

# Half-Year Report **2022**



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Lonza delivers solid H1 performance, with **CHF 3 billion sales** and **16.8% CER<sup>1</sup> growth**

**CHF 987 million CORE EBITDA** resulting in a **margin of 33.1%**

Landmark **~CHF 500 million investment in Fill & Finish** to complete the value chain in Biologics (part of planned CAPEX)

Group Outlook 2022 confirmed at **low to mid-teens CER sales growth** and **CORE EBITDA margin improvement**



<sup>1</sup> Sales growth figures, expressed as a percentage (%), are at Constant Exchange Rate (CER)

# CEO Update

Dear Stakeholders,

In the First Half of 2022, we have redoubled our focus on operational excellence, while continuing to navigate the challenges of an uncertain macroeconomic context.

With the dedication and hard work of our global employee community, we have continued to manage our supply chain and rising inflation levels to deliver a solid financial performance for the First Half. Assuming no unexpected adverse events, we reconfirm our Outlook 2022 at low to mid-teens CER sales growth, and CORE EBITDA margin improvement in line with Mid-Term Guidance 2024.

While there are some signs of economic uncertainty, the healthcare industry provides essential goods and services, meaning it is less sensitive to major impacts from macroeconomic fluctuations. In this context, we see continuing demand for CDMO services with specific interest in flexible business models and end-to-end offerings.

To capture this industry demand, we have recently announced a ~CHF 500 million investment in a new large-scale commercial drug product fill and finish facility in Stein (CH). This strategic investment will allow us to complete our Biologics value chain, enabling our customers to benefit from an integrated end-to-end offering.

More widely, we have continued to invest across divisions to expand capacity. Our Biologics business has brought online additional commercial mRNA capacity in Visp (CH), and our Capsules and Health Ingredients (CHI) division has added new capsule production lines as we make progress towards delivering an annualized capsule capacity of 260 billion by the end of 2022. We have also successfully executed capacity expansions for our Small Molecules business in Nansha (CN), Bend (US) and Tampa (US).

Our approach to long-term value creation is supported by our ESG targets, which have been incorporated into our global employee and executive remuneration policies. This ensures that our ESG commitments are a shared responsibility for all our people across our global network. More than 100 ESG projects are under way at individual sites. Specifically, at our site in Visp (CH), we have completed an investment to recycle water for steam production which will enable us to achieve a 20% annualized reduction in water usage across our Visp operations.

At the beginning of the year, I shared our key priorities for 2022. These remain as relevant to the Second Half as to the First. We will continue to focus on delivering our financial targets and execute on our planned growth investments. We will also maintain our focus on innovation and differentiation while advancing our ESG agenda to drive sustainable value. In view of the current macroeconomic context, we will also continue to proactively manage challenges including inflation and potential supply chain disruptions.

I would like to take this chance to thank Claude Dartiguelongue and Stefan Stoffel who have confirmed that they will retire from Lonza's Executive Committee (EC) this year. I would also like to welcome our two new EC members, Christian Seufert who joins as President, Capsules and Health Ingredients and Maria Soler Nunez who will come on board as our new Head, Group Operations.

Finally, I would like to thank our global employee community. With their ongoing support, commitment and collaboration, we continue to fulfill our purpose of enabling a healthier world.

Sincerely,

**Pierre-Alain Ruffieux**

Chief Executive Officer



# Financial Highlights for the Six Months Ended 30 June

## IFRS Results (Continuing Operations<sup>1</sup>)

Million CHF	2022	Change in %	2021
<b>Sales</b>	<b>2'982</b>	<b>17.3</b>	<b>2'542</b>
<b>EBIT</b>	<b>645</b>	<b>103.5</b>	<b>317</b>
Margin in %	21.6		12.5
<b>EBITDA</b>	<b>934</b>	<b>67.4</b>	<b>558</b>
Margin in %	31.3		22.0
<b>Profit for the period</b>	<b>498</b>	<b>89.4</b>	<b>263</b>
<b>EPS basic</b>	<b>6.68</b>	<b>90.3</b>	<b>3.51</b>
<b>EPS diluted</b>	<b>6.67</b>	<b>90.6</b>	<b>3.50</b>

## CORE Earnings<sup>2</sup> (Continuing Operations<sup>1</sup>)

Million CHF	2022	Change in %	2021
<b>CORE EBITDA</b>	<b>987</b>	<b>16.5</b>	<b>847</b>
Margin in %	33.1		33.3
<b>CORE EPS basic</b>	<b>7.29</b>	<b>4.3</b>	<b>6.99</b>
<b>CORE EPS diluted</b>	<b>7.28</b>	<b>4.4</b>	<b>6.97</b>
<b>ROIC in %</b>	<b>11.7</b>	<b>1.7</b>	<b>11.5</b>

## Other Performance Measures (Continuing Operations<sup>1</sup>)

Million CHF	2022	Change in %	2021
Operational free cash flow (before acquisitions and divestitures)	(331)	N/A	243
Operational free cash flow	(335)	N/A	363
Capital expenditures (CAPEX)	841	77.4	474
Number of employees (Full-Time Equivalent)	17'154	16.9	14'678

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

Million CHF	2022	Change in %	2021
Operational free cash flow (before acquisitions and divestitures)	(337)	N/A	256
Operational free cash flow	(341)	N/A	376
Net debt / (net cash)	(221)	N/A	(958) <sup>3</sup>
Debt - equity ratio	(0.02)	N/A	(0.09) <sup>3</sup>
Net Debt / CORE EBITDA ratio	(0.12)	N/A	(0.58) <sup>3,4</sup>

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

2 The definition of CORE results are described in the Alternative Performance Measures Brochure published in conjunction with this Half-Year Report 2022

3 Net debt and related ratios are based on reported financial results for total Group as of 31 December 2021

4 Net debt/CORE EBITDA is calculated based on the CORE EBITDA of the last twelve months. For 2021, this ratio is presented on continuing operations basis. This ratio calculated on Total Lonza Group would result in a ratio of (0.53)

# Biologics

## Division

For the six months ended 30 June

Million CHF	2022	2021	Change in %
<b>Sales</b>	<b>1'625</b>	<b>1'284</b>	<b>26.6</b>
<b>CORE EBITDA</b>	<b>606</b>	<b>490</b>	<b>23.7</b>
Margin in %	37.3	38.2	
<b>Capital expenditures (CAPEX)</b>	<b>584</b>	<b>343</b>	<b>70.3</b>

### Divisional Overview

In H1, our Biologics division benefitted from continued customer demand for commercial capacity. There was sustained demand for the flexibility offered by Lonza's lbex<sup>®</sup> concept in Visp (CH).

We announced a landmark new CAPEX commitment to build a commercial drug product fill and finish facility in Stein (CH). The investment fulfils Lonza's strategic ambition to provide an integrated end-to-end customer offering.

The division also launched new early phase capabilities in monoclonal antibodies to capture growing demand for new molecular formats.

The division reported a 26.6% (26.2% CER) increase sales growth compared to H1 2021. This was accompanied by a slightly softer CORE EBITDA margin of 37.3% compared to H1 2021, which reflects the product mix.

# Small Molecules

## Division

For the six months ended 30 June

Million CHF	2022	2021	Change in %
<b>Sales</b>	<b>288</b>	<b>362</b>	<b>(20.4)</b>
<b>CORE EBITDA</b>	<b>86</b>	<b>99</b>	<b>(13.1)</b>
Margin in %	29.9	27.3	
<b>Capital expenditures (CAPEX)</b>	<b>83</b>	<b>39</b>	<b>112.8</b>

### Divisional Overview

Our Small Molecules division reported lower sales in the First Half of 2022, resulting from the phasing of major shipments to contracted customers. More widely, there has been sustained momentum in new programs signed by the division across the First Half of 2022.

As part of our continued focus on growth investments, our expansion in Nansha (CN) has provided additional HPAPI capabilities, our expansion in Tampa (US) has provided expanded inhalation capabilities, and our expansion in Bend (US) has extended our early clinical phase development capabilities. All investments have been successfully executed and have come online in H1 2022.

In H1 2022, the division delivered softer sales of CHF 288m, alongside a CORE EBITDA margin increase to 29.9%, which marks an improvement of 2.6 pts compared to H1 2021.

# Cell & Gene

## Division

For the six months ended 30 June

Million CHF	2022	2021	Change in %
<b>Sales</b>	<b>344</b>	<b>274</b>	<b>25.5</b>
<b>CORE EBITDA</b>	<b>77</b>	<b>44</b>	<b>75.0</b>
Margin in %	22.4	16.1	
<b>Capital expenditures (CAPEX)</b>	<b>48</b>	<b>36</b>	<b>33.3</b>

### Divisional Overview

The Cell & Gene division continues to experience strong customer demand for its Bioscience solutions offering. In Cell and Gene Technologies, there was a continued focus on the scale-up of late-stage clinical and commercial products. In Personalized Medicine, the commercialization of our Cocoon® Platform remains on track, and we have successfully launched the second-generation instrument offering magnetic selection to improve cell purification.

Including a one-time event, the division saw 25.5% (23.4% CER) sales growth and a margin increase to 22.4% compared to H1 2021. Excluding the one-time event, margin remained broadly stable compared to H1 2021.



# Capsules & Health Ingredients

## Division

For the six months ended 30 June

Million CHF	2022	2021	Change in %
<b>Sales</b>	<b>625</b>	<b>602</b>	<b>3.8</b>
<b>CORE EBITDA</b>	<b>220</b>	<b>213</b>	<b>3.3</b>
Margin in %	35.2	35.4	
<b>Capital expenditures (CAPEX)</b>	<b>52</b>	<b>23</b>	<b>126.1</b>

### Divisional Overview

The Capsules & Health Ingredients division saw continued momentum driven by specialty capsules. We introduced innovative titanium dioxide-free white hard gelatin capsules, which will enable our customers to meet new regulatory requirements for consumable goods in the EU.

We continue to focus on our capacity expansion plans and remain on track to deliver 260 billion annualized capsule capacity by the end of the year.

Compared to H1 2021, the division delivered 3.8% (4.0% CER) sales growth and a robust margin of 35.2%.

## Discontinued Operations

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

For the six months ended 30 June		
Million CHF	2022	2021
<b>Sales</b>	<b>0</b>	<b>887</b>
<b>CORE EBITDA</b>	<b>0</b>	<b>141</b>
Margin in %	N/A	15.9
<b>Capital expenditures (CAPEX)</b>	<b>0</b>	<b>42</b>

<sup>1</sup> The Specialty Ingredients business was sold effective 1 July 2021.

## Corporate

For the six months ended 30 June		
Million CHF	2022	2021
<b>Sales<sup>1</sup></b>	<b>100</b>	<b>20</b>
<b>CORE EBITDA</b>	<b>(2)</b>	<b>1</b>

<sup>1</sup> In H1 2022, sales to third parties at Corporate include CHF 76 million of sales to the former LSI business (that was divested on 1 July 2021)

# Outlook 2022 and Mid-Term Guidance 2024

Lonza reconfirms Outlook for Full-Year 2022:

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

Outlook assumes no unexpected adverse events.

Lonza reconfirms Mid-Term Guidance 2024:

- **Low teens CER sales growth (CAGR 2021-2024)**
- **CORE EBITDA margin of around 33%–35%**
- **Double-digit ROIC**

# Condensed Financial Statements

## Condensed consolidated balance sheet at 30 June 2022 (unaudited) and 31 December 2021

Million CHF	2022	2021
<b>Total non-current assets</b>	<b>11'039</b>	<b>10'504</b>
Current assets	3'248	2'771
Short-term investments	909	1'602
Cash and cash equivalents	1'526	1'582
Assets held for sale	21	0
<b>Total current assets</b>	<b>5'704</b>	<b>5'955</b>
<b>Total assets</b>	<b>16'743</b>	<b>16'459</b>
Equity attributable to equity holders of the parent	10'011	9'750
Non-controlling interests	75	73
<b>Total equity</b>	<b>10'086</b>	<b>9'823</b>
Non-current liabilities	2'084	2'032
Non-current debt	1'947	2'234
<b>Total non-current liabilities</b>	<b>4'031</b>	<b>4'266</b>
Current liabilities	2'164	2'201
Current debt	456	169
Liabilities held for sale	6	0
<b>Total current liabilities</b>	<b>2'626</b>	<b>2'370</b>
<b>Total liabilities</b>	<b>6'657</b>	<b>6'636</b>
<b>Total equity and liabilities</b>	<b>16'743</b>	<b>16'459</b>

## Condensed consolidated income statement for the six months ended 30 June (unaudited)

Million CHF	2022	2021
<b>Sales</b>	<b>2'982</b>	<b>2'542</b>
Cost of goods sold	(1'786)	(1'499)
<b>Gross profit</b>	<b>1'196</b>	<b>1'043</b>
Operating expenses	(551)	(726) <sup>1</sup>
<b>Result from operating activities (EBIT)<sup>2</sup></b>	<b>645</b>	<b>317</b>
Net financial result	(52)	(22)
Share of profit / (loss) from associates / joint ventures	1	1
<b>Profit before income taxes</b>	<b>594</b>	<b>296</b>
Income taxes	(96)	(33)
<b>Profit from continuing operations</b>	<b>498</b>	<b>263</b>
Profit from discontinued operations, net of tax	(4)	58
<b>Profit for the period</b>	<b>494</b>	<b>321</b>
<b>Attributable to:</b>		
Equity holders of the parent	492	319
Non-controlling interests	2	2
<b>Profit for the period</b>	<b>494</b>	<b>321</b>
<b>Earnings per share for profit from continuing operations attributable to equity holders of the parent</b>		
Basic earnings per share – EPS basic (CHF)	6.68	3.51
Diluted earnings per share – EPS diluted (CHF)	6.67	3.50
<b>Earnings per share for profit attributable to equity holders of the parent</b>		
Basic earnings per share – EPS basic (CHF)	6.62	4.29
Diluted earnings per share – EPS diluted (CHF)	6.61	4.28

1 Includes the increase in the provision for Gamsenried environmental remediation expenses of CHF 284 million (refer to note 6 disclosed in the Selected Explanatory Notes of the Half-Year Report 2021)

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

## Condensed consolidated statement of comprehensive income for the six months ended 30 June (unaudited)

Million CHF	2022	2021
<b>Profit for the period</b>	<b>494</b>	<b>321</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Re-measurements of defined benefit liability	56	291
Income tax on items that will not be reclassified to profit or loss	(9)	(53)
	<b>47</b>	<b>238</b>
<b>Items that are or may be reclassified subsequently to profit or loss</b>		
Exchange differences on translating foreign operations	(32)	173
Cash flow hedges – effective portion of changes in fair value	(3)	10
Income tax on items that are or may be reclassified to profit or loss	(5)	(6)
	<b>(40)</b>	<b>177</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>7</b>	<b>415</b>
<b>Total comprehensive income for the period</b>	<b>501</b>	<b>736</b>
<b>Total comprehensive income attributable to</b>		
Equity holders of the parent	499	730
Non-controlling interests	2	6
<b>Total comprehensive income for the period</b>	<b>501</b>	<b>736</b>

## Condensed consolidated cash flow statement for the six months ended 30 June (unaudited)

Million CHF	2022	2021
<b>Profit for the period</b>	<b>494</b>	<b>321</b>
Adjustment for non-cash items	438	623
Income tax and interest paid	(208)	(128)
Increase of net working capital	(413)	(235)
Use of provisions	(14)	(30)
Increase / (decrease) of other payables, net	3	(2)
<b>Net cash provided by operating activities</b>	<b>300</b>	<b>549</b>
Purchase of property, plant & equipment and intangible assets	(841)	(516)
Acquisition of subsidiaries, net of cash acquired	(4)	0
Disposal of subsidiaries, net of cash disposed of	0	120
Increase / (decrease) in loans and advances	(12)	2
Net purchase of other assets and disposals	(28)	(22)
Lease payment received / (prepayment of leases)	2	(19)
Net decrease in short-term investments	693	0
Interest and dividend received	13	0
<b>Net cash used for investing activities</b>	<b>(177)</b>	<b>(435)</b>
Decrease in debt	(14)	(14)
Principal payment of lease liabilities	(36)	(15)
Increase in other non-current liabilities	129	134
Capital injection from owners of non-controlling interests	1	0
Purchase of treasury shares	(43)	(81)
Sale of treasury shares	7	0
Dividends paid <sup>1</sup>	(224)	(225)
<b>Net cash used for financing activities</b>	<b>(180)</b>	<b>(201)</b>
Effect of currency translation on cash	1	13
<b>Net decrease in cash and cash equivalents</b>	<b>(56)</b>	<b>(74)</b>
Cash and cash equivalents at 1 January	1'582	619
<b>Cash and cash equivalents at 30 June</b>	<b>1'526</b>	<b>545</b>
Cash and cash equivalents at 30 June classified as held for sale	0	(44)
<b>Cash and cash equivalents at 30 June (as reported)</b>	<b>1'526</b>	<b>501</b>

<sup>1</sup> Includes dividends of CHF 1 million (2021: CHF 2 million) paid to non-controlling interests shareholders of a subsidiary

Condensed consolidated statement of changes in equity  
for the six months ended 30 June (unaudited)

Million CHF	Attributable to equity holders of the parent						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Hedging reserve	Translation reserve	Treasury shares			
<b>Six months ended 30 June 2021</b>									
<b>Balance at 1 January 2021</b>	<b>74</b>	<b>2'804</b>	<b>4'985</b>	<b>(20)</b>	<b>(928)</b>	<b>(100)</b>	<b>6'815</b>	<b>69</b>	<b>6'884</b>
Profit for the period	0	0	319	0	0	0	319	2	321
Other comprehensive income, net of tax	0	0	239	8	164	0	411	4	415
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>558</b>	<b>8</b>	<b>164</b>	<b>0</b>	<b>730</b>	<b>6</b>	<b>736</b>
Dividends	0	(111)	(112)	0	0	0	(223)	(2)	(225)
Recognition of share-based payments	0	0	24	0	0	0	24	0	24
Movements in treasury shares	0	0	(95)	0	0	16	(79)	0	(79)
<b>Balance at 30 June 2021</b>	<b>74</b>	<b>2'693</b>	<b>5'360</b>	<b>(12)</b>	<b>(764)</b>	<b>(84)</b>	<b>7'267</b>	<b>73</b>	<b>7'340</b>
<b>Six months ended 30 June 2022</b>									
<b>Balance at 1 January 2022</b>	<b>74</b>	<b>2'693</b>	<b>7'975</b>	<b>(4)</b>	<b>(811)</b>	<b>(177)</b>	<b>9'750</b>	<b>73</b>	<b>9'823</b>
Profit for the period	0	0	492	0	0	0	492	2	494
Other comprehensive income, net of tax	0	0	47	(3)	(37)	0	7	0	7
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>539</b>	<b>(3)</b>	<b>(37)</b>	<b>0</b>	<b>499</b>	<b>2</b>	<b>501</b>
Dividends	0	(111)	(112)	0	0	0	(223)	(1)	(224)
Capital injection from owners of non-controlling interests	0	0	0	0	0	0	0	1	1
Recognition of share-based payments	0	0	21	0	0	0	21	0	21
Movements in treasury shares	0	0	(110)	0	0	74	(36)	0	(36)
<b>Balance at 30 June 2022</b>	<b>74</b>	<b>2'582</b>	<b>8'313</b>	<b>(7)</b>	<b>(848)</b>	<b>(103)</b>	<b>10'011</b>	<b>75</b>	<b>10'086</b>

# Selected Explanatory Notes

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

These condensed consolidated financial statements are the unaudited, interim consolidated financial statements (hereafter "the interim financial statements") of Lonza Group Ltd and its subsidiaries (hereafter "the Group") for the six-month period ended 30 June 2022 (hereafter "the interim period"). They are prepared in accordance with the International Accounting Standard 34 (IAS 34) "Interim Financial Reporting". These interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021 (hereafter "the annual financial statements") as they provide an update of the previously reported information. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. The interim financial statements do not include all of the information required for a complete set of IFRS financial statements.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

### Divestiture of Lonza Specialty Ingredients:

Following the Board of Directors' decision on 23 July 2020 to divest the Specialty Ingredients (LSI) segment, a divestment process was initiated in H2 2020. On 8 February 2021, Lonza entered into a definitive agreement with Bain Capital and Cinven to sell Lonza's Specialty Ingredients business and operations. The sale was completed effective 1 July 2021 and was finally settled before 31 December 2021. In the consolidated financial statements, the assets and liabilities related to LSI business were reclassified to assets and liabilities of a disposal group held for sale as from 1 October 2020. The results of LSI business, that were disclosed separately in the consolidated income statement as discontinued operations, include not only the LSI business but also certain corporate costs directly attributable to LSI and the carve-out / divestiture process.

### New Standards, Interpretations and Amendments

There were no new standards or amendments to existing standards that have a material effect on the Group's interim financial statements.

## 2. Exchange Rates

Balance sheet		
Period-end rate CHF	30.06.2022	31.12.2021
US dollar	0.95	0.91
Pound sterling	1.16	1.23
Euro	1.00	1.03

Income statement Half-Year		
Average rate CHF	2022	2021
US dollar	0.94	0.91
Pound sterling	1.23	1.26
Euro	1.03	1.09

### 3. Operating Segments

Following the requirements of IFRS 8 “Operating Segments”, the Group’s reportable segments are described below:

#### **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.



## Six months ended 30 June 2022

Million CHF	Biologics	Small Molecules	Cell & Gene	Capsules & Health Ingredients	Total Operating segments	Corporate / Eliminations <sup>1</sup>	Total Continuing operations
<b>Sales third-party</b>	<b>1'625</b>	<b>288</b>	<b>344</b>	<b>625</b>	<b>2'882</b>	<b>100<sup>2</sup></b>	<b>2'982</b>
Inter-segment sales	10	2	35	13	60	(60)	0
<b>Total sales</b>	<b>1'635</b>	<b>290</b>	<b>379</b>	<b>638</b>	<b>2'942</b>	<b>40</b>	<b>2'982</b>
<b>CORE EBITDA</b>	<b>606</b>	<b>86</b>	<b>77</b>	<b>220</b>	<b>989</b>	<b>(2)</b>	<b>987</b>
Margin in %	37.3	29.9	22.4	35.2	34.3	n.a.	33.1

## Six months ended 30 June 2021

Million CHF	Biologics	Small Molecules	Cell & Gene	Capsules & Health Ingredients	Total Operating segments	Corporate / Eliminations <sup>1</sup>	Total Continuing operations
<b>Sales third-party</b>	<b>1'284</b>	<b>362</b>	<b>274</b>	<b>602</b>	<b>2'522</b>	<b>20</b>	<b>2'542</b>
Inter-segment sales	10	3	21	5	39	(39)	0
<b>Total sales</b>	<b>1'294</b>	<b>365</b>	<b>295</b>	<b>607</b>	<b>2'561</b>	<b>(19)</b>	<b>2'542</b>
<b>CORE EBITDA</b>	<b>490</b>	<b>99</b>	<b>44</b>	<b>213</b>	<b>846</b>	<b>1</b>	<b>847</b>
Margin in %	38.2	27.3	16.1	35.4	33.5	n.a.	33.3

- 1 The "Corporate / Eliminations" column represents the corporate function, including eliminations for reconciliation of the Group total
- 2 In H1 2022, sales to third parties at Corporate include CHF 76 million of sales to the former LSI business (that was divested on 1 July 2021). These sales had a dilutive effect of 87 bps on the group margin as of HY2022.

The reconciliation of the CORE EBITDA to the IFRS result for the six months ended 30 June in 2022 and 2021 is as follows:

Million CHF	2022	2021
<b>CORE EBITDA (from continuing operations)</b>	<b>987</b>	<b>847</b>
Environmental remediation expenses	(22)	(289)
Litigation <sup>1</sup>	(31)	0
Depreciation & amortization of property, plant and equipment and intangibles, incl. impairment and reversal of impairments	(289)	(241)
<b>Result from operating activities (EBIT)<sup>2</sup> of continuing operations</b>	<b>645</b>	<b>317</b>
Net financial result	(52)	(22)
Share of loss from associates/joint ventures	1	1
<b>Profit before income taxes from continuing operations</b>	<b>594</b>	<b>296</b>

- 1 Litigation related to a Lonza legacy site / business
- 2 Result from operating activities (EBIT) excludes interest income and expenses as well as financial income and expenses that are not interest related and Lonza's share of profit from associates and joint ventures

### Disaggregation of Third Party Revenues

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

The segments **Biologics, Small Molecules, Cell & Gene** and **Capsules & Health Ingredients** derive their revenues primarily from long-term supply agreements with pharmaceutical and nutraceutical customers. These operating segments typically provide products and manufacturing services, from research to commercial supply. Lonza supports customers' research activities as well as the whole life cycle of a customer product from development of a drug substance to commercial supply. Lonza concluded that the revenues of the operating segments shall not be further disaggregated.

The table below shows the segment information provided to the Group's Executive Committee and also illustrates the disaggregation of recognized revenues for the six-month period ended 30 June:

Million CHF	2022	2021
Biologics	1'625	1'284
Small Molecules	288	362
Cell & Gene	344	274
Capsules and Health Ingredients	625	602
Other Revenues	100	20
<b>Lonza Continuing Operations</b>	<b>2'982</b>	<b>2'542</b>

## 4. Financial Instruments

The carrying amount of financial assets represents the maximum credit exposure.

Million CHF	Carrying amount 30.06.2022	Fair value 30.06.2022	Carrying amount 31.12.2021	Fair value 31.12.2021
<b>Financial assets at amortized cost</b>				
Trade receivables, net	967	967	928	928
Other receivables	88	88	81	81
Accrued income	166	166	127	127
Current and non-current loans	189	189	177	177
Short-term investments at amortized costs	400	400	1'357	1'357
Cash and cash equivalents	1'526	1'526	1'582	1'582
<b>Total financial assets amortized at cost</b>	<b>3'336</b>	<b>3'336</b>	<b>4'252</b>	<b>4'252</b>
<b>Financial assets at fair value</b>				
Short-term investments at fair value through profit or loss	509	509	245	245
Other investments	60	60	73	73
Derivative financial instruments				
– Currency-related instruments	66	66	41	41
– Interest-related instruments	2	2	0	0
<b>Total financial assets at fair value</b>	<b>637</b>	<b>637</b>	<b>359</b>	<b>359</b>
<b>Total financial assets</b>	<b>3'973</b>	<b>3'973</b>	<b>4'611</b>	<b>4'611</b>
<b>Financial liabilities at amortized cost</b>				
Debt				
– Straight bonds <sup>1</sup>	1'334	1'308	1'351	1'407
– Other debt	1'069	1'069	1'052	1'052
Current and non-current liabilities	1'145	1'145	1'152	1'152
Trade payables	453	453	483	483
<b>Total financial liabilities at amortized cost</b>	<b>4'001</b>	<b>3'975</b>	<b>4'038</b>	<b>4'094</b>
<b>Financial liabilities at fair value</b>				
Derivative financial instruments				
– Currency-related instruments	85	85	36	36
– Interest-related instruments	2	2	13	13
Contingent consideration	25	25	27	27
<b>Total financial liabilities - measured at fair value through profit and loss</b>	<b>112</b>	<b>112</b>	<b>76</b>	<b>76</b>
<b>Total financial liabilities</b>	<b>4'113</b>	<b>4'087</b>	<b>4'114</b>	<b>4'170</b>

<sup>1</sup> 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

### 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	30.06.2022				31.12.2021			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
<b>Assets</b>								
Short-term investments at fair value through profit or loss	509	0	0	<b>509</b>	245	0	0	<b>245</b>
Other investments	0	60	0	<b>60</b>	0	73	0	<b>73</b>
Derivative financial instruments	0	68	0	<b>68</b>	0	41	0	<b>41</b>
<b>Liabilities</b>								
Derivative financial instruments	0	(87)	0	<b>(87)</b>	0	(49)	0	<b>(49)</b>
Contingent consideration related to acquisition of businesses	0	0	(25)	<b>(25)</b>	0	0	(27)	<b>(27)</b>
<b>Net assets and liabilities measured at fair value</b>	<b>509</b>	<b>41</b>	<b>(25)</b>	<b>525</b>	<b>245</b>	<b>65</b>	<b>(27)</b>	<b>283</b>

## 5. Net financial result from continuing operations

The net financial result from continuing operations for the six-month periods ended 30 June are as follows:

Million CHF	2022	2021
Net interest expenses on debt and bonds	(19)	(22)
Amortization of debt fees and discounts	(3)	(2)
Net interest expenses on financial assets	(3)	0
Net interest expenses on IFRS 16 lease liabilities	(6)	(5)
Net interest expenses on defined benefit plan liabilities	0	(1)
Foreign exchange rate differences, including impact from currency-related financial derivative instruments	(10)	0
Interest related financial derivative instruments	(4)	(8)
Net gains/(losses) on investments measured at fair value through profit or loss	(5)	19
Other net financial expenses	(2)	(3)
<b>Net financial result</b>	<b>(52)</b>	<b>(22)</b>

## **6. Seasonality of Operations**

In general, Lonza operates in businesses where no significant seasonal or cyclical variations in sales are expected. In the Contract Development and Manufacturing business customers are committed to Lonza through long-term supply agreements. However, certain agreements provide Lonza's customers the option to defer delivery of the finished product for a specific period of time, impacting the revenue recognition pattern.

## **7. Dividends Paid**

On 5 May 2022, the Annual General Meeting approved the distribution of a dividend of CHF 3.00 (financial year 2020: CHF 3.00) per share in respect of the 2021 financial year.

The distribution to holders of outstanding shares totaled CHF 223 million (2021: CHF 223 million). Thereof, CHF 112 million have been recorded against retained earnings and CHF 111 million have been recorded against reserves from capital contributions of Lonza Group AG.

## **8. Events After the Balance Sheet Date**

On 21 July 2022, the Board of Directors authorized the interim financial statements of Lonza Group Ltd and its subsidiaries for the six-month period ended 30 June 2022 for issue.

# Forward-Looking Statements

Forward-looking statements contained herein are qualified in their entirety as there are certain factors that could cause results to differ materially from those anticipated. Any statements contained herein that are not statements of historical fact (including statements containing the words “outlook,” “guidance,” “believes,” “plans,” “anticipates,” “expects,” “estimates” and similar expressions) should be considered to be forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty.

There are a number of important factors that could cause actual results or events to differ materially from those indicated by such forward-looking statements, including the timing and strength of new product offerings; pricing strategies of competitors; the company’s ability to continue to receive adequate products from its vendors on acceptable terms, or at all, and to continue to obtain sufficient financing to meet its liquidity needs; difficulty to maintain relationships with employees, customers and other business partners; and changes in the political, social and regulatory framework in which the company operates, or in economic or technological trends or conditions, including currency fluctuations, inflation and consumer confidence, on a global, regional or national basis.

In particular, the assumptions underlying the Outlook 2022 and Mid-Term Guidance 2024 herein may not prove to be correct. The statements in the section on Outlook 2022 and Mid-Term Guidance 2024 constitute forward-looking statements and are not guarantees of future financial performance.

Lonza’s actual results of operations could deviate materially from those set forth in the section on Outlook 2022 and Mid-Term Guidance 2024 as a result of the factors described above or other factors. Investors should not place undue reliance on the statements in the section on Outlook 2022 and Mid-Term Guidance 2024. Except as otherwise required by law, Lonza disclaims any intention or obligation to update any forward-looking statements as a result of develop.

## Disclaimer

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

## 30–31 August 2022

Roadshow, Jefferies, London

## 2 September 2022

Roadshow, ZKB, Zurich

## 14–15 September 2022

Roadshow, Bank of America, New York & Boston

## 28 September 2022

Citi European Healthcare Bus Tour

## 25 January 2023

Full-Year Results 2022

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