**(2,985)**
Net carrying amount 31 December		**81**	**801**	**1,270**	**1,217**	**3,369**

Commitments (for the continuing business) for capital expenditure in property, plant and equipment amounted to CHF 737 million at year-end 2021 (2020: CHF 410 million), mainly related to capital expenditures at the Visp (CH) and Portsmouth (US) sites. No assets were pledged for security of own liabilities in 2021 and 2020.

7.2 Leases

Right-of-use of Leased Assets

Year ended
31 December 2021

million CHF	Buildings and structures	Production facilities	Others	Total
Net carrying amount at the year ended	285	65	24	374
Additions for the year ended	125	65	15	205
Depreciation for the year ended	(31)	(2)	(3)	(36)
Impairment for the year ended	0	0	0	0

Year ended
31 December 2020

million CHF	Buildings and structures	Production facilities	Others	Total
Net carrying amount at the year ended	213	2	7	222
Additions for the year ended	45	0	3	48
Depreciation for the year ended	(27)	(1)	(2)	(30)
Impairment for the year ended	0	0	0	0

During the year ended 31 December 2021, CHF 20 million (2020: CHF 17 million) was recognized as an expense in the consolidated income statement for continuing business in respect of leases not in scope of IFRS 16.

Lonza predominantly leases office buildings, together with warehouses and production assets. The maturities of the lease liabilities are presented in note 29.3.

Lease expenses and cash outflows
Leases are presented as follows in the income statement:

million CHF	2021	2020
Expenses related to short-term leases and low value assets[1]	(7)	(7)
Expenses related to variable lease payments not included in lease liabilities[1]	(7)	(4)
Other rent expenses (including incidental expenses)[1]	(6)	(6)
Depreciation of right-of-use of leased assets[1]	(36)	(30)
Interest expense on leases[2]	(12)	(8)
Total	**(68)**	**(55)**
	2021	2020
Total cash outflows on leases	**(82)**	**(76)**

[1] Included in cost of good sold and administrative expenses
[2] Included in financial result

Note 8
Other Non-Current Assets

million CHF	Notes	2021	2020
Loans and advances	15	177	162
Other investments		73	33
Capitalized contract costs	3	32	29
Investments in associates / joint ventures	9	31	56
Defined benefit pension plan asset	24.1	2	2
Contingent consideration related to sale of business	29.6	0	7
Other assets		37	12
Total		**352**	**301**

Loans and advances at 31 December 2021 includes a CHF 159 million loan to BioAtrium AG (2020: CHF 149 million). This associated company represents a strategic partnership between Sanofi and Lonza (see note 9). It also includes a CHF 16 million (2020: CHF 11 million) loan to BacThera (Joint-venture, see note 9).

Note 9
Investments in Joint Ventures and Associates

In 2021, the Group did not receive any dividends (2020: CHF 1 million) from associates and joint ventures.

The following table summarizes the carrying amounts of interests in joint ventures and associates, which are accounted for using the equity method.

million CHF	2021	2020
Balance Sheet Value		
Interests in joint ventures	0	12
Interests in associates	31	44
Total	**31**	**56**
Net income statement effect	2021	2020
Share of profit / (loss) of joint ventures	(15)	(4)
Share of profit / (loss) of associates	(13)	0
Total	**(28)**	**(4)**

9.1 Joint Ventures

With BacThera Ltd. (legal entity founded in April 2019), the Group established together with Chr. Hansen Holding A/S a strategic partnership in developing and manufacturing live biotherapeutic products for Pharma Biotech & Nutrition customers. This partnership brings together Chr. Hansen's extensive know-how in developing, upscaling and manufacturing bacteria strains and Lonza's strong capabilities in pharma contract manufacturing and outstanding formulation and drug delivery technologies. The phased investment of approximately EUR 90 million is shared equally between the parties to build cGMP-compliant pharma production capabilities. BacThera Ltd is expected to be fully operational in 2022. In addition to the equity funding, Lonza financed the joint venture with a loan of CHF 16 million (2020: CHF 11 million). Lonza accounts for its 50% share in BacThera Ltd as a joint venture in accordance with IFRS 11. In 2021, Lonza considered its share of loss and recognized an adjustment to its investment value in BacThera Ltd of CHF 14 million.

9.2 Associates

Lonza holds a 50% stake in BioAtrium Ltd (CH), as well as in another individually immaterial company.

BioAtrium Ltd
BioAtrium Ltd was founded in 2017 for the strategic partnership with Sanofi. This strategic partnership is building and will operate a largescale mammalian cell culture facility for monoclonal antibody production in Visp (CH). The total commitment of both partners is estimated to be CHF 290 million and is equally shared between the two parties. The facility commenced its operational manufacturing at the end of 2021. Lonza continues to account for its share in BioAtrium Ltd as an investment in associates in accordance with IAS 28. In 2021, Lonza granted additional loans of CHF 10 million to BioAtrium Ltd. The financial results of BioAtrium Ltd in both reporting periods represent predominantly the costs incurred during the operational ramp-up phase. According to the shareholder's agreement, these costs were funded by both shareholders. In 2021, Lonza considered its share of loss and recognized an adjustment to its investment value in BioAtrium Ltd by CHF 13 million.

The following table summarizes certain financial information of BioAtrium Ltd and Lonza's investment in the associate:

million CHF	2021	2020
Percentage of ownership	**50%**	**50%**
Current assets	88	70
Non-current assets	347	323
Current liabilities	53	19
Non-current liabilities (including non-current debt of CHF 317 million; 2020: CHF 297 million)	334	303
Net assets (100%)	**48**	**71**
Group's share of net assets (50%)	24	36
Carrying amount of interest in BioAtrium Ltd	**31**	**44**

Note 10
Inventories

million CHF	2021	2020
Inventories	1,623	1,252
Value adjustments	(122)	(116)
Total	**1,501**	**1,136**

million CHF		2021		2020
Raw materials	41%	616	32%	365
Work in progress	14%	210	13%	147
Finished goods	32%	478	42%	480
Other	13%	197	13%	144
Total	**100%**	**1,501**	**100%**	**1,136**

By Operating Segments

million CHF		2021		2020
Biologics	51%	770	40%	451
Small Molecules	22%	325	27%	307
Cell & Gene	12%	181	13%	147
Capsules & Health Ingredients	15%	232	20%	223
Corporate / Intercompany Profit Eliminations	0%	(7)	0%	8
Total	**100%**	**1,501**	**100%**	**1,136**

The cost of inventories recognized as expenses during the period and included in “Cost of goods sold” amounted to CHF 3,246 million (2020: CHF 2,676 million).

Inventory Value Adjustments

million CHF	Raw materials	Work in progress and finished goods	Other	Total 2021	Total 2020
At 1 January	**29**	**65**	**22**	**116**	**114**
Increase	17	48	4	69	107
Reversal / Utilization of write-downs	(5)	(57)	1	(61)	(72)
Transfer to assets held for sale	0	0	0	0	(31)
Disposal of subsidiaries	0	(1)	0	(1)	0
Currency translation differences	(1)	0	0	(1)	(2)
At 31 December	**40**	**55**	**27**	**122**	**116**

People On Street, Mexico

Note 11
Trade Receivables

million CHF	2021	2020
Receivables from customers	940	729
Allowances for credit losses	(12)	(14)
Total	**928**	**715**

The Group's credit risk is diversified due to the large number of entities comprising the Lonza customer base and the dispersion across many different industries and regions. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. At 31 December 2021, there were no significant concentrations of credit risk. The maximum exposure to credit risk is equal to the carrying amounts.

Reconciliation of Changes in Allowance Accounts for Credit Losses

million CHF	2021	2020
Balance at the beginning of the year	**14**	**16**
Write-offs	(2)	(7)
Increase in provision for credit losses	0	9
Decrease in provision for credit losses	0	(3)
Reclassification to assets held for sale	0	(1)
Balance at the end of the year	**12**	**14**

In general, Lonza does not require collateral in respect of trade and other receivables, but uses credit insurance for country risk where appropriate.

Note 12
Other Receivables, Prepaid Expenses and Accrued Income

million CHF	Notes	2021	2020
Accrued income	3	127	185
Other receivables		81	87
Prepaid expenses		39	71
Derivative financial instruments	29.5	41	37
Capitalized contract costs	3	22	13
Prepaid taxes and social security payments		4	4
Contingent consideration related to sale of business	29.6	0	7
Total		**314**	**404**

"Other receivables" include accruals and receivables for taxes (other than income taxes).

Note 13
Cash and Cash Equivalents

million CHF	2021	2020
Cash	954	345
Time deposits	628	150
Total	**1,582**	**495**

Note 14
Provisions

million CHF	Environmental	Restructuring	Other	Total
At 1 January 2021	**113**	**13**	**31**	**157**
Increase	306	2	6	314
Used	(23)	(6)	(24)	(53)
Reversed	(2)	(3)	(1)	(6)
At 31 December 2021	**394**	**6**	**12**	**412**
thereof current	34	4	6	44
thereof non-current	360	2	6	368

Environmental
The environmental provision comprises the estimated probable future expenses for environmental remediation and protection for existing as well as divested plants The vast majority of the provision of CHF 394 million (2020: CHF 113 million) relates to the Visp site and is expected to be utilized within ten years.

Lonza maintains an old landfill close to its Visp (CH) site (Gamsenried landfill). 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 addresses 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.

Restructuring
The restructuring provision primarily reflects the expected employee termination costs related to ongoing restructuring programs (see note 4).

Other
Other provisions are predominately associated with the asset retirement obligations of Lonza's Singapore based operations.

Note 15
Net Debt

The net debt comprises:

million CHF	Notes	2021	2020
Debt			
Non-current debt		2,234	2,784
Current debt		169	796
Total debt of continuing business		**2,403**	**3,580**
Current debt classified as held for sale	5.1	0	14
Total debt		**2,403**	**3,594**
Loans and advances (floating interest rates)			
Non-current loans and advances		(177)	(162)
Short-term investments		(1,602)	0
Cash and cash equivalents		(1,582)	(495)
Cash and cash equivalents classified as held for sale	5.1	0	(124)
Total loans and advances and cash and cash equivalents		**(3,361)**	**(781)**
Net debt / (net cash)	**13**	**(958)**	**2,813**

Non-Current Debt

million CHF	2021	2020
Straight bonds	1,246	1,374
Term loan	635	612
German private placement	240	669
Other long-term debt	113	129
Total non-current debt	**2,234**	**2,784**

Straight Bonds - Fixed Interest Rates

million CHF	2021	2020
CHF bonds		
0.2% CHF 125 million, 2017/2021, due 12 July 2021, issued at 100.179%	0	125
0.125% CHF 250 million, 2016/2021, due 1 November 2021, issued at 100.037%	0	250
3% CHF 105 million, 2012/2022, due 11 October 2022, issued at 100.74%	105	105
1%, CHF 300 million, 2020/2023, due 28 April 2023, issued at 100.015%	299	299
1.25% CHF 175 million, 2015/2023, due 22 September 2023, issued at 100.133%	175	175
0.7% CHF 110 million, 2017/2024, due 12 July 2024, issued at 100.222%	110	110
0.35%, CHF 150 million, 2020/2026, due 22 September 2026, issued at 100.148%	150	150
EUR bonds		
1.625% EUR 500 million, 2020/2027, due 21 April 2027, issued at 99.424%	512	535
Total including current portion	**1,351**	**1,749**
Less current portion of straight bonds	(105)	(375)
Total non-current straight bonds	**1,246**	**1,374**

Current Debt

million CHF		2021		2020
Due to banks and other financial institutions		0		6
Others		64		63
Non-current debt due within one year				
– German private placement	0		352	
– Straight bond (2016-2021)	0		250	
– Straight bond (2017-2021)	0		125	
– Straight bond (2012-2022)	105	105	0	727
Total current debt		**169**		**796**

Debt: Movements in Carrying Value of Recognised Liabilities

million CHF	2021	2020
At 1 January	**3,580**	**3,540**
Repayment of straight bond	(375)	(150)
Issuance of straight bonds	0	970
Issuance / (repayment) of term loan	0	(526)
Repayment of syndicated loan	0	(144)
Repayment of German private placements	(784)	0
Increase / (decrease) in other debt	(27)	4
Changes from financing cash flows	**(1,186)**[1]	**154**
Amortization of financing costs and discounts	**5**	**5**
Reclassification to liabilities held for sale	**0**	**(14)**
Net foreign currency transaction (gains) losses	22	(105)
Currency translation effects	(18)	0
Changes in foreign exchanges rates	**4**	**(105)**
At 31 December	**2,403**	**3,580**

[1] Net repayment of debt CHF 15 million related to discontinued operations, resulting in a total change from financing cash flows of CHF 1'201 million

Breakdown of Total Debt by Currencies

			2021			2020
million CHF	Average Interest Rate %	%		Average Interest Rate %	%	
CHF	0.93	37	879	0.81	36	1,272
EUR	1.38	29	706	1.13	36	1,293
USD	1.99	34	818	2.20	28	1,015
Total		**100**	**2,403**		**100**	**3,580**

Credit Rating
In January 2019, Lonza announced that Standard & Poor's (S&P) rated the company with an investment grade rating of BBB+ and stable outlook. The rating has been confirmed by S&P since then and Lonza is committed to maintaining a strong investment-grade rating going forward.

Debt repayments
Following the successful closing of the transaction to sell the Lonza Specialty Ingredients business and the receipt of the disposal net proceeds in July 2021, Lonza did not issue any new bonds or other debt securities in 2021. Furthermore Lonza repaid its scheduled debt maturities in 2021 totaling CHF 727 million equivalent (thereof CHF 352 million related to the Schuldschein and CHF 375 million related to the Swiss bonds). Furthermore, Lonza decided to early repay floating rate Schuldschein notes totaling CHF 432 million equivalent.

Eurobond
In April 2020 Lonza issued its inaugural Eurobond with a coupon of 1.625% in the European capital market. The net proceeds were used to refinance existing debt and general corporate purposes. The bond with a volume of EUR 500 million has a maturity of 7 years. The notes have been offered under a standalone Prospectus and have been listed on the Luxembourg Stock Exchange.

CHF-bonds
In 2020, Lonza issued two additional CHF-Bonds. In April 2020 a CHF 300 million note with a maturity of 3 years and an annual coupon of 1.000% followed by a CHF 150 million note with a maturity of six years and an annual coupon of 0.35% in September. The net proceeds were used for refinancing and general corporate purposes.

German Private Placement (Schuldschein)
Following the repayment of the scheduled debt maturities of EUR 325 million (equaling to CHF 352 million equivalent) in August and the early repayment of the floating rate notes of USD 250 million and EUR 187.5 million in August and September 2021 (totaling CHF 432 million equivalent), Lonza maintains two fixed rate notes of the dual-currency Schuldschein issued in August 2017. Remaining notes are repayable in 2023 (EUR 187.5 million) and 2024 (USD 50 million).

Syndicated Loan Facilities
In 2019, Lonza signed a Syndicated Loan Facility with a consortium of banks containing Term Loans and a Revolving Credit Facility.

With the agreement Lonza issued Term Loan tranches of EUR 500 million, USD 500m and USD 200m carrying floating interest rates and initially repayable in 2020, 2024 and 2025 respectively. The proceeds have been used to replace existing facilities at favorable market conditions. In April 2020 the Term Loan of EUR 500 million has been successfully refinanced with a 7 year Eurobond. In June 2020, Lonza successfully extended its USD Term Loans by 1 year.

The Revolving Credit Facility (RCF) provides Lonza additional financial headroom of CHF 1 billion, initially due 2024, at floating interest rates. The facility was not used as of 31 December 2021 (in 2020, the facility was not used either). Lonza successfully drew its extension option in 2020 and 2021, therefore the RCF was extended by 2 years in total with a final maturity date in 2026.

Other Debt
Other current and non-current debt compromise industrial revenue bonds of USD 152 million issued by governmental institutions in the United States (repayable in 2022, 2025, 2030 and 2047).

Liquidity Management / Short-term Investments
Following the sale of the Lonza Specialty Ingredients business, Lonza parked the excess cash into short-term instruments, such as overnight deposits, bank term deposits, notice deposits and short-term money market funds in line with the Group's investment policy.

At year-end Lonza maintained a total balance of CHF 3.2 billion, thereof CHF 1.6 billion was classified as cash & cash equivalents (cash at banks and bank deposits with maturities less than 3 months). Furthermore, Lonza held short-term investments amounting to CHF 1.6 billion, thereof bank deposits with maturity between three and six months totaling CHF 1.4 billion (financial assets at amortized costs) and investments into short-term money market funds of CHF 0.2 billion (financial assets at fair value through profit or loss).

Short-term Investments

million CHF	2021	2020
Investments at amortized costs	1,357	0
Investments at fair value through profit or loss	245	0
Total short-term investments	**1,602**	**0**

The majority of the short-term investments are made in CHF while a minor portion is made in USD (see note 29.4).

Note 16
Other Non-Current and Current Liabilities

Other Non-Current Liabilities

million CHF	Notes	2021	2020
Deferred income	3	675	444
Lease liabilities		296	210
Contingent consideration	29.6	27	26
Derivative financial instruments	29.5	13	25
Other liabilities		16	5
Total other non-current liabilities		**1,027**	**710**

Other Current Liabilities

million CHF	Notes	2021	2020
Deferred income	3	667	513
Accrued liabilities and other payables		495	418
Personnel related liabilities		268	231
Lease liabilities		50	24
Derivative financial instruments	29.5	36	4
Contingent consideration	29.6	0	2
Accrued interest payables		14	15
Other liabilities		15	5
Total other current liabilities		**1,545**	**1,212**

Note 17
Trade Payables

million CHF	2021	2020
Payable to third parties	483	308
Total	**483**	**308**

Payables to third parties principally comprise amounts outstanding for trade purchases and ongoing costs. The carrying amount of trade payables approximates their fair value.

Note 18
Material and Energy Costs

million CHF	2021	2020
Material costs	1,097	938
Energy costs	95	61
Total	**1,192**	**999**

Note 19
Personnel Expenses

million CHF	2021	2020
Wages and salaries	1,369	1,211
Operating expenses defined benefit pension plans	51	36
Other social security contributions	297	257
Other personnel expenses	172	139
Total	**1,889**	**1,643**

Note 20
Other Operating Income and Expenses

20.1
Other Operating Income

million CHF	Notes	2021	2020
Revenue from Transitional Service Agreements with entities that were disposed of [1]		20	8
Government grants, research & development and other tax credits		10	18
Write back of provisions		9	1
Reversal of impairment on property, plant and equipment [2]		8	0
Divestment of Softgels and liquid-filled hard capsules business	5.2	4	0
Gain from disposal of property, plant and equipment and other assets		2	0
Gain from foreign exchange rate differences and other operating derivative instruments		0	9
Sundry income		9	6
Total		**62**	**42**

20.2
Other Operating Expenses

million CHF	2021	2020
Increase in provision [3]	(309)	(5)
Impairment on property, plant and equipment [2]	0	(20)
Loss from disposal of property, plant and equipment and other assets	(9)	(7)
Settlement of customer claims / litigations	(1)	(13)
Loss from foreign exchange rate differences and other operating derivative instruments	0	(8)
Sundry expense	(17)	(7)
Total	**(336)**	**(60)**

[1] Income related to transitional services Speciality Ingredients business for 2021 (that was sold effective on 1 July 2021) and to the Water Care business for 2020 (that was sold effective on 28 February 2019)

[2] Impairment / reversal of impairment on property, plant and equipment in both 2021 and 2020 primarily relate to the Corporate assets in Guangzhou (CN) - (see note 4)

[3] Increase in 2021 predominantly related to environmental remediation provisions for Gamsenried (CH) (see note 14)

Note 21
Net Financial Result

21.1
Interest and Other Financial Income

million CHF	2021	2020
Interest income	3	3
Gains on investments measured at fair value through profit or loss	30	7
Other financial income	0	2
Total	**33**	**12**

21.2
Interest and Other Financial Expenses

million CHF	2021	2020
Interest expenses on debt and bonds	(38)	(46)
Amortization of debt fees and discounts	(5)	(7)
Interest related to derivative instruments	(13)	(9)
Interest expenses on IFRS 16 lease liabilities	(12)	(8)
Net interest expenses on financial assets	(10)	0
Foreign exchange rate differences, including impact from currency-related financial derivative instruments	(7)	(19)
Losses on investments measured at fair value through profit or loss	(3)	(5)
Interest expenses on IAS 19 employee benefit liabilities	(1)	(2)
Other interest expenses	(3)	(6)
Other financial expenses	(4)	(4)
Total	**(96)**	**(106)**

Note 22
Taxes

22.1
Income Taxes

Lonza Group Ltd is domiciled in Switzerland. Following the implementation of the Swiss tax reform effective 1 January 2020 which among other changes abolished the holding regime, the income tax rate for Lonza Group Ltd. domiciled in Basel is 13% (2020: 13%).

As the Group operates across the world, it is subject to income taxes in several different tax jurisdictions. Lonza applies the ordinary tax rate of its top holding company (Lonza Group Ltd) in the Canton of Basel in Switzerland as the Group's tax rate.

The Group's effective tax rate for 2021 is 11% (2020: 9%).

The enactment of the Valais tax reform reduced the Valais income tax rate to 20.1% (for 2020), 18.6% (for 2021) and 17% (for the years 2022 and following). As a result of this tax rate reduction, Lonza recognized in 2020 non-recurring adjustments to its deferred tax liabilities resulting in a net income tax benefit of CHF 21 million.

Major Components of Tax Expenses

million CHF	2021	2020
Current taxes	(126)	(84)
Deferred tax expense relating to the origination and reversal of temporary differences	42	(10)
Deferred tax income resulting from tax rate changes	1	23
Total	**(83)**	**(71)**

Reconciliation of Tax Expenses

million CHF	2021	2020
Profit before income taxes	760	803
Tax at the group rate (2021: 13 % / 2020: 13 %)	99	105
Deviation from average group tax rate	17	22
Non-deductible expenses	10	10
Tax-free earnings	(33)	(27)
Deferred tax effect from tax rate changes	(1)	(23)
Changes in prior year estimates (including valuation allowances)	(21)	(27)
Withholding taxes	5	1
Tax on unremitted earnings	0	1
Effect of non-recognition of deferred tax assets	8	8
Other	(1)	1
Total	**83**	**71**
Current tax expenses (charged) / credited directly to equity	**2**	**17**

The components of deferred income tax balances are included in the following captions in the consolidated balance sheet:

Components of Deferred Income Tax Balances

million CHF	2021 Assets	2021 Liabilities	2020 Assets	2020 Liabilities
Current provisions	18	31	16	15
Non-current provisions / Employee benefit liabilities	96	31	105	33
Intangible assets	0	522	0	570
Inventories, net	30	32	15	33
Property, plant and equipment	11	153	13	126
Other assets	2	3	0	0
Tax loss carry-forwards and tax credits	93	0	71	0
Netting of deferred tax assets and deferred tax liabilities	(232)	(232)	(196)	(196)
Total	**18**	**540**	**24**	**581**

The development of deferred tax (expenses) / income can be explained as follows:

million CHF	2021	2020
Deferred tax assets	18	24
Deferred tax liabilities	(540)	(581)
Net deferred tax liability, at 31 December	**(522)**	**(557)**
Less deferred tax liabilities net, at 1 January	557	607
(Increase) in deferred tax liabilities, net	**35**	**50**
Currency translation differences	(11)	(17)
Disposal of subsidiaries	(8)	0
Movements of deferred (tax assets) / liabilities recognized in other comprehensive income	30	(1)
Movements of deferred (tax assets) / liabilities recognized in equity	(1)	0
Deferred tax expense related to discontinued operations	0	(5)
Reclassification to assets / liabilities held for sale	(2)	(14)
(Expense) / income recognized in income statement	**43**	**13**

Unrecognized Tax Losses: Expiry

million CHF	2021	2020
Within 1 year	0	4
Between 2 to 5 years	89	122
After 5 years	1	36
Unlimited	84	29
Total	**174**	**191**

In addition to the unrecognized tax losses shown in the table above, the Group has additional unrecognized tax losses for US state tax purposes in the amount of CHF 328 million at 31 December 2021 (2020: CHF 346 million). These losses expire in more than 5 years.

In assessing whether it is probable that future taxable profit will be available to utilize these tax loss carry- forwards, management considers whether such benefits are recoverable on the basis of the current situation of the company and the future economic benefits outlined in specific business plans for each relevant subsidiary.

Deferred tax liabilities have not been established for withholding any other taxes that would be payable on the remittance of earnings of foreign subsidiaries, where such amounts are currently regarded as permanently reinvested. The total unremitted earnings of the Group that would be subject to withholding tax or other taxes upon remittance, but which are regarded as permanently reinvested, were CHF 409 million at 31 December 2021 (2020: CHF 416 million).

22.2
Disclosure of Tax Effects on Each Component of Other Comprehensive Income

			2021			2020
million CHF	Before-tax amount	Tax (expense) benefit	Net-of-tax amount	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
Exchange differences on translating foreign operations	123	(3)	120	(230)	7	(223)
Cash flow hedges	19	(3)	16	(4)	1	(3)
Remeasurement of defined-benefit liability	247	(45)	202	(32)	1	(31)
Other comprehensive income	**389**	**(51)**	**338**	**(266)**	**9**	**(257)**

Note 23
Research & Development Costs

Research & development (R&D) costs include all primary costs directly related to this function, as well as internal services and imputed depreciation. These costs are incurred for:

- Development of new products and services
- Improvement of existing products and services
- Development of new production processes
- Improvement of existing production processes
- Cost for patents
- Purchase price for product and process know-how to the extent not capitalized

The R&D costs for the continuing operations amounted to CHF 181 million (2020: CHF 160 million) and represent the full range of R&D activity. However, the consolidated income statement discloses lower levels of research & development costs, as the remainder of such costs are absorbed in cost of goods sold for R&D products and services sold.

Note 24
Employee Benefit Liabilities

The tables below reconcile the Group's employee benefit liabilities in the consolidated balance sheet as well as the related remeasurement in the statement of other comprehensive income:

million CHF	Notes	2021	2020
Defined benefit pension plans	24.1	96	280
Non-current vacation accrual (Swiss entities)		1	3
Total		**97**	**283**

24.1
Defined-Benefit Pension Plans

The Group operates defined-benefit pension plans in various countries, with the major plans being in Switzerland and Great Britain (as described below). For pension accounting purposes, these plans are considered as defined-benefit plans.

Pension Plan in Switzerland
The Group's Swiss pension plan is governed by the Swiss Federal Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG), and is funded through a legally separate trustee-administered pension fund (Pensionskasse der Lonza). The Board of Trustees is responsible for the investment of the assets, which cannot revert to the Company. The cash funding of these plans, which may from time to time involve special payments, is designed to ensure that present and future contributions should be sufficient to meet future liabilities.

The plan contains a cash balance benefit formula, accounted for as a defined-benefit plan. Employer and employee contributions are defined in the pension fund rules in terms of an age-related sliding scale of percentages of pay. Under Swiss law, the company guarantees the vested benefit amount as confirmed annually to members. Interest may be added to member balances at the discretion of the Board of Trustees. The risks linked to retirement benefits (disability and death) have been reinsured until 31 December 2022. The investment risk is not reinsured.

Retirement benefits are based on the accumulated retirement capital (made up of yearly contributions and the interest thereon), which can either be drawn as a life-long annuity or as a lump-sum payment or a combination of both. The Board of Trustees may adjust the annuity at its discretion subject to the plan's funded status including sufficient free funds as determined according to Swiss statutory valuation rules. Retirement benefits and related plan assets of plan participants with a retirement date on or before 31 December 2007 were transferred to an insurance company. The insurance company guarantees these retirement benefits and bears the investment, death and disability risks.

The employees of the Specialty Ingredients business in Switzerland were transferred to a separate legal entity in 2020, but continued to participate in Lonza's Swiss pension plan. The net defined benefit liability related to the employees of the Specialty Ingredients businesses was disposed of with the sale of the business effective 1 July 2021.

Pension Plan in the UK
The Group operates one major plan in the UK which is closed to new entrants and future accruals. The schemes is registered under UK legislation, is contracted out of the State Second Pension and is subject to the scheme funding requirements outlined in UK legislation. The plan is managed by corporate trustee bodies, which oversee investment strategy and general regulatory compliance. The pension plan was closed to future accruals on 31 March 2020 where the active members became deferred members at that date.

The movement in the net defined liability over 2020 - 2021 is as follows:

	2021 Defined benefit obligation	2021 Fair value of plan assets	2021 Net defined benefit liability	2020 Defined benefit obligation	2020 Fair value of plan assets	2020 Net defined benefit liability
At 1 January	**2,218**	**(1,940)**	**278**	**3,478**	**(3,004)**	**474**
Included in profit or loss [1]						
Current service cost	52	0	52	57	0	57
Gains on settlements	0	0	0	(17)	7	(10)
Interest expense / (income)	7	(6)	1	38	(34)	4
Included in other comprehensive income						
Actuarial loss / (gain) arising from:						
– Demographic assumptions	(42)	0		(26)	0	
– Financial assumptions	(80)	0		216	0	
– Experience adjustment	123	0		52	0	
Return on plan assets excluding interest income	0	(170)		0	(211)	
Remeasurements loss / (gain)	1	(170)	(169)	242	(211)	31
Effect of movements in exchange rates	3	(2)	1	(93)	80	(13)
Other						
Contributions paid:						
– Employers	0	(66)	(66)	0	(103)	(103)
– Plan participants	29	(29)	0	28	(28)	0
Benefits paid	(42)	42	0	(103)	103	0
Reclassification to liabilities held for sale	0	0	0	(1,412)	1,250	(162)
Divestiture of subsidiaries	(3)	0	(3)	0	0	0
At 31 December	**2,265**	**(2,171)**	**94**	**2,218**	**(1,940)**	**278**
– Thereof present value of funded defined-benefit obligation	2,255			2,207		
– Thereof present value of unfunded defined-benefit obligation	10			11		

[1] For the financial year 2020, thereof service cost of CHF 12 million, gains on settlements of CHF 1 million and net interest expenses of CHF 2 million are presented as part of discontinued operations

The defined-benefit pension plans are reported as follows in the consolidated balance sheet:

million CHF	2021	2020
	Total	Total
Defined benefit pension plan asset	2	2
Defined benefit pension plan liability	(96)	(280)
Defined benefit pension plan asset classified as held for sale	0	6
Defined benefit pension plan liability classified as held for sale	0	(168)

As a result of plan amendments of the UK plans in 2020 the Group recognized a settlement gain of CHF 11 million (thereof CHF 1 million is presented as part of discontinued operations).

In addition, Lonza settled a pension plan in Germany in 2020, resulting in a settlement loss of CHF 1 million.

The Group expects to pay CHF 55 million in contributions to defined-benefit pension plans of continuing operations in 2022.

The defined benefit obligation and plan assets are disaggregated by country as follows:

million CHF	CH	UK	Rest of the world	2021 Total	CH	UK	Rest of the world	2020[1] Total
Present value of defined-benefit obligation	1,973	217	75	2,265	1,890	245	83	2,218
Fair value of plan assets	(1,917)	(213)	(41)	(2,171)	(1,711)	(191)	(38)	(1,940)
Total net defined-benefit liability	**56**	**4**	**34**	**94**	**179**	**54**	**45**	**278**

[1] The 2020 defined benefit liabilities and plan assets only include pension plans of continuing operations

The significant actuarial assumptions at the reporting date (expressed as weighted averages) were as follows:

in %	2021 CH	2021 UK	2020[1] CH	2020[1] UK
Discount rate	0.35	1.95	0.15	1.35
Future salary increases	1.25	n.a.	1.00	n.a.
Future pension increases	n.a.	3.40	n.a.	3.10

[1] The 2020 assumptions are only related to pension plans of continuing operations

Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics and experience in each territory [1]. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

in years	2021 CH	2021 UK	2020 CH	2020 UK
Retiring at the end of the reporting period				
- Male	21.8	23.1	21.8	23.4
- Female	23.5	24.7	23.6	24.4
Retiring 20 years after the end of the reporting period				
- Male	23.4	24.4	23.3	24.7
- Female	25.0	26.1	25.1	25.9

[1] For the Pension Plan in Switzerland BVG 2020 (2020: BVG 2015) mortality tables were applied.

The sensitivity of the defined-benefit obligation to changes in the relevant actuarial assumptions is:

effect in million CHF	Change in assumption	31.12.2021 Increase	31.12.2021 Decrease	31.12.2020[1] Increase	31.12.2020[1] Decrease
Discount rate	0.25%	(84)	90	(88)	94
Future salary increases	0.25%	9	(9)	10	(10)
Life expectancy	1 year	92	(94)	87	(88)

[1] The 2020 sensitivity analyses include only net defined benefit liabilties associated with continuing operations

The above sensitivity analyses are based on a change in an assumption while keeping all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined-benefit obligation to significant actuarial assumptions the same method (present value of the defined-benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analyses did not change compared with the previous period.

At 31 December the weighted average duration of the defined- benefit obligation for the major plans as well as the Group in total is:

in years	2021	2020[1]
Group	15.2	16.1
CH	14.4	15.2
UK	24.2	24.5

[1] The 2020 average durations for 2020 include only pension plans of continuing operations

Plan assets comprise:

million CHF				2021				2020[1]
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
Equity instruments	591	0	591	27	496	0	496	26
Debt instruments								
– Investment-grade (AAA to BBB)	769	0	769		721	0	721	
– Non-investment-grade (below BBB)	43	0	43		26	0	26	
	812	0	812	37	747	0	747	38
Real-estate	151	102	253	12	133	97	230	12
Cash and cash equivalents	55	0	55	3	65	0	65	3
Other	456	4	460	21	393	9	402	21
	2,065	**106**	**2,171**	**100**	**1,834**	**106**	**1,940**	**100**

[1] The 2020 plan assets only include pension plans of continuing operations

Note 25
Share-Based Payments

Long-Term Incentive Plan (LTIP)

History and Participation

The LTIP is an equity-based plan introduced in 2006 for the Executive Committee and senior managers.

Objective

The LTIP is designed to align the interests of participants with those of Lonza's shareholders and serves as a retention tool. LTIP participants are eligible to receive Lonza shares at the end of the vesting period, provided that certain challenging performance conditions are met at the end of the three-year performance period.

Equity Awards

Under the LTIP, participants are awarded the right to receive a number of Lonza registered shares in the future. Depending on the job grade of the participant, the target equity award grant is between 10% and 150% of the annual base salary. The grant is awarded at target and the payout level ranges from 0% and 200% of target. The CEO and Executive Committee members have a target of 150% and 125% of base salary respectively with payout levels also ranging from 0% and 200% of target.

For any pro-ration treatment, as outlined in the relevant Plan Rules, the entire length of the three-year performance period is utilized. The LTIP plan design and target setting is determined at the beginning of the three-year performance period. For 2021 the plan design included minimum, target and stretch (maximum) goals.

The 2021 LTIP budget value for the Executive Committee was approved as submitted at the AGM 2021 and administered in accordance with this approval. Vesting is dependent on the achievement of the performance conditions and cannot exceed the 200% of target equity awards granted (the maximum level of award).

Restriction and Vesting

Participants only receive title and ownership of the shares after the completion of the relevant three-year vesting period and only if the performance metrics required for vesting are partially or fully met.

Overview of Vesting Conditions for 2021 LTIP

For the 2021 LTIP the performance metrics were CORE earnings per share (EPS) and return on invested capital (ROIC) with 50% weight for each measure. With the payout value directly linked to these key financial metrics, these two measures focus on Lonza's financial performance that will drive the valuation and performance of Lonza.

The Nomination and Compensation Committee (NCC) deems these long-term performance measures appropriate to align the interests of the Executive Committee with Lonza's financial performance and in turn the interests of our Shareholders. The respective performance targets at the threshold (50%), target (100%) and maximum (200%) payout levels were recommended by the NCC and approved by the Board of Directors in April 2021. These financial performance targets for the 2023 year end are commercially sensitive at this time and will not be disclosed publicly until after the awards have vested. The overall value of the LTIP is ultimately driven by the share price at the time of vesting, further linking the LTIP to the interests of the shareholders.

CORE EPS Approved at AGM 2021 (LTIP 2021)

The 2021 LTIP award threshold performance level was determined to be a double digit percentage above the CORE EPS threshold performance level for the 2020 LTIP award. The maximum performance level was determined to be above the 2023 Mid-Term Guidance and is a double-digit percentage figure above threshold performance levels.

ROIC Approved at AGM 2021 (LTIP 2021)

This measure is a reflection of the effect of decisions taken by Executive Committee members and senior management over the course of the relevant LTIP performance period. The 2021 LTIP award threshold performance level was determined to be 113% of the ROIC threshold performance level set for the 2020 LTIP award. The maximum performance level was determined to be above the 2023 Guidance and is a double-digit percentage figure above threshold performance levels.

Treatment of LTIP in Change of Control Situations

Under the LTIP rules, if a Change of Control occurs, all unvested granted shares shall immediately vest and the granted price shall be the price at which the shares are sold in the transaction resulting in the Change of Control.

Actual Performance and Payout for the LTIP 2019

Performance under the LTIP 2019 exceeded target performance levels for both CORE EPS and ROIC. This generated a 200% and 185% payout on each of these measures respectively. With a 50% weighting applied to the two performance measures, the total 2019 LTIP payout equaled 193%. See page 192 from Remuneration Report for full details on targets and target achievements.

Lonza Restricted Share Unit Plan (LRSP)

Participation and Objective
The LRSP is an equity-based plan introduced in 2020. It was created as a tool to primarily support retention cases across the business in conjunction with key strategic projects. All employees above a grade 10 in the organization are eligible to be considered for an award. Executive Committee members may receive awards via the Executive Committee Appointments Policy only – see page 208 from the Remuneration Report for full details.

Equity Awards

Under the LRSP, participants are awarded the right to receive a number of Lonza registered shares in the future subject to continued employment with Lonza. The equity award level depends on the grade of the participant or the strategic importance of the project that the participant is working on. A two to five year vesting period will apply depending on the requirements.

Restriction and Vesting
Participants will only receive title and ownership of the shares after a relevant vesting period has elapsed and subject to sustained performance and continued employment over time.

The fair value at grant date of the equity awards granted in

Details of Long-Term Incentive Plans

	Grant Date	Share Price in CHF	Granted Equity Awards	Fair Value at Grant Date in CHF	Vesting Date
LTIP 2018	01.02.2018	258.90	106,893	27,674,598	31.01.2021
LTIP 2019	01.02.2019	261.90	110,026	28,815,809	31.01.2022
LTIP 2020	01.02.2020	396.20	70,985	28,124,257	31.01.2023
LTIP 2021	29.01.2021	570.00	51,629	29,428,530	31.01.2024
LRSP 2020	02.11.2020	554.80	4,124	2,287,995	various
LRSP 2021	various	various	4,523	2,974,916	various

In 2021, 8 new LRSP plans were issued, for a total of 4,523 shares and an aggregated fair value at grant date of CHF 2,974,916. Vesting period of those plans is between 2 and 4 years.

Vesting Conditions at Grant Date

	Market Price in CHF	Granted Equity Awards	Fair Value of Equity Awards in CHF	Expected EPS / RONOA / ROIC at Grant Date	Probability Minimum Targets	Volatility Employees	Total Probability	Total Cost at Grant Date in CHF
LTIP 2018 ROIC	258.90	53,447	258.90	120%	100%	10%	90%	14,944,423
LTIP 2018 CORE EPS	258.90	53,446	258.90	120%	100%	10%	90%	14,944,143
LTIP 2019 ROIC	261.90	55,013	261.90	115%	100%	10%	90%	14,912,181
LTIP 2019 CORE EPS	261.90	55,013	261.90	115%	100%	10%	90%	14,912,181
LTIP 2020 ROIC	396.20	35,492	396.20	100%	100%	10%	90%	12,655,737
LTIP 2020 CORE EPS	396.20	35,493	396.20	100%	100%	10%	90%	12,655,916
LTIP 2021 ROIC	570.00	25,932	570.00	100%	100%	10%	90%	13,303,116
LTIP 2021 CORE EPS	570.00	25,931	570.00	100%	100%	10%	90%	13,302,603

Development within 2021 of the LTIP

	Equity awards outstanding 01.01.2021	Equity awards granted during 2021	Equity awards forfeited during 2021	Vested equity awards during 2021	Equity awards outstanding 31.12.2021
LTIP 2018	92,738	0	(2,877)	(89,861)	0
LTIP 2019	98,267	0	(9,378)	0	88,889
LTIP 2020	64,628	0	(10,155)	0	54,473
LTIP 2021	0	51,863	(3,084)	(7,188)	41,591
Total equity awards	**255,633**	**51,863**	**(25,494)**	**(97,049)**	**184,953**

The vested equity awards during 2021 of (7,188) are related to plan participants of the divested Lonza Specialty Ingredients business. According to the LTIP 2021 plan rules, sections 6 (e) and 15, the awards vested and got cash-settled in July 2021 upon closing of the transaction.

Development within 2020 of the LTIP

	Equity awards outstanding 01.01.2020	Equity awards granted during 2020	Equity awards forfeited during 2020	Vested equity awards during 2020	Equity awards outstanding 31.12.2020
LTIP 2017	93,710	0	(48)	(93,662)	0
LTIP 2017 Capsugel	70,794	945	0	(71,739)	0
LTIP 2018	100,160	0	(7,422)	0	92,738
LTIP 2019	109,501	0	(11,234)	0	98,267
LTIP 2020	0	70,985	(6,357)	0	64,628
Total equity awards	**374,165**	**71,930**	**(25,061)**	**(165,401)**	**255,633**

2021 for the LTIP was CHF 570.00 (2020: CHF 396.20). The fair value at grant date for the LRSP awards in 2021 was between CHF 540.67 and CHF 737.33 depending on the grant date of the award. The costs were calculated using the market price at grant date, including probabilities as per conditions of vesting. The amounts for equity awards are expensed on a straight-line basis over the vesting period, based on estimates of equity awards that will eventually vest.

Compensation of the Board of Directors

Objective and Market Benchmarking

In accordance with their respective duties and responsibilities, compensation levels for the Board of Directors are set at the median of the benchmarking peer group. The benchmarking peer group consists of Swiss companies of various sectors that are comparable in type of business, complexity of operations, size and global presence to Lonza. The Board of Directors regularly review the compensation of its members, including the Chairperson, based on a proposal by the Nominations and Compensation Committee and on advice from an independent advisor, including relevant benchmarking information.

Structure and Level of Compensation

The Chairperson of the Board of Directors and its Members receive their compensation as 50% in Lonza Group shares and 50% in cash. This was paid in quarterly installments during the 2021 financial year.

The number of shares granted for Board of Directors' compensation is based on the average closing share price of the last five business days of each quarter. Share restrictions lapse after three years from the grant date. Shares are eligible for a dividend. This structure of Board of Directors' compensation is closely aligned with our Shareholders' interests. The members of the Board of Directors do not receive variable compensation. The members of the Board of Directors are reimbursed for travel and other related expenses associated with their responsibilities as members of the Board of Directors of Lonza.

The position and associated compensation of the Chairperson of the Board of Directors and its members was approved by shareholders at the 2021 Annual General Meeting (AGM). This reflects compensation levels and structure which are unchanged compared to the previous year.

Compensation Components

For the period from the AGM 2021 to the AGM 2022, the members of the Board of Directors receive fixed gross compensation for Board of Directors' membership and additional compensation for Committee Chairperson and committee members as described in the table below.

The compensation of the Chairperson of the Board of Directors includes compensation as a member of the Innovation and Technology Committee of the Board of Directors.

Further, the compensation of the Committee Chairperson amounts to CHF 280,000 and includes the committee membership fee. In the case of multiple committee memberships, this attracts one committee membership fee only. The additional responsibilities of Vice-Chairperson do not attract any additional fees.

Board of Directors

Compensation Board of Directors Annual General Meeting (AGM) 2021 to 2022 (excluding social security contributions)

In CHF	Base annual fee	Committee membership fee	Committee Chairperson fee
Chairperson of the Board of Directors [1]	600,000	–	–
Board of Directors Member [2]	200,000	40,000	80,000
	The additional responsibilities of Vice-Chairperson and Lead Independent Director [3] do not attract any additional fees		
Form of payout	50% in Lonza Group shares and 50% in cash. This is paid in quarterly installments during the 2020 financial year		

[1] The compensation of the Chairperson of the Board of Directors includes compensation as a member of the Innovation and Technology Committee of the Board of Directors
[2] The compensation for Committee Chairpersons amounts to CHF 280,000 and includes the committee membership fee. In the case of multiple committee memberships, this attracts one committee membership fee only
[3] The roles and responsibilities of such Vice-Chairperson are in line with sect. 19 para. 2 of the Swiss Code of Best Practice for Corporate Governance, requiring adequate control mechanisms, and commensurate to such position

Development of Compensation for Board of Directors in 2021

Grant Date	Total Number of Shares	Share Price in CHF	Fair Values of Shares in CHF	Cash[1] in CHF	Total in CHF	Blocked Until
31.03.2021	551	539.44	297,231	300,000	597,231	31.03.2024
30.06.2021	449	662.24	297,346	299,940	597,286	30.06.2024
30.09.2021	420	711.24	298,721	300,000	598,721	30.09.2024
31.12.2021	392	759.24	297,622	300,000	597,622	31.12.2024
Total	**1,812**	**657.24**	**1,190,920**	**1,199,940**	**2,390,860**	

[1] Excluding social security and withholding tax

The amount of CHF 2,390,860 was recognized as an expense in the year 2021.

Recognition in the Consolidated Financial Statements
All of the equity-settled share-based payments had an impact on the 2021 "Profit before income taxes" amounting to an expense of CHF 45 million (2020: CHF 45 million).

Development of Compensation for Board of Directors in 2020

Grant Date	Total Number of Shares	Share Price in CHF	Fair Values of Shares in CHF	Cash[1] in CHF	Total in CHF	Blocked Until
31.03.2020	839	390.30	327,462	330,000	657,462	31.03.2023
30.06.2020	600	496.92	298,152	300,000	598,152	30.06.2023
30.09.2020	523	568.12	297,127	300,000	597,127	30.09.2023
31.12.2020	530	564.04	298,941	300,000	598,941	31.12.2023
Total	**2,492**	**490.24**	**1,221,682**	**1,230,000**	**2,451,682**	

[1] Excluding social security and withholding tax

The amount of CHF 2,451,682 was recognized as an expense in the year 2020.

Development of Compensation for Board of Directors in 2019

Grant Date	Total Number of Shares	Share Price in CHF	Fair Values of Shares in CHF	Cash[1] in CHF	Total in CHF	Blocked Until
31.03.2019	1,203	297.34	357,700	360,000	717,700	31.03.2022
30.06.2019	1,005	326.56	328,193	330,000	658,193	30.06.2022
30.09.2019	970	338.44	328,287	330,000	658,287	30.09.2022
31.12.2019	926	353.68	327,508	330,000	657,508	31.12.2022
Total	**4,104**	**326.92**	**1,341,687**	**1,350,000**	**2,691,687**	

[1] Excluding social security and withholding tax

The amount of CHF 2,691,687 was recognized as an expense in the year 2019.

Development of Compensation for Board of Directors in 2018

Grant Date	Total Number of Shares	Share Price in CHF	Fair Values of Shares in CHF	Cash[1] in CHF	Total in CHF	Blocked Until
31.03.2018	1,537	225.84	347,116	348,750	695,866	31.03.2021
30.06.2018	1,368	262.58	359,209	360,000	719,209	30.06.2021
30.09.2018	1,091	329.54	359,528	360,000	719,528	30.09.2021
31.12.2018	1,369	261.62	358,158	360,000	718,158	31.12.2021
Total	**5,365**	**265.43**	**1,424,011**	**1,428,750**	**2,852,761**	

[1] Excluding social security and withholding tax

The amount of CHF 2,852,761 was recognized as an expense in the year 2018.

Note 26
Changes in Shares and Share Capital Movements

Effect in million CHF	31.12.2021	Change in year	31.12.2020	Change in year	31.12.2019
Total number of shares	**74,468,752**	**0**	**74,468,752**	**0**	**74,468,752**
Treasury shares					
Free shares	(279,623)	(93,943)	(185,680)	(5,730)	(179,950)
Total treasury shares	**(279,623)**	**(93,943)**	**(185,680)**	**(5,730)**	**(179,950)**
Total shares ranking for dividend at 31 December	**74,189,129**	**(93,943)**	**74,283,072**	**(5,730)**	**74,288,802**
Share capital movements					
Share Capital in CHF	**74,468,752**	**0**	**74,468,752**	**0**	**74,468,752**

The share capital on 31 December 2021 comprised 74,468,752 registered shares (2020: 74,468,752) with a par value of CHF 1 each, amounting to CHF 74,468,752 (2020 CHF 74,468,752).

Contingent Capital The share capital of Lonza Group Ltd may be increased through the issuance of a maximum of 7,500,000 fully paid in registered shares with a par value CHF 1 each up to a maximum aggregate amount of CHF 7,500,000.

Authorized Capital The Board of Directors shall be authorized to increase, at any time until 6 May 2023, the share capital of the Lonza Group Ltd through the issuance of a maximum of 7,500,000 fully paid in registered shares with a par value of CHF 1 each up to a maximum aggregate amount of CHF 7,500,000. The capital increases in the form of contingent capital and authorized capital may increase the share capital of Lonza Group Ltd by a maximum aggregate amount of CHF 7,500,000. The details and conditions are set out in Articles 4bis to 4quater of the Company's Articles of Association.

At 31 December 2021, Lonza Group Ltd had a fully paid in registered capital of CHF 74,468,752 and a contingent capital of CHF 7,500,000.

Reserves in the amount of CHF 37,234,376 (2020: CHF 37,234,376) included in the financial statements of the parent company cannot be distributed.

Dividend On 6 May 2021, at the Annual General Meeting, shareholders approved the distribution of a dividend of CHF 3.00 per share in respect of the 2020 financial year (financial year 2019: CHF 2.75). The dividend distribution totaled CHF 223 million (2020: CHF 204 million), equally recorded against the retained earnings (112 million) and the reserves from capital contribution of Lonza Group Ltd (111 million). A dividend payment per share of CHF 3.00 is proposed by the Board of Directors to be made after the 31 December 2021 balance sheet date, subject to approval by the shareholders at the Annual General Meeting on 5 May 2022.

Note 27
Earnings Per Share

	2021	2020
Weighted average number of outstanding shares (basic)		
Weighted average number of outstanding shares	74,255,891	74,403,508
Weighted average number of outstanding shares (diluted)		
Weighted average number of outstanding shares	74,255,891	74,403,508
– Adjustments for dilutive share units and shares	234,215	305,541
Weighted average number of shares for diluted earnings per share	74,490,106	74,709,049

million CHF			2021			2020
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit for the period (equity holders of the parent)	674	2,270	2,944	730	139	869
Basic earnings per share in CHF	**9.08**	**30.57**	**39.65**	**9.81**	**1.87**	**11.68**
Diluted earnings per share in CHF	**9.05**	**30.47**	**39.52**	**9.77**	**1.86**	**11.63**
Dividends paid for the period [1]			**223**			**204**
Dividends per share for the period in CHF			**3.00**			**2.75**
Dividends declared after the balance sheet date			**223**			**223**
Dividends per share declared after the balance sheet date in CHF			**3.00**			**3.00**

[1] Excluding dividends of CHF 2 million (2020: CHF 2 million) paid to minority shareholders of a subsidiary

Note 28
Related Parties
Identity of Related Parties

The Group has a related-party relationship with associates, joint ventures (see note 9 and 33), pension and other post-retirement plans (see note 24) as well as with the Board of Directors and the members of the Executive Committee.

Transactions with Key Management Personnel
Board of Directors

In 2021 payments to acting members of the Board of Directors of Lonza Group Ltd totaled CHF 2,517 million (2020: CHF 2.590 million[2]), 47.32% (2020: 47.16%) of which was received in the form of shares. The Director fees are paid 50% in cash and 50% in shares; the value of the employer's social security contributions is added to the cash payments. The value of the share-based fees is determined based on the average closing share price of the last five business days of each quarter. Shares are restricted for a period of three years from each award date and are eligible for a dividend from date of award.

Members of the Board of Directors and their immediate relatives control in 2021 48,159 (2020: 46,209) or 0.06% (2020: 0.06%) of the voting shares of Lonza Group Ltd. None of the Directors owns shares in the Group's subsidiaries or associates.

Executive Committee Compensation

The acting members of the Executive Committee received, for their contributions and time served in 2021, CHF 8,856 million[1,2] (2020: CHF 5.138 million[1,2]) in cash and additional benefits. Share based compensation includes 8,713 LTIP shares and 2,305 LRSP (Lonza Restricted Share Unit Plan) shares granted (2020: 7,397 LTIP shares and 4,124 LRSP shares) and the value of share based STIP payments, equivalent to a total value of CHF 1,585 million (2020: CHF 5.452 million). In 2021 termination benefits were paid out to a departing member of the Executive Committee according to the employment agreement and plan rules equal to CHF 0.357 million (CHF 0.169 million in cash and in shares equivalent to a value of CHF 0.188 million). In 2020 termination benefits were paid out to the departing and former members of the Executive Committee according to their employment agreements equal to CHF 3.498 million (CHF 2.971 million in cash and in shares equivalent to a value of CHF 0.527 million).

The compensation for the Board of Directors and the Executive Committee (termination benefits included) was as follows:

Million CHF	2021	2020
Short-term benefits[1]	8.092	5.298
Post-employment benefits and other benefits[2]	2.090	1.208
Share-based payments[3]	9.442	6.674
Other compensation[4]	0.357	3.498
Total	19.981	16.678

1 Including short-term incentive payout in March of the following year
2 Including employer contribution for social security and pension funds
3 Share based STIP and LTIP awards. Also, in line with the Executive Committee Appointments Policy, awards have been made to an Executive Committee member in 2021 under the Lonza Restricted Share Unit Plan (LRSP), to compensate for time-based equity awards which were forfeited when leaving the previous employer. This award was made in accordance with Article 23 (Supplementary Amount in the Event of Changes in the Executive Committee) of Lonza's Articles of Association. The award will vest after two and three-year periods, subject to continued employment, sustained performance and clawback, under the Clawback Policy
4 Cash payment (including base salary, other benefits, short–term incentive and social security) and shares (LTIP) received by departed members of the Executive Committee during 2021 and 2020

Tokyo, Japan

Note 29
Financial Risk Management

29.1
Overall Risk Management Policy

Lonza is exposed in particular to credit and liquidity risk, as well as to risks from movements in foreign currency exchange rates, interest rates and market prices that affect its assets, liabilities, and forecasted transactions.

Lonza's overall risk management policy aims to limit these risks through operational and finance activities.

The Board of Directors has overall responsibility for the establishment and oversight of Lonza's risk management framework. Financial risk management is carried out by a central treasury department (Group Treasury). Group Treasury is responsible for implementing the policy, and identifies, evaluates and hedges financial risks in close cooperation with Lonza's business units. Group Treasury also has the sole responsibility for carrying out foreign exchange transactions and executing financial derivative transactions with third parties.

Lonza's risk management policies are established to identify and analyze the risks faced by Lonza, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Lonza's activities. The Lonza Audit Committee oversees how management monitors compliance with Lonza's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by Lonza. The Lonza Audit Committee is assisted in its oversight role by Internal Audit (Lonza Audit Services). Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

29.2
Credit Risk

Credit risk is the risk of financial loss to Lonza if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and mainly arises from Lonza's receivables from customers.

Accounts Receivables
Lonza's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including geographic location, industry, and existence of previous financial difficulties.

Purchase limits are established for each customer, which are reviewed regularly. For customers domiciled in specific countries with high risk, Lonza has credit risk insurance covering the maximum exposure. The maximum credit risk is equal to the carrying amount of the respective assets. There are no commitments that could increase this exposure to more than the carrying amounts. In general, Lonza does not require collateral in respect of trade and other receivables, but uses credit insurance for country risk where appropriate.

Lonza has a history of low credit losses on accounts receivable. Credit losses that occurred in the past were primarily related to very few single customers. Furthermore, none of Lonza's businesses had a heightened exposure to credit losses in the past and based on Lonza's best estimate this is not expected to change in the foreseeable future.

Consequently, the bad debt allowance (see note 11) represents primarily the credit risk of specific customers.

Aging of Trade Receivables[1]

million CHF	2021	2020
Not past due	819	627
Past due 1-30 days	57	40
Past due 31-120 days	40	31
Past due more than 120 days	24	31
Total	**940**	**729**

[1] Excluding allowances for credit losses (see note 11) and based on trade receivables of continuing operations

Financial Instruments and Cash Deposits
Financial Instruments and Cash Deposits Credit risk from balances with banks and financial institutions is managed by the Group's treasury department. Counterparty credit ratings are reviewed regularly. The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was as follows:

million CHF	Notes	2021	2020
Trade receivables, net	11	928	715
Other receivables	12	81	87
Accrued income	3	127	185
Non-current loans and advances	8	177	162
Short-term investments at amortized costs	15	1,357	0
Cash and cash equivalents	13	1,582	495
Total financial assets at amortized cost		**4,252**	**1,644**
Financial assets at fair value			
Derivative financial instruments	29.5	41	37
Short-term investments at fair value through profit or loss	15	245	0
Contingent consideration from sale of business	29.6	0	14
Total financial assets at fair value		**286**	**51**
Total financial assets		**4,538**	**1,695**

[1] included in 'Other receivables, prepaid expenses and accrued income' (see note 12)

29.3
Liquidity Risk

Liquidity risk is the risk that Lonza will not be able to meet its financial obligations as they fall due. Lonza's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Lonza's reputation. Group Treasury maintains flexibility in funding also using bilateral and syndicated credit lines. Lonza has concluded the following lines of credit: Committed credit lines of CHF 1,000 million (CHF 0 million used as of 31 December 2021), which are committed for up to five years and uncommitted credit lines of CHF 136 million (CHF 0 used as of 31 December 2021).

The table below analyses the Group's financial liabilities and derivative financial liabilities in relevant maturity groupings, based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest payments. Balances due within 12 months are equal to their carrying balances, as the impact of discounting is not significant.

Year ended
31 December 2021

million CHF	Carrying amount	Contractual cash flows[1]	Between 0 and 6 months	Between 7 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Straight bond (2012-2022)	105	108	0	108	0	0	0	0
Straight bond (2015-2023)	175	179	0	2	177	0	0	0
Straight bond (2017-2024)	110	113	0	1	1	111	0	0
Straight bond (2020-2023)	299	305	3	0	302	0	0	0
Straight bond (2020-2026)	150	155	0	1	1	1	152	0
Euro bond (2020-2027)	512	561	8	0	8	8	17	520
German private placement	240	246	1	2	196	47	0	0
Term loan	635	677	6	6	13	467	185	0
Other debt due to others	177	210	62	1	2	2	24	119
Total debt	**2,403**	**2,554**	**80**	**121**	**700**	**636**	**378**	**639**
Other non-current liabilities	312	378	0	0	72	32	58	216
- of which lease liabilities	296	362	0	0	56	32	58	216
Other current liabilities	840	849	830	19	0	0	0	0
- of which lease liabilities	50	59	40	19	0	0	0	0
Trade payables	483	483	483	0	0	0	0	0
Derivative financial instruments	49	49	31	6	3	9	0	0
Contingent consideration	27	32	4	0	5	18	0	5
Total financial liabilities	**4,114**	**4,345**	**1,428**	**146**	**780**	**695**	**436**	**860**

[1] Including interest payments

Year ended
31 December 2020

million CHF	Carrying amount	Contractual cash flows[1]	Between 0 and 6 months	Between 7 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Straight bond (2012-2022)	105	111	0	3	108	0	0	0
Straight bond (2015-2023)	175	181	0	2	2	177	0	0
Straight bond (2016-2021)	250	250	0	250	0	0	0	0
Straight bond (2017-2021)	125	125	0	125	0	0	0	0
Straight bond (2017-2024)	110	114	0	1	1	1	111	0
Straight bond (2020-2023)	299	308	3	0	3	302	0	0
Straight bond (2020-2026)	150	155	0	1	1	1	1	151
Euro bond (2020-2027)	535	596	9	0	9	9	17	552
German private placement	1,021	1,052	4	360	142	412	134	0
Term loan	612	628	1	1	3	3	620	0
Other debt due to banks and financial institutions	6	6	6	0	0	0	0	0
Other debt due to others	192	212	59	1	21	1	19	111
Total debt	**3,580**	**3,738**	**82**	**744**	**290**	**906**	**902**	**814**
Other non-current liabilities	212	266	0	0	31	29	51	155
- of which lease liabilities	210	264	0	0	29	29	51	155
Other current liabilities	691	698	683	15	0	0	0	0
- of which lease liabilities	24	31	16	15	0	0	0	0
Trade payables	308	308	308	0	0	0	0	0
Derivative financial instruments	29	29	4	0	0	9	16	0
Contingent consideration	28	30	0	4	5	17	0	4
Total financial liabilities	**4,848**	**5,069**	**1,077**	**763**	**326**	**961**	**969**	**973**

[1] Including interest payments

29.4 Market Risk

Market risk is the risk that changes in market prices will affect Lonza's income or the value of its holdings of financial instruments. Lonza is exposed to market risk from changes in currency exchange and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Lonza has established a treasury policy of which the objective is to reduce the volatility relating to these exposures. Lonza enters into various derivative transactions based on Lonza's treasury policy that establishes guidelines in areas such as counterparty exposure and hedging practices. Counterparties to agreements are major international financial institutions with at least investment grade rating. Positions are monitored using techniques such as market value and sensitivity analyses. All such transactions are carried out within the guidelines set by the Audit Committee.

Foreign Exchange Risk
The Group operates across the world and is exposed to movements in foreign currencies affecting the Group financial result and the value of Group equity. Foreign exchange risk arises because the amount of local currency paid or received for transactions denominated in foreign currencies may vary due to changes in exchange rates ("transaction exposures") and because the foreign currency denominated financial statements of the Group's foreign subsidiaries may vary upon consolidation into the Swiss-franc-denominated Group Financial Statements ("translation exposures"). Foreign exchange risks arise primarily on transactions that are denominated in USD, EUR and GBP.

In managing its exposure regarding the fluctuation in foreign currency exchange rates, Lonza has entered into a variety of currency swaps and forward contracts. These agreements generally include the exchange of one currency against another currency at a future date. Lonza adopts a policy of considering hedging for all the committed contractual exposure. The planned exposure is hedged within certain ranges. Hedge ratios are determined by the risk committee and depend on market expectation, risk bearing ability and risk appetite.

The table below shows the impact on post-tax profit if at 31 December a currency had strengthened (+) or weakened (–) versus the Swiss franc, with all other variables held constant as a result of the currency exposures outlined in the tables below:

million CHF	Sensitivity	Post-tax profit 2021		2020	
		+	-	+	-
USD	+ / - 10%	(7.4)	7.4	(1.3)	1.3
EUR	+ / - 10%	1.2	(1.2)	7.2	(7.2)
GBP	+ / - 10%	(0.9)	0.9	1.3	(1.3)

The summary quantitative data relating to the Group's exposure to currency risks as reported to the management of the Group is as follows:

Year ended
31 December 2021

million CHF	USD	GBP	EUR	SGD	Other	Total
Other investments	0	0	0	0	0	0
Non-current financial assets	7	0	3	0	0	10
Trade receivables, net	314	94	72	2	24	506
Other receivables, prepaid expenses and accrued income	0	0	1	0	0	1
Short-term investments	182	0	0	0	0	182
Cash and cash equivalents	263	173	18	7	15	476
Non-current and current debt	(685)	0	(194)	0	0	(879)
Other current and non-current liabilities	(28)	(0)	(1)	(4)	1	(32)
Trade payables	(215)	(39)	(85)	(8)	(55)	(401)
Net group internal loans	422	3	231	23	96	775
Gross balance sheet exposure	**261**	**231**	**45**	**21**	**82**	**639**
Currency-related instruments	(345)	(241)	(30)	(24)	(92)	(732)
Net exposure	**(84)**	**(10)**	**14**	**(3)**	**(10)**	**(93)**

Year ended
31 December 2020

million CHF	USD	GBP	EUR	SGD	Other	Total
Other investments	15	0	1	0	0	16
Non-current financial assets	3	0	14	0	0	17
Trade receivables, net	122	41	32	3	5	203
Other receivables, prepaid expenses and accrued income	19	27	2	3	0	51
Cash and cash equivalents	34	10	43	7	21	115
Non-current and current debt	(883)	0	(747)	0	0	(1,630)
Other current and non-current liabilities	(41)	(2)	(8)	(32)	(4)	(87)
Trade payables	(55)	(1)	(5)	(12)	0	(73)
Net group internal loans	1,641	(13)	346	0	0	1,974
Gross balance sheet exposure	**855**	**62**	**(322)**	**(31)**	**22**	**586**
Currency-related instruments	(869)	(48)	402	(24)	0	(539)
Net exposure	**(14)**	**14**	**80**	**(55)**	**22**	**47**

The following exchange rates were applied during the year:

Balance Sheet Year-End Rates	2021	2020
Dollar	0.9128	0.8813
Euro	1.0340	1.0829
Pound sterling	1.2336	1.2035
Renminbi	0.1436	0.1347
Singapore dollar	0.6764	0.6665

Income Statement Year-Average Rates	2021	2020
Dollar	0.9144	0.9386
Euro	1.0814	1.0705
Pound sterling	1.2579	1.2042
Renminbi	0.1418	0.1360
Singapore dollar	0.6804	0.6805

Interest Rate
Risk arises from movements in interest rates which could affect the Group financial result or the value of Group equity. Changes in interest rates may cause variations in interest income and expense. In addition, they may affect the market value of certain financial assets, liabilities and hedging instruments. The primary objective of the Group's interest rate management is to protect the net interest result.

Lonza's policy is to manage interest cost using a mix of fixed and variable rate debt. Group policy is to maintain at least 50% of its borrowings in fixed-rate instruments. In order to manage this mix in a cost-efficient manner, Lonza enters into interest rate swaps and cross-currency interest rate swaps to exchange at specified intervals, the difference between fixed and variable interest amounts calculated by reference to a corresponding notional principal amount. Lonza adopts a policy of having one third of the debt on a short-term basis and two-thirds of the debt on a long-term basis. The mix between floating and fixed rates depends on the market view of Lonza.

Lonza's exposure to interest rate risk was as follows:

million CHF	Notes	2021	2020
Net Debt / (cash)	15	(958)	2,813
Net debt at fixed interest rates[1]		(1,421)	(2,573)
Interest risk exposure		(2,379)	240

[1] Including effects from cross currency interest rate swaps

In 2021, if the interest rates had increased / decreased by 1%, with all other variables held constant, post-tax profit would have been CHF 21.2 million higher / lower.

In 2020, if the interest rates had increased / decreased by 1%, with all other variables held constant, post-tax profit would have been CHF 2.2 million lower / higher.

29.5
Overview of Derivative Financial Instruments

The following table shows the contract or underlying principal amounts and fair values of derivative financial instruments by type of contract at 31 December 2021 and 2020. Contract or underlying principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair values are determined by using the difference of the prices fixed in the outstanding derivative contracts from the actual market conditions which would have been applied at the year-end if we had to recover these trades.

Financial Instruments at Fair Value Through Profit or Loss

million CHF	Contract or underlying principal amount		Positive fair values		Negative fair values		Total net fair values	
	2021	2020	2021	2020	2021	2020	2021	2020
Currency-related instruments	10,880	1,583	27	37	(24)	(4)	3	33
Total financial instruments at fair value through profit or loss	**10,880**	**1,583**	**27**	**37**	**(24)**	**(4)**	**3**	**33**

Financial Instruments Effective for Hedge-Accounting Purposes

million CHF	Contract or underlying principal amount		Positive fair values		Negative fair values		Total net fair values	
	2021	2020	2021	2020	2021	2020	2021	2020
Currency-related instruments	2,538	0	14	0	(12)	0	2	0
Interest-related instruments	402	388	0	0	(13)	(25)	(13)	(25)
Total financial instruments effective for hedge-accounting purposes	**2,940**	**388**	**14**	**0**	**(25)**	**(25)**	**(11)**	**(25)**

Offsetting of Financial Asset and Financial Liabilities
The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements with the respective counterparties in order to mitigate counterparty risk. Under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. The ISDA agreements do not meet the criteria for offsetting in the balance sheet as the Group does not have a currently enforceable right to offset recognized amounts, because the right to offset is only enforceable on the occurrence of future events, such as a default or other credit events.

The following table sets out the carrying value of derivative financial instruments and the amounts that are subject to master netting agreements.

million CHF	Assets		Liabilities	
	2021	2020	2021	2020
Currency related instruments	41	37	(36)	(4)
Interest related instruments	0	0	(13)	(25)
Carrying value of derivative financial instruments	**41**	**37**	**(49)**	**(29)**
Derivatives subject to master netting agreements	(32)	(5)	32	5
Net amount	**9**	**32**	**(17)**	**(24)**

Positive fair values of derivatives are included as part of "Other receivables, prepaid expenses and accrued income". Negative fair values of derivatives are included as part of "Other current liabilities". Hedge accounting was applied to cash flow hedges on highly probable payments in foreign currencies.

29.6
Financial Instruments Carried at Fair Value

The Group applied the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

million CHF	Level 1	Level 2	Level 3	2021 Total fair value	Level 1	Level 2	Level 3	2020 Total fair value
Assets								
Short-term investments at fair value through profit or loss	245	0	0	245	0	0	0	0
Other investments	0	73	0	73	0	33	0	33
Derivative financial instruments	0	41	0	41	0	37	0	37
Contingent consideration related to sale of businesses	0	0	0	0	0	0	14	14
Liabilities								
Derivative financial instruments	0	(49)	0	(49)	0	(29)	0	(29)
Contingent consideration related to acquisition of businesses	0	0	(27)	(27)	0	0	(28)	(28)
Net assets and liabilities measured at fair value	**245**	**65**	**(27)**	**283**	**0**	**41**	**(14)**	**27**

In 2021 and 2020 there were no transfers between Level 1 and Level 2 fair value measurements.

Details of the determination of Level 3 fair value measurements are set out below:

Contingent Consideration Arrangements Related to Sale of Business

million CHF	2021	2020
At 1 January	**14**	**20**
Payments received	(13)	(6)
Currency translation effects	(1)	0
At 31 December	**(0)**	**14**

The agreement to sell the Peptides business includes a contingent consideration arrangement under which Lonza received a defined percentage of the net sales of the disposed business for the financial years 2017–2021. The contingent consideration was fully paid out at the end of 2021.

Contingent Consideration Arrangements Related to Acquisition of Businesses

million CHF	2021	2020
At 1 January	**28**	**30**
Payments made	(2)	(2)
Currency translation effects	1	0
At 31 December	**27**	**28**

Lonza is party to certain contingent consideration arrangements arising from business combinations. The fair values are determined considering the expected payments. The expected payments are determined by considering the possible scenarios of regulatory approvals and forecast sales, which are the most significant unobservable inputs. The estimated fair value would increase if the forecast sales were higher or if the likelihood of obtaining regulatory approval was higher. At 31 December 2021 the total potential payments under contingent consideration arrangements could be up to CHF 64 million, primarily related to the Octane acquisition (2020: CHF 62 million) whereas the estimated payments amounted to CHF 27 million at December 2021 (2020: CHF 28 million).

29.7
Carrying Amounts and Fair Values of Financial Instruments by Category

The carrying values less impairment provision of trade receivables are assumed to approximate to their fair values due to the short- term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. The table below shows the carrying amounts and fair values of financial instruments by category.

million CHF	Financial instruments mandatorily at fair value through profit or loss	Fair value – hedging instruments	Financial assets at amortized cost	Financial liabilities at amortized cost	Carrying amount	Fair value
At December 2021						
Other investments	73	0	0	0	73	73
Trade receivables, net	0	0	928	0	928	928
Other receivables	0	0	81	0	81	81
Accrued income	0	0	127	0	127	127
Current advances	0	0	177	0	177	177
Short-term investments	245	0	1,357	0	1,602	1,602
Cash and cash equivalents	0	0	1,582	0	1,582	1,582
Contingent consideration from sale of business	0	0	0	0	0	0
Derivative financial instruments	0	41	0	0	41	41
Total financial assets	**318**	**41**	**4,252**	**0**	**4,611**	**4,611**
Debt						
– Straight bonds[1]	0	0	0	1,351	1,351	1,407
– Other debt	0	0	0	1,052	1,052	1,052
Current liabilities	0	0	0	840	840	840
Non-current liabilities	0	0	0	312	312	312
Trade payables	0	0	0	483	483	483
Contingent consideration	27	0	0	0	27	27
Derivative financial instruments	0	49	0	0	49	49
Total financial liabilities	**27**	**49**	**0**	**4,038**	**4,114**	**4,170**

[1] The fair value of straight bonds for disclosure purposes is Level 1 and is calculated based on the observable market prices of the debt instruments

million CHF	Financial instruments mandatorily at fair value through profit or loss	Fair value – hedging instruments	Financial assets at amortized cost	Financial liabilities at amortized cost	Carrying amount	Fair value
At December 2020						
Other investments	33	0	0	0	33	33
Trade receivables, net	0	0	715	0	715	715
Other receivables	0	0	87	0	87	87
Accrued income	0	0	185	0	185	185
Current advances	0	0	162	0	162	162
Short-term investments	0	0	0	0	0	0
Cash and cash equivalents	0	0	495	0	495	495
Contingent consideration from sale of business	14	0	0	0	14	14
Derivative financial instruments	0	37	0	0	37	37
Total financial assets	**47**	**37**	**1,644**	**0**	**1,728**	**1,728**
Debt						
– Straight bonds[1]	0	0	0	1,749	1,749	1,834
– Other debt	0	0	0	1,831	1,831	1,831
Current liabilities	0	0	0	691	691	691
Non-current liabilities	0	0	0	212	212	212
Trade payables	0	0	0	308	308	308
Contingent consideration	28	0	0	0	28	28
Derivative financial instruments	0	29	0	0	29	29
Total financial liabilities	**28**	**29**	**0**	**4,791**	**4,848**	**4,933**

[1] The fair value of straight bonds for disclosure purposes is Level 1 and is calculated based on the observable market prices of the debt instruments

29.8
Capital Management

The Board's policy is to maintain a strong capital base so as to retain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors both the demographic spread of shareholders and the return on capital, which Lonza defines as total shareholders' equity, excluding non-controlling interest, and the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. Lonza's target is to achieve a Return On Invested Capital (ROIC) in excess of 10% by 2022. In 2021, the return was 10.7% (2020 – restated: 9.1%, see further details in section Alternative Performance Measures). In comparison, the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 1.42% (2020: 1.32%).

From time to time, Lonza purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily, the shares are intended to be used for issuing shares under Lonza's share programs. Lonza does not have a defined share buy-back plan. Neither Lonza Group Ltd nor any of its subsidiaries is subject to externally imposed capital requirements.

Note 30
Share Ownership of the Members of the Board of Directors and the Executive Committee

Board of Directors

Based on information available to Lonza, the members of the Board of Directors and parties closely associated with them held, as of 31 December 2021: 48,159 (2020: 46,209)[1] registered shares of Lonza Group Ltd and controlled 0.06% (2020: 0.06%) of the share capital.

None of the members of the Board of Directors or Executive Committee owns shares in the Group's subsidiaries or associates.

Executive Committee

The members of the Executive Committee and parties closely associated with them held, as of 31 December 2021: 4,660 (2020: 14,262) shares and controlled 0.01% (2020: 0.02%) of the share capital. The individual control rights are proportional to the holdings shown below.

Board of Directors[1]

	Numbers of shares	
	2021	2020[2]
Albert M. Baehny	4,262	3,773
Werner Bauer	26,712	26,485
Angelica Kohlmann	1,065	870
Christoph Mäder	3,697	3,470
Barbara Richmond	3,657	3,462
Jürgen Steinemann	7,343	7,148
Olivier Verscheure	1,065	870
Dorothée Deuring	358	131
Total	**48,159**	**46,209**

1 Spouse, children below 18, any legal entities that they own or otherwise control, or any legal or natural person who is acting as their fiduciary
2 Moncef Slaoui was appointed to the Board of Directors at the 2020 AGM, however due to further commitments he stepped down from the Board of Directors soon after appointment

Executive Committee[1]

	Numbers of shares	
	2021	2020
Pierre-Alain Ruffieux[2]	0	0
Stefan Stoffel	3,500	3,700
Caroline Barth	445	0
Claude Dartiguelongue[3]	0	n/a
Gordon Bates[3]	606	n/a
Jean-Christophe Hyvert[3]	109	n/a
Philippe Deecke[4]	0	n/a
Rodolfo Savitzky[5]	n/a	10,562
Total	**4,660**	**14,262**

1 All Executive Committee members active prior to 30 April 2020 have met or are in line to meet the shareholding guidelines
2 Pierre-Alain Ruffieux commenced employment on 1 November 2020
3 Appointed to the Executive Committee on 1 April 2021
4 Appointed to the Executive Committee on 1 December 2021
5 Stepped down from the Executive Committee on 30 November 2021

Note 31
Enterprise Risk Management

The Enterprise Risk Management (ERM) program is a critical platform for Lonza's global organization and business as it provides a mechanism and structure for prudently addressing risk responsibility and management in each and every part of the company. Lonza pursues a comprehensive risk management program as an essential element of sound corporate governance and is committed to continuously embedding risk management in its daily culture. Lonza's annual ERM process is as follows:

- Step 1: Identification and assessment of risks through bottom-up risk scanning with individual risk owners in meetings and with surveys;
- Step 2: Consolidation, review and prioritization of risks by the cross-functional ERM team, including mapping of trends versus prior year;
- Step 3: Workshop with the leadership teams of each Executive Committee member reporting to the CEO and the Group General Counsel to review and finalize the ERM team's findings and document mitigation measures;
- Step 4: Presentation and discussion of consolidated enterprise risk overview and relevant mitigation measures to the Executive Committee;
- Step 5: Presentation and discussion of top risks and relevant mitigation measures to Board of Directors; and
- Step 6: Throughout the year, monitor status of mitigation measures.

Through this process, Lonza has identified 16 high-level thematic risk categories. An increased focus on Environmental, Social, and Governance (ESG) topics, as well as trends such as aging societies, growing populations and the increasing need for safe and abundant food are directly considered in the company's enterprise risk assessment. Alongside this, Lonza also includes climate, natural and environmental risks into its assessment.

Each identified risk category is assessed according to its probability of occurrence and its negative impact on the Group:

- Actions to mitigate the probability and / or impact have been identified to address every individual risks component within each category which are reviewed on a quarterly basis with assigned risk owners to assess the status;
- The probability of occurrence is assessed for the period until year-end 2023, with a risk range from unlikely to highly probable; and
- Any potential negative effect of a risk is assessed according to its impact on the annual Group's EBIT, the Group's reputation and the Group's operations.

Risks have been identified for each division and for corporate functions. The risk scenarios identified in 2021 were presented to the Executive Committee and to the Board of Directors at their meetings in November and December 2021, respectively. Financial risk management is disclosed in note 29.

Note 32
Events after Balance Sheet Date

As of the date of issuance of these Consolidated Financial Statements, no significant subsequent events have occurred after the reporting period that might affect the Group and that should be included thereto.

Note 33
Principal Subsidiaries and Joint Ventures
Selection criteria: CHF 10 million net sales 3rd Parties, CHF 10 million total assets 3rd parties or more than 30 FTE

Name	Town/Country	Currency[1]	Share Capital	Holding Direct	Holding Indirect
BacThera AG	Visp CH	CHF	11,000,000		50%
Bend Research, Inc.	Portland US	USD	n/a[3]		100%
BioAtrium AG	Visp CH	CHF	87,700,000		50%
Capsugel Australia Pty Ltd	Sydney AUS	AUD	6,368,270		100%
Capsugel Belgium NV	Bornem BE	EUR	236,921,555[2]	99.9%[2]	0.1%[2]
Capsugel Brasil Importação e Distribuição de Insumos Farmacêuticos e Alimentos Ltda.	Rio de Janeiro BR	BRL	74,976,852		100%
Capsugel Canada Corp.	Vancouver CA	CAD	n/a[3]		100%
Capsugel de México, S. de R.L. de C.V.	Puebla ME	MXN	870,004,052		100%
Capsugel Distribucion, S. de R.L. de C.V.	Puebla ME	MXN	20,000,000		100%
Capsugel France SAS	Colmar FR	EUR	1,280,000		100%
Capsugel Healthcare Private Limited	Gurugram IN	INR	2,985,075,930		99.9%[2]
Capsugel Manufacturing, LLC	Wilmington US	USD	n/a[3]		100%
Capsugel, Inc.	Wilmington US	USD	10		100%
Komec Helsen N.V.	Bornem BE	EUR	62,000		100%
LLC Capsugel	Domodedovo (Moscow Region) RU	RUB	150,000		100%
Lonza (Thailand) Co., Ltd.	Bangkok TH	THB	170,000,000		100%
Lonza Biologics Inc	Wilmington US	USD	1,000		100%
Lonza Biologics Ltd.	Guangzhou CN	USD	45,000,000		100%
Lonza Biologics plc	Slough GB	GBP	14,500,000		100%
Lonza Biologics Porriño S.L.	Porriño ES	EUR	10,295,797[2]		100%
Lonza Biologics Tuas Pte. Ltd.	Singapore SG	SGD USD	172,000,000 25,000,000		100%
Lonza Bioscience SARL	Saint-Beauzire FR	EUR	8,848,695		100%
Lonza Bioscience Singapore Pte Ltd	Singapore SG	USD	1		100%
Lonza China Investments Co Ltd	Guangzhou CN	USD	84,000,000	100%	
Lonza Cologne GmbH	Cologne DE	EUR	1,502,000		100%
Lonza Consumer Health Inc.	Los Angeles US	USD	n/a[3]		100%
Lonza Copenhagen ApS	Vallensbaek-Strand DK	DKK	150,000		100%
Lonza Costa Rica, S.A.	Heredia CR	CRC	10,000		100%
Lonza Finance International NV[4]	Bornem BE	EUR	43,062,000	100%	
Lonza Guangzhou Pharmaceutical Ltd	Guangzhou CN	USD	133,578,892		100%
Lonza Houston Inc.	Wilmington US	USD	290[2]		100%
Lonza India Private Limited	Mumbai IN	INR	23,458,580		99.9%[2]
Lonza K.K.[5]	Sagamihara JP	JPY	100,000,000		100%
Lonza Netherlands B.V.	Maastricht NL	EUR	2,115,232		100%
Lonza Rockland, Inc.	Wilmington US	USD	100		100%
Lonza Sales AG	Basel CH	CHF	2,000,000	100%	
Lonza Shanghai International Trading Ltd.	Shanghai CN	USD	200,000		100%
Lonza Swiss Finanz AG[4]	Basel CH	CHF	100,000	100%	
Lonza Swiss Licences AG	Basel CH	CHF	100,000	100%	
Lonza USA Inc.	Wilmington US	USD	5	100%	
Lonza Verviers SRL	Verviers BE	EUR	18,750		100%
Lonza Walkersville, Inc.	Wilmington US	USD	10		100%
Micro-Macinazione SA	Monteggio CH	CHF	1,000,000		100%
Octane Biotech, Inc.	Ontario CA	CAD	n/a[3]		80%
P.T. Capsugel Indonesia	Jakarta IN	USD	59,300,769		99.9%[2]
Powdersize LLC	Wilmington US	USD	n/a[3]		100%
Suzhou Capsugel Limited	Suzhou CN	USD	29,700,000		75%
Xcelience LLC	Wilmington US	USD	n/a[3]		100%

[1] Abbreviation of currencies in accordance with ISO standards
[2] Rounded amount
[3] No par value
[4] This entity does not meet above mentioned thresholds. It was included due to its significance for group financings
[5] On 1 September 2021 Lonza KK merged into Capsugel Japan Inc. On the same date Capsugel Japan Inc. changed its corporate name into Lonza K.K.

Sunny winter morning, USA

Statutory Auditor's Report

To the General Meeting of Lonza Group Ltd, Basel

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Lonza Group Ltd and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021 and the consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Revenue recognition

Uncertain income tax positions and related tax expenses

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Revenue recognition

Key Audit Matter

The Group's recognition of revenue in a complete and accurate manner is exposed to various risks. There are two distinct risk factors that trigger revenue recognition as a key audit matter:

— custom manufacturing agreements, and

— linkage of certain of management's incentive compensation to annual revenue targets.

Due to market dynamics, the relevance of long-term product supply agreements with certain of the Group's customers is significant. Under these agreements, the Group constructs and launches new or reworked suites dedicated to client specific manufacturing, which are owned and operated by the Group to deliver the final product. Extending over multiple periods such agreements often include milestone and upfront payments as well as the rendering of project management services during the construction phase. To a certain degree the identification and measurement of distinct performance obligations and resulting revenue recognition is subject to management's judgment and understanding of the individual customer contract.

This gives rise to the risk that revenue could be misstated due to the incorrect identification and separation of contractual components and related performance obligations, resulting in an inappropriate timing of revenue recognition.

Performance targets embedded in management's compensation incentive plans based on financial results and achievement of targets are partially contingent on the timing of revenue recognition. There is a risk of fraud in revenue recognition due to the incentives management may feel to achieve the targeted results.

Our response

For significant existing, new and amended customer manufacturing agreements, we assessed the appropriateness of the identification and separation of distinct performance obligations and the timing of revenue recognition by making our own independent assessment. Furthermore, we challenged and assessed the qualification of performance obligations of significant new and amended contracts.

As a response to the risk of fraud in revenue recognition, we performed sample testing of revenue recorded during the year and focused on revenue transactions taking place before and after year-end as well as deferred revenue transactions to determine that revenue is recognized in the correct period. We tested the accuracy of revenues recorded, based on inspection of customer acceptance certificates, shipping documents, delivery notes and cash receipts. Furthermore, we tested manual journal entries on a sample basis and controls over the recording of revenue in the relevant IT systems.

We also performed audit procedures to assess the adequacy and accuracy of the Group's revenue recognition disclosures, as presented in the Group's consolidated financial statements.

For further information on revenue recognition refer to the following:

— Note 1 Accounting Principles

— Note 3 Revenues

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Uncertain income tax positions and related tax expenses

Key Audit Matter

The Group operates in a complex multinational tax environment giving rise to cross-border transactions and complex taxation arrangements being subject to various country specific tax laws. During the normal course of business local tax authorities may challenge financing arrangements between Group entities, transfer-pricing arrangements relating to the Group's manufacturing and supply chain and the ownership of intellectual property rights.

During 2021, the Group continued to reorganize certain legal entities and implemented other measures in connection with the divestment of the Specialty Ingredients business as per July 1, 2021. This triggered certain income tax relevant transactions. These transactions and the LSI disposal itself required management to make certain assumptions and estimates related to the measurement and recognition of resulting income taxes.

The Group has also recognized provisions for other uncertain tax items, the estimation of which is subject to management's judgement.

Based on these complexities, uncertainties and management's judgment involved in estimating the income taxes, we identified the completeness and valuation of uncertain income tax positions and related tax expenses as a key audit matter.

Our response

Our audit approach included the use of local tax specialists in all key jurisdictions to evaluate tax provisions and potential exposures as of 31 December 2021.

In response to the implemented reorganization and the divestment of the Specialty Ingredients business, we read and evaluated management's documentation, including information obtained by management from external tax and valuation specialists that detailed the basis of the income tax positions related to the disposal of the Specialty Ingredients business. In addition to our tax specialists, we also involved valuation specialists, who assisted in reperforming certain calculations, developing an independent expectation, and assessing appropriateness of management's conclusions.

We obtained explanations from management regarding the known uncertain tax positions and analyzed correspondence with taxation authorities to identify uncertain tax positions. We assessed the adequacy of management's taxation provisions by considering country specific tax risks, transfer-pricing risks, compliance risks and potential penalties and fines. We critically reviewed and evaluated the judgements made by management in assessing the quantification and probability of significant exposures and the level of provision required for specific matters.

Furthermore, we evaluated whether uncertain income tax items were appropriately disclosed in the Group's consolidated financial statements.

For further information on income taxes refer to the following:

— Note 1 Accounting Principles

— Note 22 Taxes

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Florin Janine Krapp
Licensed Audit Expert
Auditor in Charge

Cyrill Kaufmann
Licensed Audit Expert

Zurich, 15 March 2022

People On Street, Spain

Financial Statements of Lonza Group Ltd

Balance Sheet – Lonza Group Ltd

Assets[1]

CHF	Notes	2021	2020
Non-current assets			
Long-term financial assets:			
– from third parties		16,250,000	11,000,000
– from subsidiaries and associates	2.2	2,436,756,431	3,734,534,262
Investments	2.1	4,748,387,303	5,608,484,488
Property, plant and equipment		118,589	161,658
Prepaid expenses and accrued income:			
– from third parties		7,815,592	11,087,617
Total non-current assets		**7,209,327,915**	**9,365,268,025**
Current assets			
Cash and cash equivalents	2.3	1,367,756,334	193,619,331
Short term financial assets:			
- from third parties	2.3	1,642,553,775	0
– from subsidiaries and associates		1,102,429,597	861,749,761
Other short-term receivables:			
– from third parties		8,487,430	67
– from subsidiaries and associates		31,371,423	112,235,477
Prepaid expenses and accrued income:			
– from third parties		1,205,775	37,485,416
– from subsidiaries and associates		7,367,824	8,804,506
Total current assets		**4,161,172,158**	**1,213,894,558**
Total assets		**11,370,500,073**	**10,579,162,583**

[1] At 31 December

Liabilities and Shareholders' Equity[1]

CHF	Notes	2021	2020
Shareholders' equity			
Share capital	2.6	74,468,752	74,468,752
Legal capital reserves:			
– Reserves from capital contributions	2.7	2,463,921,215	2,575,394,015
Legal retained earnings reserves:			
– General legal retained earnings		37,234,376	37,234,376
Voluntary retained earnings:			
– Available earnings:			
– Profit brought forward		3,389,663,927	2,667,715,331
– Profit for the year		2,345,334,132	833,421,396
Treasury shares	2.8	(176,650,172)	(99,996,374)
Total shareholders' equity		**8,133,972,230**	**6,088,237,496**
Non-current liabilities			
Long-term interest-bearing liabilities:			
– to third parties	2.5	878,478,750	1,287,345,000
– to subsidiaries and associates		1,113,200,700	1,855,330,816
Long-term provisions:			
– to third parties		17,081,550	3,195,979
Derivatives financial liabilities:			
– to third parties		12,678,257	24,568,775
– to subsidiaries and associates		6,294	0
Total non-current liabilities		**2,021,445,551**	**3,170,440,570**
Current liabilities			
Trade accounts payables:			
– to third parties	2.4	2,339,486	4,508,600
– to subsidiaries and associates		3,180,845	19,819,363
Short-term interest-bearing liabilities:			
– to third parties	2.5	0	351,949,000
– to subsidiaries and associates		957,232,417	759,488,357
Short-term provisions:			
– to third parties		42,807,634	51,833,865
Accrued expenses and deferred income:			
– to third parties		164,436,591	111,628,207
– to subsidiaries and associates		45,085,319	21,257,125
Total current liabilities		**1,215,082,292**	**1,320,484,517**
Total liabilities		**3,236,527,843**	**4,490,925,087**
Total liabilities and shareholders' equity		**11,370,500,073**	**10,579,162,583**

[1] At 31 December

Income Statement – Lonza Group Ltd

CHF	Notes	2021	2020
Income			
Dividend income	2.9	646,555,159	863,803,307
Royalties income		193,830,763	177,653,255
Other financial income	2.10	101,401,570	125,315,967
Other operating income		4,468,219	7,086,711
Other income from sale of business	2.13	1,631,750,010	0
Total income		**2,578,005,721**	**1,173,859,240**
Expenses			
Other financial expenses	2.11	66,270,712	128,253,579
Personnel expenses		63,699,681	33,414,606
Other operating expenses	2.12	88,903,112	60,322,058
Impairment losses on investments	2.9	0	115,312,706
Depreciation on equipment		78,370	111,015
Direct taxes		13,719,714	3,023,880
Total expenses		**232,671,589**	**340,437,844**
Profit for the year		**2,345,334,132**	**833,421,396**

Notes to the Financial Statements – Lonza Group Ltd

Note 1
Principles

1.1
General Aspects

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

1.2
Financial Assets

Financial assets include short- and long-term loans to subsidiaries and associates, along with third party financial investments. Loans granted in foreign currencies are translated at the rate at the balance sheet date.

1.3
Treasury Shares

Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of a resale, the gain or loss is recognized through the shareholders' equity as increase or decrease of available earnings brought forward.

1.4
Share-Based Payments

When treasury shares are used for share-based payment programs, the difference between the acquisition costs and any consideration paid by the employees at grant date is recognized as other financial expenses or income.

1.5
Short-/Long-Term Interest-Bearing Liabilities

Interest-bearing liabilities are recognized in the balance sheet at nominal value. Discounts and issue costs for bonds or syndicate loans are recognized as prepaid expenses and amortized on a straight-line basis over the principal's maturity period. Premiums are recognized as accrued expenses and amortized on a straight-line basis over the principal's maturity period.

1.6
Currency- and Interest-Related Instruments

Currency- and interest-related instruments with a short-term holding period are valued at their fair value as at the balance sheet date. A valuation adjustment reserve has not been accounted for.

1.7
Presentation of a Cash Flow Statement and Additional Disclosures in the Notes

As Lonza Group Ltd has prepared its consolidated financial statements in accordance with a recognized accounting standard (International Financial Reporting Standards IFRS), it has decided to forgo presentation of a cash flow statement, information on interest-bearing liabilities and audit fees in the note disclosures as would be required by Swiss law.

Note 2
Information on Balance Sheet and Income Statement Items

2.1 Investments

Lonza Group Ltd holds the following direct subsidiaries as of 31 December 2021. For indirect principal subsidiaries, please see the list in note 33 to the Group's consolidated financial statements.

		Share Capital in 1'000[1]		Direct Holding in %[1]	
		31.12.2021	31.12.2020	31.12.2021	31.12.2020
Capsugel Belgium NV	Bornem, BE	EUR 236,922	EUR 236,922	99.9%	99.9%
Capsugel Middle East Sàrl	Beirut, LB	LPB 5,000	LPB 5,000	1.0%	1.0%
International School of Basel AG	Reinach, CH	CHF 20,900	CHF 20,900	2.4%	2.4%
Lonza AG	Visp, CH	CHF 60,000	CHF 60,000	100.0%	100.0%
Lonza Bioproducts AG	Basel, CH	CHF 0[2]	CHF 100	0.0%	100.0%
Lonza do Brasil Especialidades Quimicas Ltda.	Sao Paulo, BR	BRL 0[3]	BRL 119,648	0.0%	15.4%
Lonza Finance International NV	Bornem, BE	EUR 43,062	EUR 43,062	100.0%	100.0%
Lonza Group GmbH	Waldshut-Tiengen, DE	EUR 25	EUR 25	0.4%	0.4%
Lonza Holdings NA Inc.	Wilmington, US	USD 0[3]	USD 0[6]	0.0%	100.0%
Lonza Holding Singapore Pte Ltd	Singapore, SG	USD 100,000	USD 100,000	100.0%	100.0%
Lonza (China) Investments Co. Ltd	Guangzhou, CN	USD 84,000	USD 84,000	100.0%	100.0%
Lonza Japan Ltd	Tokyo, JP	JPY 0[3]	JPY 100,000	0.0%	100.0%
Lonza KK	Tokyo, JP	JPY 0[4]	JPY 50,000	0.0%	100.0%
Lonza Licences AG	Basel, CH	CHF 100	CHF 100	100.0%	100.0%
Lonza Sales AG	Basel, CH	CHF 2,000	CHF 2,000	100.0%	100.0%
Lonza Services AG	Basel, CH	CHF 0[3]	CHF 101	0.0%	100.0%
Lonza Solutions AG	Visp, CH	CHF 0[3]	CHF 101	0.0%	100.0%
Lonza Swiss Finanz AG	Basel, CH	CHF 100	CHF 100	100.0%	100.0%
Lonza Swiss Licences AG	Basel, CH	CHF 100	CHF 100	100.0%	100.0%
Lonza USA Inc.	Wilmington, US	USD 0[5,6]	n/a	100.0%	0.0%
Seed Fund Cycle-C3E (A), L.P.	Montreal, CA	CAD 1,000	CAD 1,000	100.0%	100.0%

[1] Rounded amounts
[2] Entity was merged into Lonza AG in 2021
[3] Entity was divested in 2021
[4] Entity was merged in 2021
[5] Entity was incorporated in 2021
[6] Share capital USD 5.00

In 2021, Lonza Group Ltd established Lonza USA Inc. in the United States of America through a carve-out from Lonza Holdings NA Inc. in preparation of the Lonza Specialty Ingredients business transaction. Lonza USA Inc. is a 100% subsidiary of Lonza Group Ltd with a share capital of USD 5.00.

Lonza KK merged into Capsugel Japan Ltd. In 2021 (Capsugel Japan Ltd. was then renamed to Lonza K.K.).

The divestiture of the Lonza Specialty Ingredients business in 2021 resulted in the transfer of all shares of following entities to the buyer:

Lonza do Brasil Especialidades Quimicas Ltda., Lonza Holdings NA Inc., Lonza Japan Ltd., Lonza Services AG, and Lonza Solutions AG.

2.2 Long-Term Financial Assets

Lonza Group Ltd issued subordination agreements of CHF 374 million (2020: CHF 95 million) on loans to subsidiaries and associates.

2.3 Cash, Cash Equivalents and Short-Term Financial Assets

Following the sale of the Lonza Specialty Ingredients business Lonza parked the excess cash into short-term plain vanilla instruments, such as overnight deposits, bank term deposits, notice deposits and short-term money market funds in line with the Group's investment policy. At year-end 2021, Lonza Group Ltd maintained a total balance of CHF 3.0 billion, thereof CHF 1.4 billion was classified as cash & cash equivalents (cash at banks and bank deposits with maturities less than 3 months), and 1.6 billion was classified as short-term investments (maturing between three to six months).

2.4 Trade Accounts Payables

Trade accounts payables include liabilities to personnel welfare institutions of CHF 277,914 at 31 December 2021 (2020: CHF 236,267).

2.5 Short-Term and Long-Term Interest-Bearing Liabilities

CHF	2021	2020
German Private Placement	0	351,949,000
Total short-term interest-bearing liabilities	0	351,949,000

CHF	2021	2020
German Private Placement	239,518,750	670,470,000
Term loan Facility B1 / B2 USD 700 Mio	638,960,000	616,875,000
Total long-term interest-bearing liabilities	878,478,750	1,287,345,000

Credit Rating

In January 2019, Lonza announced that Standard & Poor's (S&P) rated the company with an investment grade rating of BBB+ and stable outlook. The rating has been confirmed by S&P since then and Lonza is committed to maintaining a strong investment-grade rating going forward.

Debt Repayments

Following the successful closing of the transaction to sell the Lonza Specialty Ingredients business and the receipt of the disposal net proceeds in July 2021, Lonza did not issue any new debt securities in 2021. Furthermore Lonza repaid in 2021 its scheduled debt maturities related to the Schuldschein notes (EUR 325 million in August 2021, equaling to CHF 352 million) and also decided to early repay the floating rate Schuldschein notes (USD 250 million and EUR 187.5 million in August and September 2021, totaling CHF 432 million equivalent).

German Private Placement (Schuldschein)

Following the repayments above, Lonza maintains two fixed rate notes of the dual-currency Schuldschein issued in August 2017. Remaining notes are repayable in 2023 (EUR 187.5 million) and 2024 (USD 50 million).

Syndicated Loan Facilities

In 2019, Lonza signed a Syndicated Loan Facility with a consortium of banks, which provides Lonza additional financial headroom of CHF 1 billion, initially due 2024, at floating interest rates. The facility was not used as of 31 December 2021 (in 2020, the facility was not used either). Lonza successfully draw its extension option in 2020 and 2021, therefore the facility was extended by 2 years in total with a final maturity date in 2026.

2.6
Share Capital and Authorized Capital

The share capital on 31 December 2021 comprised 74,468,752 registered shares (2020: 74,468,752) with a par value of CHF 1 each, amounting to CHF 74,468,752 (2020: CHF 74,468,752).

Contingent Capital

The share capital of Lonza Group Ltd may be increased through the issuance of a maximum of 7,500,000 fully paid-in registered shares with a par value of CHF 1 each up to a maximum aggregate amount of CHF 7,500,000.

Authorized Capital

The Board of Directors shall be authorized to increase, at any time until 6 May 2023, the share capital of the Company through the issuance of a maximum of 7,500,000 fully paid-in registered shares with a par value of CHF 1 each up to a maximum aggregate amount of CHF 7,500,000. The capital increases in the form of contingent capital and authorized capital may increase the share capital of Lonza Group Ltd by a maximum aggregate amount of CHF 7,500,000. The details and conditions are set out in Articles 4^{bis} to 4^{quater} of the Company's Articles of Association.

At 31 December 2021, Lonza Group Ltd had a fully paid-in registered capital of CHF 74,468,752 and a contingent capital of CHF 7,500,000.

Reserves in the amount of CHF 37,234,376 (2020: CHF 37,234,376) included in the financial statements cannot be distributed.

2.7
Reserves from Capital Contributions

CHF	2021
Reserves from Capital Contributions at 1.1.2020	**2,677,762,695**
Dividend payout May 2020	(102,368,680)
Reserves from Capital Contributions at 31.12.2020	**2,575,394,015**
Dividend payout May 2021	(111,472,800)
Reserves from Capital Contributions at 31.12.2021	**2,463,921,215**

2.8
Treasury Shares

	Total Shares	Average Rate in CHF	Number of Transactions
Treasury shares at 1.1.2020, weighted average price	**179,950**	**284.85**	
Acquisitions 2020	287,373	489.58	18
Distribution to board members	(2,888)	447.62	4
Distribution to LTIP share plans	(278,755)	401,80	2
Treasury shares at 31.12.2020, weighted average price	**185,680**	**538.54**	
Acquisitions 2021	274,779	633.48	29
Distribution to board members	(1,950)	618.11	4
Distribution to LTIP share plans	(178,886)	570.03	3
Treasury shares at 31.12.2021, weighted average price	**279,623**	**631.74**	

2.9
Dividend Income/Impairment Losses on Investments

Dividend income in 2021 includes a dividend distribution from Lonza Sales AG of CHF 248,205,000 (2020: CHF 301,995,608), from Capsugel Belgium NV of EUR 201,000,000 (2020: EUR 110,000,000), and from Lonza Holding Singapore Pte Ltd of USD 117,000,000 (2020: USD 277,500,000).

In 2020, a dividend distribution from Lonza AG of CHF 114,078,774 was received which was contributed as capital increase in kind in Lonza Solutions AG. Furthermore, the dividend received from Lonza AG resulted in an impairment loss of the investment held in Lonza AG in the same amount as the dividend received.

2.10
Other Financial Income

Other financial income in 2021 includes interest income from loans to subsidiaries and associates of CHF 77,556,713 (2020: CHF 117,388,335).

2.11
Other Financial Expenses

CHF	Notes	2021	2020
Interest on deposits subsidiaries		27,106,385	24,727,301
Bank interest and fees		17,525,233	26,999,467
Negative interest rates on investments		8,516,558	0
Loss on treasury shares	1.4	7,878,164	20,034,860
Amortization of discounts and issue costs		3,412,494	4,082,649
Net exchange rate loss		1,750,943	52,409,302
Other		80,935	0
Total financial expenses		**66,270,712**	**128,253,579**

2.12
Other Operating Expenses

CHF	2021	2020
Consulting expenses	78,878,986	50,316,896
Administrative expenses	6,922,316	7,793,568
Other operating expenses	3,101,810	2,211,594
Total other operating expenses	**88,903,112**	**60,322,058**

2.13
Other Income from Sale of Business

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

On 8 February 2021, Lonza announced that it entered into a definitive agreement with Bain Capital and Cinven. The divestment of the former Specialty Ingredients business was completed on 1 July 2021 resulting in cash proceeds of CHF 2.5 billion and was finally settled before 31 December 2021.

Note 3
Other Information

3.1
Full-time Equivalents

At 31 December 2021, Lonza Group Ltd had 78 employees (2020: 67).

3.2
Contingent Liabilities, Guarantees and Pledges

At 31 December 2021, indemnity liabilities, guarantees and pledges in favor of third parties totaled CHF 1,572,533,000 (2020: CHF 1,940,405,315). The company is a member of the Lonza Group value-added-tax group in Switzerland and is thereby jointly and severally liable to the federal tax authorities for value-added-tax debts of the group.

3.3
Major Shareholders

In accordance with Art. 663c of the Swiss Code of Obligations: See Significant Shareholders section in the Corporate Governance Report.

3.4
Share Ownership of the Members of the Board of Directors and the Executive Committee

In accordance with Art. 663c para. 3 of the Swiss Code of Obligations: See note 30 in the Consolidated Financial Statements and the Remuneration Report.

3.5
Shares for Members of the Board and Granted Equity Awards for Employees

According to the share-based payments (see note 25), Lonza Group Ltd allocates treasury shares and equity awards as follows:

		2021		2020
	Number of Shares/Granted Equity Awards	Value in CHF 1	Number of Shares/Granted Equity Awards	Value in CHF 1
Shares allocated to members of the Board of Directors	1,950	1,205,319	2,888	1,292,715
Granted equity awards allocated to members of the Executive Committee	10,717	6,466,718	9,880	4,568,522
Granted equity awards allocated to other employees	2,862	1,631,340	5,083	2,013,885
Total	**15,529**	**9,303,377**	**17,851**	**7,875,122**

In 2021 Lonza Group Ltd employed 6 members of the Executive Committee (2020: 3).

3.6
Significant Events after the Balance Sheet Date

There are no significant events after the balance sheet date which could impact the book value of the assets or liabilities or which should be disclosed.

Proposal of the Board of Directors

CHF	2021
Available earnings brought forward	3,389,663,927
Profit for the year	2,345,334,132
Available earnings at the disposal of the Annual General Meeting	**5,734,998,059**
Payment of a dividend (out of available earnings brought forward) in 2021 of CHF 1.50 (2020: CHF 1.50) per share on the share capital eligible for dividend of CHF 74,189,129 (2020: 74,283,072)	(111,283,694)
Available earnings carry-forward	**5,623,714,365**

CHF	2021
Legal capital reserves qualified as reserves from capital contributions	2,463,921,215
Reserves from capital contributions	**2,463,921,215**
Payment of a dividend (out of reserves from capital contributions) in 2021 of CHF 1.50 (2020: CHF 1.50) per share on the share capital eligible for dividend of CHF 74,189,129 (2020: 74,283,072)	(111,283,694)
Available reserves from capital contributions carry-forward	**2,352,637,521**

CHF	2021
Proposed payment of a dividend out of available earnings brought forward	111,283,694
Proposed payment of a dividend out of reserves from capital contributions	111,283,694
Total proposed payment of a dividend	**222,567,388**

If the General Annual Meeting approves the above proposal for appropriation of available earnings and distribution of reserves from capital contribution, a dividend of total CHF 3.00 per share will be paid. 50% of such dividend will be paid out as repayment from reserves from capital contributions without deduction of Swiss withholding tax in accordance with Art. 5 para. 1bis of the Federal Law on Withholding Tax. The other 50% of such dividend will be paid from available earnings. The last trading day with entitlement to receive the dividend is 6 May 2022. As from 9 May 2022 (ex-date), the shares will be traded ex-dividend. The dividend will be payable from 11 May 2022.

Statutory Auditor's Report

To the General Meeting of Lonza Group Ltd, Basel

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lonza Group Ltd, which comprise the balance sheet as at 31 December 2021, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

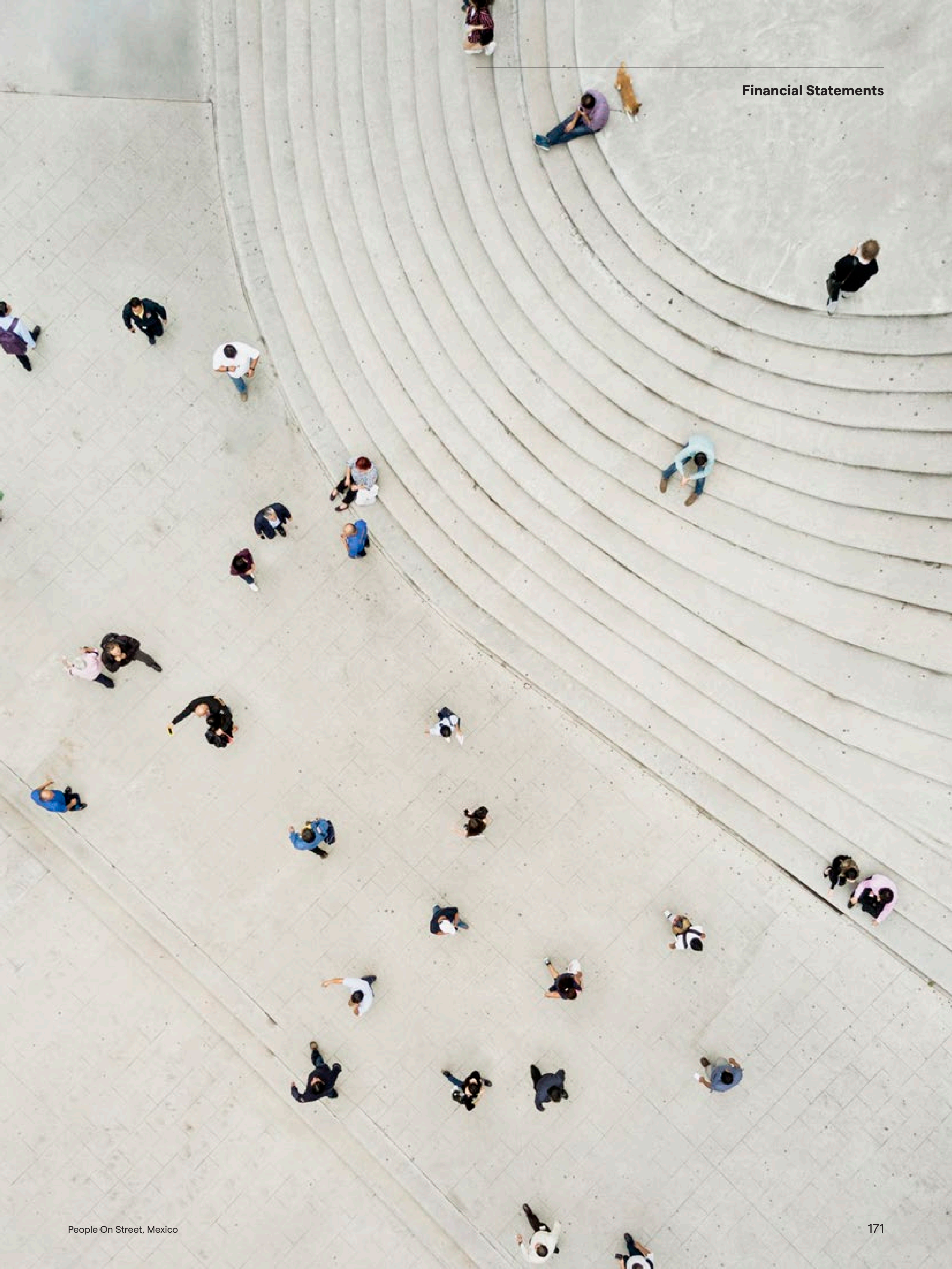
KPMG AG

Florin Janine Krapp
Licensed Audit Expert
Auditor in Charge

Cyrill Kaufmann
Licensed Audit Expert

Zurich, 15 March 2022

KPMG AG, Viaduktstrasse 42, CH-4002 Basel



People On Street, Mexico

Alternative Performance Measures

As announced in the investor presentation of 15 October 2020, Lonza has decided to update the external financial reporting to include revised Alternative Performance Measures (APM).

The main objective was to reduce the number of APMs to include only the most critical ones and to increase the threshold of core adjustments to the appropriate materiality level, given Lonza's current size.

This Finance Report and other communications with investors and analysts includes APMs that are not defined by IFRS (non-GAAP-measures) but are used by the management to assess the financial and operational performance at a divisional and group level. These supplementary financial measures should not be viewed in isolation or as alternatives to Lonza's consolidated financial position and financial results, which are reported in accordance with IFRS. Instead, our APMs are intended to provide a complementary perspective on Lonza's performance by isolating distorting effects like exchange rate fluctuations or one-time items. They are also intended to provide additional key performance indicators to complement the performance dashboard. The APMs in use may not correspond to performance measures with similar names in other companies. Every APM shown in the financial report relates to the performance of the current or the previous reporting year.

The APMs are structured in operational Performance Measures as well as Liquidity and Capital Measures. The operational Performance Measures consist of the definition of the CORE concept, the derivation of EBITDA (CORE and non-CORE) and the disclosure of profitability measures at constant exchange rates. The Liquidity and Capital Measures consist of Net Debt and ratios based on Net Debt and Return on Invested Capital, as well as Operational Free Cash Flow.

The following table outlines which APMs are applied on divisional level and respectively on group level:

	Division	Group
Performance Measures		
Sales and sales growth at constant exchange rate	•	•
CORE EBITDA/ CORE EBITDA margin	•	•
EBITDA		•
CORE EPS		•
CAPEX	•	•
Liquidity and Capital Measures		
Net Debt		•
Net Debt/ CORE EBITDA ratio		•
Debt/Equity Ratio		•
Return On Invested Capital (ROIC)		•
Operational Free Cash Flow (before and after acquisitions)		•

CORE Results

As exceptional items can differ significantly from year to year, Lonza excludes these exceptional effects from the reported IFRS results to determine the CORE results. We believe that disclosing CORE results of the Group's performance enhances the financial markets' understanding because the CORE results enable better year-on-year comparisons. Furthermore, the Group uses CORE results in addition to IFRS as important factors when internally assessing the Group's performance.

The following exceptional items are considered as CORE adjustments when they exceed the threshold of CHF 20 million per event[1]:

- Restructuring related income and expenses,
- Environmental remediation related income and expenses (related to historical environmental issues only),
- Acquisition and divestiture related income and expenses,
- Impairments and reversal of related impairments,
- Litigations,
- One-time effects arising from changes to pension plans – curtailments and settlements

In accordance with the CORE results, APMs such as CORE Earnings per share (CORE EPS) and CORE EBITDA are directly affected by the exclusion of the adjustments listed above.

[1] In the context on the CORE definition, an "event" represents an individual business case that might involve income/expenses across several fiscal years.

The reconciliation of the IFRS result to the CORE result for Full-Year 2021 and 2020 is as follows:

million CHF	2021	2020[1]
Profit from continuing operations	**677**	**732**
Environmental remediation expenses [2]	300	8
(Income) / expense resulting from acquisitions and divestitures [3]	0	(7)
Tax effect [4]	(33)	0
CORE Profit from continuing operations	**944**	**733**
CORE Profit from continuing operations attributable to equity holders of the parent	**941**	**731**
CORE Earnings per share attributable to equity holders of the parent	**12.67**	**9.82**

Earnings before interest, tax, depreciation and amortization (EBITDA)

In line with the CORE adjustments, Lonza assesses operational performance based on CORE EBITDA, which can be reconciled in two steps:

million CHF	2021	2020
Result from operating activities (EBIT)	**851**	**901**
Depreciation of property, plant and equipment	347	284
Amortization of intangible assets	175	169
Impairment and reversal of impairment on property, plant, equipment and intangibles	(8)	24
Earnings before interest, taxes and depreciation (EBITDA)	**1,365**	**1,378**

million CHF	2021	2020[1]
Earnings before interest, taxes and depreciation (EBITDA)	**1,365**	**1,378**
Environmental-related expenses [2]	300	8
(Income) / expense resulting from acquisition and divestitures [3]	0	(7)
CORE EBITDA	**1,665**	**1,379**

[1] 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
[2] Environmental remediation expenses in 2021 predominantly relate to Gamsenried (CH). Refer to note 14 of the financial report Full-Year 2021
[3] Positive impacts related to the acquisition of Capsugel in 2017
[4] Group tax rate on continuing operations of 10.9% for 2021 and 8.8% for 2020

Growth at constant exchange rates (CER)
Financial results in constant currencies are adjusted to eliminate the impact of changes in exchange rates between the reported and reference period – typically the prior year. This adjustment allows management to focus on operational results, without any distorting effect from changes in foreign currency exchange rates from one period to another.

Constant currency is calculated by converting sales, CORE EBIT and CORE EBITDA of the current year at the exchange rate of the prior year. The resulting margins can therefore be compared with the reported profit margins of the prior year to understand fundamental business trends.

The tables below compare the 2021 financial results based on constant exchange rates (i.e. 2020 exchange rates) with the actual 2020 financial results.

Lonza Group (Continuing Operations)

million CHF	2021	2020	Change in %
Sales	**5,409**	**4,508**	20.0
Retranslation at prior year rates	(1)		
Sales in constant currency	**5,408**		20.0
CORE EBITDA	**1,665**	**1,379**[1]	20.7
Retranslation at prior year rates	(7)		
CORE EBITDA in constant currency	**1,658**		20.2
Margin in %	30.7		

[1] 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

Biologics

million CHF	2021	2020	Change in %
Sales	**2,699**	**2,146**	25.8
Retranslation at prior year rates	(24)		
Sales in constant currency	**2,675**		24.7
CORE EBITDA	**979**	**831**	17.8
Retranslation at prior year rates	(6)		
CORE EBITDA in constant currency	**973**		17.1
Margin in %	36.4		

Small Molecules

million CHF	2021	2020	Change in %
Sales	**767**	**692**	10.8
Retranslation at prior year rates	5		
Sales in constant currency	**772**		11.6
CORE EBITDA	**215**	**192**	12.0
Retranslation at prior year rates	9		
CORE EBITDA in constant currency	**224**		16.7
Margin in %	29.0		

Cell & Gene

million CHF	2021	2020	Change in %
Sales	**602**	**481**	25.2
Retranslation at prior year rates	7		
Sales in constant currency	**609**		26.6
CORE EBITDA	**106**	**13**	715.4
Retranslation at prior year rates	0		
CORE EBITDA in constant currency	**106**		715.4
Margin in %	17.4		

Capsules & Health Ingredients

million CHF	2021	2020	Change in %
Sales	**1,204**	**1,153**	4.4
Retranslation at prior year rates	13		
Sales in constant currency	**1,217**		5.6
CORE EBITDA	**414**	**378**	9.5
Retranslation at prior year rates	4		
CORE EBITDA in constant currency	**418**		10.6
Margin in %	34.3		

Corporate

million CHF	2021	2020	Change in %
Sales	**137**	**36**	280.6
Retranslation at prior year rates	(2)		
Sales in constant currency	**135**		275.0
CORE EBITDA	**(49)**	**(35)**[1]	40.0
Retranslation at prior year rates	(14)		
CORE EBITDA in constant currency	**(63)**		80.0

[1] 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

Operational Free Cash Flow
Operational Free Cash Flow measures cash generated by the Group's business operations and represents the capability to pay dividends, repay providers of debt, or carry out acquisitions. Moreover, Lonza distinguishes the Operational Free Cash Flow before and after the effect of any acquisitions and disposals.

Lonza's definition of operational free cash flow does not consider adjustments for non-cash items, as these are usually not significant and year-over-year fluctuations are limited. However, for financial year 2021 Lonza concluded to adjust for the two following non-cash transactions which would have otherwise significantly distorted the current year's operational free cashflow:

- Recognition of the Gamsenried environmental provision,
- Recycling of accumulated exchange rate translation reserve losses related to the Specialty Ingredients business.

In 2021 and 2020, the development of operational free cash flow by component was as follows:

Components of operational free cash flow [1]

million CHF	2021	2020
Earnings before interests, taxes and depreciation (EBITDA)	**3,683**	**1,656**
Change of operating net working capital[2]	(257)	(246)
Capital expenditures in tangible and intangible assets	(1,341)	(973)
Disposal of tangible and intangible assets	19	14
Change of other assets and liabilities[3]	257	262
Gamsenried environmental remediation expenses[4]	285	0
Specialty Ingredients business - Recycling accumulated exchange rate effects	186	0
Gain from sales of assets held for sale and subsidiaries[5]	(2,426)	0
Operational free cash flow (before acquisitions / divestitures)	**406**	**713**
Acquisitions of subsidiaries	(47)	(15)
Divestitures of subsidiaries	4,092	7
Operational free cash flow	**4,451**	**705**

[1] Operational Cash Flow represents Lonza Group incl. Discontinued Operations
[2] Includes in 2021 non-cash amortization of current deferred income of CHF 97 million (2020: CHF 43 million), recognized in the income statement through EBITDA
[3] Includes in 2021 non-cash amortization of non-current deferred income of CHF 7 million (2020: CHF 6 million), recognized in the income statement through EBITDA
[4] Environmental remediation expenses in 2021 predominantly relate to Gamsenried (CH). See note 14.
[5] Gain related to both LSI and Softgel Liquid-filled hard-capsule divested businesses

Return on Invested Capital from Continuing Operations
Lonza defines the ROIC as Net Operating Profit After Tax (NOPAT) divided by the average invested capital of the Group. ROIC is an appropriate measure to assess capital efficiency as it tracks profit generation against capital deployment.

In 2021 and 2020, the development of ROIC by component was as follows:

Components of net operating profit after taxes and return on invested capital (ROIC) for the twelve-months period ended 31 December

million CHF	2021	2020[1]
Result from operating activities (EBIT)	**851**	**901**
Share of gain / (loss) of associates / joint ventures	(28)	(4)
CORE adjustments		
Environmental remediation expenses [2]	300	8
(Income) / expenses resulting from acquisitions and divestitures [3]	0	(7)
Net operating profit before taxes	**1,123**	**898**
Taxes [4]	(122)	(79)
Net operating profit after taxes (NOPAT)	**1,001**	**819**
Average invested capital	**9,387**	**9,019**
ROIC in %	**10.7**	**9.1**

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

Components of average invested capital for the twelve-months period ended 31 December

million CHF	2021	2020[1]
Intangible assets	2,560	2,720
Property, plant & equipment	4,079	3,288
Goodwill	3,079	3,066
Inventories	1,397	1,112
Trade receivables	766	668
Other operating receivables	303	265
Other assets	263	237
Trade payables	(379)	(275)
Other operating liabilities	(2,009)	(1,382)
Net current and deferred tax liabilities	(672)	(680)
Average invested capital	**9,387**	**9,019**

[1] Net Operating profit before taxes 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
[2] Environmental remediation expenses in 2021 predominantly relate to Gamsenried (CH). Refer to note 14 of the financial report Full-Year 2021
[3] Positive impacts related to the acquisition of Capsugel in 2017
[4] Group tax rate on continuing operations of 10.9% for 2021 and 8.8% for 2020

Statement of Value Added

million CHF	Note[1]		2021	%		2020	%
Origin of value added							
Income from production			5,611			4,653	
Dividend earned			0			0	
Total income			**5,611**	**100.0**		**4,653**	**100.0**
Services bought from third parties							
Material costs	18		(1,097)			(938)	
Energy costs	18		(95)			(61)	
Other operating expenses excl. capital taxes			(1,143)			(611)	
Gross value added			**3,276**			**3,043**	
Depreciation on property, plant and equipment as well as amortization on intangibles, impairment / reversal of impairment	6, 7		(515)			(475)	
Income from application of the equity method	9		(28)			(4)	
Total net value added			**2,733**	**48.7**		**2,564**	**55.1**
Distribution of value added							
To staff:							
– Wages and salaries	19		1,369			1,211	
– Pensions	19		51			36	
– Other social security contributions	19		297			257	
– Other personnel expenses	19		172			139	
Total personnel cost			**1,889**	**69.1**		**1,643**	**64.1**
To public authorities							
– Income and capital taxes	22		104	3.8		95	3.7
To lenders:							
– Financial expenses, net	21.1, 21.2		63	2.3		94	3.7
To shareholders							
– Dividends paid [2]	27		225	8.3		206	8.0
To the company							
– Profit from continuing operations		674			730		
– Dividends paid	27	(223)	451	16.5	(204)	526	20.5
To non-controlling interests							
– Profit for the period		3			2		
– Dividends paid		(2)	1	0.0	(2)	0	0.0
Total			**2,733**	**100.0**		**2,564**	**100.0**
Distribution of value added per employee			CHF			CHF	
Wages and salaries			92,325			90,205	
Pensions			3,439			2,682	
Other social security contributions			20,030			19,143	
Other personnel expenses			11,600			10,354	
Total per employee			**127,394**			**122,384**	

[1] See the accompanying notes to the consolidated financial statements
[2] Including dividend paid to non-controlling interest

Aerial view of skiers going down the mountain

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