

Annual Report 2023



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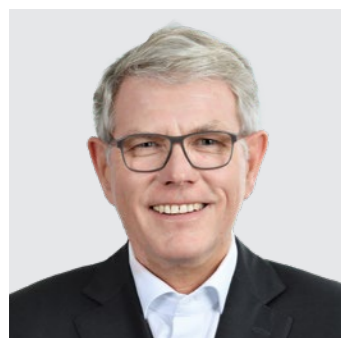
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Creating Value in 2023

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Letter to Stakeholders



Albert M. Baehny

Chairman of the Board of Directors and CEO *ad interim*

2023 was a year of challenge and change, both in the world and at Lonza. We have seen high interest rates, persistent inflation, supply chain disruptions, wars in Ukraine and the Middle East, growing geopolitical tensions, and the continuing challenges of climate change. However, corporate investments remained solid, harnessing innovation and technology to address the challenges of the future.

Over the course of 2023, Lonza continued to pursue its ambitious growth trajectory in a dynamic macroeconomic environment. Our Capital Markets Day in October provided us with a timely opportunity to reset expectations, set out our strategy, and confirm our future growth plans.

As we look to the future, we see high potential in the healthcare industry, with strong market growth, a robust pipeline of new drugs, the continuous search for new modalities, and new administration methods. Within our business, we have delivered on existing customer commitments and signed a series of new landmark contracts. We have also maintained our sustained organic growth levels – supported by bolt-on acquisitions – to set the stage for long-term success.

Our business is built on attractive and robust fundamentals, and I am confident that we are well-placed to drive success in 2024 and the years to come for our customers and shareholders.

Financial Performance

In 2023, Lonza reported sales of CHF 6.7 billion, sales growth of 7.9% AER (10.9% CER) and CHF 2 billion CORE EBITDA, resulting in a margin of 29.8%. These solid financial results were driven by the Biologics and Small Molecules divisions, with a softer performance in Cell & Gene and Capsules & Health Ingredients.

The year brought several opportunities for direct engagement with our investor community. In addition to our Half-Year and Full-Year updates, we conducted quarterly qualitative financial updates to increase shareholders' visibility throughout the financial year.

In May, we hosted the first in-person Lonza Annual General Meeting (AGM) since before the pandemic, close to our global headquarters in Basel (CH). Our Capital Markets Day in October, which we hosted at our Visp (CH) site, provided a further opportunity for connection with our investors. Here, we shared a detailed update on our strategic priorities, provided an updated Mid-Term Guidance for 2024 to 2028, and guided the market on our post-pandemic business outlook.

Investing to Generate Long-Term Value

Our investment strategy focuses on areas of sustained customer demand and market growth to capture opportunities with attractive margins and decreased risk. In 2023, CAPEX was 25% of sales as we invested to facilitate growth and maintenance projects that will strengthen our long-term offering.

In January 2023, we celebrated the groundbreaking of our large-scale commercial drug product (DP) facility in Stein (CH). In February, we completed an expansion of our conjugation facility in Visp (CH), adding development and manufacturing capacity for our bioconjugates business. In March, we completed our cGMP DP manufacturing line in Visp (CH), which can now support customers with clinical and commercial manufacturing capabilities. Then, in June, we announced a strategic collaboration with Vertex to co-invest in a dedicated facility for manufacturing Vertex's Type 1 Diabetes (T1D) cell therapy candidates at our Portsmouth (US) site, for which construction is already underway.

At the end of 2023, we were executing more than 20 large ongoing growth projects across our network, each representing investments of CHF 50 million or more. Our investment portfolio is expected to return at least twice the cost of capital once complete. Our governance structure ensures that each project is completed to precise budgets and timelines, as well as meeting strict IRR and ROIC¹ thresholds. This disciplined approach brings us confidence in our future value-creation potential.

Talent Retention and Development

Our colleagues are the heart of our business and our global people strategy is designed to enable our colleagues to come, stay and grow at Lonza.

In 2023, more than 2,000 new colleagues joined Lonza. In joining our colleague community, this strong and highly capable group brought new skills and expertise to create sustainable value for our business and stakeholders. We improved the onboarding experience in 2023 with the launch of a digital onboarding tool to support all new employees globally.

Talent retention remained a key focus in 2023, and we offered expanded opportunities to support internal career development, personal growth and professional learning. As a result, we increased the percentage of positions filled with internal candidates in 2023, supporting business continuity. We also achieved a year-on-year decrease in voluntary turnover, trending in line with the industry standard.

Progress on Corporate Responsibility

Sustainable value creation is an ethical, social and commercial imperative for our business and supports us in fulfilling our purpose of enabling a healthier world. Our leadership team and global colleague community have a shared commitment to corporate social responsibility.

We marked several sustainability milestones in 2023, including the development of a comprehensive climate plan to reduce Scope 1 and 2 emissions² by more than 40% by the end of 2030. We submitted this plan to the Science Based Targets initiative (SBTi), alongside a letter of commitment.

We also signed two major Power Purchase Agreements (PPAs) to support our ambition to source all electricity from renewable sources by 2025, where available. Collectively, the agreements will decarbonize Lonza's Scope 2 electricity emissions across Switzerland, the European Union, and China. Together, these agreements underline our long-term commitment to sustainable business practice.

¹ Internal Rates of Return (IRR) and Return on Invested Capital (ROIC)

² Scope 1 includes direct GHG emissions from sources owned or controlled by Lonza. Scope 2 encompasses GHG emissions from purchased electricity and steam

Leadership and Governance

The Board of Directors continued to work closely with the Executive Committee (EC) throughout 2023 to set and guide the overarching strategic direction of the group business. The EC oversaw strategy implementation and supported the activities of divisions, functions and the global business service organization. Both the EC and Board have taken steps during 2023 to ensure the company strategy remains focused on serving customer needs while creating long-term value for our business and our stakeholders.

Looking to 2024

It has been my privilege to lead the group business in 2023 as both Chairman of the Board of Directors and CEO *ad interim*. After seven years as a Board member and six years as Chairman, I have decided not to stand for re-election at the AGM in May 2024. I am very pleased that Jean-Marc Huët is nominated to succeed me as Chairman, and I share the Board's confidence in his capability to support Lonza's continued success in a constantly changing market environment.

Following a robust hiring process to identify a permanent successor to the CEO role, the Board is delighted to have appointed Wolfgang Wienand as CEO. A seasoned leader with a strong and established track record of success in the CDMO industry, Wolfgang Wienand will bring a wealth of knowledge and experience to Lonza, complemented by his deep scientific and strategic expertise. To ensure continuity and a seamless transition, I will continue to serve as CEO *ad interim* until Wolfgang commences his tenure.

In the meantime, I extend my thanks to our colleagues across the global network for their hard work and dedication. I continue to be inspired by their energy, creativity and commitment to enable a healthier world, and I look forward to seeing what our people will achieve together in the coming years.

Albert M. Baehny

Chairman of the Board of Directors and CEO *ad interim*

2023 Highlights

March

We announced the [upgrade](#) of our powder characterization capabilities at our Tampa (US) site.

We [completed](#) the clinical and commercial drug product manufacturing line in Visp (CH).

We announced the [initiation](#) of our share buyback program of up to CHF 2 billion.

June

We announced the [acquisition](#) of Synaffix to strengthen our antibody-drug conjugates offering.

We signed a ten-year [Virtual Power Purchase Agreement](#) (VPPA) that will provide solar energy equal to Lonza's electricity needs across Switzerland and the European Union.

We announced an [agreement](#) with Vertex to build a dedicated manufacturing facility for Type-1 diabetes (T1D) cell therapies.

September

We announced the [upgrade](#) of our MODA-ES® Module for enhanced electronic batch record execution.

January

We announced the [completion](#) of our Solid Form Services expansion at our Bend (US) site.

We also reported strong [Full-Year 2022](#) financial results.

October

We [announced](#) the expansion of the collaboration with a major biopharmaceutical partner for the manufacture of antibody-drug conjugates.

We [announced](#) a new filling line for commercial supply of antibody-drug conjugates for a dedicated customer.

We announced the expansion of our [collaboration](#) with Vaxcyte to include global commercial manufacturing of broad-spectrum pneumococcal conjugate vaccines (PCVs).

At our [Capital Markets Day 2023](#), we announced our new Mid-Term Guidance 2024 – 2028 and confirmed our 2023 Outlook.

April

We [announced](#) the increase of our straight bond by CHF 150 million.

July

We announced the [launch](#) of the TheraPRO® CHO media system to improve productivity and quality in therapeutic protein manufacture.

We [communicated](#) our Half-Year 2023 financial results.

February

We [announced](#) the issuance of a CHF 300 million straight bond.

We [expanded](#) our Early Development Services Offering in North America.

We announced the completion of the [expansion](#) of our conjugation facility in Visp (CH).

May

We [announced](#) the issuance of a EUR 500 million straight bond.

We [expanded](#) our Cell & Gene offering with the launch of the TheraPEAK® T-VIVO® cell culture medium to accelerate cell therapy development.

August

We [launched](#) the Nebula® Absorbance Reader for streamlined endotoxin and pyrogen testing.

November

We [published](#) the issuance of a dual-tranche straight bond.

We [launched](#) the GS Effex® cell line for the development of therapeutic antibodies with increased potency.

Lonza at a Glance

~18,000

Employees (Full-time equivalent)

1,999m

CORE EBITDA in CHF

~350

New CDMO programs signed

>30

Global development and manufacturing sites

29.8

CORE EBITDA margin in %

2,711

Trademark filings

6,717m

Sales in CHF

286

Brands

~130

New CDMO customers

10.9

Sales growth in %¹

>1,075

Small² and large³ molecules

8.7

ROIC in %

>770

CDMO customers⁴

388

Active patent families

¹ Constant exchange rate (CER); in actual exchange rate (AER) +7.9%

² Including active pharmaceutical ingredients (API), highly potent API (HPAPI), dosage form and delivery systems and particle engineering

³ Including mammalian, microbial, bioconjugates, drug product services and cell and gene therapy products (personalized medicines are included in pre-clinical and clinical molecules only, early development services are included for pre-clinical molecules only)

⁴ Based on distinct companies

Financial Highlights

2023 was another year of strong performance for Lonza with CHF 6.7 billion sales (7.9% AER; 10.9% CER sales growth) and CHF 2.0 billion CORE EBITDA, resulting in a margin of 29.8%. The solid financial results were driven by the Biologics and Small Molecules divisions, with a softer performance in Cell & Gene and Capsules & Health Ingredients.

Between 2022 and 2023, absolute CORE EBITDA remained flat, resulting in a CORE EBITDA margin decline of 2.3%pts. This was driven by softness in the early stage CDMO business in Biologics and Cell & Gene Technologies and customer destocking in the nutraceutical capsules market impacting our Capsules & Health Ingredients division. The ramp-up of multiple growth projects also diluted margins year-on-year.

Throughout 2023, we continued our accelerated investment program to support future growth. For the Full-Year, total capital expenditures (CAPEX) reached CHF 1.7 billion or 25% of sales, of which around 70% was deployed for growth projects, mainly for Biologics which continues to be the growth engine of the

company. At the end of 2023 we were delivering more than 20 large growth projects, each designed to deliver an attractive risk and return profile.

In 2023, we delivered a strong operational free cash flow (FCF) before acquisitions and divestments of CHF 329 million, supported by Net Working Capital improvements and CAPEX prioritization. Before growth CAPEX, we delivered a cash conversion of more than 20%.

We saw an increase in leverage compared to 2022 (from -0.1x Net Debt/ CORE EBITDA to 0.5x for 2023). This was driven by an increase in net debt of CHF 1.1 billion due to investments in organic growth and the execution of the share buyback program. Our balance sheet provides significant headroom for organic growth investments, bolt-on acquisitions and shareholder returns. We also remain fully committed to maintaining our current BBB+ investment rating and target a mid-term leverage of between 1.5x and 2x.

Personal Perspective

Philippe Deecke
Chief Financial Officer

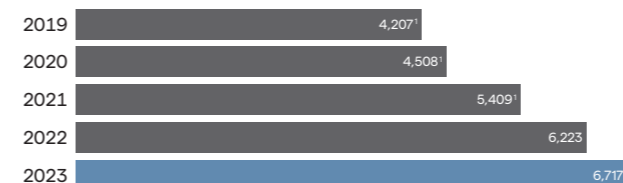
Our capacity to deliver long-term value is supported by our strong balance sheet and our sustained approach to organic growth investments to meet customer needs.



Historic Progression

Sales

Million CHF



ROIC

in %

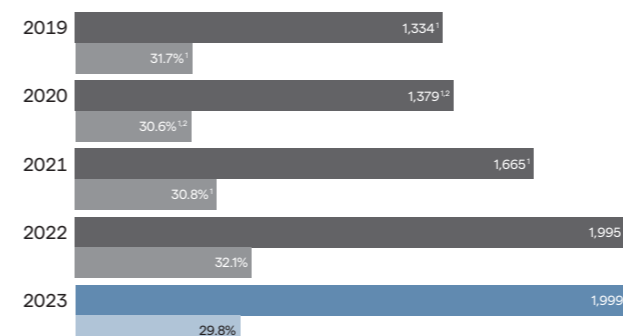


CORE EBITDA

Million CHF

CORE EBITDA Margin

In %

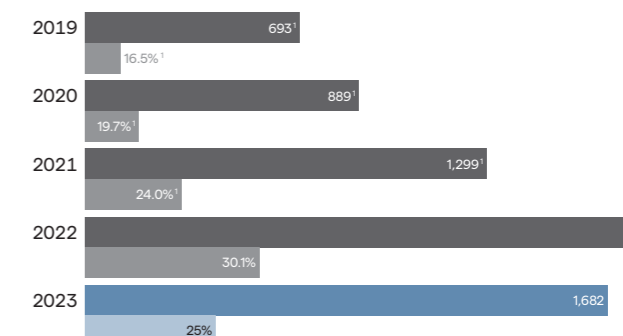


Capital Expenditures (CAPEX)

Million CHF

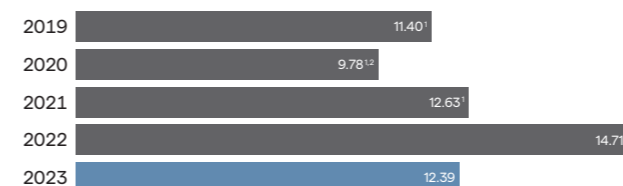
CAPEX/Sales

In %



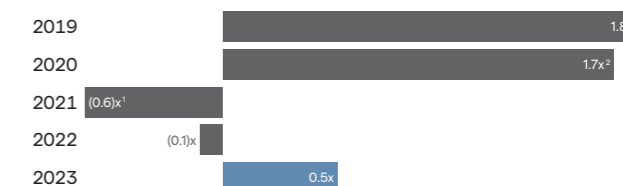
CORE EPS diluted

CHF



Net Debt/CORE EBITDA³

Ratio



¹ Lonza continuing operations excluding the Specialty Ingredients business that was sold on 1 July 2021

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

³ "Net debt", "Net debt / CORE EBITDA" reflect total group including discontinued operations from 2019 to 2020 and continuing operations (excluding Lonza Specialty Ingredients business) from 2021 onwards



Investor Information

Shares of Lonza Group Ltd are listed on the SIX Swiss Exchange and Swiss Market Index (SMI). We also maintain a secondary listing on the SGX Singapore Exchange. The nominal value of the Lonza Group Ltd share is CHF 1. Our share price closed at the end of 2023 at CHF 353.7 per share, which represents a decrease of 21.9% in 2023.

The free float in Lonza Group Ltd registered shares reached 96.84% at year-end, and the average daily trade volume was 202,139 shares in 2023.

Listing and Security Information

Stock Exchange Listing / Trading:

SIX Swiss Exchange
SGX Singapore Exchange

Common Stock Symbols:

Bloomberg LONN SW
Reuters LONN.S
Six Swiss Exchange LONN
SGX Singapore Exchange O6Z

Security Number:

Valor 001384101
ISIN CH0013841017

Shareholdings

According to disclosure notifications filed with Lonza, the following shareholders held more than 3% of Lonza's share capital as of 31 December 2023:

Principal Shareholders:

BlackRock, Inc., New York, NY (USA) 9.85%
Norges Bank, Oslo, Norway 3.04%
UBS Fund Management (Switzerland) AG, Basel, Switzerland 3.01%

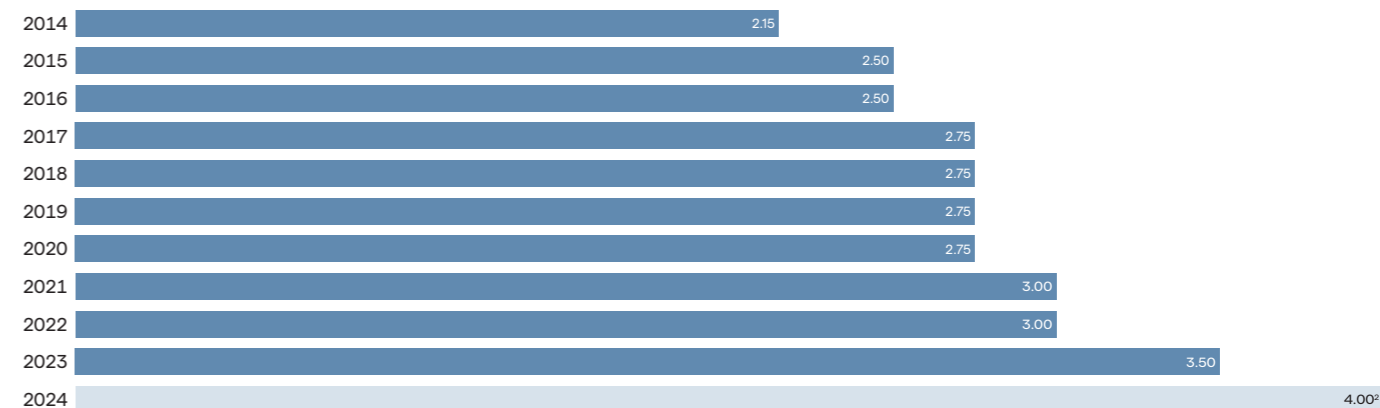
We know of no other shareholder(s) that owned more than 3% of our share capital as of 31 December 2023. To the best of our knowledge, the shareholders mentioned above are not linked by any shareholders' agreement or similar arrangement with respect to their shareholdings in Lonza or the exercise of shareholders' rights. For a full review of the individual disclosure notifications made during 2023, please refer to the SIX Swiss Exchange disclosure platform.

Dividend

Lonza's Board of Directors is proposing a dividend for shareholders of CHF 4.00 per share for 2023. The proposal represents a payout of 44% of 2023 reported profit for the period of Lonza Group. Subject to approval at the upcoming Annual General Meeting (AGM) on 8 May 2024, 50% of the dividend of CHF 4.00 per share will be paid out of the capital contribution reserve and will therefore be free from Swiss withholding tax.

Dividend Payment History¹

In CHF/Share

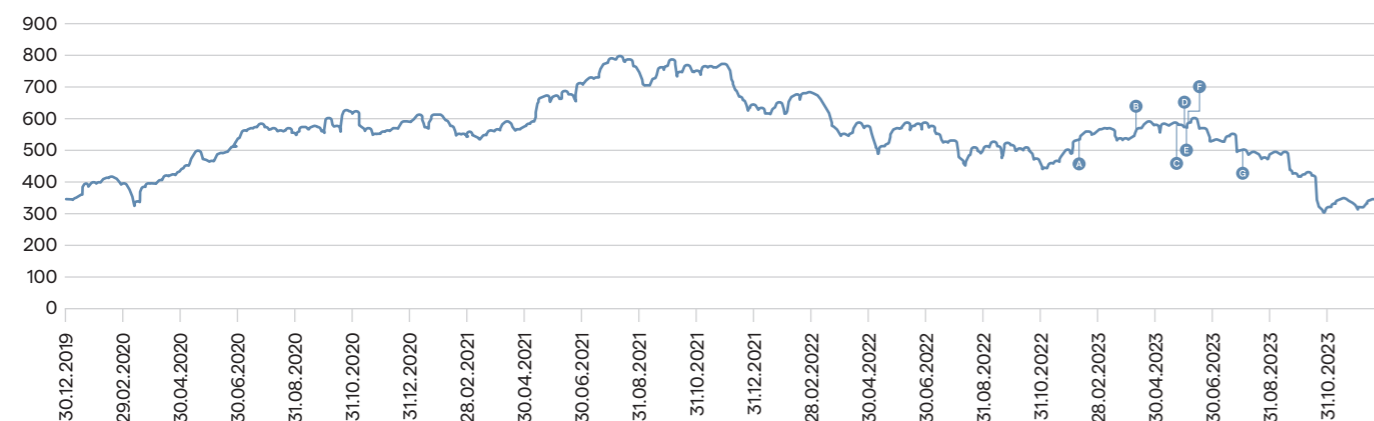


¹ This overview shows year of pay-out for all past years, thereby addressing some inconsistencies in previous reports

² Proposed

Lonza Share Price Development 2020-23

In CHF/Share



Financial Events in 2023

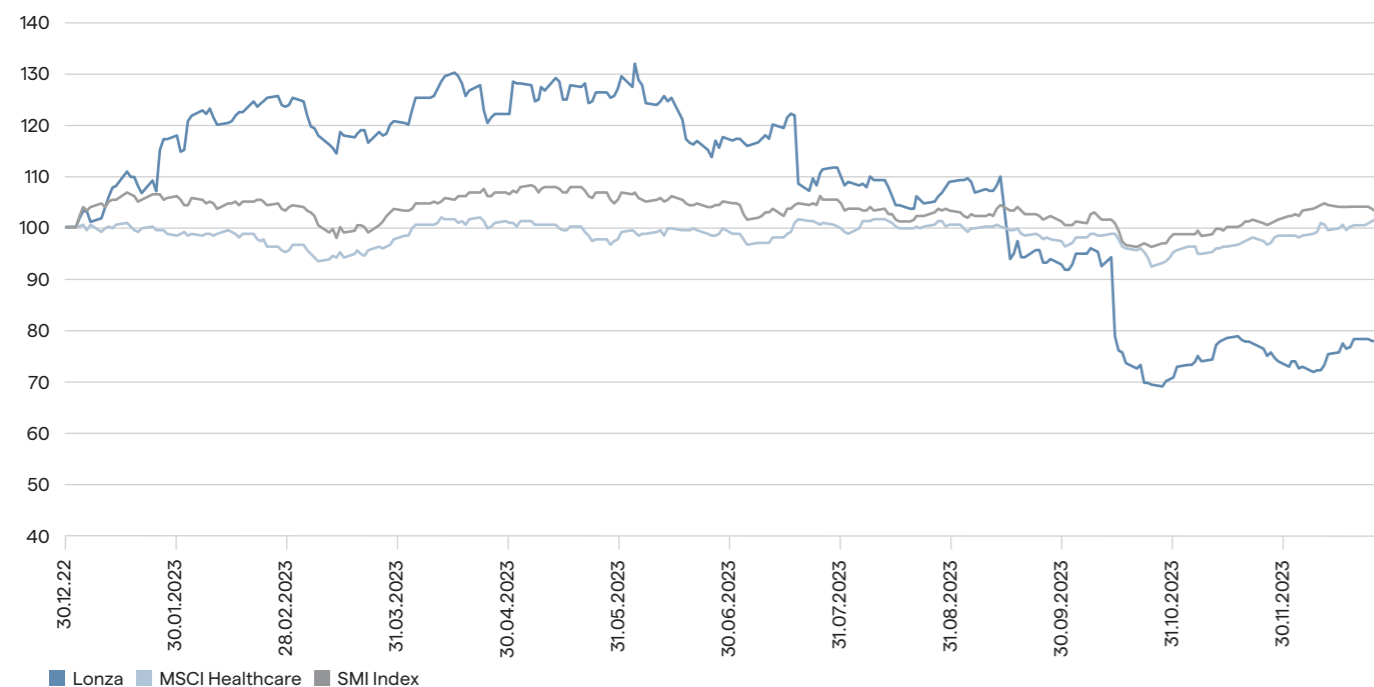
Full-Year Results 2022	25.01.2023
Annual Report 2022	27.03.2023
Annual General Meeting	05.05.2023
Ex-Dividend Date	09.05.2023
Record-Dividend Date	10.05.2023
Dividend-Payment Date	11.05.2023
Half-Year Results 2023	21.07.2023

Share Price in 2023

Share Price High	CHF 597.8 on 06.06.2023
Share Price Low	CHF 311.5 on 30.10.2023
Share Price Closing	CHF 353.7 on 29.12.2023

Lonza Share Price Development vs. Swiss Market Index (SMI), MSCI Healthcare Index

Rebased to 100



Upcoming Financial Events

Date	Time	Event
5 May 2024	5:00pm CEST	Closing of the Share Register
8 May 2024		Annual General Meeting for the Financial Year 2023
13 May 2024		Ex-Dividend Date
14 May 2024		Record-Dividend Date
15 May 2024		Dividend-Payment Date
25 July 2024		Half-Year Results 2024
31 January 2025		Full-Year Results 2024

More information for our shareholders and capital market is available on Lonza's Investor Relations [webpage](#). To learn more about Lonza's activities during 2023, refer to our [News Archive](#).

Ten-Year Overview of Major Key Indicators

million CHF	2014	2015	2016	2017	2018 ¹	2019 ²	2020 ^{2,3}	2021 ²	2022	2023
Sales	3,640	3,803	4,132	4,548	5,542	4,207	4,508	5,409	6,223	6,717
CORE EBITDA	743	793	918	1,196	1,511	1,334	1,379	1,665	1,995	1,999
Margin in %	20.4	20.9	22.2	26.5	27.3	31.7	30.6	30.8	32.1	29.8
EBITDA	737	780	848	1,084	1,429	1,264	1,378	1,365	2,139	1,940
Margin in %	20.2	20.5	20.5	23.8	25.8	30.0	30.6	25.2	34.4	28.9
Result from operating activities (EBIT)	423	428	486	673	842	825	901	851	1,541	880
Margin in %	11.6	11.3	11.8	14.8	15.2	19.6	20.0	15.7	24.8	13.1
ROIC in % ⁴	n.a.	n.a.	n.a.	8.4	8.0	9.2	9.1	10.7	11.4	8.7
CORE EPS (diluted) in CHF	6.76	6.76	8.38	10.78	11.98	11.40	9.78	12.63	14.71	12.39
EPS (diluted) in CHF	4.54	5.26	5.69	9.70	8.77	8.68	9.77	9.05	16.34	8.88
Operational free cash flow (bef. acquisitions and divestitures)	476	693	638	658	884	371	504	399	(465)	329
Net debt / (net cash) ⁵	2,011	1,660	1,584	3,762	3,534	2,961	2,813	(958)	(186)	922
Net debt / CORE EBITDA ⁵	2.7	2.1	1.7	2.7	2.3	1.8	1.7	(0.6)	(0.1)	0.5
Number of employees (Full-Time Equivalent) ⁶	9,809	9,829	10,130	14,618	15,375	15,468	14,062	16,218	17,494	18,000

¹ Lonza continuing operations, excluding the Water Care business classified as discontinued operations

² Lonza continuing operations, excluding the Specialty Ingredients business classified as discontinued operations and disposed of effective 1, July 2021

³ CORE results for the Full-year 2020 (CORE EBITDA, ROIC, CORE EPS) were restated to reflect the changes from the revised Alternative Performance Measures policy that was introduced on 1 January 2021

⁴ Refer to section "Alternative Performance Measures" of the Financial Report for more details on the calculation methodology

⁵ "Net debt", "Net debt / CORE EBITDA" reflect total group including discontinued operations from 2014 to 2023, except for 2021 and 2022 where we reflected Lonza continuing operations basis (excluding Lonza Specialty Ingredients business)

⁶ "Number of employees (Full-time Equivalent)" reflect total group (including discontinued operations) from 2014 to 2023, except for the year 2020 where Lonza Specialty Ingredients business was excluded

Our Strategic Priorities

Across our four divisions, we offer a broad range of products and services that drive progress towards our group vision to bring any therapy to life.

Our business is underpinned by five strategic priorities which sit at the heart of our customer strategy: service, scope, sustainability, solutions and speed.

While remaining steadfast in executing against these key priorities, we continued to monitor and respond to evolving external dynamics throughout 2023. By pursuing a focused strategy while remaining flexible to change, we will continue to deliver on our long-term ambitions and ensure long-term value creation for our shareholders, customers and society.

Service

We prioritize operational excellence to deliver quality, value and right-first-time.

Outstanding customer service is key to building long-term relationships and differentiating our business. We understand that customer trust is earned over time through our approach to operational excellence and our track record on quality, value and right-first-time.

In this context, we continued to strengthen our focus on continuous improvement and operational excellence across the business in 2023. We embedded Lean operating principles across all sites and major assets and integrated these principles into our development framework for leaders. In addition, approximately half of our global colleagues have now undertaken our Lean training program to guide their continuous improvement activities and support excellent customer service.

We ran our Lonza Promoter Score (LPS) survey for the fourth consecutive year in 2023, and gathered more than 1,500 responses. The survey provides a quantifiable and consistent measure of customer engagement across Lonza. Aligned with previous results, the 2023 LPS survey found that our customers continue to value our highly skilled employee community. In addition, the quality of our services and products was also widely acknowledged. This feedback was consistent across our customer base.

Scope

We have an unparalleled breadth of offerings across services and modalities.

Our breadth of offerings was strengthened by our growth project portfolio in 2023. We continued to progress with more than 20 large growth projects in 2023 – each representing investments of more than CHF 50 million – of which seven are already completed. We invested CHF 1.7 billion in growth and maintenance CAPEX to support our increase in both capacity and capability. Our investments were driven by a clear governance structure to deliver projects on time and on budget with defined minimum levels of Internal Rates of Return (IRR) and Return on Invested Capital (ROIC). See the Group Operations section on page 30 for more detail.

The execution of our growth strategy is illustrated by the development of our Drug Product Services offering. In January 2023, we celebrated the [groundbreaking](#) of a large-scale commercial drug product (DP) facility in Stein (CH). This was followed in March 2023 by the [completion](#) of a new cGMP clinical and commercial DP manufacturing line in Visp (CH). The completion of these projects supports our ambition to provide an integrated, end-to-end offering from drug substance to drug product.

Our ambitious growth program is complemented by strategic acquisitions, which are designed to build capability in areas of high market growth and demand. In June 2023, we announced the [acquisition](#) of Synaffix, an innovative biotech company with a clinical-stage technology platform for antibody-drug conjugates (ADCs). The acquisition underlined the strategic importance of bioconjugates in our portfolio, expanded our offering in a fast-growing market and continues to enhance our value proposition for clinical stage ADC customers.

Sustainability

We strive to create long-term value – environmentally, socially and economically.

We attained multiple sustainability milestones in 2023 to help fulfil our purpose of enabling a healthier world. At a group level, we devised a comprehensive climate plan to reduce Scope 1 and 2 emissions¹ by more than 40% by the end of 2030. The plan combines elements including green electricity, efficiency projects, low-carbon assets, and enhanced training to build expertise. We also signed a letter of commitment and submitted our targets to the Science Based Targets initiative (SBTi).

We made progress in moving to green electricity in 2023 by signing two power purchase agreements. In Europe, we signed a ten-year [Virtual Power Purchase Agreement](#) (VPPA) that will provide solar energy equal to Lonza’s electricity needs across Switzerland and the European Union. In China, we secured a three-year multi-party [renewable power agreement](#) which will decarbonise 100% of our Scope 2 electricity emissions in China.

We also strengthened our Responsible Supply Chain initiative by updating our Supplier Code of Conduct, undertaking assessments on child labor and conflict minerals in the supply chain, and launching a supplier decarbonization program to reduce Scope 3 emissions².

Alongside group level initiatives, we also pursued focused sustainability efforts within our divisions. In Small Molecules, our updated customer proposal format gives visibility on raw material, CO₂ footprint and water intensity for each process step. It also incorporates potential process improvements to enable informed decision making and promote sustainable production methods.

Our Strategic Priorities



¹ Scope 1 includes direct GHG emissions from sources owned or controlled by Lonza. Scope 2 encompasses GHG emissions from purchased electricity and steam

² Scope 3 includes GHG emissions from purchased goods and services, business travel, upstream and downstream transportation, waste disposal, employee commuting, etc

Solutions

We have the scientific, regulatory and manufacturing expertise to solve our customers' challenges.

By delivering end-to-end services, supported by scientific, regulatory and manufacturing expertise, we build strong and lasting customer relationships. Three out of four customers of our Biologics division, for example, go on to purchase further services after entering an initial relationship with Lonza.

We continue to support customers with integrated and cross-divisional capabilities. We are able to manufacture all components of bioconjugates between our Small Molecules and Biologics divisions, and this end-to-end offering simplifies the drug development supply chain for our customers. Two customer programs announced in 2023 – a dedicated ADC [filling line](#) and a dedicated ADC commercial [manufacturing suite](#) – illustrate the value of our integrated bioconjugates offering.

In Small Molecules, we continue to address the increasing complexity of the pipeline with upgraded solutions and specialist offerings. In January 2023, we announced the completion of our Solid Form Services expansion in Bend (US), which is helping us to meet accelerated timelines for increasingly complex molecules. Further, we continued to strengthen our drug substance capabilities in highly potent API (HPAPI) commercial manufacturing and containment to capture sustained customer demand in this area.

In Cell & Gene, our Bioscience business launched several new innovative solutions for our customers, including two new cell culture media products ([TheraPEAK® T-Vivo®](#) and [TheraPRO® CHO](#)) to optimize CAR T-cell manufacturing. The new media products are free from animal components, and provide customers with increased process control.

We also continued to build upon our innovative capsule solutions in Capsules & Health Ingredients. Our Enprotect® enteric capsule, launched in 2022, enables targeted intestinal delivery of live bio-therapeutic therapies. By considering additional applications for this technology, we are now exploring over 200 unique customer opportunities.

Speed

We enable our customers to accelerate the path to commercialization.

We are accelerating the path to commercialization with flexible partnership models. In Cell & Gene, we [announced](#) plans in June to collaborate with Vertex on a dedicated manufacturing facility for the commercial manufacture of Vertex's Type 1 Diabetes (T1D) cell therapy portfolio, which is currently in clinical trials. We celebrated the groundbreaking ceremony of the new facility at our Portsmouth (US) site in August 2023.

We also continued to harness technology and innovation to accelerate the path to market. In 2023, our Capsules & Health Ingredients division commenced the roll out of next-generation capsule manufacturing technology at our Bornem (BE) site, which is expected to increase individual line output by approximately 15%, reduce our carbon footprint and set a new product quality standard.

We also continued the roll-out of automated visual inspection systems that further improve quality to ensure consistently reliable capsule filling performance for our customers.



Our Approach to Sustainability

Our purpose – to enable a healthier world – shapes the products and services that we deliver to our customers and their patients, and our approach to sustainability. Across our global network, we create value by enhancing social engagement, strengthening our governance, and reducing our environmental footprint.

We grouped our sustainability initiatives around material themes and selected key Sustainable Development Goals (SDGs). The SDGs comprise the global blueprint of the United Nations (UN) to achieve a better and sustainable future for humanity. While the UN has identified 17 SDGs to address global challenges, we have selected seven of the UN SDGs that are most relevant to our business.

This section of our Annual Report provides a short overview of our progress and key achievements relating to the seven SDGs in 2023. It is supported by the [2023 Sustainability Report](#), which offers more information and insight into our sustainability commitments and our performance indicators. The Sustainability Report follows the Global Reporting Initiative (GRI) Standards, to ensure thorough and transparent reporting on all our sustainability ambitions and commitments.

Personal Perspective

Andreas Bohrer
General Counsel

Sustainability is a key aspect of value creation, alongside quality and efficiency. It is integrated into our business strategy, and supported by clear delivery targets in our remuneration policies.



Our Ambitions, progress and achievements

SDG	Ambition	Progress and achievements
<p>SDG 3 Good Health and Well-being</p>	<p>To support our customers and their patients to deliver their treatments.</p> <p>To provide safe workplaces, caring for well-being and the health of the planet.</p>	<ul style="list-style-type: none"> Environmental, Social and Governance (ESG) rating (EcoVadis) increased by three points, improving our Silver Medal status Enhanced monitoring and reporting on ethics and compliance and climate change risk assessment Conducted the Lonza Promoter Score (LPS) survey for the fourth consecutive year to measure customer engagement, receiving more than 1,500 responses
<p>SDG 4 Quality Education</p>	<p>To establish an internal learning system to support employee engagement and professional development.</p>	<ul style="list-style-type: none"> Newly developed global training hub for employees and managers Improved visibility of quality education activities Establishment of a Lonza Learning Network to develop and execute a global learning strategy
<p>SDG 5 Gender Equality</p>	<p>To attract and retain female candidates and employees, increasing the percentage of women in management roles to 35% by 2035.</p>	<ul style="list-style-type: none"> Formation of women's leadership group to explore the challenges and opportunities specific to women in the workplace Review of local family leave and part-time working practices, supported by global principles
<p>SDG 6 Clean Water and Sanitation</p>	<p>To reduce water consumption intensity by 50% by 2030 and continuously assess water risks in our network.</p>	<ul style="list-style-type: none"> Many industrial water reduction projects are under way, delivering over 500,000 m³ in water savings Regular water assessment by sites to analyze water consumption, discharge quantity and quality, and identify improvement opportunities A learning platform to share water saving best practices among site representatives across our network
<p>SDG 9 Industry, Innovation and Infrastructure</p>	<p>To construct and invest in sustainable facilities designed for a low carbon and resource efficient future.</p>	<ul style="list-style-type: none"> "Sustainability by design" standards implemented to reduce energy consumption for key utilities (e.g. heating, ventilation, air conditioning and water quality systems) Design standards applied at the start of all large investment projects
<p>SDG 12 Responsible Consumption and Production</p>	<p>To engage our supply chain through responsible sourcing, improving its sustainability performance.</p>	<ul style="list-style-type: none"> Established a comprehensive program to evaluate and engage suppliers, focusing on compliance and sustainability, including supplier decarbonization Responsible Supplier Toolkit developed and published online to generate engagement Established a Responsible Sourcing Ambassador Network in Procurement
<p>SDG 13 Climate Action</p>	<p>To decrease the greenhouse gas (GHG) footprint over the next decade and achieve net-zero GHG emissions by 2050.</p>	<ul style="list-style-type: none"> Science Based Targets initiative (SBTi) commitment signed and targets submitted Virtual Power Purchase Agreement (VPPA) signed for new solar power generation in Spain equal to Lonza's electricity demands across the EU and Switzerland Signed a three-year multi-party renewable power agreement in China, which will help us decarbonize our electricity consumption in the region

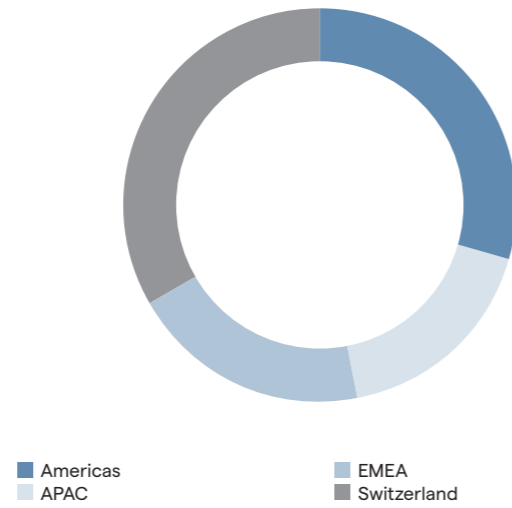
Our People and Culture

There is a broad range of cultural backgrounds within our global employee community. Across our global network, our workforce includes more than 100 different nationalities. Our employees are balanced across a range of different age groups, and our global gender split increased its proportion of females to 37% in 2023¹.

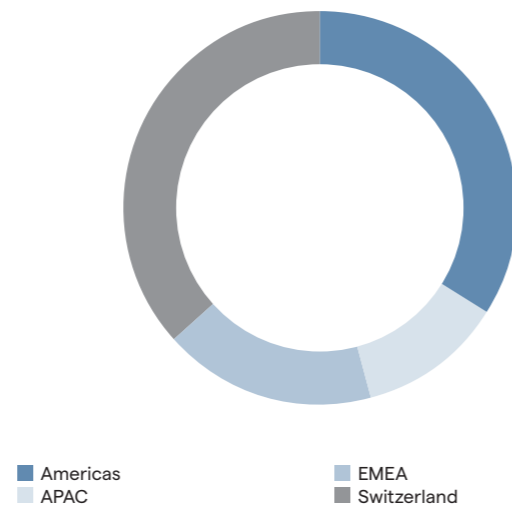
People are at the heart of our business and we strive to give our people the best possible experience. In 2023, we focused on improving the onboarding experience of new colleagues while enhancing growth opportunities and career development of all colleagues with a sustainable and competitive rewards program. We also prioritized continuous improvement across our people management initiatives. We deployed best-in-class digital solutions to enable data-driven decision making and we equipped our leaders with tailored leadership training programs. In addition, we invested time in assessing and evolving our talent and succession pipelines, which is another critical factor in Lonza's sustained success.

All our programs and actions are guided by the Lonza People Strategy which is designed to enable our people to **Come, Stay and Grow** and **Make a Meaningful Difference**. We regularly monitor the progress and impact of these programs through our Voice of Employee (VoE) engagement survey.

Headcount Split by Region



External New Joiners by Region (headcount)



Coming to Lonza (Attracting the Right People)

In 2023, we continued to build a strong pipeline of highly capable candidates who bring professional potential and create sustainable value for our business. More than 2,000 new colleagues joined us in 2023. Our recruitment activities focused most significantly on our Visp (CH), Houston (US) and Portsmouth (US) sites.

Our talent referral program, launched in 2022, proved to be highly effective in 2023. We onboarded over 500 colleagues in 2023, who were referred to us by current employees. In addition, we deployed our digital onboarding tool globally and designed a new framework for onboarding events at key sites, including our global headquarters in Basel. The feedback from participants continues to be very positive. This is reflected in a reduction of the voluntary turnover rate of colleagues with a tenure of below one year, from 10.7% (2022) to 10.4% (2023).

We continue to review and adapt our programs to ensure we can attract industry leading talent to sustain the continued expansion of our employee community. This supports our business continuity and growth plans in the coming years.

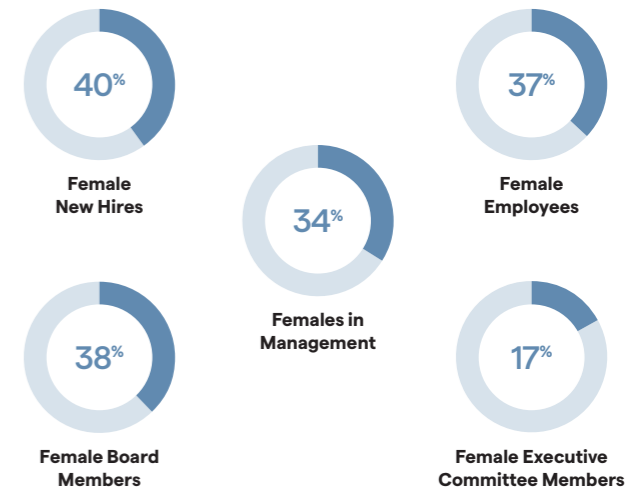
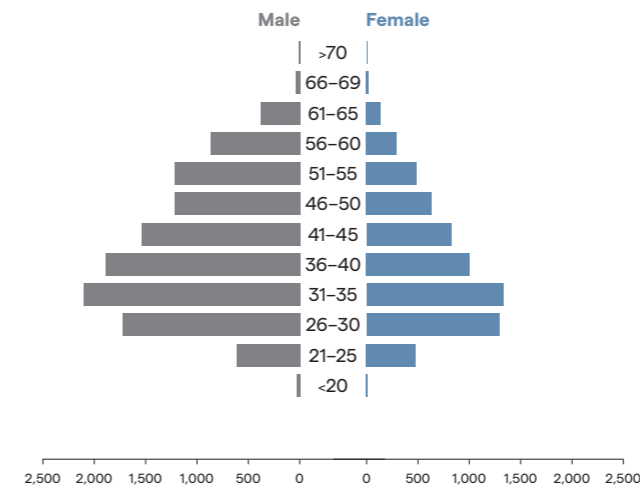
Staying at Lonza (Fostering an Empowering Environment for our People)

Talent retention remained a key focus in 2023. With 8.3% voluntary turnover, we are trending in line with industry standard and are showing an improvement (from 10.7% in 2022).

In 2023, more than 750 colleagues benefited from our "Work from Anywhere" policy, which empowers employees to work in a different location for up to 28 days each year. We also focused on the continuation and expansion of our Wellbeing offering. Further information can be found on page 47 of the [2023 Sustainability Report](#). Looking to 2024, we will continue to review these programs to ensure they are competitive and meet the needs of our employees.

Our Lonza Bonus program is an important tool to reward sustained high performance, with our bonus payout determined by the company performance factor in combination with the personal performance factor. More information about the Lonza Bonus can be found in the Remuneration report on page 179. In addition, we expanded our employee share purchase plan to include additional key locations. This is designed to further enable our colleagues' participation in our business success.

Distribution of Employees by Gender and Age Group



25 employees did not wish to disclose their gender

¹ 2022 gender split: 36% female, 64% male

Growing at Lonza (Developing our People)

We remain committed to building a positive and motivating environment where our colleagues are inspired to grow. We launched a program in 2023 to guide and support professional development for employees by encouraging an open dialog between employees and their direct manager about their aspirations and development goals. We have also further embedded our Lonza Leadership Framework across the organization. This includes the integration of our “Care, Communicate and Coach” approach into all our people programs and campaigns.

As part of our commitment to the UN’s SDG 4, we have established an internal learning system to support employee engagement and professional development. We have also formed a global training council to define and deploy Lonza’s global approach to training.

Our focus on personal growth and professional learning as well as internal career development has resulted in an increase in positions filled with internal candidates, to 39.1% in 2023 (from 29.8% in 2022). We anticipate that these efforts to recognize the potential of internal talent will create a strong return on investment and positively impact business continuity.

In 2024, we will continue to focus on leadership development and our culture of learning with a leading edge learning suite supported by best-in-class digital solutions.

Looking to 2024

Through our shared values of Integrity, Inclusion, Innovation and Initiative, we will continue to build and develop our “One Lonza” culture, which is recognized and respected by our colleagues across our global network. Together, we will continue to make a meaningful difference to fulfil our purpose of enabling a healthier world in 2024 and beyond.



Personal Perspective

Ulrike Kaepler
Chief Human Resources Officer

“ Our people are our greatest asset. Taken together, their talent, dedication and hard work bring to life our purpose to enable a healthier world. ”





Our Businesses

30	Group Operations
32	Biologics
42	Small Molecules
48	Cell & Gene
54	Capsules & Health Ingredients
59	Partners and Joint Ventures

Group Operations

Overview

As a preferred global partner to the pharmaceutical, biotech and nutrition markets, we harness scientific innovation and manufacturing technology to enable our customers to serve their patients and consumers.

Our business is structured across four divisions: Biologics, Small Molecules, Cell & Gene and Capsules & Health Ingredients. Our services and products span from supporting early-phase discovery to custom development and manufacturing of active pharmaceutical ingredients, as well as innovative dosage forms for the pharma, consumer health and nutrition industries. Our scale and resources mean that we can provide a single integrated solution to meet our customers' complex needs.

Driving Operational Excellence

We take a systematic approach to improving efficiency and reducing waste as part of our Lean program. In 2022, we introduced our Lean principles with fundamental operational and behavioral components across our manufacturing organization. By 2023, our scope broadened to include all corporate functions.

Over the course of 2023, we extended our program to deliver more tangible outcomes while maintaining our existing focus on cultural and behavioral elements. We streamlined our processes, optimized resources and enhanced overall productivity while maintaining customer value. This involved a comprehensive approach that went beyond basic Lean principles, including the following key components:

- **Continuous Improvement**

We have organized a series of events, which have focused on embedding a mindset of continuous improvement and value creation. These involve cross-functional teams collaborating to tackle issues, minimize inefficiencies and enhance processes. We are also conducting rigorous and robust analyses of our value streams, identifying all processes and activities that contribute to product or service delivery.

- **Employee Engagement**

We have introduced new ways of working that encourage employees at all levels to suggest and implement efficiency improvements. We have more than 400 programs recorded in our Innovation Tracker to generate additional value and conserve valuable business resources.

- **Digitization and Automation**

We are actively adopting technology and automation to streamline operations, decrease manual involvement and improve data-driven decision making. This includes implementing Virtual Reality training, robotics, real-time data analytics and advanced modeling tools.

- **Supplier Collaboration**

We are engaging in close collaboration with our suppliers to optimize the value of our supply chain and enhance the quality of inputs.

- **Sustainability Focus**

Our sustainability objectives are integrated into our Lean journey, with the aim of simultaneously managing our environmental footprint while improving our operational outputs.

- **Continuous Training and Education**

We remain fully committed to delivering strong employee training and education to ensure our people remain equipped to deploy the latest Lean methodologies and best practices. Over the last two years, we have successfully achieved a Lean fundamentals training level of more than 50% across the organization, spanning from basic to advanced Lean skillsets.

Executing our Strategic Growth Projects

From conception to launch, we have a robust management process in place to ensure the successful delivery of our growth projects. The strategic selection of programs is based on meeting the current and future needs of our customers and our own selection criteria. Considerations include strategic relevance, commercial rationale, feasibility, and return on investment. This approach allows us to remain confident in our capability to create long-term value for our business.

From design to execution, our standardized approach allows us to bring efficiency at each stage of the process. The technical solutions and business case are refined at each stage with clear metrics agreed, prior to approval for investment. Progress monitoring throughout each stage allows for early issue detection and mitigation as well as ensuring execution remains on track and on budget.

At the start of each project, we select a dedicated end-to-end lead supported by a multifunction team. We track individual projects closely through steering committees and monitor the portfolio of all projects. This close monitoring is overseen at structured intervals by both the Executive Committee and Board of Directors, and learnings are incorporated into the program on a continuing basis.

Growth Projects in Action: The Visp (CH) Ibex® Biopark

As part of our ongoing commitment to constant innovation, we launched a new biological development and manufacturing concept in Visp, in 2017. The Ibex® Biopark is a flexible, modular, development and manufacturing complex capable of supporting activities across multiple technologies and business models (including customer dedicated or multi-purpose).

The concept of these manufacturing complexes involves pre-investment in the shell building, which then enables a fast fit-out and the ability to leverage pre-existing infrastructure.

In the case of dedicated assets, customers have complete freedom in the facility design and implementation. Contracts are designed to take the project specific objective and risk into account, through re-purposing or ramp-down fees. For multi-purpose assets, this model gives us the opportunity to de-risk our investment by securing anchor customers.

The first two facilities became ready for fit-out in 2019 and we have seen significant progress since then, with two further buildings completed in 2023. A total of five facilities currently host a range of modalities including:

- a large-scale mammalian cell culture facility through a joint venture with Sanofi,
- a mid-scale facility for microbial development,
- end-to-end capabilities for antibody-drug conjugate manufacturing,
- facilities for commercial mRNA manufacturing, where we delivered the drug substance for a COVID-19 vaccine. Given the Moderna termination, it is currently being re-purposed to another modality. The cost for re-purposing is covered by termination and de-commissioning fees,
- a drug product filling service,
- a dedicated microbiome facility for Bacthera, our joint venture with Chr. Hansen (now Novonesis).

With a substantial proportion of capacity allocated to customers before it comes online, our model allows us to meet customer needs and manage risk, while ensuring we are set up to deliver long-term success.

Personal Perspective

Maria Soler Nunez

Head, Group Operations

“Across our site network, we deliver value for our customers through our combined focus on quality, safety and operational excellence.”



Biologics

>660¹

pre-clinical and clinical large molecules

>55¹

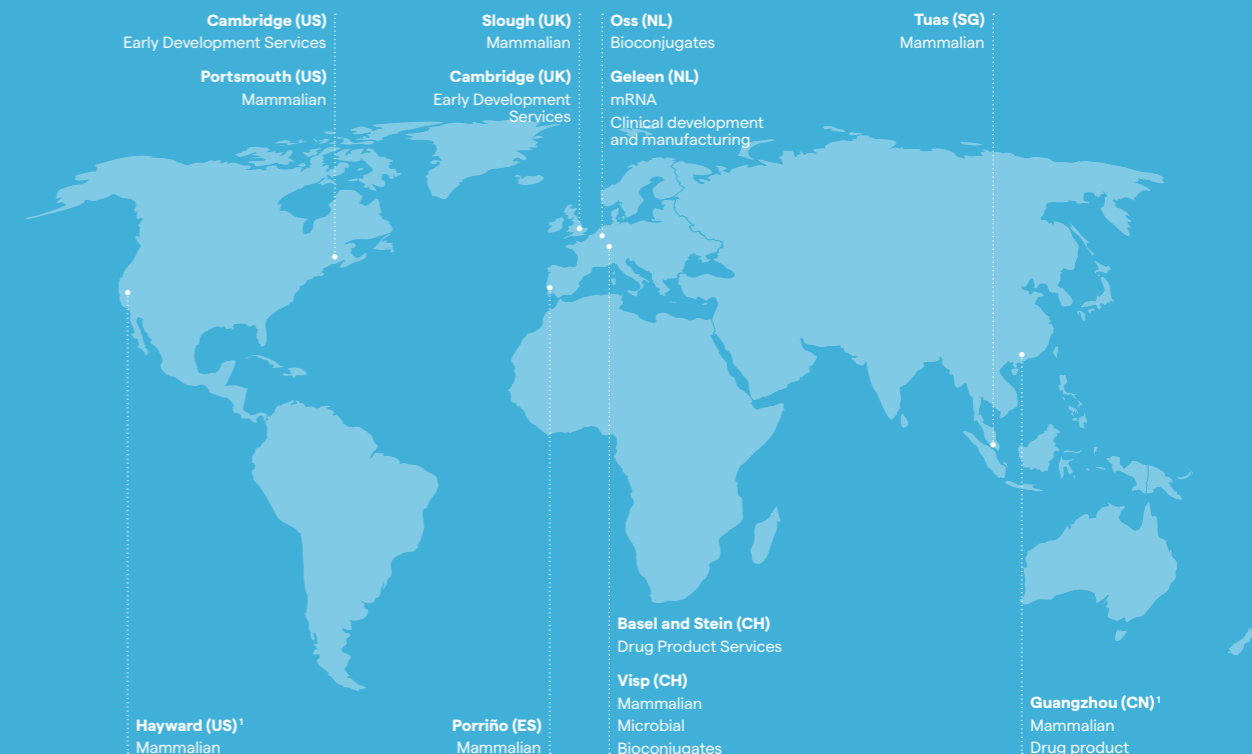
commercial large molecules

¹ Including mammalian, microbial, bioconjugates, drug product services and cell and gene therapy products (personalized medicines are included in pre-clinical and clinical molecules only, early development services are included for pre-clinical molecules only)

The Biologics division comprises a full-service CDMO, providing development and manufacturing services to pharma and biotech companies across a wide range of biologic modalities, including mammalian, microbial, bioconjugates, mRNA, and drug product services. In addition, it offers licensing services to technologies used in the development of drugs.

We offer innovative development and manufacturing services and technologies, from drug discovery to market supply, and from drug substance to drug product, across various molecule types. Our end-to-end offering ensures customers benefit from high levels of expertise, along with the speed and ease of doing business with a single strategic partner. Through our global network we are close to our customers and support supply chain resilience.

Our Global Development and Manufacturing Footprint



¹ To be decommissioned by 2025

Market Trends

The biopharmaceutical market continued to expand in 2023 and is expected to achieve a compound annual growth rate (CAGR) of around 8% over the next five years¹. Historically, the pipeline has increased 9% annually over the last ten years².

The biologics CDMO market continues to show positive growth, with an expected CAGR between 9 and 11% over the next five years³, as the outsourcing trend continues. The growth in CDMO capacity continues to outpace capacity in customers' own facilities, as large and small players increasingly rely on manufacturing partners to support, complement and de-risk their journey to market. Partnering models help attract customers, enabling capital preservation, direct access to leading expertise, de-risked supply, and regulatory support.

Large pharmaceutical organizations contribute the majority share of CDMO revenues due to commercial manufacturing activity. Small biotech businesses represent a higher proportion of the molecule pipeline, where outsourcing is built into business models to conserve capital resources. While funding has affected this segment in the short term, we expect this to normalize in the medium term.

Strong and continued growth is reflected across all phases of molecules in the biologics pipeline. This is matched by the increased diversity of modalities for the molecules in development, with new biologics drug types and novel indications a key growth factor.

Looking at the market dynamics of the individual modalities:

- In mammalian we expect that manufacturing demand will continue to outpace supply, especially for large-scale manufacturing. We see strong potential for large-volume monoclonal antibody treatments currently in clinical trials. These include high-volume products, such as Alzheimer's treatments and other potential blockbusters.

- The growth potential for bioconjugation is strong, with the global drug sales for antibody-drug conjugates (ADCs) expected to grow by around 20% CAGR over the next five years¹. There is a lack of available capacity across the industry and a high demand for outsourcing due to the complexity of the supply chain and manufacturing. Customers are looking for CDMOs that cover the entire ADC value chain, across modalities, to help manage complexity and risk. Lonza has a strong position with its end-to-end offering.
- Growth in the microbial market is driven by a promising drug sales outlook with a CAGR of 7% from 2023 to 2028² and a robust molecule pipeline, which is set to rise by around 4% CAGR in this period³. Demand for large-scale manufacturing is strong and outstripping CDMO market capacity. Customers look to experienced manufacturing partners adept at designing and running bespoke large-scale plants and managing the complexities of microbial tech transfer and scale-up. In this regard, we are well-positioned to respond to market needs.

Our Offering

We work across the entire spectrum of customers, from small biotech to large pharmaceutical companies. We offer different manufacturing scales and development services and support customers throughout the molecule's lifecycle from clinical to commercialization.

Lonza has one of the most complete offerings across technologies and scale. It also offers a wide range of services, including regulatory services. We can deliver tailored services that meet customer specific needs. We bring deep and long-standing industrial expertise in commercial delivery, with rigorous standards of quality, safety, efficiency and value providing a unifying thread across all our modalities.

Mammalian

Our largest network and set of capabilities lie in mammalian, which positions us well for the outsourcing trend. In addition, pharmaceutical companies continue to invest in R&D, we see a healthy pipeline of molecules across all phases. The outsourcing trend and the growing molecule pipeline, including commercial stage, will continue to drive demand for large-scale manufacturing. We anticipate that capacity will remain tight for the next five years, as we see the continuing trend towards outsourcing and the sustained commercial demand for manufacturing services.

¹ 2023 – 2028 CAGR in USD (ex CGT); Source: Evaluate Pharma; Lonza internal analysis

² Source: Citeline Biologics trends (ex CGT)

³ 2023 – 2028 CAGR in USD (ex CGT); Source: Frost & Sullivan (2023); Lonza internal analysis

¹ 2023 – 2028 CAGR in USD; Source: Evaluate Pharma

² 2023 – 2028 CAGR in USD; Source: Evaluate Pharma

³ Source: Citeline and Lonza internal analysis (2023)

We are focused on the development of our pipeline to feed commercial demand and de-risk our business model. We take pride in supporting customers early and working with them through the molecule lifecycle. With a strong reputation for commercial capabilities, we are also dedicated to supporting customers through the early stages of drug development. We cover the full scope of mammalian development and manufacturing services for all molecule types and build retention through development services, including licensing of proprietary IP.

In May 2023, we opened a new facility in Cambridge (US) as part of our extended early-stage offering. Located close to the Boston biotech community, the new facility enables customers to de-risk and optimize drug candidates at an early stage.

In 2024, we will ramp-up our new clinical assets in Portsmouth (US) that will support customers who want to produce in the United States at small scale. It will also enable the consolidation of demand from clinical to launch in one location, Portsmouth (US), and enable the shutdown of Hayward (US).

In 2024, we will also execute the ramp-down of our activities in Guangzhou (CN) and consolidate demand in other locations.

Bioconjugates

We provide robust expertise and experience in drug conjugation. This modality can be applied to different products, such as antibody-drug conjugates (ADCs). ADCs consist of an antibody that can identify and locate a target cancer cell, a cytotoxic payload to kill the cell, and a chemical linker to bind these two components together. ADCs are revolutionizing the cancer treatment landscape. The production process is highly complex and integrated. It requires deep technical expertise, leading technology, and well-controlled facilities to ensure safety, quality, and efficacy.

We develop and produce all ADC components, drawing on expertise across divisions. Today, we manufacture the majority of commercially available ADCs, and we see significant further growth potential. In 2023, we delivered more than 300 batches across 32 programs, which represents a fourfold increase compared to five years ago. Batch sizes also increase as more products reach commercialization.

The ADC platform is a great example of Lonza investing early in new modalities and capabilities. In addition, we are committed to investing in R&D and innovation to meet future demand alongside market needs for more diverse and complex ADCs. In 2023, we acquired Synaffix, a company with strong proprietary conjugation technology, to keep on offering the best possible platforms to our customers.

Our integrated offering supports customers in accelerating timelines and reducing complexity on the journey to commercialization.

Microbial

With licenses to manufacture eight commercial products and a track record in large-scale complex protein and vaccine production, our microbial business unit is a leader in late-phase and commercial supply for customers looking for reliability and quality of supply. Our expertise is drawn from over 30 years' experience and more than 70 GMP technology transfers into Lonza. With our proprietary XS Technologies® expression systems, state-of-the-art development labs, and GMP manufacturing scales spanning 70 liters to 15,000 liters, including a new mid-scale production facility, our facility in Visp (CH) enables us to offer services that meet our customers' needs across the entire product lifecycle.

		Late Discovery	Early-clinical	Clinical	Commercial
Modalities		Regulatory consulting to support Investigational New Drug (IND), Biologics License Application (BLA) and Licensing			
Drug Substance	Mammalian	● ↗	● ↗	● ↗	● ↗
	Microbial	◐	◐	●	● ↗
	Bioconjugates	● ↗	● ↗	● ↗ mAb, Linker, payload	● ↗ mAb, Linker, payload
	mRNA	◐	◐	◐	●
Drug Product		●	●	● ↗	● ↗ Capabilities build-up / Contract signed

● Full offering available
 ◐ Partial offering available
 ↗ Expansions

Personal Highlight

Jean-Christophe Hyvert
President, Biologics Division

In Biologics, we continued to build our pipeline, strengthened our manufacturing network, in particular for ADCs, and built our technology portfolio with the acquisition of Synaffix. We signed multiple dedicated long-term customer programs, which reflect the value of our offerings. 2024 was our strongest signing year on record.



Drug Product Services

Our Drug Product Services (DPS) business unit focuses on parenteral dosage forms. We help customers address various challenges across formulation, analytical, process development and drug product manufacturing. We have built deep expertise in areas including formulation, and have expanded into clinical and commercial fill and finish.

The DPS portfolio includes expertise in drug product injection and infusion, covering various routes of parenteral administration such as intravenous, subcutaneous and intravitreal. With a growing team of more than 500 professionals, we offer an integrated approach, across various biologics modalities. This includes standard monoclonal antibodies as well as more complex molecule formats such as bispecific antibodies, fusion proteins, recombinant proteins and bioconjugates, including ADCs.

DPS partners with the Drug Substance business units to offer end-to-end solutions, including drug substance and drug product. There is increasing demand for integrated solutions that decomplexify and secure supply with one CDMO.

A Global Center of Excellence for Drug Product Development

Our global Center of Excellence for Drug Product Development is located in Basel (CH). It is recognized for its industry-leading expertise in formulation and analytical development. It also has a leading reputation for the testing of parenteral dosage forms throughout drug development and manufacturing, which supports high safety and quality standards for drug products delivered to patients.

In addition to this core offering, we provide a unique range of specialized pharmaceutical services, encompassing particle identification, excipient and surfactant characterization, extractables and leachables assessments, testing for container closure integrity and drug/device combination services.



Biologics Drug Product Manufacture – Global Drug Product Manufacturing Network

Building on our expertise in drug product development, we have expanded our global fill and finish capacity, starting with the establishment of a GMP facility in Stein (CH) dedicated to the clinical and commercial supply of drug products in liquid and lyophilized forms. Located just 30 km from Basel (CH), the site has undergone significant expansion to become a thriving manufacturing campus, affirming its status as Lonza's global Center of Excellence for drug product manufacturing.

Drug Product Growth Project

To continue expand capacity, 2023 marked the commencement of construction on a new commercial scale fill and finish facility in Stein (CH), with initial completion scheduled for 2026. With an investment approximately CHF 500 million, this new flexible facility is located on the same campus as our existing drug product facility, allowing us to leverage our existing infrastructure, capabilities, and talent. The multi-purpose facility consists of several connected buildings, spanning across 18,000 m², and housing four filling lines. The facility encompasses liquid, lyo, and pre-filled syringe capabilities, along with a customer-dedicated ADC filling line.

The design will embrace the latest developments in sustainable construction, taking a modern approach to carbon reduction and responsible energy use, including the installation of a photovoltaic roof.

The addition of this commercial scale fill and finish facility will support the delivery of full end-to-end drug manufacturing services and support customers across the entire product life cycle.

mRNA

We pioneered the large-scale commercial manufacturing of mRNA medicines during the COVID-19 pandemic, in record time. It is a testament to our adoption of new technology and the strength of our development and manufacturing know-how that we can deploy new offerings. Since then, mRNA technology has advanced in multiple therapeutic areas, with many projects now in early development. To support these projects, we have opened a new integrated mRNA/lipid nanoparticles (LNP) manufacturing complex at our cell and gene therapy site in Geleen (NL), leveraging local expertise and providing development opportunities for our employees. The expansion includes IND-enabling, clinical and small-scale commercial manufacturing services. It also includes areas for process and analytical development, cGMP manufacturing and Quality Control for mRNA and LNP necessary for formulating mRNA-based medicines.

Licensing

Our Licensing business unit manages access to our Intellectual Property (IP) to allow companies to develop new therapeutics to incorporate proven technologies to help speed-up their development. Our differentiated licensing offering is particularly suited for pharmaceutical, biotechnology companies and research institutions conducting early research. Built on more than 35 years of continuous innovation, our GS[®] gene expression system is a core component of a more comprehensive set of expression technology solutions that span diverse therapeutic modalities. We serve more than 500 active licensing customers and more than 200 prospective licensees under Research Evaluation Agreements. More than 80 approved therapeutics reach millions of patients each year, helping us to achieve our purpose of enabling a healthier world.

Ibex[®] Solutions

Ibex[®] Solutions comprises a series of advanced manufacturing facilities that combine to form an extensive biopark in Visp (CH). The facilities are supported by a flexible and responsive business model with three innovative offerings: Ibex[®] Design, Ibex[®] Develop and Ibex[®] Dedicate. These offerings span the complete product lifecycle of a biopharmaceutical from pre-clinical to commercial stages, from drug substance to drug product. Our Ibex[®] customers benefit from a comprehensive and tailored portfolio of services under a single framework. Ibex[®] Solutions enable our customers to bring their new medicines and vaccines to their patients at pace, while providing the flexibility to actively manage supply constraints, drug development uncertainty and evolution in market demand.

2023 Highlights

Over the course of the year, we have continued to experience strong sales of 17.6% CER. This was driven by new projects coming online, alongside base business expansion. Our investments have focused on supporting the clinical pipeline and building world-class infrastructure at critical sites including Visp (CH).

Looking ahead to 2024 and beyond, we anticipate that core sales growth, excluding Moderna, will outpace market growth, driven by large commercial contracts and future commercial expansion. We will continue to invest further to consolidate our position as a CDMO partner of choice.

Enhancing our Technological Edge through Targeted Innovation

Innovation plays a crucial role in helping us to maintain our market advantage. We can now support certain customers moving from gene to IND filing in approximately 11 months or less for standard monoclonal antibodies and approximately 13 months for more complex proteins¹ or customers who want a specific approach. This speed and efficiency attracts customers who wish to accelerate clinical development and want a flexible approach.

Our focus on continuous bioprocessing and process intensification aims to improve productivity and reduce the cost of goods sold.

We are integrating digital technologies into the drug development and manufacturing journey to help improve speed, flexibility and efficiency while managing costs.

New Ibex[®] Solutions Customer Collaborations

We have [signed](#) an Ibex[®] Dedicate program with our customer, Vaxcyte, to support their journey to commercialization for the global manufacturing of broad-spectrum pneumococcal conjugate vaccines (PCVs). This agreement extends a long-term relationship that provides Vaxcyte with a custom-built manufacturing suite in Visp (CH). Equipment installation is expected to begin in 2024.

In addition, two new bioconjugation suites for the commercial supply of ADCs will be added as part of an extension of a long-term [collaboration](#) with a major global biopharmaceutical partner. The extension builds on an existing partnership for end-to-end ADC manufacturing, including payload, monoclonal antibody (mAb) manufacturing, and bioconjugation. The agreement will increase the current dedicated bioconjugation capacity fourfold and is expected to generate around 180 new jobs upon completion, with operations expected to commence in 2026.

¹ Terms and conditions apply; certain molecules are not suitable for this offering

New Facilities to Meet Demand

Early in 2023, we [completed the expansion](#) of our bioconjugation facility in Visp (CH) to enhance our capability for clinical and commercial supply across development and manufacturing, including drug product. We completed a new cGMP clinical and commercial drug product line, marking a significant milestone in the growth of our Drug Product Service offering. These continued investments in Visp (CH) are designed to provide a flexible solution for customers of all sizes in one location.

Following the [groundbreaking](#) of the new commercial drug product facility in Stein (CH) in January 2023, we secured our first additional dedicated line for the commercial cGMP filling line at the site in October 2023. The extended agreement with a major biopharmaceutical partner will enable the aseptic filling of highly potent ADCs and lyophilization under containment. With operations starting in 2027, these additional filling capabilities further strengthen our capacity and flexibility in supporting both the clinical and commercial supply of bioconjugates.

Strengthening our Bioconjugates Offering

We announced the [acquisition](#) of Synaffix B.V. to further strengthen our bioconjugates offering. The Synaffix technology platform, which includes payload and site-specific linker technologies, will enhance our integrated ADC services, including our early-phase offering. Combining our development and manufacturing capabilities with the Synaffix platform will provide customers and licensees with a comprehensive service to rapidly discover, develop, scale-up and commercialize novel and differentiated ADCs.

Microbial

Our new mid-scale 4,000 liters microbial facility is operational, with the first batches manufactured in 2023. Final regulatory authority approval and ramp-up of the asset is underway. To complement this increase in manufacturing capacity, our new purpose-built development services labs were established and have been fully operational since early 2023, with our customers benefiting from a new state-of-the-art automation room and pilot facility.

Financial Performance in Full-Year 2023 Comparison vs. Prior Year

3,719m
Sales (CHF) **+17.6%¹**

1,294m
CORE EBITDA (CHF) **+5.4%**

34.8%
CORE EBITDA Margin **-2.7ppts**

¹ Sales growth, expressed as a percentage (%), are at constant exchange rate (CER)

Innovation Spotlight

Helping to Improve Patient Outcomes through Innovative Cell Lines

Targeted therapy employing monoclonal antibodies (mAbs) represents a powerful immunotherapy tool in oncology. These mAbs function by directly or indirectly killing cancer cells. This process is facilitated through antibody-dependent cellular cytotoxicity (ADCC), a key mechanism underlying targeted antibody-based immunotherapy approaches. ADCC is an important mechanism of therapeutic action and refers to the process where antibodies bind to infected or non-host cells, leading to the elimination of those cells. Since many cancer patients show limited responses to standard mAb therapies, developing therapies with improved ADCC-eliciting properties can help enhance their therapeutic success.

To help meet pressing market and patient needs, Lonza has developed our new GS Effex[®] cell line that increases ADCC function and therapeutic potency of the mAb product. Derived from our GS Xceed[®] cell line, our GS Effex[®] cell line is compatible with Lonza's GS Gene Expression System[®] and platform processes. The GS Effex[®] cell line is stable, productive and scalable and, as part of the GS System[®], allows for reliable cell line construction and reduced risk during product development.

Our continued focus on leveraging our expertise and experience across various fields and modalities helps us to bring innovative solutions to our customers and their patients. The new GS Effex[®] cell line will help enable our customers to deliver cutting-edge therapeutics that address unmet patient needs.

Bringing New Molecular Formats Closer to the Clinic

The global biologics pipeline has witnessed an uptake of new and more complex molecular formats, including antibody fragments, bi- and multispecific antibodies. Almost 300 bispecific antibody-based drug candidates have entered the clinic in the last two decades¹. More complex proteins, especially those without a conserved domain, bring unique challenges related to their purification and manufacturing, as standard platform processes cannot be applied, which can lead to delays and added costs.

Overcoming these hurdles and getting these exciting products to the clinic as quickly as possible while balancing cost and risk requires innovative and tailored solutions. Our teams focused on helping customers to reduce timelines and develop new processes. This was achieved by identifying and resolving technical bottlenecks related to clone selection and applying state-of-the-art proprietary analytical methods and process and purification development.

As a result, Lonza has launched a number of different integrated drug substance/drug product DNA-to-IND programs over the past two years. Subject to molecule evaluation, Lonza can support customers in bringing certain molecules to IND in reduced estimated timelines depending on the molecule type: mAbs (11 months or less)², bispecifics (13 months)³, Fabs and Fc-fusion proteins (14 months)⁴ and scaffold and recombinant proteins (15 months)⁴. In addition, we can offer tailored solutions to customers depending on their need for speed. These programs are backed by over 35 years of experience in developing and manufacturing biologics, state-of-the-art technologies and the use of cell lines and innovative processes that are commercially viable and designed to fit all scales. In addition, the programs can also provide drug substance for toxicology testing to help find adverse safety issues before making potentially costly mistakes when scaling up to GMP production.

With this suite of DNA-to-IND offerings, customers can increase the speed of applicable products to IND through an end-to-end solution. Lonza's cross-functional project teams and subject matter experts can further tailor these development strategies to help meet customer and product-specific needs.

¹ Kang J, Sun T and Zhang Y (2022) Immunotherapeutic progress and application of bispecific antibody in cancer. *Front. Immunol.* 13:1020003. doi: 10.3389/fimmu.2022.1020003

² From DNA transfection to Delivery of IND-Enabling CMC Modules. Subject to terms and conditions; certain molecules are not suitable for this offering

³ From DNA transfection to Delivery of IND-Enabling CMC Modules. Typical timelines, subject to molecule evaluation, and terms and conditions; certain molecules are not suitable for this offering

⁴ Terms and conditions apply; certain molecules are not suitable for this offering



Small Molecules

>220¹

pre-clinical and clinical small molecules

>140¹

commercial small molecules

¹ Including active pharmaceutical ingredients (API), highly potent API (HPAPI), dosage form and delivery systems and particle engineering

Our Small Molecules division supports customers throughout their journey from clinical to commercialization, across drug substance and drug product. We provide contract development and manufacturing services for customers including large pharmaceutical and small biotech companies.

Our Global Development and Manufacturing Footprint



Market Trends

Small molecules remains an attractive and growing market with 52% of all molecules in clinical development comprised of small molecules (approximately 10,000 molecules). In the next five years, the clinical market for the number of small molecules is estimated to grow by 30%¹.

In 2023, the outsourced small molecules market was valued at \$70bn and we estimate that this market will grow at 4 to 6% per year through to 2028². Our primary focus is to support the development and manufacturing of innovative products and we expect this segment to grow at the higher end of this range.

Growth is driven by three main therapeutic areas, including Oncology, CNS and Endocrine (in particular diabetes). Thirty percent of FDA small molecules new molecular entities (NME) approvals are targeted towards oncology, a disease area estimated to sustain double-digit sales revenue growth per year through to 2028. Looking at the oncology market, small molecules make more than 60% of FDA NME approvals, of which approximately 90% are administered orally.

The required potency of products that destroy cancer cells means that they are often highly potent and need high containment manufacturing capabilities. We have a long and successful history of developing processes to manufacture highly potent active pharmaceutical ingredients (HPAPIs). In such complex containment environments, manufacturing experience and expertise is as critical as process control.

Increasingly, new therapies are on expedited timelines for approval and our quality system and regulatory experts support customer filings. This is a particularly important service for small companies who may not have in-house capabilities.

Our Offering

We are focused on helping customers develop and manufacture innovative small molecules. Over the last 40 years, we have developed a leading reputation, supported by our commitment to science, technology and delivery.

We work in close partnership with our customers, helping them to solve patient challenges and support molecule progression through clinical stages. Our team of experts support development throughout the product lifecycle, from pre-clinical stages through to commercialization. Entry points in this lifecycle can vary from early clinical development to late-phase or commercial supply.

Our Small Molecules services can broadly be split into three categories: Drug Substance, Drug Product and Particle Engineering, which forms a bridge between Drug Substance and Drug Product.

Our **Drug Substance** services relate to the development and manufacturing of active pharmaceutical ingredients (APIs). Our **Particle Engineering** services relate to our micronization and spray dry dispersion technologies which support enhanced bioavailability. Finally, our **Drug Product** services support oral and inhaled formulations of APIs in tablet and capsule dosage forms.

Our current portfolio includes more than 150 commercial programs and more than 200 clinical programs. These are delivered by a global asset network capable of supplying a range of volumes to meet both clinical and commercial demand. Our ability to provide integrated supply chains for products, within or across divisions, is a compelling customer offering to simplify ways of working.

In Drug Substance, we continue to build on our existing capabilities in developing and manufacturing highly potent small molecules, especially the payload and linker manufacturing of antibody-drug conjugate (ADC) products. These represent a particularly attractive market segment within the high potent API category.

Candidates in the small molecules pipeline are increasingly complex and are often accompanied by a decrease in bioavailability due to their limited solubility. We help customers to address these challenges through a portfolio of bioavailability enhancement technologies, phase-appropriate and proprietary processing equipment and drug delivery capabilities. Our site in Bend (US) is recognized as a global leader in improving bioavailability, leveraging our scientific expertise and spray dried dispersion technology.

The following two new offerings have progressed towards market introduction in 2023:

Physiologically-Based Pharmacokinetic (PBPK) Modelling
Poor oral absorption in drug candidates can delay critical pre-clinical and clinical studies, leading to extended timelines and costs for drug manufacturers. With low solubility molecules becoming more prevalent, we offer deep expertise in the application of PBPK modelling to help customers better understand the risks to absorption and develop better formulation strategies.

¹ Lonza internal analysis, Citeline

² Lonza internal analysis, FDA, Evaluate Pharma

Complete Life Cycle Offering

Our Portfolio of Services

Drug Substance Intermediates <small>GMP intermediates</small>	Drug Substance <small>Full range of API inclusive of HPAPI, cytotoxic payloads for ADCs</small>
Drug Product Intermediates <small>Micronized API, spray dried dispersions</small>	Drug Products <small>Tablets, encapsulated powder and multiparticulates, injectables</small>

PBPK modelling simulates the dynamic physiological factors impacting oral performance. When coupled with *in vitro* testing and experience in addressing key formulation challenges such as bioavailability, it has proven to be effective in applications throughout the drug development cycle.

Our global network of sites offer different services to deliver a highly connected supply matrix. This allows us to support a range of volume needs through clinical progression and niche to high volume for commercial products.

Retrosynthesis Technology

The complexity of small molecule APIs is rising and this is creating significant challenges to timely clinical readiness. We are leveraging innovative technologies including Artificial Intelligence (AI) to help our customers accelerate clinical readiness, reduce costs and improve supply chain decision making for their drug substances.

Solid Form Services Expansion

We completed the [expansion](#) to our Solid Form Services (SFS) offering by expanding our facilities in Bend (US) to meet accelerated timelines for increasingly complex molecules. The enhanced facility includes remodeled and dedicated laboratory space, primarily used to support biotech and mid-size pharma companies in developing early-stage compounds.

2023 Highlights

Our commercial and clinical portfolio is strongly represented across the main therapeutic growth areas. In 2023, the Small Molecules division achieved more than 10% growth, with the majority driven by the manufacturing of newly introduced products. Particular milestones were reached in 2023, as multiple oncology products on which we collaborate with our customers received FDA approval.

The offering complements our API development services and first-in-human services, aimed at the rapid advancement of small molecules.

Enhanced Powder Characterization Capabilities

Our Small Molecules site in Tampa (US) has been [upgraded](#) to include universal powder flow testing alongside automated particle size and shape analysis capabilities. The addition of new capabilities at this site is enabling a greater understanding of the behavior of powdered drug substances, excipients and blends used in the development of new dosage forms.

Financial Performance in Full-Year 2023

Comparison vs. Prior Year

901m

Sales (CHF) +11.2%¹

283m

CORE EBITDA (CHF) +14.1%

31.4

CORE EBITDA Margin +1.1ppts

¹ Sales growth, expressed as a percentage (%), are at constant exchange rate (CER)

Personal Highlight

Gordon Bates

President, Small Molecules Division

In Small Molecules, we continue to adapt our capabilities and commercial offerings aligned with market needs, further augmented with additional capacity to meet sustained customer demand, particularly supporting highly potent API products. Looking ahead, we will continue to focus on the acquisition of early-phase clinical projects to help drive future growth.



Innovation Spotlight

Lonza Route Scouting Services: Retrosynthetic Pathway Optimization Enabled by Integrated Supply Chain Intelligence

Looking at the global development and manufacturing pipeline, the complexity of small molecules is increasing and this can bring longer synthetic routes to access the target molecule. Over the last decade, the number of chemical steps from raw materials to an active pharmaceutical ingredient (API) increased on average from 8 to more than 20 steps^{1,2}. More than 50% of the approved drugs in 2022 contained at least one chiral center and the associated regulatory demands for enantiomeric purity further complexify the task of process chemists³. The key features for a successful synthetic route include safety, high overall yield, high productivity (space-time-yield), impurity purge understanding, waste reduction, freedom-to-operate and a robust supply chain for starting materials and intermediates.

Next-generation computer-aided synthesis design technologies (CSDTs) offer synthetic organic chemists a powerful tool for managing greater molecular complexity. Distinguished by predictive route design capabilities, advanced CSDTs are increasingly adept at emulating retrosynthesis analysis. This is the logic by which synthetic chemists iteratively reduce complex molecules into progressively simpler structures, until commercially available starting materials are identified^{4,5}.

Building on our existing experience in supporting the development and manufacturing of small molecule APIs, we have developed a new offering that combines our extensive proprietary commercial data with a leading CSDT. By leveraging this technology, our experts can make synthetic strategy decisions that factor in real-world starting material costs, starting material availability at scale and supply chain intelligence.

This innovative service offering aims to significantly reduce project timelines by providing a higher incidence of shorter synthetic routes with faster access to starting materials at scale. This integrated approach underscores how Lonza's subject matter expertise and the use of advanced tools can synergistically transform chemical process development, ultimately leading to improved customer processes.

¹ Carey, J.S. et al. Analysis of reactions used for the preparation of drug candidate molecules. *Org. Biomol. Chem.*, 2006, 4, 2337-2347

² Eastgate, M.D. et al. On the design of complex drug candidate syntheses. *Nat. Rev. Chem.* 2017, 1, 1-16

³ Ceramella, J.; Iacopetta, D.; Franchini, A.; De Luca, M.; Saturnino, C.; Andreu, I.; Sinicropi, M.S.; Catalano, A. A Look at the Importance of Chirality in Drug Activity: Some Significant Examples. *Appl. Sci.* 2022, 12, 10909

⁴ The retrosynthetic analysis methodology and theory underlying it were acknowledged with the 1990 Nobel Prize in Chemistry, awarded to E.J. Corey; Press release. NobelPrize.org. Nobel Prize Outreach AB 2023: <https://www.nobelprize.org/prizes/chemistry/1990/press-release/>

⁵ In silico approaches to retrosynthetic planning were first described by the E.J. Corey in the 1960s: Corey, E.J.; Wipke, W.T. Computer-Assisted Design of Complex Organic Syntheses: Pathways for molecular synthesis can be devised with a computer and equipment for graphical communication. *Science* 1969, 166, 178-192



Cell & Gene

>20 years of Cell and Gene cGMP manufacturing experience

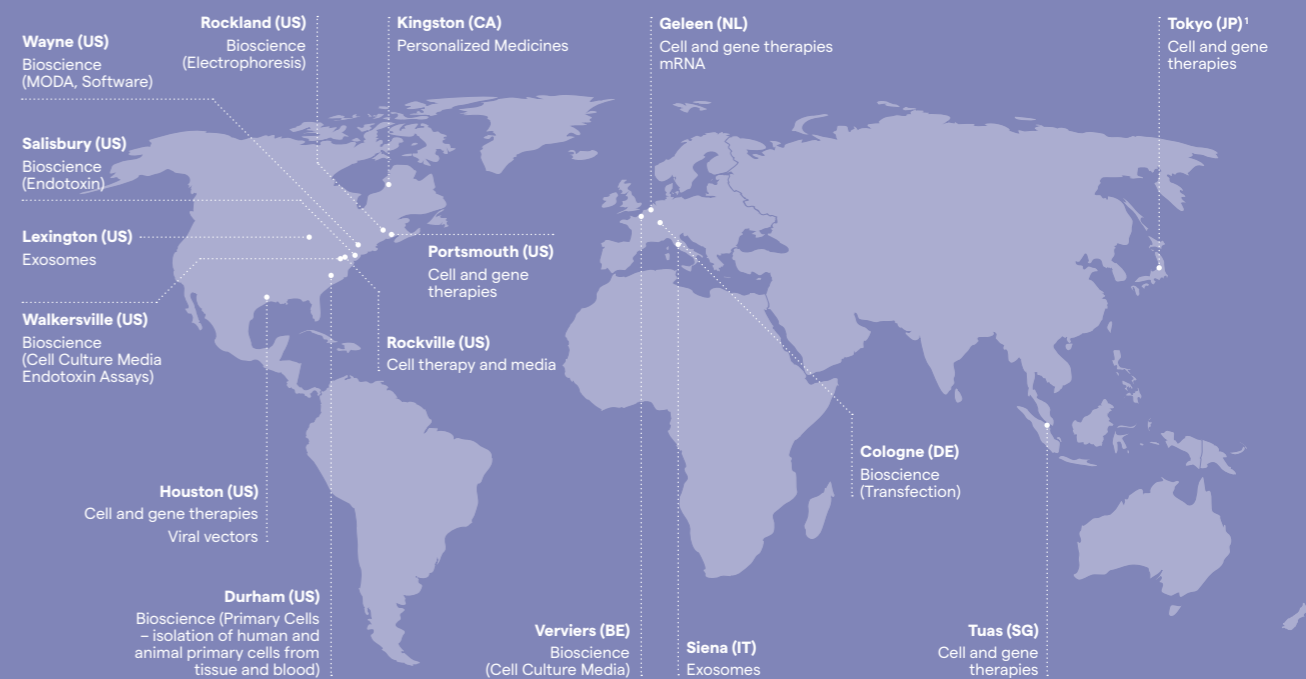
>200 process development projects

~60 active, pre-clinical therapies supported by Bioscience

~130 active, clinical and commercial therapies supported by Bioscience

Our Cell & Gene division provides comprehensive solutions that accelerate the development, manufacturing and commercialization of novel life-changing treatments. We also offer tools and technologies that enable cell and gene innovators to develop, de-risk and industrialize their therapies.

Our Global Development and Manufacturing Footprint



¹ Facility owned and operated by Nikon Cell innovation Co. Ltd. under Nikon-Lonza partnership

Market Trends

Cell and gene therapies have demonstrated the potential for transformative efficacy and are now being recognized as having viable commercial potential. In the last two years, we have seen a slowdown in funding in the market, mostly impacting pre-clinical and early clinical pipelines. In parallel, we are also seeing a shift of market focus to late phase and commercialization and this is driving strong growth. Over the next five years, we forecast the cell and gene CDMO market to grow by approximately 15%¹.

In the cell and gene CDMO market, reduced levels of funding in the pharma and biotech space have contributed to the trend of increased outsourcing over in-house development, which requires larger, long-term investments in CAPEX. Furthermore, the increased number of commercialized cell and gene therapies increases value for CDMOs supporting those therapies and producing cell and gene therapies for patients. The cell and gene space is still an emerging field and relies on highly manual processes that are not yet fully established. Access to expertise and know-how remains a key driver to successful manufacturing, further contributing to an increase in outsourcing to experienced, established CDMOs like Lonza in the cell and gene market.

With a track record of efficient and reliable manufacturing and strong capabilities to support our customers in bringing their products to market, we are well positioned to capture future market value.

Our Offering

Our Cell & Gene division comprises three synergistic business units that provide a combination of products and services. Our Cell & Gene Technologies business unit offers CDMO services and is becoming a “commercialization engine” for cell and gene therapies. The Bioscience business unit delivers specialty products that support the growth of the biologics and cell and gene markets. The Personalized Medicine business unit focuses on the Cocoon® Platform and has the aim of revolutionizing cell therapy manufacturing through automation.

Together, our business units address key customer challenges and needs. In addition, our CDMO expertise enables us to tailor and innovate our products and services.

Cell & Gene Technologies

Our value proposition is predicated on quality, expertise and trust. Over the last twenty years, we have established a leading position based on our process development and GMP manufacturing experience. With a robust position in key modalities, from process development to commercial manufacturing, our offering is one of the most complete in a highly fragmented industry.

Cell and gene processes are predominantly smaller-scale and still highly manual. As a result of leveraging our strong manufacturing expertise and reputation to deliver highly complex therapies, we have gained and also retained a large proportion of outsourced, late-stage clinical and commercial cell and gene products in the CDMO industry. As of 2023, Lonza manufactured three of the 12 outsourced commercial cell and gene therapy products approved in Europe and the United States.

Bioscience

Our Bioscience business unit has a strong portfolio of products and services that support the growth of the biologics and cell and gene markets. Our customers rely on our offering to deliver improved reliability, reduced variability, ease of use, high performance and cost efficiency. Our Bioscience products and services range from cell culture and discovery technologies for research, to quality control tests and software for biomanufacturing.

For example, Endotoxin testing is a critical test required to ensure the safe release and use of every parenteral product delivered intravenously to a patient. In 2023, we launched a new microplate reader, the Nebula® Absorbance Reader, as part of our Endotoxin and pyrogen testing portfolio to support QC labs. The updated reader provides improvements in accuracy, consistency and greater flexibility for use.

Personalized Medicines

The cell therapy production process is extremely complex. It can take four to six weeks between collecting the cells and infusing the treatment back to the patient. Furthermore, current solutions are not sufficiently scalable to meet patient demand.

Our Cocoon® Platform is a functionally closed, highly flexible and scalable autologous cell manufacturing solution, addressing many of these challenges.

- It provides point-of-care treatment, which can mitigate delays, shipping complexity and related costs.
- It is highly automated, which reduces both the costs associated with manual intervention and the risks associated with human error.
- It is scalable, as multiple instruments may be connected in the future, which has the capacity to save significant clean room space.

To date, we have installed more than 100 Cocoon devices and currently work with more than 20 customers. Through our large-scale, point-of-care manufacturing partnership with Galapagos, we have been able to consistently deliver treatments with vein-to-vein turnaround times in as little as seven days.

¹ Lonza internal analysis, Citeline

2023 Highlights

In 2023, our Cell & Gene division delivered top line growth driven by a complementary portfolio of products and services as well as operational excellence. As the market matures, we are working to facilitate the commercialization of more therapies, which remains the cornerstone of our strategy.

Investments in Novel and Disruptive Technologies

The cell and gene market is dynamic and new modalities and technologies are gaining traction. Our long-term success depends on our capability to drive innovation and invest strategically in novel technologies. As part of our commitment in this space, we have entered into a [strategic partnership](#) with Vertex to accelerate the development and commercialization of Vertex's potentially transformative cell therapies for Type 1 Diabetes. We are building a new dedicated facility in Portsmouth (US), spanning more than 130,000 square feet. This will complement our global cell and gene technology manufacturing network. The facility is anticipated to create up to 300 new jobs when operating at peak capacity.

Innovative Cell Culture Media Solutions

In Bioscience, we continue to maintain a focus on innovation as a means of driving competitive advantage, by developing products like cell culture media that deliver superior performance levels. Our two new cell culture media launches in 2023 underline our commitment to innovation as a means of meeting key customer needs. Our [TheraPEAK® T-Vivo](#) can be used to accelerate CAR T-cell therapy development without using human or animal serum, thereby solving a critical market need. [TheraPro®](#), optimizes productivity and quality for therapeutic monoclonal antibody production. This fully scalable and versatile system has been developed to support customers with protein manufacturing.

Both TheraPEAK® and TheraPRO® are GMP based solutions that are chemically defined, of non-animal origin and are designed to take therapies from discovery through to commercialization. The new medium delivers greater consistency and process control and simplifies regulatory approval to support faster time-to-market.

Overview of our Cell & Gene business units		
Cell & Gene Technologies	Bioscience	Personalized Medicine
Contract development and contract manufacturing of cell and gene therapies, viral vectors, exosomes	Life science solutions to enable research, development, manufacturing and testing of therapeutics	Breakthrough technology to accelerate the industrialization of cell and gene therapy manufacturing
<ul style="list-style-type: none"> Scientific know-how and expertise across the full range of cell & gene therapy modalities, including emerging technologies Industrializing processes for clinical and commercial cGMP manufacturing High-quality, state-of-the-art, regulated and inspected cell & gene therapy facilities globally 	<ul style="list-style-type: none"> Discovery tools to help advance life-science research with biologically relevant results Bioprocessing media for large-scale manufacturing of biologics and therapies Endotoxin and Pyrogen testing of raw materials, in-process samples and manufactured product Informatics paperless solutions combining manufacturing and laboratory data into a single source to expedite product release 	<ul style="list-style-type: none"> Primary focus is the Cocoon® Platform for cell therapy manufacturing Highly flexible and scalable solution offers the potential to drive down costs and provide greater access to patients Multiple unit operations integrated into a single system Supports centralized or decentralized manufacturing model

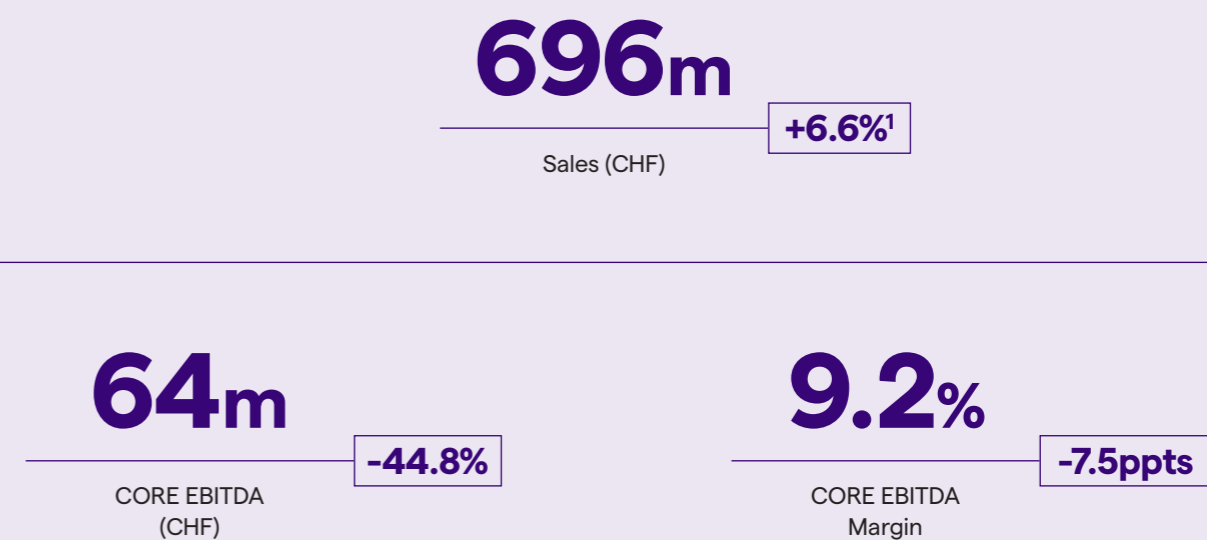
Personal Highlight

Daniel Palmacci
President, Cell & Gene Division

In Cell & Gene, we celebrated the groundbreaking of a new cell therapy manufacturing facility in Portsmouth (US) to support the development and commercialization of the Vertex type 1 diabetes cell therapy portfolio.



Financial Performance in Full-Year 2023 Comparison vs. Prior Year



¹ Sales growth, expressed as a percentage (%), are at constant exchange rate (CER)

New Monocyte Activation Test Systems

We launched two new rapid monocyte activation test (MAT) systems to streamline and simplify rabbit-free testing. The PyroCell® MAT Rapid System and PyroCell® MAT Human Serum (HS) Rapid System will replace our current MAT system kit offerings. They contain PeliKine Human IL-6 Rapid ELISA kits that reduce time to results from two days to two hours.

Enhanced Electronic Batch Record Execution

As part of our continued investment in the MODA® Platform, we [upgraded](#) the MODA-ES® Module v4.0 to help pharmaceutical customers expedite batch release by minimizing paper-based processes. The improved module has a number of new features to simplify processes, materials and item management, as well as enhancing approvals, data tracking and connectivity.

Innovation Spotlight

Developing Reliable Manufacturing Platforms for Viral Vector-Based Therapies

Viral vectors represent the most effective methods of therapeutic gene transfer and have been used to treat a wide range of acute and chronic conditions. One of the most vital components of the viral vector manufacturing is ensuring sufficient manufacturing capacity and output, as these therapies often require scale-up during development and commercialization. With the majority of viral vector candidates being in the pre-clinical stage, developing a reliable and scalable viral vector manufacturing platform is key to ensuring the future success of these therapies.

Viral vectors can pose challenges in terms of scale-up, purification and quality control. Our teams in Houston (US) have developed a robust manufacturing platform for transient transfection in suspension bioreactors. This is designed to address challenges and offer our customers an established and reliable solution for viral vector manufacturing. Furthermore, we are also developing stable viral vector cell lines that will transform the cost and scale of manufacturing to support industrialization.

The resulting process, coupled with advanced proprietary analytics, leverages our long-standing history in developing and manufacturing viral vectors and enables us to produce adeno-associated viral vectors (AAVs) or lentiviral vectors with high productivity and purity. This contributes to a reduction in the cost of goods and improving manufacturing timelines.



Capsules & Health Ingredients

>30

Product Offerings

80

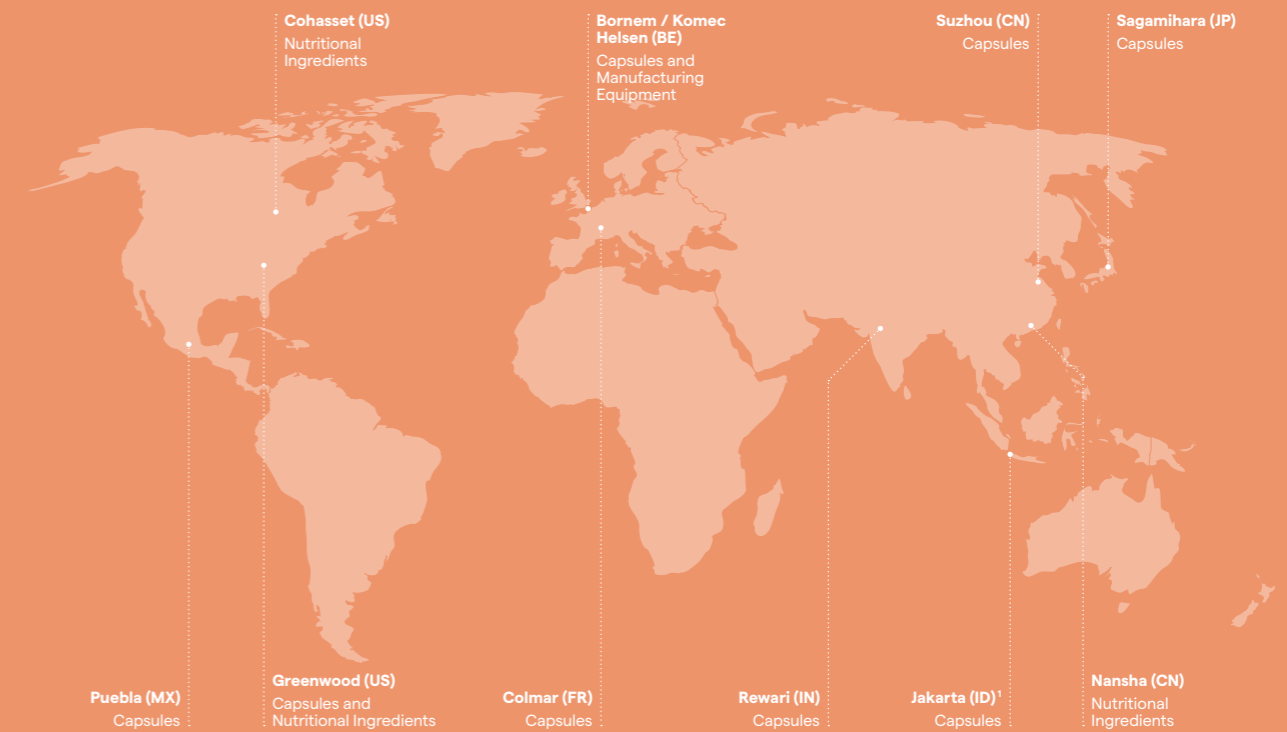
Capsules and Dosage Delivery Form Patent Families

~40

Ingredient Patent Families

Our Capsules and Health Ingredients (CHI) division offers high-quality capsules and encapsulation technology to the global pharmaceutical and nutraceutical markets. With a focus on process, product and service innovation, our network supports more than 7,000 customers with the design, customization and manufacture of hard empty capsules, capsule filling equipment, differentiated dosage form solutions and science-backed health ingredients. These are designed to meet evolving consumer requirements and patient needs.

Our Global Development and Manufacturing Footprint



¹ To be decommissioned by the end of 2024

Market Trends

The **pharmaceutical market** is robust and largely acyclic, with high qualification and registration requirements. Pharmaceutical companies are currently looking to strengthen supply chains of raw materials with redundancies, manage increasingly tighter compliance standards and innovate with greater dosage form functionality. Here, we support customers by addressing drug development and ingredient formulation challenges, as well as offering a long-lasting partnership throughout the complex pharmaceutical development process.

For the **nutraceutical market**, we anticipate slightly higher growth in hard empty capsules compared with the pharmaceutical market. The market looks set to strengthen in the longer term, as consumers increasingly focus on proactive health management. We deliver a tailored end-to-end product development and contract manufacturing service. This enables us to bring concepts to reality in a matter of weeks, to capture the rapid changes in consumer nutrition market trends.

We have seen a post-pandemic decline in demand in both the pharmaceutical and nutraceutical industries. This has been driven by softer consumer demand for over-the-counter and preventative health treatments as well as customer destocking programs. However, we anticipate that demand will stabilize during 2024. Both markets are projected to grow at around 2 to 3% per year in the next five years¹.

Our Offering

CHI is well-placed to increase its presence in both the pharmaceutical and nutraceutical segments, with strong customer service as well as manufacturing and automation expertise, delivered by multi-disciplinary teams that are skilled in delivering customized solutions from discovery and concept to commercialization. We also provide a portfolio of capsule filling equipment and supporting technical services to meet our customers' fill and finish needs.

Broad Portfolio of Hard Empty Capsules

We offer a wide range of gelatin and plant-based Capsugel® capsule options with a variety of release profiles and encapsulation technologies. These are designed to meet evolving technical and regulatory requirements and market demands, such as vegetarian, vegan, organic and clean-label solutions. We have the largest global capsule manufacturing capacity in the world, with the capability to produce billions of capsules per year across our global production network. We supply customers in every major geographical region with standard and customizable capsules. In addition, we provide novel and functional capsules for increasingly complex and sensitive therapeutic requirements.

Innovative Dosage Form Solutions

Our Dosage Form Solutions (DFS) business is built on our strong capsule expertise and provides our nutraceutical customers with an unmatched end-to-end contract manufacturing service. These dosage forms range from simple liquid formulations, using our proprietary liquid sealing technology, to complex multi-dose and timed-release systems. In 2023, we expanded our capacity by more than 15%. Alongside our formulation and encapsulation expertise, we also support our customers by co-creating finished products and providing product branding support.

Active Lifestyle Health Ingredients

We provide multiple science-backed health ingredients for the growing active lifestyle market. Our offering includes products that support healthy human nutrition, targeting global consumer trends including joint health, muscular strength, energy, endurance and weight management. Our portfolio includes premium brands such as UC-II® for joint health, Carnipure® for energy, and a range of other branded products targeting immune and digestive health.

¹ Capacity Utilization figures from 2019, based on recent Kline & Co (Q4 2022) and Ascendant Mfr (Q2 2023) interviews

2023 Highlights

Our 2023 highlights reflect our combined commitment to long-term collaborative partnerships, supported by continuing innovation and investment in process, product and service innovation.

Process innovation

Leveraging our in-house design, technical and engineering teams, we advanced the development of our next-generation proprietary hard empty capsule manufacturing technology. The installation of the first full production line was initiated in late 2023 and will be operational by Q1 2024. This new technology is set to increase individual line capacity by 15% while concurrently reducing weight and dimensional variability. It will also enable us to reduce our net carbon footprint and set a new product quality standard. Following the first line installation in 2024, we will prepare the roll out of this new technology across our manufacturing network in the coming years.

For our DFS customers, we have successfully extended our proprietary Liquid Encapsulation Microspray Sealing (LEMS®) technology to our Designed Release DRcaps® capsules to improve product quality and stability. Read more in the Innovation Spotlight section on page 58.

Product Innovation

2023 was the first full year since the launch of our enteric Enprotect® capsule in 2022. Enprotect® is a novel enteric delivery technology. This bi-layer capsule withstands degradation in the stomach to support targeted enteric drug delivery.

We are leveraging this proprietary bi-layer technology to provide capsules with additional improved mechanical properties. This provides a new approach to conventional methods that require additional coatings, which often alter the capsule dimensions and produce inconsistent filling performance. Our bi-layer technology provides unparalleled efficiencies for customers versus traditionally coated tablets or softgels, which require a series of costly coating and drying unit operations. We aim to support multiple applications such as live bio-therapeutic, complex, targeted release or sensitive therapies and we are already exploring more than 200 unique opportunities with our customers.

Service Innovation

We strive to create an exceptional customer experience, as part of our differentiated offering earning exceptional scoring on our customer satisfaction surveys in 2023. Our development teams collaborate closely with our customers enabling the design of fully customized capsules and formulations using science-backed health ingredients. This service is accelerated through digitalization, which is integrated across our “build your own capsule” app, our data-led manufacturing programs and our full-scale production campaigns. Our full suite of concept-to-market services in our DFS business deliver innovative products and we successfully increased our pipeline by 360% from 2022 to 2023 by offering novel dosage forms and unique combinations.

Financial Performance in Full-Year 2023

Comparison vs. Prior Year

1,161m

Sales (CHF)

-2.4%¹

327m

CORE EBITDA (CHF)

-21.8%

28.2%

CORE EBITDA Margin

-4.8ppts

¹ Sales growth, expressed as a percentage (%), are at constant exchange rate (CER)

Personal Highlight

Christian Seufert

President, Capsules & Health Ingredients Division

In Capsules & Health Ingredients, we improved customer satisfaction and advanced our innovation roadmap. We advanced the development of our next-generation hard empty capsule manufacturing technology and extended our proprietary capsule sealing technology to additional polymer formulations.



Innovation Spotlight

Our designed-released DRcaps® are innovative plant-based capsules that can help protect dietary supplement ingredients from stomach acidity¹. Reducing manufacturing complexity and with a transparent, semi-opaque or fully opaque effect, they offer significant customer fill and finish benefits and end consumer appeal.

Due to their unique polymer formulation they have traditionally required banding to seal. Our proprietary Capsugel® LEMS® fusion technology, fuses the cap and the body of a standard polymer capsule, improving process reliability and product quality compared to other sealing technologies. We adapted this LEMS® technology to now also deliver outstanding fusion performance for our DRcaps® range, replacing banding as the sealing method. We are now able to reliably combine our DRcaps® capsules with our innovative liquid-fill platforms to offer nutraceutical customers higher quality designed-release options for their health supplements.

We have also progressed our cap in cap technology. In vitro testing has shown that adding a small DRcaps® capsule inside another as a DUOCAP® capsule increases the viability of probiotics by up to 46 times, compared with standard capsules². Combining our cap in cap and LEMS® fusion technology offers nutraceutical customers a significantly improved targeted release profile for their probiotic ingredients in an aesthetically differentiated package.

Looking ahead to 2024, we anticipate the combination of our designed-release capsules, liquid fill platforms and expanded LEMS® sealing will become the preferred combination for many of our Dosage Form Solution (DFS) launches in the nutraceutical market.

¹ Source: DRCaps® Capsules Achieve Delayed Release Properties for Nutritional Ingredients in Human Clinical [Study](#), 2014

² Comparison of protection and release behavior of different capsule polymer combinations based on *L. acidophilus* survivability and function and caffeine release, [International Journal of Pharmaceutics](#), 2021



Partners and Joint Ventures

Lonza and Sanofi entered into a strategic partnership in 2017, establishing BioAtrium AG to build and operate a mammalian cell culture facility for monoclonal antibody production in Visp (CH). The large-scale facility utilizes 20,000 liters bioreactors.

Bacthera is a strategic joint venture (JV) which was established by Lonza and Chr. Hansen (now Novonesis) in 2019. The company is now a specialized CDMO dedicated to the Live Biotherapeutic Product (LBP) industry. Since 2020, it has offered drug substance and drug product development services for customers developing LBPs.

Bacthera's sites in Hørsholm (DK) and Basel (CH) both received manufacturing and GMP licenses from their respective national health authorities in May 2021, to supply customers with LBP medications for human clinical trials and ultimately develop commercial products. In 2023, Bacthera [acquired](#) a GMP certified, microbial drug substance manufacturing facility in Léon (ES). This acquisition increases manufacturing capacity for LBPs with bioreactors of various sizes up to 3,500 liters and allows Bacthera to offer a more complete end-to-end solution to the entire LBP market.

In November 2021, Bacthera announced a collaboration with Seres Therapeutics, a leading microbiome therapeutics company, to manufacture VOWST (fecal microbiota spores, live-brpk; formerly known as SER-109). VOWST was approved by the FDA in 2023 and is the first and only FDA-approved orally administered microbiota-based therapeutic indicated to prevent the recurrence of *Clostridioides difficile* infection (CDI) in individuals 18 years of age and older following antibacterial treatment for recurrent CDI (rCDI).

Moving forward, Bacthera will continue to expand its offering, including larger cGMP batch sizes for Phase 3 and commercial production. The company's ambition is to cover the entire drug substance and drug product supply chain for LBPs in an integrated offering.

As part of the Seres Therapeutics collaboration, a new Microbiome Center of Excellence has been built at our Ibex® Solutions campus in Visp (CH). With this new facility, Bacthera will offer fully integrated end-to-end live biotherapeutic development, clinical trial material manufacturing and commercial manufacturing services.

Financial Statements

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Consolidated Balance Sheet

Assets ¹

million CHF	Notes ²	2023	2022
Non-current assets			
Property, plant and equipment	6	6,617	6,120
Intangible assets	5	1,988	2,231
Goodwill	5	2,752	2,863
Other non-current assets	7	574	408
Deferred tax assets	21	15	17
Total non-current assets		11,946	11,639
Current assets			
Inventories	9	1,585	1,819
Trade receivables	10	1,138	1,164
Current tax receivables		40	30
Other receivables, prepaid expenses and accrued income, incl. derivatives	11	471	480
Short-term investments	14	200	885
Cash and cash equivalents	12	1,468	1,339
Total current assets		4,902	5,717
Total assets		16,848	17,356

¹ At 31 December

² See the accompanying notes to the consolidated financial statements

Equity and liabilities ¹

million CHF	Notes ²	2023	2022
Equity			
Share capital	25	74	74
Share premium		2,452	2,582
Treasury shares		(1,058)	(114)
Retained earnings and reserves		7,984	8,055
Total equity attributable to equity holders of the parent		9,452	10,597
Non-controlling interests		60	68
Total equity		9,512	10,665
Liabilities			
Non-current provisions	13	384	378
Employee benefit liabilities	23	41	29
Other non-current liabilities	15	1,047	1,094
Non-current debt	14	2,610	1,554
Deferred tax liabilities	21	491	556
Total non-current liabilities		4,573	3,611
Current provisions	13	67	47
Other current liabilities	15	1,900	1,775
Trade payables	16	468	477
Current debt	14	191	678
Current tax payables	21	137	103
Total current liabilities		2,763	3,080
Total liabilities		7,336	6,691
Total equity and liabilities		16,848	17,356

¹ At 31 December

² See the accompanying notes to the consolidated financial statements

Consolidated Income Statement ¹

million CHF	Notes ²	2023	2022
Sales	1	6,717	6,223
Cost of goods sold		(4,769) ³	(3,785)
Gross profit		1,948	2,438
Marketing and distribution		(237)	(244)
Research and development	22	(105)	(95)
Administration and general overheads ⁴		(732)	(721)
Other operating income	19.1	44	262 ⁵
Other operating expenses	19.2	(38)	(99)
Result from operating activities (EBIT) ⁶		880	1,541
Financial income	20.1	50	9
Financial expenses	20.2	(127)	(104)
Net financial result		(77)	(95)
Share of loss of associates / joint ventures	8	(13)	2
Profit before income taxes		790	1,448
Income taxes	21	(135)	(230)
Profit for the period		655	1,218
Attributable to:			
Equity holders of the parent		654	1,215
Non-controlling interest		1	3
Profit for the period		655	1,218
Earnings per share for profit attributable to equity holders of the parent:			
Basic earnings per share – EPS basic	26	8.88	16.37
Diluted earnings per share – EPS diluted	26	8.88	16.34

¹ For the year ended 31 December

² See the accompanying notes to the consolidated financial statements

³ Includes impairments of CHF 405 million and restructuring costs of CHF 50 million (see note 3)

⁴ Includes the amortization of acquisition-related intangible assets (2023: CHF 132 million, 2022: CHF 138 million)

⁵ Operating income includes a CHF 199 million gain from disposal of several businesses in Bioscience and Small Molecules (see note 4)

⁶ 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

Consolidated Statement of Comprehensive Income ¹

million CHF	Notes ²	2023	2022
Profit for the period		655	1,218
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit liability	23	(35)	49
Income tax on items that will not be reclassified to profit or loss	21	5	(30)
		(30)	(8)
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(498)	(205)
Reclassification of foreign currency differences related to divested businesses		0	8
Cash flow hedges – effective portion of changes in fair value		(34)	10
Cash flow hedges – reclassified to property, plant and equipment		6	4
Cash flow hedges – reclassified to profit or loss		(17)	9
Income tax on items that are or may be reclassified to profit or loss	21	21	(522)
		(522)	(3)
Other comprehensive income for the period, net of tax		(552)	(136)
Total other comprehensive income for the period		103	1,082
Total comprehensive income attributable to:			
Equity holders of the parent		109	1,084
Non-controlling interests		(6)	(2)
Total comprehensive income for the period		103	1,082

¹ For the year ended 31 December

² See the accompanying notes to the consolidated financial statements

Consolidated Cash Flow Statement ¹

million CHF	Notes ²	2023	2022
Profit for the period		655	1,218
Adjustments for non-cash items:			
– Income taxes	21	135	229
– Net financial result		77	95
– Share of loss / (profit) of associates / joint ventures	8	13	(2)
– Depreciation of property, plant and equipment (incl. depreciation of right-of-use assets)	6	449	409
– Amortization of intangibles	5	172	187
– Impairment losses on property, plant, equipment (incl. depreciation of right-of-use assets) and intangibles	5,6	439	2
– Impairment losses on capitalized contract assets		22	0
– Increase in provisions	13	56	71
– Increase / (decrease) in employee benefit liability		(14)	(12)
– Loss on disposal of property, plant and equipment		1	2
– Non-cash items related to divested businesses		(16)	(203)
– Amortization of other liabilities / assets		(398)	(140)
– Share-based payments	24	21	32
Income taxes paid		(145)	(223)
Interest paid		(80)	(64)
Total before change in net working capital		1,387	1,601
Decrease / (increase) in inventories		143	(343)
Decrease / (increase) in trade receivables		(35)	(252)
Increase / (decrease) in trade payables		(6)	(2)
(Increase) / decrease other net working capital		(50)	114
Use of provisions	13	(32)	(58)
Increase / (decrease) in other payables, net		(19)	(40)
Net cash provided by / (used for) operating activities		1,388	1,020
Purchase of property, plant and equipment	6	(1,653)	(1,830)
Purchase of intangible assets	5	(29)	(42)
Acquisitions of subsidiaries, net of cash acquired	4.3	(93)	(10)
Divestitures of subsidiaries, net of cash disposed of	4.2	0	238
Purchase of unconsolidated investments		(23)	(7)
Proceeds from unconsolidated investments		0	4
Lease payments received / (lease prepayment)		10	5
Capitalized contract costs		(20)	(53)
Net proceeds from sales and purchases of other assets		12	2
(Increase) / decrease in short-term investments	14	685	718
Increase / (decrease) in loans and advances		(16)	(18)
Interest received		30	10
Dividends received		1	9
Net cash provided by / (used for) investing activities		(1,096)	(974)

million CHF	Notes ²	2023	2022
Repayment of straight bonds	14	(475)	(105)
Repayment of German Private Placements	14	(180)	0
Issuance of straight bonds	14	1,328	0
Increase / (decrease) in debt	14	20	(47)
Principal elements of lease payments		(58)	(60)
Increase in other non-current liabilities		486	213
Decrease in other non-current liabilities		0	(8)
Capital injection from owners of the non-controlling interests		1	2
Purchase of treasury shares ³	25	(1,020)	(58)
Sale of treasury shares		9	7
Dividends paid ⁴	26	(263)	(228)
Net cash provided by / (used for) financing activities		(152)	(284)
Effect of currency translation on cash		(11)	(5)
Net increase / (decrease) in cash and cash equivalents		129	(243)
Cash and cash equivalents at 1 January		1,339	1,582
Cash and cash equivalents at 31 December		1,468	1,339

¹ For the year ended 31 December

² See the accompanying notes to the consolidated financial statements

³ Includes the effects from the Share Buyback Program that was initiated in 2023

⁴ Includes dividends of CHF 3 million (2022: CHF 5 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						Total	Non-controlling interests	Total equity
		Share capital	Share premium	Retained earnings	Hedging reserve	Translation reserve	Treasury shares			
At 1 January 2022		74	2,693	7,975	(4)	(811)	(177)	9,750	73	9,823
Profit for the period		0	0	1,215	0	0	0	1,215	3	1,218
– Remeasurement of defined benefit liability		0	0	41	0	0	0	41	0	41
– Exchange differences on translating foreign operations		0	0	0	0	(192)	0	(192)	(5)	(197)
– Cash flow hedges		0	0	0	20	0	0	20	0	20
Other comprehensive income, net of tax		0	0	41	20	(192)	0	(131)	(5)	(136)
Total comprehensive income for the period		0	0	1,256	20	(192)	0	1,084	(2)	1,082
Dividends	26	0	(111)	(112)	0	0	0	(223)	(5)	(228)
Capital injection from owners of the non-controlling interests		0	0	0	0	0	0	0	2	2
Recognition of share-based payments	24	0	0	36	0	0	0	36	0	36
Movements in treasury shares		0	0	(113)	0	0	63	(50)	0	(50)
At 31 December 2022		74	2,582	9,042	16	(1,003)	(114)	10,597	68	10,665
Profit for the period		0	0	654	0	0	0	654	1	655
– Remeasurement of defined benefit liability		0	0	(30)	0	0	0	(30)	0	(30)
– Exchange differences on translating foreign operations		0	0	0	0	(476)	0	(476)	(7)	(483)
– Cash flow hedges		0	0	0	(39)	0	0	(39)	0	(39)
Other comprehensive income, net of tax		0	0	(30)	(39)	(476)	0	(545)	(7)	(552)
Total comprehensive income for the period		0	0	624	(39)	(476)	0	109	(6)	103
Dividends	26	0	(130)	(130)	0	0	0	(260)	(3)	(263)
Capital injection from owners of the non-controlling interests		0	0	0	0	0	0	0	1	1
Recognition of share-based payments	24	0	0	15	0	0	0	15	0	15
Movements in treasury shares		0	0	(65)	0	0	(944)	(1,009)	0	(1,009)
At 31 December 2023		74	2,452	9,486	(23)	(1,479)	(1,058)	9,452	60	9,512

¹ See the accompanying notes to the consolidated financial statements

Translation reserve

The translation reverse 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.

Note 1 Operating Segments

1.1 General Information

Following the requirements of IFRS 8 “Operating Segments”, the Group’s reportable segments/divisions 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 offering is complemented by granting customers access to Lonza’s expression system and bioconjugates technologies as well as manufacturing related know-how and 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 is concentrated around three business areas: Cell & Gene Technologies, Personalized Medicine 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.

Personalized Medicine is a start-up business unit developing breakthrough technologies to industrialize autologous cell therapies. A prominent part of this business is our Cocoon[®] Platform, a closed, automated system for patient-scale cell therapy manufacturing.

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, treasury (including hedging), information technology and human resources.

1.2 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 the information reported monthly to the Group's Executive Committee.

Year ended
31 December 2023

million CHF	Biologics	Small Molecules	Cell & Gene	Capsules & Health Ingredients	Total operating segments	Corporate / Eliminations	Group total
Sales third-party	3,719	901	696	1,161	6,477	240	6,717
Intersegment sales ¹	5	4	62	1	72	(72)	0
Total sales	3,724	905	758	1,162	6,549	168	6,717
CORE EBITDA ²	1,294	283	64	327	1,968	31	1,999
- Percentage return on sales in %	34.8	31.4	9.2	28.2	30.4	n.a.	29.8
included in results from operating activities:							
Research and development ³	(181)	(21)	(31)	(17)	(250)	(3)	(253)
Depreciation and amortization	(252)	(62)	(66)	(170)	(550)	(71)	(621)
Impairment, net of reversal of impairment ⁴	(384)	0	(76)	0	(460)	(1)	(461)
Restructuring income / (expenses) ⁵	(50)	0	0	0	(50)	0	(50)
Environmental expenses, net of reversal	0	0	0	0	0	(15)	(15)
Other segment information:							
Additions to property, plant and equipment	1,063	157	90	73	1,383	270	1,653
Additions to property, plant and equipment from acquisitions	1	0	0	0	1	0	1
Additions to right-of-use assets	22	4	21	1	48	7	55
Additions to intangible assets	8	0	8	7	23	6	29
Additions to goodwill and intangible assets from acquisitions	134	0	0	0	134	0	134
Additions to investment in associates and joint ventures	0	0	0	0	0	0	0

¹ Intersegment sales were based on prevailing market prices

² Refer to section "Alternative Performance Measures" for details on the calculation methodology

³ Refer to note 22

⁴ Includes impairment of capitalized contract costs of CHF 22 million

⁵ Refer to note 3

The reconciliation of the CORE EBITDA to the IFRS result for the twelve months ended 31 December in 2023 and 2022 is as follows:

million CHF	2023	2022
Profit before income taxes	790	1,448
Net financial result	(77)	(95)
Share of profit / (loss) from associates and joint ventures	(13)	2
Result from operating activities (EBIT) ¹	880	1,541
Environmental-related expenses	(15)	(27)
Income / (expense) resulting from acquisition and divestitures	6	202 ²
Litigations	0	(31) ³
Restructuring costs	(50) ⁴	0
Depreciation & amortization of property, plant and equipment and intangibles	(621)	(598)
Impairment of property, plant and equipment (incl. right-of-use assets) and intangibles	(439) ⁴	(2)
CORE EBITDA	1,999	1,995

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 Includes gains related to the divestiture of several businesses in Bioscience and Small Molecules

³ Litigation related to a Lonza legacy site / business

⁴ See note 3

Year ended
31 December 2022

million CHF	Biologics	Small Molecules	Cell & Gene	Capsules & Health Ingredients	Total operating segments	Corporate / Eliminations	Group total
Sales third-party	3,274	819	693	1,266	6,052	171	6,223
Intersegment sales ¹	6	3	51	3	63	(63)	0
Total sales	3,280	822	744	1,269	6,115	108	6,223
CORE EBITDA ²	1,228	248	116	418	2,010	(15)	1,995
- Percentage return on sales in %	37.5	30.3	16.7	33.0	33.2	n.a.	32.1
included in results from operating activities:							
Research and development ³	(126)	(19)	(29)	(14)	(188)	(6)	(194)
Depreciation and amortization	(220)	(60)	(64)	(175)	(519)	(77)	(596)
Impairment, net of reversal of impairment	(2)	0	0	0	(2)	0	(2)
Restructuring expenses	0	0	0	1	1	(1)	0
Environmental expenses, net of reversal	0	0	0	0	0	(28)	(28)
Other segment information:							
Additions to property, plant and equipment	1,260	182	110	96	1,648	182	1,830
Additions to property, plant and equipment from acquisitions	0	0	0	0	0	0	0
Additions to right-of-use assets	71	0	5	4	80	8	88
Additions to intangible assets	8	0	4	9	21	21	42
Additions to goodwill and intangible assets from acquisitions	0	0	0	0	0	0	0
Additions to investment in associates and joint ventures	0	0	0	0	0	0	0

¹ Intersegment sales were based on prevailing market prices

² Refer to section "Alternative Performance Measures" for details on the calculation methodology

³ Refer to note 22

1.3 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.

1.4 Geographical Information

Year ended
31 December 2023

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	341	98	953	2,208	36	3,295
Czech Republic	11	0	0	0	0	0
Denmark	322	0	0	0	0	0
France	111	76	68	8	1	153
Germany	302	15	10	54	0	79
Ireland	368	0	0	0	0	0
Italy	52	1	0	1	0	2
Netherlands	88	112	72	81	2	267
Spain	40	114	0	0	0	114
Sweden	123	0	0	0	0	0
Switzerland	1,168	4,057	81	63	485	4,686
United Kingdom	171	192	2	7	0	201
Rest of Europe	195	0	0	0	0	0
Europe	3,292	4,665	1,186	2,422	524	8,797
Canada	90	6	100	20	0	126
Mexico	33	33	21	0	0	54
United States	2,136	1,486	498	307	47	2,338
Rest of North and Central America	1	0	0	0	0	0
North and Central America	2,260	1,525	619	327	47	2,518
Brazil	71	0	10	0	0	10
Rest of Latin America	26	0	0	0	0	0
Latin America	97	0	10	0	0	10
China	172	132	57	0	0	189
India	42	15	17	1	1	34
Indonesia	14	18	11	0	0	29
Japan	544	29	26	0	1	56
Singapore	137	229	33	0	1	263
South Korea	97	0	0	0	0	0
Thailand	15	0	23	0	0	23
Rest of Asia	29	3	0	0	0	3
Asia	1,050	426	167	1	3	597
Australia & New Zealand	16	0	6	2	0	8
Other countries	2	1	0	0	0	1
Total	6,717	6,617	1,988	2,752	574	11,931

¹ Revenue from external customers (sales) allocated to geographical areas by destination according to the location of the customer

² Total non-current assets excludes deferred tax assets

Year ended
31 December 2022

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	302	95	1,085	2,335	28	3,543
Czech Republic	7	0	0	0	0	0
Denmark	158	0	0	0	0	0
France	116	73	75	9	1	158
Germany	224	6	13	57	0	76
Ireland	343	0	0	0	0	0
Italy	41	1	0	2	0	3
Netherlands	132	79	1	28	2	110
Spain	41	120	1	0	0	121
Sweden	143	0	0	0	0	0
Switzerland	996	3,329	97	63	310	3,799
United Kingdom	139	155	2	7	0	164
Rest of Europe	207	0	0	0	1	1
Europe	2,849	3,858	1,274	2,501	342	7,975
Canada	63	5	117	21	0	143
Mexico	34	22	21	0	0	43
United States	2,415	1,551	608	338	62	2,559
Rest of North and Central America	1	2	0	0	0	2
North and Central America	2,513	1,580	746	359	62	2,747
Brazil	49	0	11	0	0	11
Rest of Latin America	38	0	0	0	0	0
Latin America	87	0	11	0	0	11
China	161	334	67	0	0	401
India	42	16	20	2	1	39
Indonesia	16	19	12	0	0	31
Japan	227	32	32	0	2	66
Singapore	113	277	37	0	0	314
South Korea	141	0	0	0	0	0
Thailand	15	0	26	0	0	26
Rest of Asia	36	4	0	0	1	6
Asia	751	682	194	2	4	882
Australia & New Zealand	21	0	6	1	0	7
Other countries	2	0	0	0	0	0
Total	6,223	6,120	2,231	2,863	408	11,622

¹ Revenue from external customers (sales) allocated to geographical areas by destination according to the location of the customer

² Total non-current assets excludes deferred tax assets

1.5 Information About Major Customers

In 2023, Lonza's largest customer accounted for 7.2% and the second to fifth largest customers for 7.0%, 5.1%, 4.3%, and 4.2% in relation to total Group sales, respectively. No other customer accounted for 4.2% or more of Lonza's total sales.

In 2022, Lonza's largest customer accounted for 9.2% and the second to fifth largest customers for 5.3%, 4.9%, 3.8% and 2.8% in relation to total Group sales, respectively. No other customer accounted for 2.8% or more of Lonza's total sales.

Note 2 Revenues

2.1 Disaggregation of Third-Party Revenues

Lonza derives its revenue primarily from supply agreements with pharmaceutical and nutraceutical customers, through Contract Development and Manufacturing (including related services and licenses) and sale of products. Lonza typically provides products / manufacturing services by supporting customers' research activities as well as the whole life cycle of a customer product from development of a drug substance to commercial supply.

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. 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 offering is complemented by granting customers access to Lonza's expression system and bioconjugates technologies as well as manufacturing related know-how and 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.

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	2023	2022
Biologics	3,719	3,274
Small Molecules	901	819
Cell & Gene	696	693
Capsules & Health Ingredients	1,161	1,266
Corporate	240	171
Total	6,717	6,223

- **Cell & Gene** division is concentrated around three business areas: Cell & Gene Technologies, Personalized Medicine 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.

Personalized Medicine is an early-stage business unit developing breakthrough technologies to industrialize autologous cell therapies. A prominent part of this business is our Cocoon® Platform, a closed, automated system for patient-scale cell therapy manufacturing.

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.
- **Corporate** includes mainly corporate functions, such as finance and accounting, legal, communication, treasury (including hedging), information technology and human resources.

2.2 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 businesses 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. 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 goods/products are delivered or services are rendered. Additionally, if the payments received exceed goods delivered or services rendered, a contract liability (deferred income) is recognized. The non-current portion of deferred income 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	Notes	2023	2022
Trade receivables	10	1,138	1,164
Total trade receivables		1,138	1,164

million CHF	Notes	2023	2022
Accrued income	11	110	188
Capitalized contract cost ¹	7, 11	154	72
Total contract assets		264	260

¹ Thereof non-current CHF 137 million (2022: CHF 67 million) and current CHF 17 million (2022: 5 million)

million CHF	Notes	2023	2022
Non-current deferred income	15	658	739
Current deferred income	15	745	649
Total contract liabilities		1,403	1,388

Movement in Capitalized Costs to Fulfill a Contract

million CHF	2023	2022
At 1 January	72	54
Asset recognized from costs incurred to fulfill a contract during the period	114	47
Amortization recognized as cost of providing services during the period and impairment loss	(30)	(29)
Currency translation effects	(2)	0
At 31 December	154	72

Movement in Contract Liabilities

million CHF	2023	2022
At 1 January	1,388	1,342
Revenue recognized that was included in the contract liability balance at the beginning of the period	(689)	(667)
Increases due to cash received, excluding amounts recognized as revenue during the period	720	711
Acquisition of subsidiaries	1	0
Currency translation effects	(17)	2
At 31 December	1,403	1,388

Note 3 Impairment Losses and Restructuring Costs

Biologics

In 2023, Lonza decided to optimize its global Biologics network, in light of current market dynamics, by decommissioning its Mammalian and Drug Product Services manufacturing facility in Guangzhou (CN) and its Mammalian manufacturing facility in Hayward (US) respectively in 2024 and 2025. This led to impairment losses of CHF 183 million and restructuring-related costs of CHF 50 million (including inventory write-downs).

Biologics also reported impairment losses of CHF 180 million on property, plant & equipment, primarily in relation to customer specific production assets and customer contracts in Visp (CH). These were usually compensated by termination related revenues.

The above costs were reported as part of cost of goods sold.

Cell & Gene

The 2023 impairment loss in the Cell & Gene division (CHF 46 million) relates to various production assets. These costs were included in cost of goods sold (CHF 42 million) and in other operating income and expenses (CHF 4 million).

Furthermore, following the contract termination with Codiak Biosciences (due to Codiak's filing for bankruptcy in March 2023), Cell & Gene reported an impairment loss on intangible assets in the amount of CHF 30 million. These costs, that were reported as part of administration and general overheads, were offset with the release of Lonza's obligation to provide future manufacturing services (release of deferred income).

The impairment losses and restructuring costs recognized in the financial year 2023 are as follows:

million CHF	Biologics	Cell & Gene	Group total
Impairment losses on property, plant and equipment	(281)	(46)	(327)
Impairment losses on right-of-use assets	(81)	0	(81)
Impairment losses on intangible assets	(1)	(30)	(31)
Restructuring costs	(50)	0	(50)
Total	(413)	(76)	(489)



Note 4 Business Combinations and Sale of Businesses

4.1 Acquisition of businesses (2023)

Effective 31 May 2023, Lonza Group acquired 100% of the shares of Synaffix B.V., Netherlands for an initial cash consideration of EUR 107 million and an additional performance-based consideration up to EUR 60 million.

The contingent payments are based on the achievement of sales-related milestones. Lonza's estimate of the probability weighted contingent consideration of EUR 30 million is reflected as a liability within the consolidated balance sheet as of 31 December 2023 (Initial estimate of EUR 22 million at the time of the acquisition).

Synaffix is an innovative biotech company focused on antibody-drug conjugates (ADCs). By acquiring Synaffix, Lonza aims to strengthen its standing in the Bioconjugates market by broadening its technology offering and leveraging existing customer relationships. The acquisition complements Lonza's existing Bioconjugates offering and creates an additional revenue stream for the Licensing business unit.

The fair value of the technology (CHF 35 million) was determined using the relief-from-royalty method while the fair value of the customer relationships (CHF 40 million) was determined using an excess earning method. Both methods are based on management's forecasts and observable market data for royalty rates (profit split method), tax rates and foreign exchange rates. The present value of the forecasted cash flow was calculated using a risk-adjusted discount rate of 26.8%.

The valuation of the acquired intangible assets and contingent consideration of Synaffix was performed by an independent valuation expert.

Goodwill includes the acquired workforce and the expected synergies from integrating Synaffix and its offering of technologies into Lonza's existing business. None of the goodwill recognized is expected to be deductible for income tax purposes. The acquisition has been accounted for using the acquisition method.

The Synaffix business is reported within the Biologics segment and does not have any significant impact on the consolidated financial statements for the twelve-month period ended 31 December 2023, with the exception of the acquired goodwill and intangible assets.

The Synaffix identifiable assets acquired and liabilities assumed are set out in the table below and have been determined on a provisional basis:

million CHF	2023
Technologies	35
Customer relations	40
Cash and cash equivalents	11
Other operating assets	9
Deferred tax liabilities	(18)
Other liabilities	(9)
Net identifiable assets	68
Cash consideration	104
Contingent consideration	22
Total consideration transferred	126
Fair value of net identifiable assets	(68)
Goodwill	58

4.2 Divestment of businesses (2022)

Lonza completed the divestiture of several businesses in 2022 (Bioscience and Small Molecule). The table below aims at summarizing the effect of above disposals on the Group financial statements in prior year:

million CHF	2022
Goodwill	(9)
Intangible assets	(10)
Property, plant & equipment (incl. right-of-use assets)	(14)
Current assets	(10)
Other liabilities	9
Net assets disposed of	(34)
Consideration received, satisfied in cash	240
Contingent consideration receivable	2
Total consideration	242
CTA recycling and disposal costs	(9)
Gain on disposal, net of CTA recycling and disposal costs	199
Consideration received, satisfied in cash	240
Cash and cash equivalents disposed of	(2)
Cash inflow on disposal	238

4.3 Cash Flow from Acquisitions of Subsidiaries

million CHF	2023	2022
Deferred consideration paid	0	(3)
Cash consideration paid ¹	(104)	0
Contingent consideration paid ²	0	(7)
Cash in acquired companies	11	0
Net cash outflow	(93)	(10)

¹ Related to Synaffix acquisition. See note 4.1

² See note 28.6

Note 5 Intangible Assets and Goodwill

5.1 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 primarily acquired through business combination. 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 227 million as of 31 December 2023 (2022: CHF 241 million) are not systematically amortized.

Development costs as of 31 December 2023 predominantly include technologies acquired with the acquisitions of Capsugel, amounting to CHF 583 million (2022: CHF 693 million) and Octane of CHF 67 million (2022: CHF 81 million).

Year ended 31 December 2023

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	2,863	241	1,456	252	1,276	4	6,092
Additions	0	0	3	16	10	0	29
Disposals	0	0	(23)	(1)	(11)	0	(35)
Acquisition of subsidiaries (see note 4)	58	0	40	0	35	0	133
Transfers / reclassification	0	0	0	3	0	(3)	0
Currency translation differences	(169)	(14)	(109)	(5)	(78)	0	(375)
At 31 December	2,752	227	1,367	265	1,232	1	5,844
Accumulated amortization and impairment							
At 1 January	0	0	(340)	(186)	(472)	0	(998)
Amortization	0	0	(55)	(28)	(89)	0	(172)
Disposals	0	0	23	1	11	0	35
Impairment losses ¹	0	0	(20)	(1)	(10)	0	(31)
Currency translation differences	0	0	26	4	32	0	62
At 31 December	0	0	(366)	(210)	(528)	0	(1,104)
Net carrying amount 31 December	2,752	227	1,001	55	704	1	4,740

¹ Impairment primarily related to intangible assets in the US. Also refer to note 3

Year ended 31 December 2022

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	2,986	252	1,547	226	1,324	1	6,336
Additions	0	0	3	28	8	3	42
Disposals	0	0	(60)	(1)	0	0	(61)
Disposal of subsidiary	(9)	0	(12)	0	0	0	(21)
Currency translation differences	(114)	(11)	(22)	(1)	(56)	0	(204)
At 31 December	2,863	241	1,456	252	1,276	4	6,092
Accumulated amortization and impairment							
At 1 January	0	0	(347)	(149)	(400)	0	(896)
Amortization	0	0	(57)	(39)	(91)	0	(187)
Disposals	0	0	60	1	0	0	61
Disposal of subsidiary	0	0	2	0	0	0	2
Currency translation differences	0	0	2	1	19	0	22
At 31 December	0	0	(340)	(186)	(472)	0	(998)
Net carrying amount 31 December	2,863	241	1,116	66	804	4	5,094

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

Lonza has identified cash-generating units as follows and used them for allocating goodwill and intangible assets with indefinite useful life:

Biologics

Various modalities (mammalian, microbial, etc.) applied within the Biologics division are the cash-generating units identified. They form a group of CGU which are subject to impairment testing.

Small Molecules

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

Cell & Gene

The Cell & Gene division applies various technologies (bioscience solutions, cell therapy, viral therapeutics etc.) which are cash-generating units identified. They form a group of CGU which are subject to impairment testing.

Capsules & Health Ingredients

The business offers nutritional formulation know-how, capsule and encapsulation technologies representing one 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 cash-generating units maintain carrying amounts of goodwill as presented below (at year-end exchange rates):

million CHF	2023	2022
Capsules & Health Ingredients	1,301	1,381
Small Molecules	1,023	1,080
Cell & Gene	340	368
Biologics	88	34
Total carrying amounts of goodwill as at 31 December	2,752	2,863

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

million CHF	2023	2022
Capsules & Health Ingredients	204	216
Cell & Gene	23	25
Total carrying amounts of intangible assets with indefinite useful life as at 31 December	227	241

The recoverable amount of the cash-generating units is based on the value-in-use calculation. The supporting cash flow projections for 2024 to 2028 are based on the Lonza business strategy review.

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 provides cash flow projections for 2024–2028 based on a 5.3% (2022: 5.9%) average sales growth with increasing EBIT margins. The cash flow projections beyond the five-year period are based on 2.0% (2022: 2.0%) growth rate. A pre-tax discount rate of 8.6% (2022: 7.2%) has been used in discounting the projected cash flows.

The cash-generating unit Small Molecules provides cash flow projections for 2024–2028 based on a 8.1% (2022: 6.9%) average sales growth with increasing EBIT margins. The cash flow projections beyond the five-year period are based on 2.0% (2022: 2.0%) growth rate. A pre-tax discount rate of 6.4% (2022: 6.3%) has been used in discounting the projected cash flows.

The Cell & Gene division consists of three cash-generating units Bioscience / Cell & Gene Technologies / Personalized Medicine businesses. 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 2024–2028 are based on a 12.3% (2022: 22.0%) average sales growth. The cash flow projections beyond the five-year period are extrapolated using a 2.0% (2022: 2.0%) growth rate. A pre-tax discount rate of 8.6% (2022: 7.7%) 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 6

Property, Plant and Equipment and Right-of-use Assets

million CHF	2023	2022
Property, plant and equipment	6,329	5,733
Right-of-use assets	288	387
Total	6,617	6,120

6.1

Property, Plant and Equipment

Year ended
31 December 2023

million CHF	Land	Buildings and structures	Production facilities	Construction in progress	Total
Cost					
At 1 January	79	2,221	4,538	2,433	9,271
Additions	5	38	213	1,397	1,653
Disposals ¹	0	(11)	(84)	(99)	(194)
Acquisition of subsidiaries	0	0	1	0	1
Transfers / reclassification	0	274	596	(870)	0
Currency translation differences	(5)	(92)	(237)	(56)	(390)
At 31 December	79	2,430	5,027	2,805	10,341
Accumulated depreciation and impairment					
At 1 January	(1)	(985)	(2,552)	0	(3,538)
Depreciation charge	0	(83)	(319)	0	(402)
Disposals	0	2	78	0	80
Impairment losses ²	0	(112)	(215)	0	(327)
Currency translation differences	0	36	139	0	175
At 31 December	(1)	(1,142)	(2,869)	0	(4,012)
Net carrying amount 31 December	78	1,288	2,158	2,805	6,329

¹ Disposal in construction in progress related to transfer to lease receivables

² Refer to note 3

Year ended
31 December 2022

million CHF	Land	Buildings and structures	Production facilities	Construction in progress	Total
Cost					
At 1 January	79	2,042	4,105	1,363	7,589
Additions	4	116	292	1,418	1,830
Disposals	(1)	(14)	(29)	(1)	(45)
Disposal of subsidiary	0	0	(12)	0	(12)
Transfers / reclassification	0	87	247	(334)	0
Currency translation differences	(3)	(10)	(65)	(13)	(91)
At 31 December	79	2,221	4,538	2,433	9,271
Accumulated depreciation and impairment					
At 1 January	(1)	(931)	(2,337)	0	(3,269)
Depreciation charge	0	(75)	(287)	0	(362)
Disposals	0	14	20	0	34
Disposal of subsidiary	0	0	5	0	5
Currency translation differences	0	7	47	0	54
At 31 December	(1)	(985)	(2,552)	0	(3,538)
Net carrying amount 31 December	78	1,236	1,986	2,433	5,733

Commitments for capital expenditure in property, plant and equipment amounted to CHF 942 million at year-end 2023 (2022: CHF 893 million), mainly related to capital expenditures at sites in Visp (CH), Portsmouth (US) and Mexico. No assets were pledged for security of own liabilities in 2023 and 2022.

6.2 Right-of-use Assets

Year ended

31 December 2023

million CHF	Buildings and structures	Production facilities	Others	Total
Net carrying amount 31 December	252	1	35	288
Additions	54	0	1	55
Depreciation charge	(41)	(3)	(3)	(47)
Impairment losses (see note 3)	(37)	(44)	0	(81)

Year ended

31 December 2022

million CHF	Buildings and structures	Production facilities	Others	Total
Net carrying amount 31 December	293	53	41	387
Additions	70	0	18	88
Depreciation charge	(38)	(5)	(3)	(46)
Impairment losses	0	(2)	0	(2)

Lonza predominantly leases office buildings, together with warehouses and production assets. The maturities of the lease liabilities are presented in note 28.3.

Lease expenses and cash outflows

Leases are presented as follows in the income statement:

million CHF	2023	2022
Expenses related to short-term leases and low value assets ¹	(8)	(9)
Expenses related to variable lease payments not included in lease liabilities ¹	(12)	(11)
Other rent expenses (including incidental expenses) ¹	(10)	(9)
Total lease expenses not part of right-of-use assets	(30)	(29)
Depreciation of right-of-use assets ¹	(47)	(46)
Impairment of right-of-use assets ²	(81)	(2)
Interest expense on leases liabilities ³	(12)	(11)

¹ Included in cost of good sold and administrative expenses

² Included in other operating expenses

³ Included in financial result

The total cash outflows on leases for the year 2023 amounted to CHF 100 million (2022: CHF 100 million).

Note 7 Other Non-Current Assets

Non-current loans and advances at 31 December 2023 includes a CHF 144 million loan to BioAtrium AG (2022: CHF 155 million). This associated company represents a strategic partnership between Sanofi and Lonza (see note 8.2)

It also includes a CHF 52 million loan (2022: CHF 38 million) to Bacthera (CHF 64 million in total, including current portion of CHF 12 million; see note 8.1).

million CHF	Notes	2023	2022
Loans and advances	14	198	194
Other investments		69	66
Capitalized contract costs	2	137	67
Lease receivables		113	20
Investments in associates / joint ventures	8	32	33
Defined benefit pension plan asset	23	0	2
Derivative financial instruments		6	5
Contingent consideration related to sale of business	28.6	2	2
Other assets		17	19
Total		574	408

Lonza holds lease receivables either when acting as an intermediate lessor (sub-lease) or when acting as a lessor in a lease qualifying as a finance lease. In 2023, Lonza signed a 20 years finance lease agreement with its Bacthera Joint Venture for a dedicated production facility in Visp (CH).

The maturities on lease receivables are as follows:

million CHF	2023	2022
Less than one year	17	4
Between 1 and 5 years	62	15
5 years and later	173	6
Total undiscounted lease payments receivable	252	25
Unguaranteed residual value	22	0
Unearned finance income	(156)	(1)
Net investments in leases	118	24
thereof current	5	4
thereof non-current	113	20

Note 8 Investments in Associates and Joint Ventures

In 2023 and 2022, the Group did not receive any dividends 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	2023	2022
Balance sheet value		
Interests in associates	32	33
Total	32	33
Net income statement effect		
Share of profit / (loss) of joint ventures	(12)	0
Share of profit / (loss) of associates	(1)	2
Total	(13)	2

8.1 Joint Ventures

With Bacthera AG (founded in April 2019), the Group established together with Chr. Hansen Holding A/S (part of Novonesis effective 1 February 2024) 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 a cGMP-compliant pharma production capability.

In 2023, Bacthera AG commenced its small scale production and further invested into large scale manufacturing suites. In addition to the equity funding, Lonza financed the joint venture with a loan of CHF 64 million (2022: CHF 38 million). Lonza accounts for its 50% share in Bacthera AG as a joint venture in accordance with IFRS 11. The financial results of Bacthera AG in both reporting periods are predominantly affected by ongoing operational ramp-up losses. During 2023, the increased investment value in Bacthera, based on a capital injection of CHF 12 million, was offset by considering the share of loss and recognizing an adjustment to its investment value in Bacthera by CHF 12 million. Therefore, Lonza continued to maintain its investment value in Bacthera AG at CHF 0 million as at 31 December 2023.

million CHF	2023	2022
Carrying amount of interests in joint ventures	0	0
Share of profit / (loss)	(12)	0

8.2 Associates

Lonza holds a 50% stake in BioAtrium Ltd (CH).

BioAtrium Ltd

BioAtrium Ltd was founded in 2017 for the strategic partnership with Sanofi. This strategic partnership operates a large scale mammalian cell culture facility for monoclonal antibody production in Visp (CH).

Lonza accounts for its share in BioAtrium Ltd as investment in associates in accordance with IAS 28. According to the shareholder's agreement, Lonza considered its share of loss and recognized an adjustment to its investment value in BioAtrium Ltd by CHF 1 million.

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

million CHF	2023	2022
Percentage of ownership	50%	50%
Current assets	64	79
Non-current assets	334	346
Current liabilities	38	46
Non-current liabilities (including non-current debt of CHF 291 million; 2022: CHF 309 million)	311	329
Net assets (100%)	49	50
Group's share of net assets (50%)	25	25
Carrying amount of interest in BioAtrium Ltd	32	33
Revenue	101	139
(Loss) / Profit and total comprehensive income (100%)	(1)	2
Group's share of (loss) / profit and total comprehensive income (50%)	(1)	2

Note 9 Inventories

million CHF	2023	2022
Inventories	1,787	1,993
Value adjustments	(202)	(174)
Total	1,585	1,819

million CHF	2023		2022	
Raw materials	36%	573	40%	722
Work in progress	12%	188	13%	240
Finished goods	37%	593	34%	619
Other	15%	231	13%	238
Total	100%	1,585	100%	1,819

By Operating Segments

million CHF	2023		2022	
Biologics	48%	761	51%	928
Small Molecules	24%	376	21%	377
Cell & Gene	11%	181	14%	252
Capsules & Health Ingredients	18%	282	14%	267
Corporate / Intercompany Profit Eliminations	(1%)	(15)	0%	(5)
Total	100%	1,585	100%	1,819

The cost of inventories recognized as expenses during the period and included in "Cost of goods sold" amounted to CHF 4,019 million (2022: CHF 3,683 million).

Inventory Value Adjustments

million CHF	Raw materials	Work in progress and finished goods	Other	Total 2023	Total 2022
At 1 January	56	87	31	174	122
Increase	36	93	7	136	150
Reversal / Utilization of write-downs	(7)	(88)	(4)	(99)	(97)
Currency translation differences	(4)	(3)	(2)	(9)	(1)
At 31 December	81	89	32	202	174



Note 10 Trade Receivables

million CHF	2023	2022
Receivables from customers	1,168	1,192
Allowances for credit losses	(30)	(28)
Total	1,138	1,164

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 2023, 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	2023	2022
Balance at the beginning of the year	28	12
Increase in provision for credit losses	4	20
Decrease in provision for credit losses	(1)	(4)
Translation differences	(1)	0
Balance at the end of the year	30	28

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

Note 11 Other Receivables, Prepaid Expenses and Accrued Income

million CHF	Notes	2023	2022
Accrued income	2	110	188
Derivative financial instruments		124	93
Other receivables		107	108
Prepaid expenses		75	82
Collateral arrangements (Credit Support Annexes)	28.5	20	0
Capitalized contract costs	2	17	5
Loans and advances	14	13	0
Lease receivable	7	5	4
Total		471	480

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

Note 12 Cash and Cash Equivalents

million CHF	2023	2022
Cash	265	232
Time deposits	1,203	1,107
Total	1,468	1,339

Note 13 Provisions

million CHF	Environmental	Restructuring	Other	Total
At 1 January 2023	399	8	18	425
Increase	15	29	16	60
Used	(19)	(3)	(10)	(32)
Unwinding of discount	4	0	0	4
Reversed	(1)	(2)	(1)	(4)
Currency translation differences	0	(1)	(1)	(2)
At 31 December 2023	398	31	22	451
thereof current	30	27	10	67
thereof non-current	368	4	12	384

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 398 million (2022: CHF 399 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. 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.

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 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.

Lonza's detailed investigations had further progressed since 2021. Therefore, Lonza is in the position to define the most likely remediation measures of the most critical area as well as the extent of remediation required. As of 31 December 2023 the provision reflects Lonza's estimate of remediation costs for this most critical area regarding groundwater protection.

However, for remaining areas of the landfill, it is not possible as of 31 December 2023 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 3).

Other

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

Note 14 Net Debt

The net debt comprises:

million CHF	Notes	2023	2022
Debt			
Non-current debt		2,610	1,554
Current debt		191	678
Total debt		2,801	2,232
Loans and advances, cash and cash equivalents and investments			
Non-current loans and advances	7	(198)	(194)
Current loans and advances	11	(13)	0
Short-term investments		(200)	(885)
Cash and cash equivalents	12	(1,468)	(1,339)
Total loans and advances, cash and cash equivalents and investments		(1,879)	(2,418)
Net debt / (net cash)		922	(186)

Non-Current Debt

million CHF	2023	2022
Straight bonds	1,917	749
Term loan	587	644
German Private Placement	0	46
Other long-term debt	106	115
Total non-current debt	2,610	1,554

Straight Bonds – Fixed Interest Rates

million CHF	2023	2022
CHF bonds		
1.25%, CHF 175 million, 2015/2023, due 22 September 2023, issued at 100.133%	0	175
1%, CHF 300 million, 2020/2023, due 28 April 2023, issued at 100.015%	0	300
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
2.10%, CHF 300 million, 2023/2029, due 12 September 2029, issued at 100.241%	300	0
2.10%, CHF 150 million, 2023/2029, due 12 September 2029, issued at 98.961%	147	0
2.25%, CHF 185 million, 2023/2028, due 16 May 2028, issued at 100.054%	185	0
2.6%, CHF 215 million, 2023/2028, due 16 May 2031, issued at 100.295%	215	0
EUR bonds		
1.625%, EUR 500 million, 2020/2027, due 21 April 2027, issued at 99.424%	462	489
3.875%, EUR 500 million, 2023/2033, due 25 May 2033, issued at 99.091%	458	0
Total including current portion	2,027	1,224
Less current portion of straight bonds	(110)	(475)
Total non-current straight bonds	1,917	749

Current Debt

million CHF	2023	2022
Due to banks and other financial institutions (German Private Placement)	42	185
Others	39	18
Non-current debt due within one year		
– Straight bond (2015-2023)	0	175
– Straight bond (2020-2023)	0	300
– Straight bond (2017-2024)	110	0
Total current debt	191	678

Debt: Movements in Carrying Value of Recognized Liabilities

million CHF	2023	2022
At 1 January	2,232	2,403
Repayment of straight bond	(475)	(105)
Issuance of straight bonds	1,328	0
Repayment of German Private Placements	(180)	0
Increase / (decrease) in other debt	20	(47)
Changes from financing cash flows	693	(152)
Amortization of financing costs and discounts	4	3
Net foreign currency transaction (gains) losses	(67)	(1)
Currency translation effects	(61)	(21)
Changes in foreign exchanges rates	(128)	(22)
At 31 December	2,801	2,232

Breakdown of Total Debt by Currencies

million CHF	2023		2022			
	Average Interest Rate %	%	Average Interest Rate %	%		
CHF	1.27	41	1,144	1.09	34	749
EUR	2.34	33	920	1.58	30	674
USD	5.20	26	737	2.74	36	809
Total		100	2,801		100	2,232

Credit Rating

Lonza has been rated by Standard & Poor's (S&P) since 2019 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

In 2023, Lonza repaid its scheduled debt maturities totaling CHF 655 million equivalent (thereof CHF 180 million related to the German Private Placement and two Swiss bonds with a nominal value of CHF 300 million and CHF 175 million).

In 2022, Lonza repaid one Swiss bond with a nominal value of CHF 105 million.

Eurobond

In May 2023 Lonza issued a EUR 500 million straight bond with a maturity of 10 years and a coupon of 3.875%. This bond marked Lonza's first drawdown under its newly established EMTN program.

CHF bonds

In February 2023, Lonza issued a CHF 300 million note with a maturity of 6.5 years (annual coupon of 2.100%), followed by an increase of the February note in May 2023 by CHF 150 million with a maturity of 6.5 years (annual coupon of 2.100%). In November 2023, two bonds totaling CHF 400 million were issued with maturities of 4.5 and 7.5 years (annual coupons of 2.250% and 2.600%, respectively).

The net proceeds from both the Eurobond and the CHF bonds above were used for refinancing and general corporate purposes.

German Private Placement (Schuldschein)

Following the repayment of the scheduled debt maturities of EUR 187.5 million (CHF 180 million) in August 2023, Lonza maintains one fixed rate note of the dual-currency Schuldschein issued in August 2017. The remaining note is repayable in 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.

The Term Loan tranches of USD 500 million and USD 200 million carrying floating interest rates are repayable 2025 and 2026 respectively.

The Revolving Credit Facility (RCF) provides Lonza additional financial headroom of CHF 1 billion due 2026, at floating interest rates. The facility was not used during 2023 nor in 2022.

Other debt

Other current and non-current debt comprise industrial revenue bonds of USD 130 million (2022: USD 130 million) issued by governmental institutions in the United States. One revenue bond (amounting to USD 23 million) was repaid in April 2022.

Liquidity Management / Short-term Investments

Following the sale of the Lonza Specialty Ingredients business in 2021, 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 2023, Lonza maintained a total balance of CHF 1,468 million as total cash and cash equivalent (cash at banks and bank deposits with maturities less than 3 months). Furthermore, Lonza held short-term investments amounting to CHF 200 million, thereof bank deposits with maturity between three and six months totaling CHF 50 million (classified as financial assets at amortized costs) and investments into short-term money market funds of CHF 150 million (classified as financial assets at fair value through profit or loss).

Short-term Investments

million CHF	2023	2022
Investments at amortized costs	50	650
Investments at fair value through profit or loss	150	235
Total short-term investments	200	885

In 2023 and 2022, all short-term investments are made in CHF (see note 28.4).

**Note 15
Other Non-Current and Current Liabilities****Other Non-Current Liabilities**

million CHF	Notes	2023	2022
Deferred income	2	658	739
Lease liabilities		295	301
Contingent consideration	28.6	51	26
Derivative financial instruments		27	1
Other liabilities		16	27
Total other non-current liabilities		1,047	1,094

Other Current Liabilities

million CHF	Notes	2023	2022
Deferred income	2	745	649
Accrued liabilities and other payables		622	693
Personnel related liabilities		292	271
Derivative financial instruments		132	62
Lease liabilities		36	54
Accrued interest payables		23	14
Other liabilities		50	32
Total other current liabilities		1,900	1,775

Note 16 Trade Payables

million CHF	2023	2022
Payable to third parties	468	477
Total	468	477

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 17 Material and Energy Costs

million CHF	2023	2022
Material costs	1,479	1,349
Energy costs ¹	188	154
Total	1,667	1,503

¹ Includes predominantly energy used in the production processes (as part of cost of goods sold) but also overhead energy costs (as part of administration and general overhead). In this amount, CHF 27 million for the year 2023 (2022: CHF 28 million) relates to energy procured on behalf of third parties, that was recharged as part of sales in Corporate

Note 18 Personnel Expenses

million CHF	Notes	2023	2022
Wages and salaries		1,672	1,590
Operating expenses defined benefit pension plans	23	57	47
Other social security contributions		334	312
Other personnel expenses		186	190
Total		2,249	2,139

Note 19 Other Operating Income and Expenses

19.1 Other Operating Income

million CHF	Notes	2023	2022
Revenue from Transitional Service Agreements with divested businesses ¹		8	30
Government grants, research & development and other tax credits		6	7
Write back of provisions		1	6
Gain from disposal of businesses	4.2	0	199 ²
Gain from disposal of property, plant and equipment and other assets		4	2
Sundry income		25	18
Total		44	262

¹ Income related to transitional services with Specialty Ingredients business (that was sold effective on 1 July 2021)

² Gains related the divestiture of several businesses in Bioscience and Small Molecule

19.2 Other Operating Expenses

million CHF	Notes	2023	2022
Increase in provisions ¹		(21)	(35)
Settlement of customer claims / litigations		0	(38)
Impairment on property, plant and equipment and other assets		0	(2)
Loss from disposal of property, plant and equipment and other assets		(5)	(4)
Loss from disposal of businesses ²		0	(3)
Sundry expense		(12)	(17)
Total		(38)	(99)

¹ Increase in both years predominantly related to environmental remediation provisions (see note 13)

² Litigation related to a Lonza legacy site / business

Note 20

Net Financial Result

20.1

Interest and Other Financial Income

million CHF	Notes	2023	2022
Interest income		32	6
Finance income on net investments in lease receivables	7	6	0
Interest related to interest derivative instruments		8	0
Gains on investments measured at fair value through profit or loss		4	3
Total		50	9

20.2

Interest and Other Financial Expenses

million CHF	Notes	2023	2022
Interest expenses on debt and bonds		(77)	(43)
Interest expenses on IFRS 16 lease liabilities	6.2	(12)	(11)
Amortization of debt fees and unwinding of discounts on provisions	13, 14	(8)	(6)
Interest related to interest derivative instruments		0	(4)
Unfavorable impact from fair value adjustment on contingent purchase price consideration	28.6	(6)	(5)
Losses on investments measured at fair value through profit or loss		(6)	(7)
Foreign exchange rate differences, including impact from currency-related financial derivative instruments		(6)	(15)
Interest expenses on IAS 19 employee benefit liabilities		(1)	0
Other interest expenses		(3)	(5)
Other financial expenses		(8)	(8)
Total		(127)	(104)

Note 21

Taxes

21.1

Income Taxes

Lonza Group Ltd is domiciled in Basel, Switzerland. The income tax rate in the Canton of Basel-Stadt is 13% (2022: 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-Stadt in Switzerland as the Group's tax rate.

The Group's effective tax rate for 2023 is 17.1% (2022: 15.9%).

Major Components of Tax Expenses

million CHF	2023	2022
Current taxes	(184)	(211)
Deferred tax expense relating to the origination and reversal of temporary differences	50	(41)
Deferred tax income resulting from tax rate changes	(1)	22
Total	(135)	(230)

Reconciliation of Tax Expenses

million CHF	2023	2022
Profit before income taxes	790	1,448
Tax at the group rate (2023: 13% / 2022: 13%)	103	188
Deviation from average group tax rate	(2)	42
Non-deductible expenses	16	9
Tax-free earnings	(37)	(32)
Deferred tax effect from tax rate changes	1	(22)
Changes in prior year estimates (including valuation allowances)	(4)	25
Withholding taxes	6	6
Effect of non-recognition of deferred tax assets	53	14
Other	(1)	0
Total	135	230
Current tax expenses (charged) / credited directly to equity	16	5

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	2023		2022	
	Assets	Liabilities	Assets	Liabilities
Current provisions	11	17	22	25
Non-current provisions / Employee benefit liabilities ¹	122	25	112	36
Intangible assets	0	434	0	477
Inventories, net	68	28	57	29
Property, plant and equipment ¹	15	221	17	214
Other assets	0	1	0	2
Tax loss carry-forwards and tax credits	34	0	36	0
Netting of deferred tax assets and deferred tax liabilities ¹	(235)	(235)	(227)	(227)
Total	15	491	17	556

¹ Prior year presentation adjusted for IAS 12 amendments

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

million CHF	2023	2022
Deferred tax assets	15	17
Deferred tax liabilities	(491)	(556)
Net deferred tax liability, at 31 December	(476)	(539)
Less deferred tax liabilities net, at 1 January	539	522
(Increase) / decrease in deferred tax liabilities, net	63	(17)
Currency translation differences	(27)	(15)
Acquisition of subsidiaries	18	0
Movements of deferred (tax assets) / liabilities recognized in other comprehensive income	(5)	8
Movements of deferred (tax assets) / liabilities recognized in equity	0	5
(Expense) / income recognized in income statement	49	(19)

Unrecognized Tax Losses: Expiry

million CHF	2023	2022
Within 1 year	5	1
Between 2 to 5 years	72	84
After 5 years	0	0
Unlimited	121	97
Total	198	182

In addition to the unrecognized tax losses shown in the table above, the Group has unrecognized temporary differences in the amount of CHF 190 million (2022: CHF 18 million) and additional unrecognized tax losses for US state tax purposes in the amount of CHF 30 million at 31 December 2023 (2022: CHF 276 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 and 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 400 million at 31 December 2023 (2022: CHF 584 million).

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

million CHF	2023			2022		
	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	(498)	15	(483)	(197)	0	(197)
Cash flow hedges	(45)	6	(39)	23	(3)	20
Remeasurement of defined-benefit liability	(35)	5	(30)	49	(8)	41
Other comprehensive income	(578)	26	(552)	(125)	(11)	(136)

Note 22 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 amounted to CHF 253 million (2022: CHF 194 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 23

Employee Benefit Liabilities

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 2025. 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.

In 2022 the Board of Trustees decided to implement various amendments to the plan regulations, which included a reduction of the conversion rate, a revision of the definition of the insured salaries as well as changes to the split of contributions between employer and employees and a change in risk benefits. Similarly, a salary cap of CHF 235'200 was introduced in the base plan as of 1 January 2023. Salary components which exceed this threshold are insured in the supplementary plan, which is structured as an insurance solution with a 3rd party insurance provider. Plan participants can choose between a one-time lump-sum payment or an annuity pension at retirement age.

Pension Plan in the UK

The Group operates one major plan in the UK which is closed to new entrants and future accruals. The scheme 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 a Corporate Trustee, which is legally separate from the sponsoring employer of the plan. The Trustee Directors are comprised of representatives appointed by both the employer and employees and include an independent professional Trustee Director. The Trustee Directors act in the interest of the relevant beneficiaries and oversee investment strategy and administration of the benefits and general regulatory compliance.

The movement in the net defined benefit liability over the years 2023 and 2022 is as follows:

million CHF	2023				2022 ¹			
	Defined benefit obligation	Fair value of plan assets	Impact of asset ceiling	Net defined benefit liability	Defined benefit obligation	Fair value of plan assets	Impact of asset ceiling	Net defined benefit liability
At 1 January	1,904	(2,023)	146	27	2,265	(2,171)		94
Included in profit or loss								
Current service cost	57	0		57	56	0		56
Past service cost	0	0		0	(9)	0		(9)
Interest expense / (income)	48	(50)	3	1	24	(24)		0
Included in other comprehensive income								
Actuarial loss / (gain) arising from:								
– Demographic assumptions	(7)	0		(7)	(1)	0		(1)
– Financial assumptions	116	0		116	(464)	0		(464)
– Experience adjustment	13	0		13	39	0		39
Return on plan assets excluding interest income	0	(3)		(3)	0	231		231
Change in asset ceiling	0	0	(84)	(84)	0	0	146	146
Remeasurements loss / (gain)	122	(3)	(84)	35	(426)	231	146	(49)
Effect of movements in exchange rates	(8)	7	0	(1)	(18)	17	0	(1)
Other								
Contributions paid:								
– Employers	0	(79)		(79)	0	(64)		(64)
– Plan participants	48	(48)		0	38	(38)		0
Benefits paid	(52)	52		0	(26)	26		0
Plan settlements	0	1	0	1	0	0	0	0
At 31 December	2,119	(2,143)	65	41	1,904	(2,023)	146	27
– Thereof present value of funded defined-benefit obligation	2,112				1,896			
– Thereof present value of unfunded defined-benefit obligation	7				8			

¹ Fair value of plan assets and impact of asset ceiling adjusted compared to prior year disclosure, with no impact on net defined benefit liability

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

million CHF	2023	2022
Defined benefit pension plan asset	0	2
Defined benefit pension plan liability	(41)	(29)

As a result of plan amendments of the Swiss plan in 2022 (primarily reduction of the conversion rate and changes to funding of the scheme), the Group recognized a past service credit (gain) of CHF 9 million.

The Group expects to pay CHF 72 million in contributions to defined-benefit pension plans in 2024.

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

million CHF	2023				2022 ¹			
	CH	UK	Rest of the world	Total	CH	UK	Rest of the world	Total
Present value of defined-benefit obligation	1,942	109	68	2,119	1,733	103	68	1,904
Fair value of plan assets	(1,997)	(99)	(47)	(2,143)	(1,878)	(98)	(47)	(2,023)
Impact of asset ceiling	65	0	0	65	146	0	0	146
Total net defined-benefit liability	10	10	21	41	1	5	21	27

¹ Fair value of plan assets and impact of asset ceiling adjusted compared to prior year disclosure, with no impact on net defined benefit liability

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

in %	2023		2022	
	CH	UK	CH	UK
Discount rate	1.50	4.55	2.28	5.05
Future salary increases	1.25	n.a.	1.25	n.a.
Future pension increases	n.a.	3.05	n.a.	3.35

Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics and experience in each territory¹. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

in years	2023		2022	
	CH	UK	CH	UK
Retiring at the end of the reporting period				
– Male	21.8	22.9	21.9	23.1
– Female	23.4	24.4	23.5	24.5
Retiring 20 years after the end of the reporting period				
– Male	23.5	24.2	23.5	24.4
– Female	25.0	25.8	25.1	25.9

¹ For the Pension Plan in Switzerland BVG 2020 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	31.12.2023		31.12.2022	
		Increase	Decrease	Increase	Decrease
Discount rate	0.25%	(66)	71	(56)	60
Future salary increases	0.25%	9	(8)	5	(5)
Life expectancy	1 year	72	(74)	60	(62)

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	2023	2022
Group	13.3	12.4
CH	13.1	12.2
UK	18.0	17.7

Plan assets comprise:

million CHF	2023				2022			
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
Equity instruments	495	0	495	23	447	0	447	22
Debt instruments								
– Investment-grade (AAA to BBB)	790	0	790		764	0	764	
– Non-investment-grade (below BBB)	28	0	28		18	0	18	
	818	0	818	38	782	0	782	39
Real-estate	165	120	285	14	177	112	289	14
Cash and cash equivalents	66	0	66	3	40	0	40	2
Other	479	0	479	22	465	0	465	23
Total plan assets	2,023	120	2,143	100	1,911	112	2,023	100

Note 24 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 25% 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-rata 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 2023 the plan design included minimum, target and stretch (maximum) goals.

The 2023 LTIP budget value for the Executive Committee was approved as submitted at the AGM 2023 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.

Vesting Performance Metrics

For the 2023 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 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.

Overview of Vesting Conditions for LTIP

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 January 2023. These financial performance targets for the 2025 year end are commercially sensitive at this time and will not be disclosed publicly until after the awards have vested.

CORE EPS Approved at AGM 2023 (LTIP 2023)

The 2023 LTIP award threshold performance level was determined to be aligned with the CORE EPS threshold performance level for the 2022 LTIP award. The maximum performance level was determined to be above the 2028 Mid-Term Guidance and is a double-digit percentage figure above threshold performance levels.

ROIC Approved at AGM 2023 (LTIP 2023)

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 2023 LTIP award threshold performance level was determined to be aligned with the ROIC threshold performance level set for the 2022 LTIP award. The maximum performance level was determined to be above the 2028 Mid-Term 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 2021

Performance under the LTIP 2021 did not meet threshold performance levels for either CORE EPS or ROIC. This generated a 0% payout against each of these measures. With a 50% weighting applied to the two performance measures, the total 2021 LTIP payout equaled 0%. See page 183 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. All employees at and above 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 176 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.

Lonza ShareMatch

Participation and Objective

ShareMatch is an employee share purchase plan introduced in 2022. It was created as a tool to support employees in eligible locations and at a grade 15 and below to use their bonus to purchase shares and become shareholders of the Company, aligning their interests with those of the Company's wider shareholders and participating in the future success of the Company.

Awards

Under the ShareMatch program, participants may voluntarily participate and purchase shares with a discount applied and subject to a blocking period. Purchased shares are eligible for voting rights and dividends which are also paid as shares. After the cessation of the blocking period and subject to continued employment over time, as a reward for participating in the plan the participant will receive one free share per purchased share.

Restriction and Vesting

The purchased shares will be held in a custody account for the participant during a three-year blocking period. After the blocking period has elapsed and subject to continued employment over time, the participant will receive one free share per purchased share and may freely transfer or dispose of the shares.

The fair value at grant date of the equity awards granted in 2023 for the LTIP was CHF 532.00 (2022: CHF 615.87). The fair value at grant date for the LRSP awards was between CHF 527.33 and 569.40 (2022: CHF 492.23 and CHF 625.27) depending on the grant date of the award. The fair value at allocation date under the ShareMatch plan was CHF 567.60 (2022: CHF 672.20). The costs were calculated using the market price at grant or allocation 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. The discount applied on the purchase of shares under the ShareMatch program was expensed immediately.

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 2020	01.02.2020	396.20	70,985	28,124,257	31.01.2023
LTIP 2021	29.01.2021	570.00	52,133	29,715,810	31.01.2024
LTIP 2022	31.01.2022	615.87	38,411	23,656,183	31.01.2025
LTIP 2023	31.01.2023	532.00	44,145	23,485,140	31.01.2026
LRSP 2020	02.11.2020	554.80	4,124	2,287,995	various
LRSP 2021	various	various	4,523	2,974,916	various
LRSP 2022	various	various	11,643	6,905,071	various
LRSP 2023	various	various	11,013	5,839,984	various
Share Match 2022	06.04.2022	672.20	12,461,441	8,376,581	06.04.2025
Share Match 2023	06.04.2023	567.60	18,897,185	10,726,042	06.04.2026

In 2023, 5 new LRSP awards were issued, for a total of 11,013 shares and an aggregated fair value at grant date of CHF 5,839,984. Vesting period of those plans is between 2 and 3 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 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
LTIP 2022 ROIC	615.87	19,206	615.87	100%	100%	10%	90%	10,645,559
LTIP 2022 CORE EPS	615.87	19,205	615.87	100%	100%	10%	90%	10,645,005
LTIP 2023 ROIC	532.00	22,073	532.00	100%	100%	10%	90%	10,568,552
LTIP 2023 CORE EPS	532.00	22,072	532.00	100%	100%	10%	90%	10,568,074

Development within 2023 of the LTIP

	Equity awards outstanding 01.01.2023	Equity awards granted during 2023	Equity awards forfeited during 2023	Vested equity awards during 2023	Equity awards outstanding 31.12.2023
LTIP 2020	50,071	0	(726)	(49,345)	0
LTIP 2021	36,466	0	(36,466)	0	0
LTIP 2022	34,649	0	(5,020)	0	29,629
LTIP 2023	0	44,145	(5,422)	0	38,723
Total equity awards	121,186	44,145	(47,634)	(49,345)	68,352

Performance metrics for LTIP 2021 are not met resulting in a payout of 0% and a complete forfeiture of the equity awards at 31 December 2023.

Development within 2022 of the LTIP

	Equity awards outstanding 01.01.2022	Equity awards granted during 2022	Equity awards forfeited during 2022	Vested equity awards during 2022	Equity awards outstanding 31.12.2022
LTIP 2019	88,889	0	(345)	(88,544)	0
LTIP 2020	54,473	0	(4,391)	(11)	50,071
LTIP 2021	41,591	0	(5,125)	0	36,466
LTIP 2022	0	38,411	(3,762)	0	34,649
Total equity awards	184,953	38,411	(13,623)	(88,555)	121,186

The vested equity awards during 2022 of (11) are related to a deceased plan participant.

Development within 2023 of the LRSP

	Equity awards outstanding 01.01.2023	Equity awards granted during 2023	Equity awards forfeited during 2023	Vested equity awards during 2023	Equity awards outstanding 31.12.2023
LRSP during 2020	2,062	0	0	(2,062)	0
LRSP during 2021	4,342	0	(40)	(3,123)	1,179
LRSP during 2022	10,997	0	(846)	0	10,151
LRSP during 2023	0	11,013	(855)	0	10,158
Total equity awards	17,401	11,013	(1,741)	(5,185)	21,488

At 31 December 2023, 26 active LRSP awards do exist. The vested equity awards during 2023 are related to awards 2, 3, 4, 7, 8, 9, 11.

Development within 2022 of the LRSP

	Equity awards outstanding 01.01.2022	Equity awards granted during 2022	Equity awards forfeited during 2022	Vested equity awards during 2022	Equity awards outstanding 31.12.2022
LRSP during 2020	4,124	0	0	(2,062)	2,062
LRSP during 2021	4,738	0	(396)	0	4,342
LRSP during 2022	0	11,643	(646)	0	10,997
Total equity awards	8,862	11,643	(1,042)	(2,062)	17,401

At 31 December 2022, 29 active LRSP awards do exist. The vested equity awards during 2022 are related to award 1.

Development within 2023 of the ShareMatch

	Equity awards outstanding 01.01.2023	Equity awards granted during 2023	Equity awards forfeited during 2023	Vested equity awards during 2023	Equity awards outstanding 31.12.2023
ShareMatch 2022	11,920	0	(798)	0	11,122
ShareMatch 2023	0	18,897	(729)	0	18,168
Total equity awards	11,920	18,897	(1,527)	0	29,290

Development within 2022 of the ShareMatch

	Equity awards outstanding 01.01.2022	Equity awards granted during 2022	Equity awards forfeited during 2022	Vested equity awards during 2022	Equity awards outstanding 31.12.2022
ShareMatch 2022	0	12,461	(515)	(26)	11,920
Total equity awards	0	12,461	(515)	(26)	11,920

The vested equity awards during 2022 of (26) are related to plan participants of the divested Powdersize legal entity in the US. According to the ShareMatch plan rules, sections 7, 8, and 15, the awards vested and got cash-settled in September 2022 upon closing of the transaction.

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.

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.

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 2023 financial year.

The position and associated compensation of the Chairman of the Board of Directors and its members was approved by shareholders at the 2023 Annual General Meeting (AGM).

Compensation Components

For the period from the AGM 2023 to the AGM 2024, the members of the Board of Directors receive fixed gross compensation for Board of Directors' membership and additional compensation for Committee Chair and committee members as described in the table below.

Compensation Board of Directors Annual General Meeting (AGM) 2023 to 2024 (excluding social security contributions)

In CHF (gross)	Base annual fee	Committee membership fee per committee	Committee Chair fee
Chair of the Board of Directors¹	750,000	–	–
Member of the Board of Directors²	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 (with 3-year blocking period) and 50% in cash and paid in arrears in quarterly installments		

¹ The compensation of the Chair of the Board of Directors includes compensation as a member of the Innovation and Technology Committee of the Board of Directors

² In the case of multiple committee memberships, the committee fees are cumulated

³ The roles and responsibilities of the Lead Independent Director 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 the Compensation for Board of Directors 2023

Grant date	Total Number of Shares	Share Price in CHF	Fair Values of Shares in CHF	Cash in CHF ¹	Total in CHF	Blocked Until
31.03.2023	605	539.68	326,506	328,750	655,256	31.03.2026
30.06.2023	624	524.60	327,350	328,750	656,100	30.06.2026
30.09.2023	766	415.30	318,120	328,750	646,870	30.09.2026
31.12.2023	931	426.86	397,407	328,750	726,157	31.12.2026
Total	2,926	468.01	1,369,383	1,315,000	2,684,383	

¹ Excluding social security and withholding tax

An amount of CHF 2,684,383 was recognized as an expense in the year 2023.

Development of the Compensation for Board of Directors 2022

Grant date	Total Number of Shares	Share Price in CHF	Fair Values of Shares in CHF	Cash in CHF ¹	Total in CHF	Blocked Until
31.03.2022	448	665.40	298,099	300,000	598,099	31.03.2025
30.06.2022	639	510.16	325,992	328,750	654,742	30.06.2025
30.09.2022	705	462.44	326,020	328,750	654,770	30.09.2025
31.12.2022	715	455.16	325,439	328,750	654,189	31.12.2025
Total	2,507	508.80	1,275,551	1,286,250	2,561,801	

¹ Excluding social security and withholding tax

An amount of CHF 2,561,801 was recognized as an expense in the year 2022.

Development of the Compensation for Board of Directors 2021

Grant date	Total Number of Shares	Share Price in CHF	Fair Values of Shares in CHF	Cash in CHF ¹	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.

Development of the Compensation for Board of Directors 2020

Grant date	Total Number of Shares	Share Price in CHF	Fair Values of Shares in CHF	Cash in CHF ¹	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.

Recognition in the Consolidated Financial Statements

All of the equity-settled share-based payments had an impact on the 2023 "Profit before income taxes" amounting to an expense of CHF 21 million (2022: CHF 32 million).

Note 25

Changes in Shares and Share Capital Movements

Effect in million CHF	31.12.2023	Change in year	31.12.2022	Change in year	31.12.2021
Total number of shares	74,468,752	0	74,468,752	0	74,468,752
Treasury shares					
Free shares	(2,352,163)	(2,165,037)	(187,126)	92,497	(279,623)
Total treasury shares	(2,352,163)	(2,165,037)	(187,126)	92,497	(279,623)
Total shares ranking for dividend at 31 December	72,116,589	(2,165,037)	74,281,626	92,497	74,189,129
Share capital movements					
Share Capital in CHF	74,468,752	0	74,468,752	0	74,468,752

The share capital on 31 December 2023 comprised 74,468,752 registered shares (2022: 74,468,752) with a par value of CHF 1 each, amounting to CHF 74,468,752 (2022: 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

At the Annual General Meeting on 5 May 2023, the shareholders approved the Board of Directors' proposal to introduce a capital band with an upper limit of CHF 85,635,000 and a lower limit of CHF 67,050,000, authorizing the Board of Directors to increase and decrease the share capital one or several times within these limits until 5 May 2028. The details and conditions are set out in Articles 4^{ter} to 4^{quater} of the Company's Articles of Association.

At 31 December 2023, Lonza Group Ltd had a fully paid in registered capital of CHF 74,468,752.

Reserves in the amount of CHF 37,234,376 (2022: CHF 37,234,376) included in the financial statements of the parent company cannot be distributed.

Dividend

On 5 May 2023, at the Annual General Meeting, shareholders approved the distribution of a dividend of CHF 3.50 per share in respect of the 2022 financial year (financial year 2021: CHF 3.00). The dividend distribution totaled CHF 260 million (2022: CHF 223 million), equally recorded against the retained earnings (130 million) and the reserves from capital contribution of Lonza Group Ltd (130 million).

A dividend payment per share of CHF 4.00 is proposed by the Board of Directors to be made after the 31 December 2023 balance sheet date, subject to approval by the shareholders at the Annual General Meeting on 8 May 2024.

Share buy-back

On 25 January 2023, Lonza announced a program to buy back its own registered shares of up to CHF 2 billion over a maximum period of two years for the purpose of subsequent capital reductions. The buyback program started on 3 April 2023. The total number of shares repurchased at 31 December 2023 was 2,242,568 for a total value of CHF 995.4 million.

Note 26

Earnings Per Share

	2023	2022
Weighted average number of outstanding shares (basic)		
Weighted average number of outstanding shares	73,630,469	74,229,594
Weighted average number of outstanding shares (diluted)		
Weighted average number of outstanding shares	73,630,469	74,229,594
– Adjustments for dilutive share units and shares	53,356	127,742
Weighted average number of shares for diluted earnings per share	73,683,825	74,357,336

million CHF	2023	2022
	Total	Total
Profit for the period (equity holders of the parent)	654	1,215
Basic earnings per share in CHF	8.88	16.37
Diluted earnings per share in CHF	8.88	16.34
Dividend paid for the period ¹	260	223
Dividends per share for the period in CHF	3.50	3.00
Dividends declared after the balance sheet date	289	260
Dividends per share declared after the balance sheet date in CHF	4.00	3.50

¹ Excluding dividends of CHF 3 million (2022: CHF 5 million) paid to minority shareholders of a subsidiary

Note 27

Related Parties

Identity of Related Parties

The Group has a related-party relationship with associates, joint ventures (see note 8 and 33), pension (see note 23) as well as with the Board of Directors and the members of the Executive Committee.

Transactions with Key Management Personnel Board of Directors

In 2023, payments to acting members of the Board of Directors of Lonza Group Ltd totaled CHF 2.75 million¹ (2022: CHF 2.68 million), of which 47.5% (2022: 47.5%) 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 2023 27,187 (2022: 23,077) or <0.1% (2022: <0.1%) 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 2023, CHF 9.36 million^{1,2} (2022: CHF 8.46 million^{1,2}) in cash and additional benefits. Share based compensation includes 9,654 LTIP shares and 0 LRSP (Lonza Restricted Share Unit Plan) shares granted (2022: 8,800 LTIP shares and 1,903 LRSP shares) and the value of share based Bonus payments, equivalent to a total value of CHF 1.02 million (2022: CHF 0.78 million). In 2023, termination benefits were paid out to a departing member of the Executive Committee according to the employment agreement and plan rules equal to CHF 0.85 million (CHF 0.72 million in cash and in shares equivalent to a value of CHF 0.13 million). In 2022, termination benefits were paid out to the departing and former members of the Executive Committee according to their employment agreements equal to CHF 0.78 million (CHF 0.42 million in cash and in shares equivalent to a value of CHF 0.36 million).

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

Million CHF	2023	2022
Short-term benefits ¹	8.52	7.76
Post-employment benefits and other benefits ²	2.29	2.11
Share-based payments ³	7.47	8.49
Other compensation ⁴	0.85	0.98
Total	19.12	19.34

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 Bonus and LTIP awards. Also, in line with the Executive Committee Appointments Policy, awards were made to Executive Committee members in 2022 under the Lonza Restricted Share Unit Plan (LRSP), to compensate for equity awards which were forfeited when leaving the previous employer. The awards were made in accordance with Article 23 (Supplementary Amount in the Event of Changes in the Executive Committee) of Lonza's Articles of Association. The awards 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, bonus and social security) and shares (LTIP) received by departed members of the Executive Committee during 2023 and 2022 as well as a cash payment to an Executive Committee member in lieu of forfeited annual bonus at their previous employer

Note 28 Financial Risk Management

28.1 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.

28.2 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'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 and Compliance Committee (ACC) 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 ACC 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 ACC.

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 10) represents primarily the credit risk of specific customers.

Aging of Trade Receivables ¹

million CHF	2023	2022
Not past due	1,065	965
Past due 1-30 days	43	108
Past due 31-120 days	34	75
Past due more than 120 days	26	44
Total	1,168	1,192

¹ Excluding allowances for credit losses (see note 10)

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	2023	2022
Trade receivables, net	10	1,138	1,164
Other receivables	11	107	108
Accrued income	2	110	188
Non-current and current lease receivables	7, 11	118	24
Non-current and current loans and advances	7, 11	211	194
Collateral arrangements (Credit Support Annexes)	11	20	0
Short-term investments at amortized costs	14	50	650
Cash and cash equivalents	12	1,468	1,339
Total financial assets at amortized cost		3,222	3,667
Financial assets at fair value			
Non-current and current derivative financial instruments	28.5	130	98
Short-term investments at fair value through profit or loss	14	150	235
Contingent consideration from sale of business	28.6	2	2
Total financial assets at fair value		282	335
Total financial assets		3,504	4,002

28.3 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 2023) and uncommitted credit lines of CHF 134.5 million (CHF 0 used as of 31 December 2023).

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 2023

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 (2017-2024)	110	111	0	111	0	0	0	0
Straight bond (2020-2026)	150	153	0	1	1	151	0	0
Straight bond (2023-2029)	300	336	0	6	6	6	12	306
Straight bond (2023-2029)	147	165	0	3	3	3	6	150
Straight bond (2023-2028)	185	205	4	0	4	4	193	0
Straight bond (2023-2031)	215	263	6	0	6	6	12	233
Euro bond (2020-2027)	462	494	8	0	8	8	470	0
Euro bond (2023-2033)	458	637	18	0	18	18	36	547
German Private Placement	42	43	0	43	0	0	0	0
Term loan	587	642	13	13	442	174	0	0
Other debt due to others	144	186	39	2	20	3	6	116
Total debt	2,801	3,235	88	179	508	373	735	1,352
Other non-current liabilities	311	436	0	0	62	46	89	239
– of which lease liabilities	295	420	0	0	46	46	89	239
Other current liabilities	731	743	719	24	0	0	0	0
– of which lease liabilities	36	48	24	24	0	0	0	0
Trade payables	468	468	468	0	0	0	0	0
Derivative financial instruments	159	159	86	46	0	0	0	27
Contingent consideration	51	51	0	0	29	8	8	6
Total financial liabilities	4,521	5,092	1,361	249	599	427	832	1,624

Year ended
31 December 2022

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 (2015-2023)	175	177	0	177	0	0	0	0
Straight bond (2020-2023)	300	303	303	0	0	0	0	0
Straight bond (2017-2024)	110	112	0	1	111	0	0	0
Straight bond (2020-2026)	150	155	0	1	1	1	152	0
Euro bond (2020-2027)	489	537	8	0	8	8	513	0
German Private Placement	231	236	1	188	47	0	0	0
Term loan	644	742	16	16	32	487	191	0
Other debt due to others	133	204	17	2	5	5	34	141
Total debt	2,232	2,466	345	385	204	501	890	141
Other non-current liabilities	328	415	0	0	66	35	66	248
– of which lease liabilities	301	388	0	0	39	35	66	248
Other current liabilities	792	801	779	22	0	0	0	0
– of which lease liabilities	54	63	41	22	0	0	0	0
Trade payables	477	477	477	0	0	0	0	0
Derivative financial instruments	63	63	46	12	5	0	0	0
Contingent consideration	26	30	0	0	0	12	3	15
Total financial liabilities	3,918	4,252	1,647	419	275	548	959	404

¹ Including interest payments

28.4 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 and Compliance 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			
		2023		2022	
		+	-	+	-
USD	+ / - 10%	(7.7)	7.7	(1.4)	1.4
EUR	+ / - 10%	(7.5)	7.5	(1.2)	1.2
GBP	+ / - 10%	(2.2)	2.2	(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 2023

million CHF	USD	GBP	EUR	SGD	Other	Total
Other investments	20	0	0	0	0	20
Non-current financial assets	37	0	5	0	0	42
Trade receivables, net	236	55	53	0	17	361
Other receivables, prepaid expenses and accrued income	0	0	2	0	0	2
Cash and cash equivalents	71	15	21	2	20	129
Non-current and current debt	(656)	0	0	0	0	(656)
Other current and non-current liabilities	(29)	(1)	(4)	(2)	0	(36)
Trade payables	(241)	(40)	(79)	(28)	(37)	(425)
Net group internal loans	488	15	(389)	35	65	214
Gross balance sheet exposure	(74)	44	(391)	7	65	(349)
Currency-related instruments	(19)	(70)	300	(7)	(67)	137
Net exposure	(93)	(26)	(91)	0	(2)	(212)

Year ended
31 December 2022

million CHF	USD	GBP	EUR	SGD	Other	Total
Non-current financial assets	36	0	4	0	0	40
Trade receivables, net	305	89	43	0	17	454
Other receivables, prepaid expenses and accrued income	0	0	3	0	0	3
Cash and cash equivalents	73	22	14	3	32	144
Non-current and current debt	(691)	0	(185)	0	0	(876)
Other current and non-current liabilities	(33)	(0)	(9)	(5)	0	(47)
Trade payables	(203)	(35)	(63)	(18)	(33)	(352)
Net group internal loans	723	(6)	132	27	82	958
Gross balance sheet exposure	210	70	(61)	7	98	324
Currency-related instruments	(227)	(85)	47	(9)	(107)	(381)
Net exposure	(17)	(15)	(14)	(2)	(9)	(57)

The following exchange rates were applied during the year:

Balance Sheet Year-End Rates	2023	2022
Dollar	0.8408	0.9238
Euro	0.9294	0.9855
Pound sterling	1.0700	1.1124
Renminbi	0.1182	0.1330
Singapore dollar	0.6368	0.6888

Income Statement Year-Average Rates	2023	2022
Dollar	0.8986	0.9548
Euro	0.9717	1.0050
Pound sterling	1.1170	1.1795
Renminbi	0.1270	0.1420
Singapore dollar	0.6692	0.6925

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	2023	2022
Net Debt / (cash)	14	922	(186)
Net Debt / (cash) at fixed interest rates ¹		(1,876)	(1,050)
Interest risk exposure		(954)	(1,236)

¹ Including effects from cross currency interest rate swaps

In 2023, if the interest rates had increased / decreased by 1%, with all other variables held constant, post-tax profit would have been CHF 7.9 million higher / lower.

In 2022, if the interest rates had increased / decreased by 1%, with all other variables held constant, post-tax profit would have been CHF 10.4 million higher / lower.

28.5 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 2023 and 2022. 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	
	2023	2022	2023	2022	2023	2022	2023	2022
Currency-related instruments	3,479	3,266	74	45	(70)	(33)	4	12
Total financial instruments at fair value through profit or loss	3,479	3,266	74	45	(70)	(33)	4	12

Financial Instruments Effective for Hedge-Accounting Purposes

million CHF	Contract or underlying principal amount		Positive fair values		Negative fair values		Total net fair values	
	2023	2022	2023	2022	2023	2022	2023	2022
Currency-related instruments	2,965	3,266	49	48	(61)	(29)	(12)	19
Interest-related instruments	418	185	7	5	(28)	(1)	(21)	4
Total financial instruments effective for hedge-accounting purposes	3,383	3,450	56	53	(89)	(30)	(33)	23

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.

In addition, for certain financial instruments positions, Credit Support Annex (CSA) contracts are attached to the framework agreements, in which cash is exchanged as collateral (by the means of agreed regular reciprocal margin payments). Collaterals posted under a Credit Support Annex are recognized at their nominal value in the balance sheet (see note 11).

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	
	2023	2022	2023	2022
Currency related instruments	123	93	(131)	(62)
Interest related instruments	7	5	(28)	(1)
Carrying value of derivative financial instruments	130	98	(159)	(63)
Derivatives subject to master netting agreements	(99)	(56)	99	56
Collateral (received) / paid under CSA (Credit Support Annexes) agreements	0	0	20	0
Net amount	31	42	(40)	(7)

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.

28.6 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	2023				2022			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Assets								
Short-term investments at fair value through profit or loss	150	0	0	150	235	0	0	235
Other investments	0	69	0	69	0	66	0	66
Derivative financial instruments	0	130	0	130	0	98	0	98
Contingent consideration related to sale of businesses	0	0	2	2	0	0	2	2
Liabilities								
Derivative financial instruments	0	(159)	0	(159)	0	(63)	0	(63)
Contingent consideration related to acquisition of businesses	0	0	(51)	(51)	0	0	(26)	(26)
Net assets and liabilities measured at fair value	150	40	(49)	141	235	101	(24)	312

In 2023 and 2022 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 businesses

million CHF	2023	2022
At 1 January	2	0
Arising from sale of business	0	2
Payments received	0	0
At 31 December	2	2

Contingent consideration arrangements related to acquisition of businesses

million CHF	2023	2022
At 1 January	26	27
Arising from business combinations	22	0
Payments made	0	(7)
Unfavorable impact from fair value adjustment on contingent purchase price consideration	6	5
Unwinding of discount	0	2
Currency translation effects	(3)	(1)
At 31 December	51	26

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 2023, the total potential payments under contingent consideration arrangements could be up to EUR 60 million for the Synaffix acquisition and USD 62 million for Octane acquisition. The estimated payments amounted to CHF 27 million for Synaffix and CHF 24 million (2022: CHF 26 million) for Octane at 31 December 2023.

28.7 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.

Year ended
31 December 2023

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
Other investments	69	0	0	0	69	69
Trade receivables, net	0	0	1,138	0	1,138	1,138
Other receivables	0	0	107	0	107	107
Accrued income	0	0	110	0	110	110
Non-current and current lease receivables	0	0	118	0	118	118
Non-current and current loans and advances	0	0	211	0	211	211
Collateral arrangements (Credit Support Annexes)	0	0	20	0	0	0
Short-term investments	150	0	50	0	200	200
Cash and cash equivalents	0	0	1,468	0	1,468	1,468
Contingent consideration from sale of business	2	0	0	0	2	2
Derivative financial instruments	0	130	0	0	130	130
Total financial assets	221	130	3,222	0	3,553	3,553
Debt						
– Straight bonds ¹	0	0	0	2,027	2,027	2,063
– Other debt	0	0	0	773	773	773
Current liabilities	0	0	0	731	731	731
Non-current liabilities	0	0	0	311	311	311
Trade payables	0	0	0	468	468	468
Contingent consideration	51	0	0	0	51	51
Derivative financial instruments	0	159	0	0	159	159
Total financial liabilities	51	159	0	4,311	4,521	4,556

Year ended
31 December 2022

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
Other investments	66	0	0	0	66	66
Trade receivables, net	0	0	1,164	0	1,164	1,164
Other receivables	0	0	108	0	108	108
Accrued income	0	0	188	0	188	188
Non-current and current lease receivables	0	0	24	0	24	24
Non-current and current loans and advances	0	0	194	0	194	194
Collateral arrangements (Credit Support Annexes)	0	0	0	0	0	0
Short-term investments	235	0	650	0	885	885
Cash and cash equivalents	0	0	1,339	0	1,339	1,339
Contingent consideration from sale of business	2	0	0	0	2	2
Derivative financial instruments	0	98	0	0	98	98
Total financial assets	303	98	3,667	0	4,068	4,068
Debt						
– Straight bonds ¹	0	0	0	1,224	1,224	1,172
– Other debt	0	0	0	1,008	1,008	1,007
Current liabilities	0	0	0	792	792	792
Non-current liabilities	0	0	0	328	328	328
Trade payables	0	0	0	477	477	477
Contingent consideration	26	0	0	0	26	26
Derivative financial instruments	0	63	0	0	63	63
Total financial liabilities	26	63	0	3,829	3,918	3,865

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

28.8 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 the 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. In 2023, the return was 8.7% (2022: 11.4%, 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 2.66% (2022: 1.84%).

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. Furthermore, on January 2023 Lonza initiated a program to buy back its own registered shares of up to CHF 2 billion (see note 25). Neither Lonza Group Ltd nor any of its subsidiaries is subject to externally imposed capital requirements.

Note 29 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 them¹ held, as of 31 December 2023: 27,187 (2022: 23,077)¹ registered shares of Lonza Group Ltd and controlled <0.1% (2022: <0.1%) of the share capital.

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

	Numbers of shares	
	2023	2022
Albert M. Baehny	5,632	4,857
Marion Helmes ²	369	122
Angelica Kohlmann	1,643	1,313
Christoph Mäder	4,289	3,959
Roger Nitsch ²	369	122
Barbara Richmond	4,171	3,884
Jürgen Steinemann	9,196	7,549
Olivier Verscheure	1,518	1,271
Total	27,187	23,077

¹ Board of Director members, 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 Marion Helmes and Roger Nitsch were appointed to the Board of Directors at the 2022 AGM

Executive Committee

The members of the Executive Committee and parties closely associated with them held, as of 31 December 2023: 7,263 (2022: 7,507)¹ shares and controlled <0.1% (2022: <0.1%) of the share capital. The individual control rights are proportional to the holdings shown below.

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

	Numbers of shares	
	2023	2022
Pierre-Alain Ruffieux ³	n/a	2,963
Caroline Barth ⁴	n/a	871
Gordon Bates	2,404	1,770
Claude Dartiguelongue ⁵	n/a	n/a
Philippe Deecke	2,327	0
Jean-Christophe Hyvert	2,100	1,903
Daniel Palmacci ⁶	58	0
Christian Seufert ⁷	238	0
Maria Soler Nunez ⁸	136	0
Total	7,263	7,507

¹ Executive Committee member, 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 All active Executive Committee members, with the exception of one member (who has met the requirement), are developing their shareholding in line with the shareholding guidelines

³ Pierre-Alain Ruffieux stepped down from the Executive Committee on 18 September 2023

⁴ Caroline Barth stepped down from the Executive Committee on 30 April 2023

⁵ Claude Dartiguelongue stepped down from the Executive Committee on 31 July 2022

⁶ Daniel Palmacci appointed to the Executive Committee on 1 November 2022

⁷ Christian Seufert appointed to the Executive Committee on 1 July 2022

⁸ Maria Soler Nunez appointed to the Executive Committee on 1 August 2022

Note 30 Enterprise Risk Management

Our Enterprise Risk Management (ERM) program is a critical element of our risk management and strategic planning activities, by providing a mechanism and appropriate governance for risk management. We have leveraged the methodology of our ERM processes to develop a holistic, Group-level risk management program. This enables us to identify the most significant risks to our organization that impact value to our stakeholders, including risks relating to macroeconomics and geopolitics, climate change, compliance and human rights, along with mitigation plans to minimize the probability and/or impact of such risks. The annual ERM process includes the following elements:

- **Risk Identification:** We identify risks using internal and external data analytics and resources. We have discussions with risk owners and incorporate anticipatory risks identified through climate, social and other data trends.
- **Trend analysis:** Our ERM team consolidates input, assesses the risks and maps probability and impact versus prior year.
- **Calibration and Mitigation Planning:** We conduct calibration workshops with senior leadership teams and ensure appropriate mitigation measures are in place. Mitigation measure owners report status of their measures throughout the year.
- **Reporting to Executive Committee:** We report findings to the Executive Committee for evaluation and alignment with strategic planning.
- **Reporting to Board of Directors:** We report top risks and mitigation plans to the Audit and Compliance Committee and the Board of Directors to ensure appropriate oversight.

Through this process, Lonza has identified 14 high-level thematic risk categories. An increased focus on Environmental, Social, and Governance (ESG) topics, including climate change, human rights, geopolitical and macroeconomic shifts, as well as trends such as aging societies, growing populations and the increasing need for access to healthcare and medicines are considered in the company's enterprise risk assessment. Each identified risk category is assessed according to its probability of occurrence and its negative impact on the Group over a three year horizon, 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. Emerging risks with a potential for occurring beyond the three year horizon are also considered.

Risks have been identified for each division and for corporate functions. The risks identified in 2023 were presented to the Executive Committee, the Audit and Compliance Committee and the Board of Directors at their meetings in September, October and December 2023, respectively. Financial risk management is disclosed in note 28.

Note 31 Events After Balance Sheet Date

On 20 March 2024, Lonza announced it has signed an agreement to acquire the Genentech large-scale biologics manufacturing site in Vacaville, California (US), with approximately 750 employees from Roche for USD 1.2 billion in cash.

Lonza intends to reduce the share capital in 2024 by cancelling the first tranche of shares repurchased through the share buyback program.

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

Note 32 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 FTEs.

Name	Currency ¹	Share Capital	Holding Direct	Holding Indirect
Bacthera AG	CHF	11,000,000		50%
BioAtrium AG	CHF	87,700,000		50%
Capsugel Australia Pty Ltd	AUD	6,368,270		100%
Capsugel Belgium NV	EUR	236,921,555 ²	99.9% ²	0.1% ²
Capsugel Brasil Importação e Distribuição de Insumos Farmacêuticos e Alimentos Ltda.	BRL	74,976,852		100%
Capsugel Canada Corp.	CAD	n/a ³		100%
Capsugel de México, S. de R.L. de C.V.	MXN	870,004,052		100%
Capsugel Distribucion, S. de R.L. de C.V.	MXN	20,000,000		100%
Capsugel France SAS	EUR	1,280,000		100%
Capsugel Healthcare Private Limited	INR	2,985,075,930		99.9% ²
Komec N.V.	EUR	62,000		100%
LLC Capsugel	RUB	150,000		100%
Lonza AG	CHF	60,000,000	100%	
Lonza Bend Inc.	USD	n/a ³		100%
Lonza Biologics Inc	USD	1,000		100%
Lonza Biologics Ltd.	USD	87,200,000		100%
Lonza Biologics plc	GBP	14,500,000		100%
Lonza Biologics Porriño S.L.	EUR	10,295,797 ²		100%
Lonza Biologics Tuas Pte. Ltd.	SGD USD	172,000,000 25,000,000		100%
Lonza Bioscience Singapore Pte Ltd	USD	1		100%
Lonza Cologne GmbH	EUR	1,502,000		100%
Lonza Costa Rica, S.A.	CRC	10,000		100%
Lonza Finance International NV ⁴	EUR	43,062,000	100%	
Lonza Greenwood LLC	USD	n/a ³		100%
Lonza Guangzhou Pharmaceutical Ltd.	USD	133,578,892		100%
Lonza Houston Inc.	USD	290		100%
Lonza K.K.	JPY	110,000,000		100%
Lonza Netherlands B.V.	EUR	2,115,232		100%
Lonza Rockland, Inc.	USD	100		100%
Lonza Sales AG	CHF	2,000,000	100%	
Lonza Shanghai International Trading Ltd.	USD	200,000		100%
Lonza Swiss Finanz AG ⁴	CHF	100,000	100%	
Lonza Swiss Licences AG	CHF	100,000	100%	
Lonza Tampa LLC	USD	n/a ³		100%
Lonza (Thailand) Co., Ltd.	THB	170,000,000		100%
Lonza USA Inc.	USD	5	100%	
Lonza Verviers SRL	EUR	18,750		100%
Lonza Walkersville, Inc.	USD	10		100%
Micro-Macinazione SA	CHF	1,000,000		100%
Octane Biotech, Inc.	CAD	n/a ³		80%
P.T. Capsugel Indonesia	IDR	76,835,140,525		100%
Suzhou Capsugel Limited	USD	44,700,000		75%
Synaffix B.V.	EUR	98,301	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 financing

Note 33 Accounting Principles

33.1 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.

33.2 Basis of Preparation

The consolidated financial statements for 2023 and 2022 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 IFRS Accounting Standards, issued by the International Accounting Standards Board (IASB) and comply with Swiss law.

They are prepared on the historical cost basis, except for items that are required to be accounted for at fair value.

33.3 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:

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

33.4 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 material impact on the consolidated financial statements.

Standard/Interpretation	Effective date
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	1 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
Supplier finance arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	N/A

33.5 Material 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 material subsidiaries included in the consolidated financial statements are shown in note 32.

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 8. 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 1.

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), 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. The custom manufacturing business also provides various services, including development services and manufacturing know-how sharing, that are recognized in the accounting period in which these services are rendered, respectively the know-how has been transferred. For most services revenue recognition over time is appropriate. This is primarily 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.

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.

Royalty income earned through a license is recognized as the underlying sales are recorded by the licensee.

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 material 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 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.

Right-of-use Assets

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, 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. 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 28: 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 financial income or 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.

Income Taxes

The Group has adopted International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure.

The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at 31 December 2022 in any jurisdiction in which the Group operates and no related deferred tax was recognized at that date, the retrospective application has no impact on the Group's consolidated financial statements.

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.

The Group has adopted Deferred Tax related to Assets and Liabilities from a Single Transaction (Amendments to IAS 12) from 1 January 2023. There was no impact on the statement of financial position 2022 and no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The impact for the Group is limited to the disclosure of the deferred tax assets and liabilities (see Note 21).

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.

33.6 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 (including Right-of-use assets) of CHF 6,617 million (2022: CHF 6,120 million), goodwill of CHF 2,752 million (2022: CHF 2,863 million) and intangible assets of CHF 1,988 million (2022: CHF 2,231 million) (see notes 5 and 6). The intangible assets include trademarks acquired through business combinations with a carrying value of CHF 227 million (2022: CHF 241 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 5 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 5.2.

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 2023, the present value of the Group's defined-benefit obligation was CHF 2,119 million (2022: CHF 1,904 million). The plan assets at fair value amounted to CHF 2,143 million (2022: CHF 2,023 million), resulting, compared with the present value of the pension obligation, in a funded status deficit of CHF 41 million (2022: CHF 27 million) (note 23). 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 2023 amounted to CHF 398 million (2022: CHF 399 million), as disclosed in note 13. 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 2023, deferred tax assets of CHF 15 million (2022: CHF 17 million), current tax receivables of CHF 40 million (2022: CHF 30 million), deferred tax liabilities of CHF 491 million (2022: CHF 556 million) and current tax payables of CHF 137 million (2022: CHF 103 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.

To address concerns about uneven profit distribution and tax contributions of large multinational corporations, various agreements have been reached at global level to introduce a minimum tax rate of 15% at country level. In December 2021, the Organization for Economic Co-operation and Development (OECD) released a legislative framework, followed by further guidance in March 2022, that is expected to be used by individual jurisdictions to amend their local tax laws. Once changes to the tax laws in jurisdictions in which the Group operates are enacted, the Group may be subject to the top-up tax in certain jurisdictions. At the date when the financial statements were authorized for issue, the EU and Switzerland among other jurisdictions have implemented respective legislation. Management is closely monitoring the progress of the legislative process and related guidance. Given material open items in application, a reliable estimate of the impact cannot be made at this point in time.

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 and services during the year to customers who have the right to rescind the sale if the goods or services 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, 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. 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 5).





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 statement of balance sheet as at 31 December 2023, the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements (pages 62 to 140) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of 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 (ISA) and Swiss Standards on Auditing (SA-CH). 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, together with the requirements of the Swiss audit profession, as well as those of 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.



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 and service agreements, and
- linkage of management's incentive compensation to annual revenue targets.

Due to market dynamics, the relevance of long-term agreements with certain of the Group's customers is significant. Under these agreements, the Group provides design and development services and 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 different types of services during the design, development, and construction phase. To a certain degree the identification and measurement of distinct performance obligations, the allocation of the transaction price and the timing of 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.

For further information on revenue recognition refer to the following:

- Note 33.5 Accounting Principles
- Note 33.6 Significant Accounting Estimates and Judgments
- Note 2 Revenues

Our response

For significant existing, new and amended customer manufacturing and service agreements, we assessed the appropriateness of the identification and separation of distinct performance obligations, allocation of the transaction price 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.



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.

The Group has 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.

For further information on income taxes refer to the following:

- Note 33.5 Accounting Principles
- Note 33.6 Significant Accounting Estimates and Judgments
- Note 21 Taxes

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 2023.

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



Other Information

The Board of Directors is responsible for the other information. The other information comprises the 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 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 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.

Board of Directors' Responsibilities 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, ISA and SA-CH 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, ISA and SA-CH, 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 Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the 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

Noemi Maibach
Licensed Audit Expert

Zurich, 2 April 2024

Financial Statements of Lonza Group Ltd, Basel

Balance Sheet – Lonza Group Ltd

Assets ¹

CHF	Notes	2023	2022
Non-current assets			
Long-term financial assets:			
– from subsidiaries and associates	2.2	4,748,207,448	2,399,265,620
Investments	2.1	4,880,571,905	4,748,394,547
Property, plant and equipment		166,159	76,824
Prepaid expenses and accrued income:			
– from third parties		9,730,012	11,163,277
Total non-current assets		9,638,675,524	7,158,900,268
Current assets			
Cash and cash equivalents	2.3	1,231,195,802	1,222,349,166
Short term financial assets:			
– from third parties	2.3	323,239,779	977,796,031
– from subsidiaries and associates		646,084,539	2,492,741,284
Other short-term receivables:			
– from third parties		1,418,710	4,345,026
– from subsidiaries and associates		41,884,635	44,991,059
Prepaid expenses and accrued income:			
– from third parties		33,897,389	2,998,786
– from subsidiaries and associates		17,227,104	16,575,792
Total current assets		2,294,947,958	4,761,797,144
Total assets		11,933,623,482	11,920,697,412

¹ At 31 December

Liabilities and Shareholders' Equity ¹

CHF	Notes	2023	2022
Shareholders' equity			
Share capital	2.6	74,468,752	74,468,752
Legal capital reserves:			
– Reserves from capital contributions	2.7	2,222,665,779	2,352,462,436
Legal retained earnings reserves:			
– General legal retained earnings in the narrower sense		37,234,376	37,234,376
Treasury shares:			
– Against reserves from capital contributions		(497,216,442)	0
– Other		(561,114,246)	(114,131,744)
Available earnings:			
– Profit brought forward		6,100,627,545	5,623,539,280
– Profit for the year		464,587,354	606,884,922
Total shareholders' equity		7,841,253,118	8,580,458,022
Non-current liabilities			
Long-term interest-bearing liabilities:			
– to third parties	2.5	588,560,000	692,850,000
– to subsidiaries and associates		1,956,215,178	787,247,850
Long-term provisions:			
– to third parties		33,626,634	18,162,429
Derivatives financial liabilities:			
– to third parties		27,073,095	1,505,339
– to subsidiaries and associates		0	5,030,846
Total non-current liabilities		2,605,474,907	1,504,796,464
Current liabilities			
Trade accounts payables:			
– to third parties	2.4	20,120,068	3,112,005
– to subsidiaries and associates		7,943,582	2,322,501
Short-term interest-bearing liabilities:			
– to third parties	2.5	42,040,000	184,783,125
– to subsidiaries and associates		791,458,716	1,319,950,345
Short-term provisions:			
– to third parties		7,793,590	23,496,553
Accrued expenses and deferred income:			
– to third parties		183,510,894	236,877,611
– to subsidiaries and associates		434,028,607	64,900,786
Total current liabilities		1,486,895,457	1,835,442,926
Total liabilities		4,092,370,364	3,340,239,390
Total liabilities and shareholders' equity		11,933,623,482	11,920,697,412

¹ At 31 December

Income Statement – Lonza Group Ltd

CHF	Notes	2023	2022
Income			
Dividend income	2.9	473,600,000	484,899,564
Royalties income		35,167,102	211,044,938
Other financial income	2.10	236,683,199	133,092,152
Other operating income		49,528,620	8,017,959
Total income		794,978,921	837,054,613
Expenses			
Other financial expenses	2.11	244,763,432	61,660,569
Personnel expenses		51,451,888	61,188,309
Other operating expenses ¹	2.12	31,933,581	71,262,461
Impairment losses on investments		96,675	0
Depreciation on equipment		95,014	41,765
Direct taxes ¹		2,050,977	36,016,587
Total expenses		330,391,567	230,169,691
Profit for the year		464,587,354	606,884,922

¹ Withholding tax expenses of CHF 2,050,977 classified within "Direct taxes" (2022: CHF 2,459,100, reclassified from "Other operating expenses")

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 of the balance sheet date.

**1.3
Treasury Shares**

Treasury shares are recognized at acquisition cost, excluding transaction 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.

Upon cancellation of bearer shares repurchased, such shares are derecognized with a corresponding decrease of the share capital for the nominal value of the cancelled shares and of reserves from capital contributions and voluntary retained earnings for any exceeding amount.

No dividend distributions are made on treasury shares.

**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 are valued at their fair value as at the balance sheet date. A valuation adjustment reserve has not been accounted for.

**1.7
Translation of foreign currencies**

Transactions during the year which are denominated in foreign currencies are translated at the exchange rate effective at the relevant transaction dates. Resulting exchange gains and losses are recognized in the income statement with the exception of unrealized gains which are deferred.

**1.8
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 2023. For indirect principal subsidiaries, please see the list in note 32 to the Group's consolidated financial statements.

		Share Capital in 1,000 ¹		Direct Holding in % ¹	
		31.12.2023	31.12.2022	31.12.2023	31.12.2022
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	1.5%	1.5%
Lonza AG	Vïsp, CH	CHF 60,000	CHF 60,000	100.0%	100.0%
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 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 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 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 ²	USD 0 ²	100.0%	100.0%
Seed Fund Cycle-C3E (A), L.P.	Montreal, CA	CAD 1,000	CAD 1,000	100.0%	100.0%
Synaffix B.V. ³	Nijmegen, NL	EUR 98	n/a	100.0%	0.0%

¹ Rounded amounts

² Share Capital USD 5.00

³ Acquired on 31 May 2023

2.2 Long-Term Financial Assets

Lonza Group Ltd issued subordination agreements totaling CHF 384 million (2022: CHF 384 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 in 2021, 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 2023, Lonza Group Ltd maintained a total balance of CHF 1,554 million, thereof CHF 1,231 million 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 323 million, thereof bank deposits with maturity between three and six months totaling CHF 50 million (classified as financial assets at amortized costs) and investments into short-term money market funds of CHF 150 million (classified financial assets at fair value through profit or loss).

2.4 Trade Accounts Payables

Trade accounts payables include liabilities to personnel welfare institutions of CHF 47,681 at 31 December 2023 (2022: CHF 661,432).

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

CHF	2023	2022
German Private Placement	42,040,000	184,783,125
Total short-term interest-bearing liabilities	42,040,000	184,785,147

CHF	2023	2022
German Private Placement, USD 50 mio	0	46,190,000
Term loan Facility B1 / B2, USD 700 mio	588,560,000	646,660,000
Total long-term interest-bearing liabilities	588,560,000	692,850,000

Credit Rating

Lonza has been rated by Standard & Poor's (S&P) since 2019 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

In 2023, Lonza repaid its scheduled debt maturities totaling CHF 180 million related to the German Private Placement.

Lonza did not issue any new bonds or other debt securities neither in 2023 nor in 2022.

German Private Placement (Schuldschein)

Following the repayment of the scheduled debt maturities of EUR 187.5 million (CHF 180 million) in August 2023, Lonza maintains one fixed rate note of the dual-currency Schuldschein issued in August 2017. The remaining note is repayable in 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 (RCF).

The Term Loan tranches of USD 500 million and USD 200 million carrying floating interest rates are repayable 2025 and 2026 respectively.

The RCF provides Lonza additional financial headroom of CHF 1 billion due 2026, at floating interest rates. The facility was not used during 2023 nor in 2022.

2.6 Share Capital and Authorized Capital

The share capital on 31 December 2023 comprised 74,468,752 registered shares (2022: 74,468,752) with a par value of CHF 1 each, amounting to CHF 74,468,752 (2022: 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

At the Annual General Meeting on 5 May 2023, the shareholders approved the Board of Directors' proposal to introduce a capital band with an upper limit of CHF 85,635,000 and a lower limit of CHF 67,050,000, authorizing the Board of Directors to increase and decrease the share capital one or several times within these limits until 5 May 2028. The details and conditions are set out in Articles 4^{ter} to 4^{quater} of the Company's Articles of Association.

At 31 December 2023, 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 (2022: CHF 37,234,376) included in the financial statements of the parent company cannot be distributed.

2.7 Reserves from Capital Contributions

CHF	2023
Reserves from Capital Contributions at 1.1.2022	2,463,921,215
Dividend payout May 2022	(111,458,779)
Reserves from Capital Contributions at 31.12.2022	2,352,462,436
Dividend payout May 2023	(129,796,657)
Reserves from Capital Contributions at 31.12.2023	2,222,665,779

2.8 Treasury Shares

Regular Treasury Shares

	Total Shares	Average Rate in CHF	Number of Transactions
Treasury shares at 1.1.2022, weighted average price	279,623	631.74	
Acquisitions 2022	98,000	590.12	13
Distribution to Board members	(2,184)	555.56	4
Distribution to Executive Committee members	(2,801)	633.86	2
Distribution to LTIP ¹ /LRSP/ShareMatch share plan members	(185,422)	631.75	5
Sale 2022	(90)	632.46	2
Treasury shares at 31.12.2022, weighted average price	187,126	609.92	
Acquisitions 2023	47,000	530.11	4
Distribution to Board members	(2,710)	590.18	4
Distribution to Executive Committee members	(5,050)	583.10	3
Distribution to LTIP ¹ /LRSP/ShareMatch share plan members	(116,771)	604.70	9
Treasury shares at 31.12.2023, weighted average price	109,595	583.04	

¹ LTIP distribution includes Executive Committee members

Treasury Shares – Share buyback program

On 25 January 2023, Lonza announced a program to buy back its own registered shares of up to CHF 2 billion over a maximum period of two years for the purpose of subsequent capital reductions. The buyback program started on 3 April 2023. The repurchased shares are reported as treasury shares. The

total number of shares repurchased at 31 December 2023 was 2,242,568 for a total value of CHF 994.4 million.

The first tranche of share cancellations and share capital reduction is expected to occur in 2024.

	Total Shares	Average Rate in CHF	Number of Transactions
Treasury shares at 1.1.2023, weighted average price	0	0.00	
Acquisitions 2023	2,242,568	443.43	187
Treasury shares at 31.12.2023, weighted average price	2,242,568	443.43	

2.9 Dividend Income

Dividend income in 2023 includes a dividend distribution from Lonza Sales AG of CHF 429,000,000 (2022: CHF 331,000,000), and from Lonza Swiss Licenses AG of CHF 40,300,000 (2022: CHF 40,300,000). Lonza Holding Singapore Pte Ltd elected not to distribute a dividend in 2023 (2022: CHF 118,000,000).

2.10 Other Financial Income

CHF	Notes	2023	2022
Interest on loans to subsidiaries		199,594,123	97,819,956
Gain on treasury shares	1.4	7,183,985	20,959,081
Bank interest		27,578,751	7,387,565
Net exchange rate gain		0	4,377,961
Other		2,326,340	2,547,589
Total financial income		236,683,199	133,092,152

2.11 Other Financial Expenses

CHF	Notes	2023	2022
Interest on deposits subsidiaries		54,379,910	24,923,765
Bank interest and fees		42,373,342	24,606,550
Negative interest rates on investments		0	9,909,364
Amortization of discounts and issue costs		2,055,011	1,585,599
Loss on treasury shares	1.4	293,117	541,336
Net loss on financial instruments		8,158,106	93,955
Net exchange rate loss		137,503,945	0
Total financial expenses		244,763,431	61,660,569

2.12 Other Operating Expenses

CHF	2023	2022
Consulting expenses	22,963,148	63,751,254
Administrative expenses	8,730,919	6,840,304
Other operating expenses	239,514	670,903 ¹
Total other operating expenses	31,933,581	71,262,461

¹ Withholding tax expenses in 2022 of CHF 2,459,100 reclassified to "Direct Taxes"

Note 3 Other Information

3.1 Full-time Equivalents

The average number of full-time employees for 2023 and 2022 exceeded 80 but were less than 250 people.

3.2 Contingent Liabilities, Guarantees and Pledges

At 31 December 2023, indemnity liabilities, guarantees and pledges in favor of third parties totaled CHF 2,374,745,010 (2022: CHF 1,537,737,781). 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.

For certain financial instrument positions, Credit Support Annex (CSA) contracts are attached to the framework agreements, in which cash is exchanged as collateral (by the means of agreed regular reciprocal margin payments). The amount paid by Lonza Group Ltd under the CSA agreements at 31 December 2023 is CHF 19,775,616.

The acquisition of Synaffix B.V. includes a performance-based consideration payment of up to EUR 60 million. This contingent payment is based on the achievement of sales-related milestones. Lonza's estimate of the probability weighted contingent consideration of CHF 24,417,890 (equivalent to EUR 29.5 million) is reflected as a liability at 31 December 2023.

3.3 Major Shareholders

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. 959c para 2 of the Swiss Code of Obligations: See Note 29 in the Group's 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 24 in the Group's consolidated financial statements), Lonza Group Ltd allocates treasury shares and equity awards as follows:

	2023		2022	
	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	2,710	1,312,722	2,184	1,213,347
Granted equity awards allocated to members of the Executive Committee	8,763	4,731,690	12,316	7,483,677
Granted equity awards allocated to other employees	3,561	1,902,284	3,256	2,014,397
Total	15,034	7,946,696	17,756	10,711,421

In 2023, Lonza Group Ltd employed 7 members of the Executive Committee (2022: 7).

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.

The Company intends to reduce the share capital in 2024 by cancelling the first tranche of shares repurchased through the share buyback program.

Proposal of the Board of Directors

CHF	2023
Available earnings brought forward	6,100,627,545
Profit for the year	464,587,354
Available earnings at the disposal of the Annual General Meeting	6,565,214,899
Payment of a dividend (out of available earnings brought forward) for 2023 of CHF 2.00 (2022: CHF 1.75) per share on the share capital eligible for dividend ¹ of CHF 72,116,589 (2022: CHF 74,169,518)	(144,233,178)
Available earnings carry-forward	6,420,981,721

¹ Depending on the amount of share capital eligible for dividend on the record date of 14 May 2024. No dividend will be paid out on shares held by the company

CHF	2023
Legal capital reserves qualified as reserves from capital contributions	2,222,665,779
Reserves from capital contributions	2,222,665,779
Payment of a dividend (out of reserves from capital contributions) for 2023 of CHF 2.00 (2022: CHF 1.75) per share on the share capital eligible for dividend ¹ of CHF 72,116,589 (2022: CHF 74,169,518)	(144,233,178)
Available reserves from capital contributions carry-forward	2,078,432,601

¹ Depending on the amount of share capital eligible for dividend on the record date of 14 May 2024. No dividend will be paid out on shares held by the company

CHF	2023
Proposed payment of a dividend out of available earnings brought forward	144,233,178
Proposed payment of a dividend out of reserves from capital contributions	144,233,178
Total proposed payment of a dividend	288,466,356

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 4.00 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. 1^{bis} 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 10 May 2024. As from 13 May 2024 (ex-date), the shares will be traded ex-dividend. The dividend will be payable from 15 May 2024.



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 (the Company), which comprise the balance sheet as at 31 December 2023, 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 pages 148 to 157 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 Standards on Auditing (SA-CH). 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 Company in accordance with the provisions of Swiss law, together with 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.

Key Audit Matters

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.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the 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 financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.



Board of Directors' Responsibilities 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 Company'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 Company 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 SA-CH 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 SA-CH, 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 the Company'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 Company'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 Company 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 PS-CH 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

Noemi Maibach
Licensed Audit Expert

Zurich, 2 April 2024



Alternative Performance Measures

This Finance Report and other communications with investors and analysts include Alternative Performance Measures (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		•
Net 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 that exceeds the threshold of CHF 20 million per event¹:

- 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 (excluding impairments following contract termination, that are compensated by termination-related revenues),
- 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.

The reconciliation of the IFRS result to the CORE result for the Full-Year 2023 and 2022 is as follows:

million CHF	2023	2022
IFRS Profit	655	1,218
CORE adjustments		
Environmental remediation expenses	15	27
(Income) / expense resulting from acquisitions and divestitures	(6)	(202) ²
Litigations	0	31 ³
Impairments	254 ⁴	0
Restructuring costs	50 ⁵	0
Tax effect ⁶	(54)	23
CORE Profit	914	1,097
CORE Profit attributable to equity holders of the parent	913	1,094
CORE Earnings per share attributable to equity holders of the parent	12.40	14.74

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	2023	2022
Result from operating activities (EBIT)	880	1,541
Depreciation of property, plant and equipment	449	409
Amortization of intangible assets	172	187
Impairment and reversal of impairment on property, plant and equipment (incl right-of-use assets) and intangibles	439 ⁴	2
Earnings before interest, taxes and depreciation (EBITDA)	1,940	2,139

million CHF	2023	2022
Earnings before interest, taxes and depreciation (EBITDA)	1,940	2,139
Environmental remediation expenses	15	27
(Income) / expense resulting from acquisitions and divestitures	(6)	(202) ²
Litigations	0	31 ³
Restructuring costs	50 ⁵	0
CORE EBITDA	1,999	1,995

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

² Gains related to the divestiture of several businesses in Bioscience and Small Molecules

³ Litigation related to a Lonza legacy site / business

⁴ Total impairment costs of CHF 439 million (see note 3 of the Lonza Annual Report 2023), include impairments of CHF 185 million that are compensated by termination-related revenues or do not exceed the threshold CHF 20 million for core adjustments. Therefore, these impairment costs of CHF 185 million are not adjusted for Core Profit measurement

⁵ See note 3 of the Lonza Annual Report 2023

⁶ Group tax rate of 17.1% for 2023 and 15.9% for 2022

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

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 2023 financial results based on constant exchange rates (i.e. 2022 exchange rates) with the actual 2022 financial results.

Lonza Group

million CHF	2023	2022	Change in %
Sales	6,717	6,223	7.9
Elimination of effects from hedging instruments ¹	(65)	9	
Sales excluding hedging effects	6,652	6,232	
Retranslation at prior year rates	261		
Sales in constant currency	6,913		10.9
CORE EBITDA	1,999	1,995	0.2
Elimination of effects from hedging instruments ¹	(12)	3	
CORE EBITDA excluding hedging effects	1,987	1,998	
Retranslation at prior year rates	40		
CORE EBITDA in constant currency	2,027		1.5
<i>Margin in %</i>	29.3		

¹ The hedging program is managed centrally by Corporate Treasury and therefore reported as part of Corporate

Biologics

million CHF	2023	2022	Change in %
Sales	3,719	3,274	13.6
Retranslation at prior year rates	131		
Sales in constant currency	3,850		17.6
CORE EBITDA	1,294	1,228	5.4
Retranslation at prior year rates	28		
CORE EBITDA in constant currency	1,322		7.7
<i>Margin in %</i>	34.3		

Small Molecules

million CHF	2023	2022	Change in %
Sales	901	819	10.0
Retranslation at prior year rates	10		
Sales in constant currency	911		11.2
CORE EBITDA	283	248	14.1
Retranslation at prior year rates	(13)		
CORE EBITDA in constant currency	270		8.9
<i>Margin in %</i>	29.6		

Cell & Gene

million CHF	2023	2022	Change in %
Sales	696	693	0.4
Retranslation at prior year rates	43		
Sales in constant currency	739		6.6
CORE EBITDA	64	116	(44.8)
Retranslation at prior year rates	5		
CORE EBITDA in constant currency	69		(40.5)
<i>Margin in %</i>	9.3		

Capsules and Health Ingredients

million CHF	2023	2022	Change in %
Sales	1,161	1,266	(8.3)
Retranslation at prior year rates	74		
Sales in constant currency	1,235		(2.4)
CORE EBITDA	327	418	(21.8)
Retranslation at prior year rates	32		
CORE EBITDA in constant currency	359		(14.1)
<i>Margin in %</i>	29.1		

Corporate

million CHF	2023	2022
Sales	240	171
Elimination of effects from hedging instruments ¹	(65)	9
Sales excluding hedging effects	175	180
Retranslation at prior year rates	3	
Sales in constant currency	178	
CORE EBITDA	31	(15)
Elimination of effects from hedging instruments ¹	(12)	3
CORE EBITDA excluding hedging effects	19	(12)
Retranslation at prior year rates	(12)	
CORE EBITDA in constant currency	7	

¹ The hedging program is managed centrally by Corporate Treasury and therefore reported as part of Corporate

Net debt, net debt / CORE EBITDA ratio, Debt / Equity ratio

Net debt represents the net level of financial debt contracted by the Group with external parties (e.g. bonds, term loans, private placements) after considering cash and investments readily convertible into cash. It is composed of the current and non-current financial debt, derivatives hedging financial debt

and liquid assets, less cash and cash equivalent and short-term investments. Based on the determined total debt and net debt, Lonza uses further performance measures to demonstrate the relation between debt and profitability, as well as the ratio between debt and equity, to illustrate the gearing of the Group.

Components of net debt / (net cash)

	31 December 2023	31 December 2022	Change
Non-current debt	2,610	1,554	1,056
Current debt	191	678	(487)
Total debt	2,801	2,232	569
Non-current loans and advances	(198)	(194)	(4)
Current loans and advances	(13)	0	(13)
Short-term investments	(200)	(885)	685
Cash and cash equivalents	(1,468)	(1,339)	(129)
Total cash & cash equivalents, short term investments and loans and advances	(1,879)	(2,418)	539
Net debt / (net cash)	922	(186)	1,108
	31 December 2023	31 December 2022	
Net debt / CORE EBITDA ratio	0.5	(0.1)	
Net Debt / Equity ratio	0.1	(0.0)	

Return on Invested Capital

Lonza defines the ROIC as Net Operating Profit After Tax (NOPAT) divided by the average invested capital of the Group. ROIC is the most appropriate measure to assess the capital efficiency as it discloses how the Group deploys capital to generate profits.

In 2023 and 2022, 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	2023	2022
Result from operating activities (EBIT)	880	1,541
Share of gain / (loss) of associates / joint ventures	(13)	2
CORE adjustments		
Environmental remediation expenses	15	27
Income resulting from acquisitions and divestitures	(6)	(202) ¹
Litigations	0	31 ²
Impairments	254 ³	0
Restructuring costs	50 ⁴	0
Net operating profit before taxes	1,180	1,399
Taxes ⁵	(202)	(222)
Net operating profit after taxes (NOPAT)	978	1,177
Average invested capital	11,243	10,326
ROIC in %	8.7	11.4

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	2023	2022
Intangible assets	2,151	2,368
Property, plant & equipment	6,543	5,389
Goodwill	2,858	2,928
Inventories	1,896	1,816
Trade receivables	1,046	971
Other operating receivables	337	297
Other assets	233	207
Trade payables	(432)	(439)
Other operating liabilities	(2,782)	(2,676)
Net current and deferred tax liabilities	(607)	(535)
Average invested capital	11,243	10,326

¹ Gains related to the divestiture of several businesses in Bioscience and Small Molecules

² Litigation related to a Lonza legacy site / business

³ Total impairment costs of CHF 439 million (see note 3 of the Lonza Annual Report 2023), include impairments of CHF 185 million that are compensated by termination-related revenues or do not exceed the threshold CHF 20 million for core adjustments. Therefore, these impairment costs of CHF 185 million are not adjusted for NOPAT measurement

⁴ See note 3 of the Lonza Annual Report 2023

⁵ Group tax rate of 17.1% for 2023 and 15.9% for 2022

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.

In 2023 and 2022, the development of operational free cash flow by component was as follows:

Components of operational free cash flow

million CHF	2023	2022
Earnings before interests, taxes and depreciation (EBITDA)	1,940	2,138
Change of operating net working capital ¹	(310)	(653)
Capital expenditures in tangible and intangible assets	(1,682)	(1,872)
Disposal of tangible and intangible assets	16	13
Change of other assets and liabilities	365	108
Gain from sales of assets held for sale and subsidiaries	0	(199) ²
Operational free cash flow (before acquisitions / divestitures)	329	(465)
Acquisitions of subsidiaries	(93) ³	(10)
Divestitures of subsidiaries	0	238 ²
Operational free cash flow	236	(237)

¹ Includes in 2023 non-cash amortization of current deferred income of CHF 406 million (2022: CHF 170 million), recognized in the income statement through EBITDA

² Gains /cash inflows related to the divestiture of several businesses in Bioscience and Small Molecules

³ Related to the acquisition of Synaffix in 2023, see note 4 of the Annual Report 2023



Remuneration

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Letter from the Chairman of the Nomination and Compensation Committee



Christoph Mäder
Chairman of the Nomination and Compensation Committee

Dear Shareholders,

In my role as Chair of the Nomination and Compensation Committee (NCC) and on behalf of its fellow members, I am pleased to introduce our 2023 Remuneration Report, which was prepared in compliance with the Swiss Code of Obligations, the SIX Exchange Regulation, the Swiss Code of Best Practice and Lonza's Articles of Association. In this report, we outline the current compensation policies and the decisions made in relation to 2023 compensation for the Executive Committee and Board of Directors of Lonza.

We are grateful for the active engagement and time with our shareholders, the investor community and proxy advisors in 2023. It helps to ensure we continue our open and transparent dialogue. Our discussions during 2023 covered matters relating to changes to the Executive Committee, Long-term Incentive Plan (LTIP) performance metrics for 2024 onwards, the simplification of our reporting and disclosures, as well as overall company developments.

2023 Performance Outcomes

Lonza presents solid 2023 performance outcomes which have benefitted the public, our shareholders and our employees. The NCC measured the 2023 Lonza Bonus performance outcomes and payout levels against the predetermined and originally set performance targets. The 2021 – 2023 LTIP performance targets were predetermined exclusive of LSI which was carved out in 2021 and so remain as originally set. Performance outcomes, and in turn payout levels, were measured against these predetermined 2021 targets.

The Group performance outcomes against all four performance measures (sales, CORE EBITDA, free cash flow and ESG) combined with individual performance, resulted in a proposed annual bonus payout at 112.4% of target for the Executive Committee. See page 182 for more details.

Overall Group performance against CORE EPS and in particular ROIC targets, measured at the end of the 2021 – 2023 performance period adversely impacted the 2021 LTIP achievement level. As a result the plan did not meet the threshold performance level to result in a plan vesting.

We explain in this report how our company performance impacts the compensation under the incentive plans for the Executive Committee.

2023 NCC Activities

The NCC performed its regular activities throughout the year, including the succession planning for the Executive Committee and Board of Directors, as well as the performance management and the determination of the compensation for the members of the Executive Committee and Board of Directors.

The NCC monitored and reviewed the relevance of the KPIs in the Lonza Bonus and LTIP plans. The NCC concluded that the existing KPIs for the Lonza Bonus plan continue to be relevant, reflecting both top and bottom line performance as well as ESG goals. Overall, the ESG goals tie compensation to annual progress against long-term environmental objectives to reduce GHG emissions, and optimize energy and water consumption, as well as expanding programs to improve our supply chain sustainability, female representation in management positions and our educational programs. This year, we promoted more measurable quantitative targets and have reduced the number of qualitative targets in total. The qualitative targets specifically are used to build the foundation for longer-term ESG initiatives, necessary to ensure continued success.

As an example, delivering a letter of commitment to the Science Based Targets initiative (SBTi) was the pre-requisite to develop and agree to industry-recognized, measurable decarbonization targets in Scopes 1, 2 and 3.

In relation to the LTIP, the NCC determined that ROIC continue to be a relevant long-term performance measure given Lonza's CAPEX strategy. Similarly, CORE EPS remains relevant to the plan as a key metric for our investors. Furthermore, the NCC decided to introduce Total Shareholder Return (TSR) relative to other companies of the SMI index as of 2024 onwards as further alignment with Shareholder interests. The defined peer group will be the SMI with a Swiss market prevalent payout curve. The three KPIs ROIC, CORE EPS and relative TSR will be equally weighted and will be measured over the three-year LTIP performance period. Further details will be provided in the 2024 Remuneration Report.

Finally, we have enhanced our reporting to comply with the new Swiss Code of Obligations and to further strengthen the transparency of our remuneration disclosure. Key updates relevant to the 2023 report include:

- setting out how Lonza's remuneration principles and policies align with the company's strategic objectives,
- presenting details of other mandates held by both the Board of Directors and the Executive Committee,
- using visual tables and charts throughout the report as well as color coding of remuneration elements to facilitate reading and understanding.

In 2023, we also simplified the Executive Committee compensation voting mechanism whilst maintaining our pay-for-performance principles. The system was amended from a three-vote approach to a two-vote approach, in line with market practice in Switzerland. The simplified two-vote approach encompasses a retrospective binding vote on the variable short-term compensation (Lonza Bonus) of the Executive Committee and a prospective vote on the maximum aggregate amount of both fixed compensation and variable long-term compensation (LTIP) of the Executive Committee for the next financial year. Full information can be found on page 174.

Changes to the Executive Committee during 2023

Our Executive Committee went through two changes in 2023. Caroline Barth, Chief Human Resources Officer (CHRO) stepped down on 30 April 2023. Ulrike Käppler has been appointed as the new CHRO with effect from 1 January 2024. On 30 September 2023, Pierre-Alain Ruffieux, Chief Executive Officer (CEO) stepped down and Albert Bæhny, the Chair of the Board of Directors, took on the additional duties of CEO *ad interim*. The Board of Directors has now appointed Wolfgang Wienand as CEO of Lonza, effective from the summer of 2024. Albert Bæhny decided not to stand for re-election at the upcoming Annual General Meeting (AGM) in May 2024 and will continue in the CEO *ad interim* role until Wolfgang Wienand commences his tenure as CEO. The Board of Directors is proposing the election of Jean-Marc Huët as the new Chair of the Board of Directors of Lonza at the 2024 AGM.

All compensation decisions relating to the appointments and departures were made in line with our Executive Compensation Appointment and Termination Policies outlined on page 176.

On behalf of the Nomination and Compensation Committee, I thank our shareholders for the continued dialogue during 2023. We respectfully ask for your endorsement of this 2023 Remuneration Report and approval of Executive Compensation that will be put forward to you at the 2024 Annual General Meeting.

Yours faithfully,
Christoph Mäder

Chair of the Nomination and Compensation Committee

2023 At a Glance

Compensation Principles



Pay for Performance – our compensation programs are performance-based linking employee reward with company and individual performance, both financial and non-financial. Non-financial targets focus on ESG measures to support the UN Sustainable Development Goals.

Drive Sustainability – our compensation programs are linked to our sustainability strategy. Strategic decisions that drive competitive advantage are encouraged but excessive risk taking is discouraged to avoid jeopardizing the financial health, reputation or sustainability of the Company. We believe in equal pay for equal work. Our compensation programs are simple, transparent and communicated internally and externally.



Create Shareholder Value – our share-based compensation encourages long-term performance and alignment of interests of our management with those of our shareholders. Our Executives are required to hold a minimum level of shares to ensure they have a stake and interest in the long term success of the company.

Drive Strategy – a strong focus on growth, sustainability and individual contribution means our incentive programs support our strategic priorities including service (right first time), scope (breadth of offerings), solutions (scientific, manufacturing, regulatory) and speed. Our competitive compensation programs are designed to attract and retain diverse talent who drive these strategic priorities.



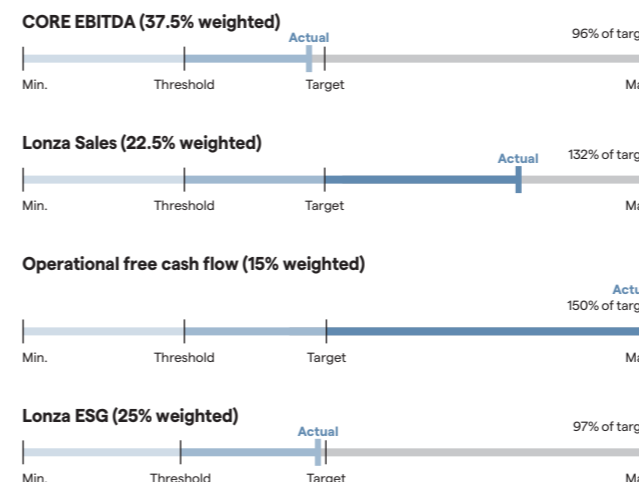
2023 Executive Committee Compensation Structure

	Fixed pay and benefits		Performance related variable pay		
	Base Salary	Pension and Benefits	Lonza Bonus	Long-term Incentive Plan (LTIP)	Lonza Restricted Share Plan (LRSP)
Purpose	Attract Market aligned payment for role	Attract and retain Protection against risk	Reward for year-over-year performance	Attract and retain Reward for long-term performance Align with shareholder interests	Attract and retain Supports Appointment Policy
Form of payment	Cash	Pension contributions Benefits, allowances and insurances	100% cash; or 50% cash and 50% equity until shareholding guidelines are met	Performance shares subject to a three-year vesting period	Restricted shares subject to a two to five year vesting period
Drivers	Role and responsibilities Skills and experience Market value	Market practice Role	Performance against annual Group financial and ESG objectives Individual goals Values and behaviors	Group performance over 3 years	Replacement award if on joining Lonza Executive forgoes certain compensation at their previous employer Level is set lower than forgone awards
Performance measures			Sales CORE ¹ EBITDA Free cash flow ESG KPIs Individual performance	CORE ¹ Earnings per share (EPS) Return on invested capital (ROIC)	Sustained performance in role Continued employment

¹ CORE results for incentive plans are adjusted for divestitures, acquisitions, restructuring and extraordinary one-time events, as well as rounding and as approved by the NCC

2023 Lona Bonus and LTIP outcomes

2023 Annual Bonus

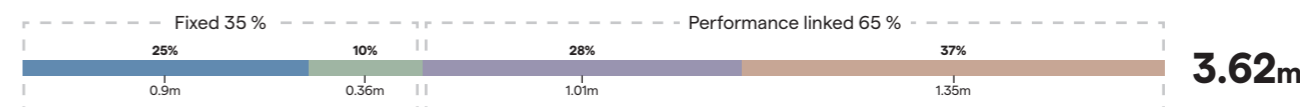


2021 – 2023 Long-term Incentive Plan

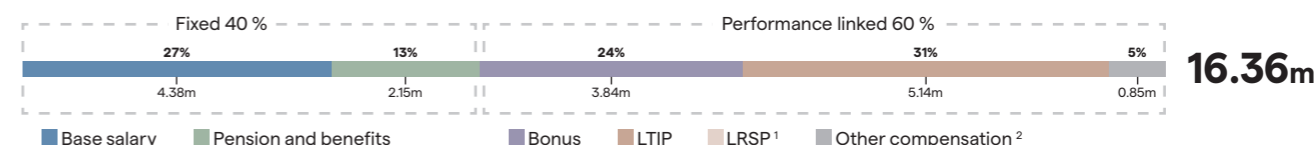


2023 Total Remuneration Paymix (CHF)

Highest Paid Member of the Executive Committee



All Executive Committee



¹ Lonza Restricted Share Unit Plan (LRSP) awards are separate from typical total compensation and are awarded at appointment and only in cases where a new Executive Committee member forgoes cash or equity at their previous employer. No awards were made in 2023.
² 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 2023

Board of Directors Compensation Policy

Compensation of Board of Directors from Annual General Meeting (AGM) 2023 to 2024 excluding social security contributions.

In CHF (gross)	Base annual fee	Committee membership fee per committee	Committee Chairperson fee
Chair of the Board of Directors¹	750,000	-	-
Member of the Board of Directors²	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 (with 3-year blocking period) and 50% in cash and paid in arrears in quarterly installments		

¹ The compensation of the Chair of the Board of Directors includes compensation as a member of the Innovation and Technology Committee of the Board of Directors
² In the case of multiple committee memberships, the committee fees are cumulated
³ The roles and responsibilities of the Lead Independent Director 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

Compensation Governance

Rules in the Articles of Association

Lonza's [Articles of Association](#) contain rules regarding the approval of compensation by the Shareholders' Meeting ([Article 22](#)), the supplementary amount in the event of changes in the Executive Committee ([Article 23](#)), compensation of the members of the Board of Directors and the Executive Committee, including the principles applicable to performance-related compensation and the allocation of equity awards ([Article 24](#)), the agreements with members of the Board of Directors and the Executive Committee ([Article 25](#)) and loans to members of the Board of Directors and the Executive Committee ([Article 27](#)).

Responsibilities of Board of Directors

The Board of Directors has the following roles and responsibilities as outlined in the [Organizational Rules](#) and [Articles of Association](#).

Responsibilities of the Nomination and Compensation Committee

The Nomination and Compensation Committee (NCC) has the following roles and responsibilities as outlined in the [Organizational Rules](#) and [NCC Charter](#). After each NCC meeting the Board of Directors is informed of the topics discussed and decisions taken. NCC meeting minutes are available to all members of the Board of Directors.

The NCC continuously reviews the aspects of executive compensation and compliance with good governance standards, giving considerations to the continuous growth and the transformation of the Company.

	NCC	Board of Directors	Annual General Meeting
Compensation strategy and design	Proposes	Approves	
Maximum aggregate compensation of the Board of Directors	Proposes	Reviews	Approves (binding vote)
Individual compensation of the members of the Board of Directors	Proposes	Approves (within the budget approved by the AGM)	
Maximum aggregate compensation for the Executive Committee	Proposes	Reviews	Approves (binding vote)
Individual compensation of the members of the Executive Committee	Proposes	Approves (within the budget approved by the AGM)	
Performance target setting and performance assessment for the purpose of incentive plans	Proposes	Approves	
Remuneration Report	Proposes	Approves	Consultative vote

Shareholders' Meeting

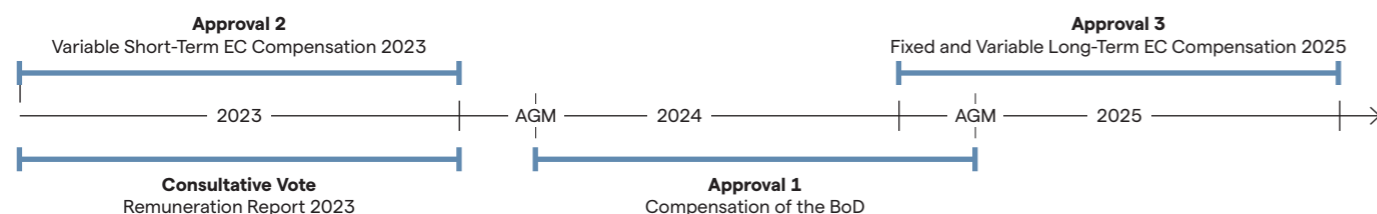
The Shareholders' Meeting approves annually the compensation of the Board of Directors and the Executive Committee in accordance with Article 22 of Lonza's Articles of Association. In relation to the Board of Directors, prospective approval is sought for the compensation of the Board of Directors from AGM to AGM.

variable short-term compensation of the Executive Committee for the prior financial year. This maintains our commitment to pay for performance.

In addition, a prospective approach is sought for the maximum aggregate amount of fixed compensation and variable long-term compensation (LTIP) for the upcoming financial year.

In relation to the Executive Committee, a simplified two-vote approach was implemented in 2023 following approval at the Annual General Meeting. Under this two-vote system, retrospective approval is sought for the aggregate amount of

This Remuneration Report shall be submitted to a consultative vote by the shareholders at the AGM 2024. The voting mechanism that will be conducted at the 2024 AGM is described below.



External Advisors

Lonza engages with external advisors on an ad hoc basis as required. In 2023, the NCC obtained external market and legal insights from PWC¹, Obermatt¹ and Blesi & Papa¹ reflecting a total cost of approximately CHF 67,000. The CHRO and relevant HR specialists support the NCC in preparing the NCC meetings and materials. These individuals have an advisory function without voting rights.

variable incentives, pension and other benefits) for Executive Committee members is benchmarked against relevant peer group(s) every two to three years or when fundamental company parameters alter (e.g. acquisition or divestment).

Market Benchmarking

Lonza reviews the total compensation of the Executive Committee, wider employees and Board of Directors through regular benchmarking analysis versus practice market, to ensure that compensation levels remain competitive and support the retention and attraction of talents. The total compensation (base salary,

Primary and secondary peer groups are used for the purpose of compensation benchmarking. The primary peer group contains European pharmaceutical, life sciences and CDMO businesses of similar size. Given the relevance to Lonza and the talent market, this peer group serves as the essential benchmark reference point. Additional secondary peer groups of European pharmaceutical businesses of varying size, Swiss companies in wider industries and US life science companies, provide market insights and a broader understanding of talent trends in relevant companies which are smaller or larger than Lonza or in key markets other than Europe.

Executive Committee benchmarking peer groups

Primary peers	Secondary peers	Swiss companies in wider industries	US life science companies
European life science businesses of similar size <ul style="list-style-type: none"> Alcon AG Eurofins Scientific SE Grifols SA H. Lundbeck A/S Hikma Pharmaceuticals Plc ICON plc Ipsen SA Merck KGaA QIAGEN NV Reckitt Benckiser Group Plc Sartorius AG Smith & Nephew Plc Sonova Holding AG Teva Pharmaceutical Industries Limited UCB SA 	European life science businesses of varying size <ul style="list-style-type: none"> AstraZeneca Plc BASF SE Bayer AG Grifols SA GSK Plc H. Lundbeck A/S Hikma Pharmaceuticals Plc Ipsen SA Merck KGaA Novartis AG Novo Nordisk A/S Perrigo Company Plc Roche Holding AG Sanofi Sartorius AG Smith & Nephew Plc Sonova Holding AG Teva Pharmaceutical Industries Limited UCB SA 	<ul style="list-style-type: none"> Alcon AG Barry Callebaut AG Bucher Industries AG Emmi AG Galencia AG Georg Fischer AG Givaudan SA Implenia AG Logitech International SA OC Oerlikon Corp AG SGS SA Siegfried Holding AG Sika AD Sonova Holding AG Straumann Holding AG Sulzer AG 	<ul style="list-style-type: none"> bbvie Inc Agilent Technologies Inc Align Technology Inc Avantor Inc Baxter International Inc Becton, Dickinson and Company Biogen Inc BioMarin Pharmaceutical Inc Bio-Rad Laboratories Inc Boston Scientific Corporation Bristol-Myers Squibb Company Catalent Inc Charles River Laboratories International Inc Danaher Corporation Dentsply Sirona Inc Elanco Animal Health Inc Eli Lilly and Company Illumina Inc Incyte Corporation IQVIA Holdings Inc Mettler-Toledo International Inc Regeneron Pharmaceutical Inc Stryker Corporation The Cooper Companies Inc Thermo Fisher Scientific Inc Vertex Pharmaceutical Incorporated Viatris Inc Waters Corporation West Pharmaceutical Services Inc Zimmer Biomet Holdings Inc Zoetis Inc

¹ PWC have further consulting arrangements with Lonza Human Resources. Obermatt and Blesi & Papa have no other consulting arrangements

Executive Committee Appointments Policy

Compensation Element	Policy
Levels and Structure	<ul style="list-style-type: none"> Total compensation and components for an incoming Executive Committee member will be directly aligned with the Executive Committee compensation structure (page 172)
Base Salary	<ul style="list-style-type: none"> The NCC will set base pay levels in a reasonable range around market level considering scope of role responsibilities, experience, skills and internal relativities If the scope of an Executive Committee member's role changes significantly the NCC may make adjustments in line with benchmark and defined budget The NCC will review Executive Committee base salary as part of the merit based annual salary review, with increases based on strong performance and proven contributions in role over a sustained period.
Incentives	<ul style="list-style-type: none"> Incoming Executive Committee members are eligible for incentive target levels in line with their role (see page 179)
Pension and benefits	<ul style="list-style-type: none"> Incoming Executive Committee members are eligible for pension and benefits in line with the wider workforce in the country in which they are employed
Replacement Awards	<ul style="list-style-type: none"> The NCC will consider making replacement awards at the commencement of the employment relationship using equity (LRSP) or cash. Such awards compensate forfeited awards at the previous employer, as a result of accepting the Lonza appointment (see page 183) Details of any such buyout award for Executive Committee members will be disclosed at the time of grant, in the relevant Remuneration Report In line with mandatory Swiss law, Lonza does not give any "golden handshakes" or sign-on awards

Executive Committee Termination Policy

The employment agreements of the Executive Committee members are in line with the below provisions.

Termination type	Treatment of compensation
Death, disability and retirement	<ul style="list-style-type: none"> Payment of base salary and benefits over the 12-month notice period, except in the case of retirement. In the case of death, this is paid out to the next of kin
Termination by the Company Without Cause	<ul style="list-style-type: none"> Pro-rata annual bonus payment relating to year of termination, measured up to the termination date (payout subject to shareholder vote at the relevant Annual General Meeting) Unvested LTIP awards will be pro-rated, based on number of months employed (including the notice period) during the 36-month performance period (this applies to all outstanding LTIP awards) and will vest on the ordinary vesting date for each plan Unvested LRSP awards will be pro-rated, based on number of months employed (including the notice period) during the relevant vesting period and will vest on the ordinary vesting date for each plan
Resignation by the Executive	<ul style="list-style-type: none"> Payment of base salary and benefits over the 12-month notice period No entitlement to annual bonus award with respect to the plan year in which the termination date occurs, except if both of the following apply: <ol style="list-style-type: none"> Termination is after 31 December of the plan year; and Executive was not released from their obligation to work during the plan year Forfeiture of all unvested LTIP / LRSP awards
Termination by the Company for Cause	<ul style="list-style-type: none"> Payment of base salary and benefits over the 12-month notice period No entitlement to annual bonus award relating to plan year in which employment is terminated Forfeiture of all unvested LTIP / LRSP awards
Change of Control ¹	<ul style="list-style-type: none"> Payment of base salary and benefits up to point of transaction if moving to new entity following transaction or up to the end of the notice period, if terminated by the Company without cause Within 18 months following a change of control, an annual bonus payment will be made on a pro-rata basis reflecting the period up to the end of the notice period. The payment will also be based on actual (to the extent that it may be determined) or presumed achievement and, if to the extent that the executive is released from an obligation to work, target achievement (100%) will be assumed Unvested LTIP / LRSP awards shall vest immediately and the granted price shall be the price at which the shares are sold in the transaction resulting in the Change of Control
Non-Compete	<ul style="list-style-type: none"> For a period of six months (for Executive Committee members) and 12 months (for the Chief Executive Officer) following the end of the notice period individuals will not be partially or fully employed by any entity that materially competes with the Company In case of a breach of the non-competition clause, the executive shall pay damages to the Company Compensation for the period of non-competition, will be a monthly consideration equal to the executive's last monthly base salary minus any new income earned in the relevant month In line with the revised Code of Obligations (art. 735 para 2) compensation will not exceed the average compensation paid to the EC Member in the three previous financial years and will only be paid when commercially justifiable The Company may elect to fully or partially release the departing Executive Committee member from the non-competition obligation no later than six months prior to the end of the notice period

¹ If employment is terminated by the Company without cause or an Executive Committee member terminates the employment due to good reason, as outlined in employment agreement

Clawback and Malus

The Lonza Clawback and Malus Policy applies to Executive Committee members and covers all new, future and outstanding variable compensation including Lonza Bonus, LTIP and LRSP awards. In instances of gross misconduct, material breach of duties, violation of code of conduct, material misstatement of and error in calculation of performance (company or personal), the Clawback and Malus policy allows Lonza to recover any relevant compensation from Executive Committee members and / or to forfeit or reduce in whole, or in part, any future awards or payments.

The clawback and malus period applies until the third anniversary of the vesting date.

Shareholding Guidelines

Executive Committee members and other senior managers requirements must meet minimum shareholding to strengthen their alignment with our shareholders' interests. The minimum shareholding levels must be achieved within a specified five-year period which begins on the date of commencing the relevant role. Progress towards achieving the guideline levels is measured in January of each calendar year.

CEO	300% of base salary
Other Executive Committee members	200% of base salary
Other senior managers	Annual LTIP grant value

The NCC periodically reviews the minimum shareholding requirements. No changes were made to the guidelines during 2023.

Executive Committee Performance Management Annual Process

Executive Committee members are subject to a performance management process, broadly aligned with the process for the wider organization. The NCC works to set robust targets to drive sustainable results. Both personal goals and group wide goals (financial and ESG) are set after iterative reviews and are ultimately approved by the Board of Directors.

At year-end, a performance assessment takes place. Each Executive Committee member conducts a self-assessment of their performance, considering the deliverables of their role, including divisional financial targets and company-wide ESG targets, achievement of annual personal goals, and values and behaviors. A discussion is held between each Executive Committee Member and the CEO who recommends a performance rating for NCC endorsement. The Executive Committee members are not present during NCC meetings when their own performance and compensation is discussed.

The Chair of the Board of Directors assesses the performance of the CEO, including: a review of company targets set at the beginning of the year (financial and ESG), personal goals and values and behaviors, in order to determine a performance rating approved by the NCC. The CEO is not present during the section of the NCC meeting when their own performance and compensation is discussed.

1. Target Setting

- Group (financial and ESG) targets proposed to the Board with inputs from relevant functions. A robust iterative review process ensures targets are stretching to drive competitive advantage, whilst discouraging excessive risk taking
- Personal goals are proposed by each EC Member, including values and behaviors
- CEO sets personal goals with the Chair of the Board. Other EC members set goals with CEO

2. Year-end Performance Assessment

Company Performance

- Outcomes for financial and ESG measures are calculated against each weighted metric considering constant exchange rates and result in a company performance factor

Personal Performance

- EC members conduct self-assessment
- CEO performance assessed by the Chair of the Board to determine a performance rating considering a review of company targets set at the beginning of the year (financial and ESG), personal goals, and values and behaviors
- EC Member performance is assessed by the CEO to determine a performance rating considering deliverables of their role including: Divisional financial targets and company-wide ESG targets, achievement of annual personal goals and, values and behaviors
- The personal performance assessment may result in a rating of Outstanding Performance (exceptional contributions and performance over and above expectation and exemplifying Lonza's values and behaviors), Successful Performance (strong performance in line with expectation and having delivered defined goals), or Developing Performance (performing generally in line with expectations yet may not have fully delivered defined goals or had effective business impact)
- CEO and EC ratings are calibrated and endorsed by NCC resulting in a formulaic non-discretionary personal performance factor as outlined on page 179

3. Determining CEO and EC Compensation

- Annual bonus outcomes are formulaic (using the company and personal performance factors) and are submitted to the AGM
- Long-term incentive outcomes are formulaic based on outcomes of the relevant financial metrics
- Base salary is reviewed by NCC in line with performance, market benchmarks, internal relativities, experience and scope of role, and is submitted to the AGM

Compensation of the Executive Committee 2023



Base Salary

Objective and overview	<ul style="list-style-type: none"> • Paid as a fixed cash amount • Basis for total compensation (incentives target amounts set in percentage of base salary) • Reviewed annually, taking into consideration the scope and responsibilities of the position, market benchmark and base salary increase made across the Company, as well as the personal performance of the individual • May be adjusted in case of change in scope of role
2023 implementation	<ul style="list-style-type: none"> • Base salary for those appointed to the Executive Committee during 2023 was set taking in consideration the experience of individual and relevant market levels • Base salary for existing Executive Committee members was not adjusted during 2023

Benefits

Objective and overview	<ul style="list-style-type: none"> • Complement the total compensation offering on a country or market specific basis • Includes risk benefits such as retirement, life, health insurance and medical allowance, as well as perquisites such as transportation allowance and expense allowance
2023 implementation	<ul style="list-style-type: none"> • Administered in line with country benefit policies • Provided to Executive Committee members on the same terms as the wider workforce in the country in which they are employed

Lonza Bonus

Objective	A reward for year-over-year performance, providing potential for an annual bonus payment based on Group and personal performance			
Overview and pay out method	Bonus performance conditions are defined for each financial year ahead of the relevant annual bonus cycle based on the company's short-term objectives, and include a mix of financial, ESG and individual goals			
	Annual bonus target amount	Company performance factor	Personal performance factor	Bonus award
		<ul style="list-style-type: none"> • Sales • CORE¹ EBITDA • Free Cash Flow • ESG KPIs 	<ul style="list-style-type: none"> • Personal factor based on personal performance rating considering delivery of: role deliverables; annual goals; values and behaviors, results in a formulaic non-discretionary pay out percentage 	<ul style="list-style-type: none"> • Bonus award is paid 100% in cash or, 50% cash and 50% shares if shareholding guidelines have not been met
Levels	<p>CEO 100% of base salary at-target</p> <p>Other Executive Committee members 75% of base salary at-target</p>	0 - 150% of target	<ul style="list-style-type: none"> • Unsatisfactory 0 - 40% • Developing Performer 80% • Successful Performer 100% • Outstanding Performer 130% 	Realized bonus award ranges from 0 - 195% of target
2023 company performance conditions	The 2023 annual bonus was based on Company performance and personal performance measures with financial and ESG performance results derived from the audited 2023 results. These financial KPIs measures were selected to reflect company performance holistically considering topline revenue generation as well as bottom line operational efficiencies, cost and expense management. They are coupled with ESG goals which are outlined in the following section.			
Definition	Sales Measures revenue generated	CORE¹ EBITDA Measures Group operating performance and profitability	Free Cash Flow Measures the company's ability to generate cash	ESG Measures the company's contribution to seven UN Sustainable Development Goals
Weighting	22.5%	37.5%	15.0%	25.0%

¹ CORE results for incentive plans are adjusted for divestitures, acquisitions, restructuring and extraordinary one-time events and as approved by the NCC including rounding



Environmental, Social and Governance (ESG)

Lonza has prioritized seven of the United Nations Sustainable Development Goals as the most relevant to our purpose of supporting a healthier world through supporting our customers to bring medicines and therapies to patients, investing in the development of our people and reducing the environmental impact of our operations and supply chain. This commitment is anchored in our annual bonus for the Executive Committee and the wider employee population, with the equally weighted targets set out below. The Executive Committee have a collective responsibility for the achievement of the ESG goals and each member sponsors one of the goals to ensure a dedicated focus.

2023 pay out factor

ESG

2023 Achievement (% of target)						
Sustainable Development Goal	Objective Description	2023 Achievements	Threshold	Target	Maximum	Payout
3. Good Health and Wellbeing	Lonza contributes to the wellbeing of the world and global society, measured by the satisfaction of our customers who bring medicines and therapies to patients	Customer satisfaction for our products and services offerings increased 5.5 points year over year				96%
	Annual progress on our ESG roadmap	We improved our ESG risk management, governance and reporting by enhancing our TCFD risk assessment process to include site-level climate scenario planning and improving supply chain programs				100%
13. Climate Action	Annual progress in reducing Scope 1 and 2 emissions with the long-term goal of cutting our GHG emissions by half by 2030	While absolute emissions increased slightly year over year due to the growth of our business, we developed roadmaps to reduce Scope 1 and 2 emissions in the mid – long term. Our emissions intensity (tons of CO ₂ /m CHF) decreased year over year				63%
	Enhancement of roadmap and commitment to reduce Scope 1 and 2 emissions	Priority sites further developed plans identifying projects to reduce emissions in mid to long term We completed our analysis and strategic plan to reduce Scope 1 and 2 emissions, resulting in delivering our commitment to Science Based Targets initiative (SBTi) by H2				125%
5. Gender Equality	Annual progress towards our long-term ambition of having 35% of females in management positions by 2035	We increased the percentage of females in management positions by 1% year over year				85%
4. Quality Education	Lonza supports the learning and development of its employees, measured by their satisfaction of such opportunities and programs	Our focus on education continued throughout the year with a communication campaign and the development of a single entry point for our learning platforms. Nonetheless, employee satisfaction related to learning and development decreased by 1 point year over year				0%
6. Clean Water and Sanitation	Annual progress towards reducing industrial water intensity by 50% by 2030	We reduced industrial water intensity (m ³ /m CHF) by more than 10% year over year				130%
12. Responsible Consumption and Production	Lonza improves ESG along its supply chain	We strengthened our child labor and conflict minerals due diligence programs, continued our progress on performing sustainability evaluations for our suppliers, as well as supplier engagement in support of our commitment to Scope 3 decarbonization				125%
	Enhancement of roadmap and commitment to reduce Scope 3 emissions	We completed our analysis and plan for reduction in Scope 3 emissions, which resulted in the delivery of a commitment to Science Based Targets initiative (SBTi) by H2, with a target to engage with our suppliers in setting Scope 3 emissions reduction targets				150%
9. Industry, Innovation and Infrastructure	Lonza further reduces the environmental impact of our operations through innovation for efficiency in growth projects and investments	We implemented improved Sustainable Design Standards for all large capital expansion and refurbishment projects worldwide. These standards incorporate the best solutions in terms of reducing energy consumption, GHG emissions, water consumption and waste production into our assets for the most common utilities				100%
Total ESG Factor						97%

Overall Company Performance

2023 Group performance targets and outcomes

	Weighting	Target	Maximum	Actual	2023 Payout (% of target)
Lonza Sales	22.5%	6,578	6,878	6,772	132%
CORE ¹ EBITDA	37.5%	2,008	2,123	1,997	96%
Free Cash Flow	15.0%	1	116	353	150%
Lonza ESG	25.0%				97%
Total Company Performance Factor	100%	-	-	-	112.4%

¹ CORE results for incentive plans are adjusted for divestitures, acquisitions, restructuring and extraordinary one-time events and as approved by the NCC including rounding

The 2023 annual bonus will be paid to eligible Executive Committee members in May 2024 subject to shareholder approval at the 2024 Annual General Meeting.

CEO Personal Performance

In addition to company financial and ESG targets, the CEO also has personal objectives. The overall holistic personal performance factor is determined by considering performance against goals, as well as overall contributions and demonstration of Lonza values and behaviors.

Overall holistic assessment

During his tenure, the Board assessed that the CEO navigated external challenges including exchange rate impacts to deliver global capacity expansion in line with business strategy and the LBMS operational excellence agenda both of which supported the continued solid growth of the company. However, the CEO did not fulfil the broader defined expectations of the Board.

Personal Performance Factor in line with the Executive Committee Termination Policy (page 176)	100%
CEO Overall Pay-out Factor	112.4%

Long-term Incentive Plan (LTIP)

Objective and overview	<ul style="list-style-type: none"> Part of variable compensation, the LTIP aligns the interests of participants with those of Lonza's shareholders. It also contributes towards the offering of a competitive total reward package Executive Committee members are awarded the conditional right to receive a number of Lonza shares in the future, provided that performance conditions are achieved over a three-year performance period The LTIP plan design and performance targets are determined at the beginning of each three-year performance period 																												
Levels	<ul style="list-style-type: none"> CEO: 150% of base salary at target Other Executive Committee members: 125% of base salary at target Minimum payout is 0% of target levels Maximum payout is up to 200% of target levels 																												
Payout ranges	Payout ranges from 0% to 200% of target opportunity levels																												
	<table border="1"> <thead> <tr> <th>Performance</th> <th>Payout (% of target)</th> </tr> </thead> <tbody> <tr> <td>Minimum</td> <td>0%</td> </tr> <tr> <td>Threshold</td> <td>50%</td> </tr> <tr> <td>Target</td> <td>100%</td> </tr> <tr> <td>Maximum</td> <td>200%</td> </tr> </tbody> </table>	Performance	Payout (% of target)	Minimum	0%	Threshold	50%	Target	100%	Maximum	200%																		
Performance	Payout (% of target)																												
Minimum	0%																												
Threshold	50%																												
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Maximum	200%																												
Performance Conditions	CORE ¹ EPS and ROIC, each weighed 50%. These KPI's align the interests of the Executive Committee with Lonza's long-term performance and thus the interests of our shareholders.																												
2021 LTIP award – performance conditions and payout	<p>The 2021 LTIP award was granted in 2021</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">2021-2023 LTIP performance</th> <th rowspan="2">2023 Payout (% of target)</th> </tr> <tr> <th>Weighting</th> <th>Target</th> <th>Maximum</th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td>CORE¹ EPS (earnings per share)</td> <td>50%</td> <td>16.9</td> <td>23.7</td> <td>14.0</td> <td>0%</td> </tr> <tr> <td>ROIC (return on invested capital)</td> <td>50%</td> <td>11.4%</td> <td>16.0%</td> <td>8.9%</td> <td>0%</td> </tr> <tr> <td>Total</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>0%</td> </tr> </tbody> </table> <p>This resulted in a payout of 0% of target LTIP levels for Executive Committee members with this award</p>		2021-2023 LTIP performance				2023 Payout (% of target)	Weighting	Target	Maximum	Actual	CORE ¹ EPS (earnings per share)	50%	16.9	23.7	14.0	0%	ROIC (return on invested capital)	50%	11.4%	16.0%	8.9%	0%	Total	-	-	-	-	0%
	2021-2023 LTIP performance				2023 Payout (% of target)																								
	Weighting	Target	Maximum	Actual																									
CORE ¹ EPS (earnings per share)	50%	16.9	23.7	14.0	0%																								
ROIC (return on invested capital)	50%	11.4%	16.0%	8.9%	0%																								
Total	-	-	-	-	0%																								
2022 LTIP award	The 2022 LTIP award was granted in 2022 and will vest in early 2025 following a three year performance period. Full details were provided in the Remuneration Report 2022																												
2023 LTIP award – grant	<p>Overview The 2023 LTIP budget value for the Executive Committee was approved by the Board of Directors and submitted to the 2023 AGM. Following shareholder approval at this meeting, the awards were subsequently administered. Similar to previous years, the 2023 LTIP awards include minimum, threshold, target and stretch goals, as outlined in the table above.</p> <p>Performance measures 2023 and target setting 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 January 2023. They are commercially sensitive at this time and will not be disclosed publicly until after the awards have vested.</p> <p>CORE¹ EPS EPS (Earnings per share) is defined as CORE net income divided by the average number of outstanding shares and measures profitability. The 2023 LTIP award threshold performance level was determined to be 98% of the CORE EPS threshold performance level for the 2022 LTIP award. The 2023 LTIP maximum performance level was determined to be above the 2028 Guidance and is a double-digit percentage figure above threshold performance levels.</p> <p>ROIC ROIC (return on invested capital) is defined as adjusted net operating profit after tax divided by average invested capital. This measures the return the company generates on its investments for both organic, and inorganic expansion. The 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 2023 LTIP award threshold performance level was determined to be 98% of the ROIC threshold performance level set for the 2022 LTIP award. The maximum performance level was determined to be above the 2028 Guidance and is close to a double-digit percentage figure above threshold performance levels.</p>																												

¹ CORE results for incentive plans are adjusted for divestitures, acquisitions, restructuring and extraordinary one-time events and as approved by the NCC

Lonza Restricted Share Plan (LRSP)

Objective, overview and performance measures	<ul style="list-style-type: none"> A replacement award instrument for Executive Committee members awarded solely at the commencement of the employment relationship if certain compensation is forfeited at their previous employer as a result of joining Lonza. It is used as a vehicle to support the Executive Committee Appointments Policy and replicates existing vesting schedule at previous employer Two to five-year time-based vesting period, depending on the structure of the forgone compensation Replacement awards subject to continued employment and sustained performance in role
Levels	<ul style="list-style-type: none"> Levels set less than forgone awards, considering, but not limited to, previous employer variables such as historical company performance, volatility and the equity instrument
Payout method	<ul style="list-style-type: none"> 100% equity following a two to five-year time-based vesting period
2023 Implementation	<ul style="list-style-type: none"> No LRSP awards were made to Executive Committee Members in 2023

The LTIP and LRSP plans outlined above are the only share-based programs provided.

Highest Compensation Paid to a Member of the Executive Committee

The table below shows the breakdown of compensation for Pierre-Alain Ruffieux, CEO, as the highest-paid Executive Committee member in 2023 including compensation received as an active member of the Executive Committee and compensation received in relation to the contractual notice period falling in 2023, (1 October – 31 December 2023).

The higher total remuneration in 2023 is driven solely by the higher company performance factor under the Annual Bonus plan, see page 182 for details. The base compensation, pension, benefits and LTIP grant value remained unchanged from 2022 to 2023.

The fixed and variable long-term compensation budgets are based on shareholders' approval during the 2023 Annual General Meeting.

Million CHF (gross)	2023	2022
Fixed pay		
● Base salary	0.90	0.90
● Pension and benefits ¹	0.36	0.35
Variable pay		
● Lonza Bonus (cash) ²	1.01	0.92
● Lonza Bonus (shares) ²	0.00	0.00
● LTIP (grant value) ³	1.35	1.35
● LRSP (grant value)	0.00	0.00
● Other compensation	0.00	0.00
Total remuneration	3.62	3.52

¹ The disclosed amounts on this line represent the full costs of employer contributions for social security and pension fund for 2023 and 2022. For 2023 the employer pension contributions were CHF 0.11m (2022: CHF 0.10m)

² For those Executive Committee Members who are yet to reach the minimum shareholding, the 2023 Lonza Bonus will be paid out 50% in cash and 50% in shares (individual exceptions reserved subject to NCC approval)

³ The fair value in 2023 and 2022 was calculated using base salary and market value at grant date (31 January 2023 and 31 January 2022)

Aggregate Compensation of the Executive Committee

The table below shows the aggregated breakdown of all compensation provided to Executive Committee members¹ in 2023 and 2022.

Million CHF (gross)	2023	2022
Fixed pay		
● Base salary ²	4.38	4.01
● Pension and benefits ³	2.15	2.00
Variable pay		
● Lonza Bonus (cash) ^{4, 5}	2.82	2.42
● Lonza Bonus (shares) ⁶	1.02	0.74
● LTIP (grant value) ⁷	5.14	5.42
● LRSP (grant value) ⁸	0.00	1.02
● Other compensation ⁹	0.85	0.98
Total	16.36	16.59

¹ 8.25 members in 2023 and 7.3 members in 2022. Christian Seufert, Maria Soler Nunez and Daniel Palmacci became Executive Committee members on 1 July 2022, 1 August 2022 and 1 November 2022 respectively. Stefan Stoffel retired from the Executive Committee on 1 August 2022 with notice period to 31 July 2023 and his departure was treated in accordance with contractual obligations and applicable plan rules. Caroline Barth stepped down from the Executive Committee on 30 April 2023 with notice period to 30 December 2023. Pierre-Alain Ruffieux stepped down from the Executive Committee on 30 September 2023 with notice period to 30 September 2024. Albert Baehny was appointed as CEO *ad interim* from 1 October 2023

² Base salary levels paid for the periods when individuals were members of the Executive Committee during 2023 and 2022. 2023 includes pro-rated payment to Mr Baehny to the equivalent of CHF 500,000 per annum for the added responsibility of the CEO *ad interim* role

³ Social security, pension fund and other benefits. The disclosed amounts represent the full costs of employer contributions for social security and pension fund amounts for 2023 and 2023. For 2023 the employer pension contributions were CHF 0.85m (2022: CHF 0.66m). The table includes the fair value of the other benefits as well

⁴ The Company performance factor for 2023 was 112.4% (2022: 102%) and the rounded average personal factor for the EC Members was 101% (with personal performance ratings ranging from Developing, Successful and Outstanding performance). Payouts will be made with the first possible payroll after shareholders' approval at the 2024 AGM

⁵ All active Executive Committee members as at 31 December 2023, with the exception of one member (who has met the requirement), are developing their shareholding in line with the shareholding guidelines

⁶ For those Executive Committee members who are yet to reach the minimum shareholding, the 2023 Lonza Bonus will be paid out 50% in cash and 50% in shares (individual exceptions reserved subject to NCC approval)

⁷ The fair value in 2023 and 2022 was calculated using base salary and market value at grant date (31 January 2023 and 31 January 2022)

⁸ In line with the Executive Committee Appointments Policy (see page 176), replacement awards at the commencement of the employment relationship were made in 2022 to Executive Committee members (M Soler Nunez and C Seufert) under the Lonza Restricted Share Unit Plan (LRSP) compensated for equity awards which were forfeited when leaving the previous employer. These awards were made in accordance with Article 23 (Supplementary Amount in the Event of Changes in the Executive Committee) of Lonza's Articles of Association. The fair value at grant was calculated using the three trading day average closing share price prior to the grant date. The awards will vest after two and three year periods, subject to continued employment, sustained performance and clawback and malus, under the Clawback and Malus Policy. See page 183 for full details on the award

⁹ 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 2023 and 2022 in line with contractual obligations. Also includes a replacement award cash payment to an Executive Committee member (C Seufert) at the commencement of the employment relationship in lieu of forfeited annual bonus at their previous employer

The aggregated base salary levels increased by 9% in 2023 (as compared to a 12% increase in 2022). There were no changes to base salary levels, the increase is primarily a result of the *ad interim* payment to the CEO *ad interim* and as three Executive Committee members completed a full year, as compared to only a partial year with pro-rated compensation in 2022. There were 8.3 active Executive Committee members in 2023 compared to 7.3 active Executive Committee members in 2022, reflecting the portion of time held by Executive Committee members during each year.

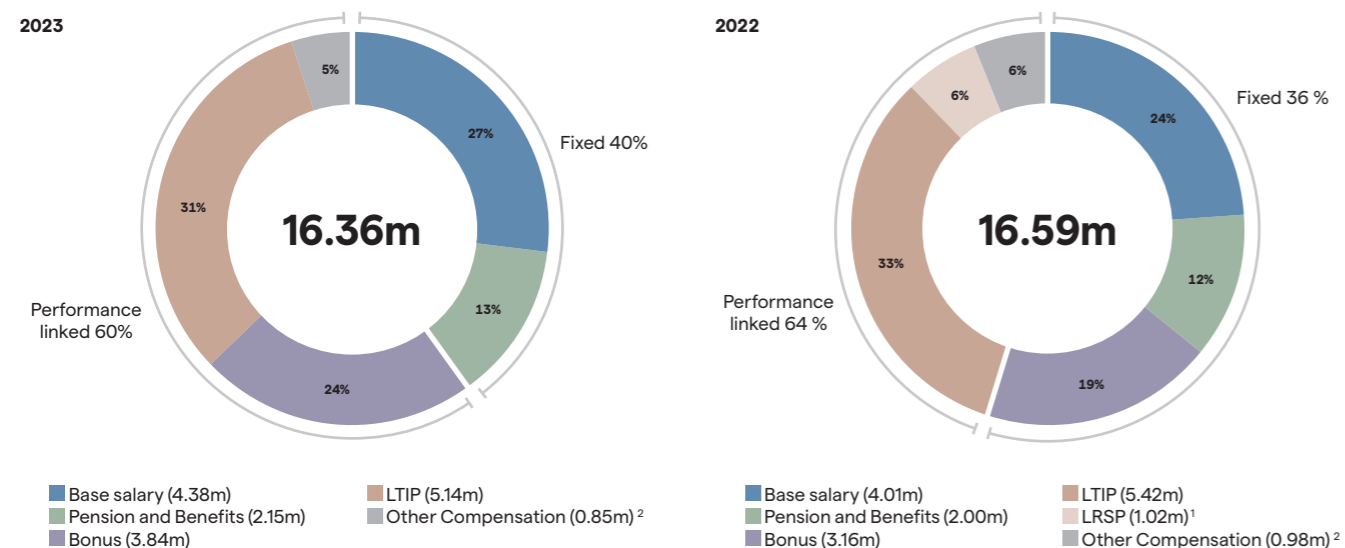
The proposed payments under the Lonza Bonus for 2023 are reflective of the 2023 Group financial and ESG performance, as outlined on page 181 – 182 of this report. The Company performance factor of 112.4% combined with varying personal factors resulted in a proposed average total payout of 113% of target for Executive Committee members. The aggregated bonus payments increased compared to 2022 as a result of the higher Company performance factor and a higher number of Executive Committee members eligible (8.6 as compared to 7.5 in 2022). The CEO *ad interim* is not eligible to participate in the Lonza Bonus plan.

The aggregated 2023 LTIP grant value decreased compared to 2022. There was no change to policy levels during 2023. Despite the higher number of Executive Committee members eligible (8.6 in 2023 as compared to 7.7 in 2022), the decrease arises from the lower market value at the grant date. The CEO *ad interim* is not eligible to participate in the LTIP plan.

Lonza Bonus of CHF 4.3m for active and departed EC Members (inclusive of social security) will be subject to shareholders' approval at the 2024 AGM. Fixed compensation of CHF 6.53m is within the amount of CHF 6.71m approved at the 2023 AGM. The LTIP grants in the amount of CHF 5.14m are within the amount of CHF 12.1m approved at the 2023 AGM.

No loans or credits were outstanding as of 31 December 2023. During 2023, no payments (or waiver of claims) other than those disclosed in this report were made to current or departed Executive Committee members, nor to persons closely linked to them. No member of the Executive Committee benefits materially from any contract between a Lonza company and a third party.

2023 fixed versus variable pay mix



¹ Lonza Restricted Share Unit Plan (LRSU) awards are separate from typical total compensation and are awarded only in cases where a new Executive Committee member forgoes cash or equity at their previous employer. See the 2022 Remuneration Report for details of the award made in 2022
² 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 2023 and 2022

Appointments to the Executive Committee in 2023

Albert Baehny was appointed as CEO *ad interim* and member of the Executive Committee effective 1 October 2023. The NCC determined that from 1 October 2023 until the time a successor to the CEO role is appointed, Mr Baehny will receive the equivalent of CHF 500,000 per annum for this added responsibility which will be delivered as monthly cash payments. This is in addition to the CHF 750,000 fee received as Chair of the Board of Directors. All relevant compensation for this *ad interim* appointment is included in the Aggregate Compensation of the Executive Committee table on page 185. Details of Mr Baehny’s Board fee are in section 5 of this report Compensation of the Board of Directors 2023, page 188.

Ulrike K ppler has been appointed as the new CHRO with effect from 1 January 2024.

Payment to Departed Executive Committee Members in 2023

Stefan Stoffel stepped down as Head, Group Operations and Member of the Executive Committee on 31 August 2022.

Rodolfo Savitzky stepped down as Chief Financial Officer and Member of the Executive Committee on 20 November 2021. Their departures continues to be treated in accordance with contractual obligations and in line with applicable plan rules, including the Executive Committee Termination Policy.

No other payments (or waiver of claims) were made to former Executive Committee members in 2023.

Compensation Compared to the Lonza Workforce

Executive Committee members did not receive a base salary increase in 2023. In comparison, eligible employees in the wider Lonza workforce in Switzerland received an average base salary increase of 2.0% as part of the annual salary review in April 2023. As the Executive Committee is primarily Swiss based, comparison is made to Swiss based employees. Any workforce representation wider than this would not enable a fair comparison due to varying inflation, currency exchange and market levels across the world.

Compensation of the Board of Directors 2023

Policy

Objective and Market Benchmarking

The Board of Directors reviews the compensation of its members in general on a biennial basis, including the Chair, based on a proposal by the Nomination and Compensation Committee, including relevant benchmarking information. In 2023 there was no change to the Chair or committee fees which are set in line with 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 (market capitalization) and global presence to Lonza. The peer group comprises ABB Ltd, Richemont SA, Givaudan SA, K hne + Nagel AG, Sika AG, Alcon AG, Schindler AG, LaFarge SA, Straumann Holding AG, Swisscom AG, Sonova Holding AG, Geberit AG and SGS SA.

Structure and Level of Compensation

The Chair of the Board of Directors and its members receive their compensation 50% in cash and 50% in restricted shares (blocking period of three years). Compensation is paid in quarterly installments. 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.

Compensation Components

For the period from the 2023 AGM to the 2024 AGM, the members of the Board of Directors receive fixed gross compensation for Board of Directors’ membership and additional compensation for Committee Chair and committee members as described in the table below. The compensation of the Chair of the Board of Directors includes compensation as a member of the Innovation and Technology Committee of the Board of Directors. The additional responsibilities of Vice-Chair do not attract any additional fees.

Compensation of Board of Directors from 2023 Annual General Meeting (AGM) to 2024 AGM (excluding social security contributions)

In CHF (gross)	Base annual fee	Committee membership fee per committee	Committee Chair fee
Chair of the Board of Directors¹	750,000	-	-
Member of the Board of Directors²	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 (with 3-year blocking period) and 50% in cash and paid in arrears in quarterly installments		

¹ The compensation of the Chair of the Board of Directors includes compensation as a member of the Innovation and Technology Committee of the Board of Directors

² In the case of multiple committee memberships, the committee fees are cumulated

³ The roles and responsibilities of the Lead Independent Director 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

Implementation

The Board of Directors compensation approved by shareholders reflects the July to June period (12 months) following each AGM. As such, any year-on-year change for this period impacts the financial years within which this period falls. The compensation disclosed in the Remuneration Report includes the respective calendar year (January to December). However, shareholders approve the compensation for the period AGM to AGM. At the 2023 AGM, shareholders approved an aggregate maximum compensation amount of CHF 2.9m for the Board of Directors

for the period from the 2023 AGM to the 2024 AGM. This compensation period is not completed yet. At the 2022 AGM, shareholders approved an aggregate maximum compensation amount of CHF 2.92m for the Board of Directors for the period from the 2022 AGM to the 2023 AGM. The compensation effectively paid for this period was CHF 2.74m and is therefore within the approved limits. Compensation levels for the 2024 to 2025 AGM period are disclosed in the 2024 AGM invitation.

Board of Directors Compensation¹

In CHF	2023					2022				
	Net cash payment	Number of shares	Value of shares ²	Social security and taxes ³	Total	Net cash payment	Number of shares	Value of shares ²	Social security and taxes ³	Total
Albert M. Baehny ⁴	339,312	836	373,682	71,375	784,369	322,479	702	354,605	67,541	744,625
Werner Bauer ⁵	n/a	n/a	n/a	n/a	n/a	31,828	52	34,601	6,344	72,773
Dorothee Deuring ⁵	n/a	n/a	n/a	n/a	n/a	31,063	52	34,601	7,332	72,996
Marion Helmes ⁶	64,952	267	119,329	55,048	239,329	48,867	187	88,771	41,133	178,771
Angelica Kohlmann ⁷	142,941	356	159,205	32,624	334,770	133,150	296	149,104	31,435	313,689
Christoph Mäder ⁷	142,941	356	159,205	32,624	334,770	137,633	303	153,762	32,425	323,820
Roger Nitsch ⁶	106,836	267	119,329	24,835	251,000	79,790	187	88,771	18,930	187,491
Barbara Richmond ⁷	69,050	310	138,521	108,724	316,295	66,759	264	133,909	99,269	299,937
Jürgen Steinemann	64,952	267	119,329	55,047	239,328	65,081	232	118,714	54,919	238,714
Olivier Verscheure	106,836	267	119,329	24,834	250,999	106,370	232	118,714	25,273	250,357
Total	1,037,820	2,926	1,307,929	405,111	2,750,860	1,023,020	2,507	1,275,552	384,601	2,683,173

¹ Total compensation amounts refer to gross payments, including social security and withholding tax, except where stated otherwise

² The fair values were calculated using the average closing share price of the last five business days of each quarter, see note 24 in the Financial Report

³ The social security amounts disclosed in this column represent the full costs of the employer and employee social security contributions and withholding tax

⁴ This compensation includes Albert Baehny's membership of the Innovation and Technology Committee

⁵ Werner Bauer and Dorothee Deuring did not stand for re-election at the 2022 AGM

⁶ Marion Helmes and Roger Nitsch were appointed to the Board of Directors at the 2022 AGM

⁷ Angelica Kohlmann, Christoph Mäder and Barbara Richmond are Chair of a Board of Directors' Committee

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 2023: 27,187 (2022: 23,077)¹ registered shares of Lonza Group Ltd and controlled <0.1% (2022: <0.1%) of the share capital.

Executive Committee

The members of the Executive Committee and parties closely associated with them held, as of 31 December 2023: 7,263 (2022: 7,507)¹ shares and controlled <0.1% (2022: <0.1%) of the share capital. The individual control rights are proportional to the holdings shown below. In addition they hold unvested equity rights as outlined in the table below. These will vest only in line with the LTIP and LRSP plan parameters (see page 183).

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

Board of Directors¹

	Numbers of shares	
	2023	2022
Albert M. Baehny	5,632	4,857
Marion Helmes ²	369	122
Angelica Kohlmann	1,643	1,313
Christoph Mäder	4,289	3,959
Roger Nitsch ²	369	122
Barbara Richmond	4,171	3,884
Jürgen Steinemann	9,196	7,549
Olivier Verscheure	1,518	1,271
Total	27,187	23,077

¹ Board of Director members, 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 Marion Helmes and Roger Nitsch were appointed to the Board of Directors at the 2022 AGM

Executive Committee^{1,2}

	Shareholding		Unvested equity rights (LTIP / LRSP)	Total 31 December 2023	Total 31 December 2022
	2023	2022			
Pierre-Alain Ruffieux ³				n/a	14,433
Caroline Barth ⁴				n/a	5,744
Gordon Bates	2,404		2,366	4,770	4,535
Philippe Deecke	2,327		3,924	6,251	4,359
Jean-Christophe Hyvert	2,100		3,489	5,589	5,652
Daniel Palmacci ⁵	58		1,832	1,890	704
Christian Seufert ⁶	238		2,744	2,982	1,663
Maria Soler Nunez ⁷	136		2,851	2,987	1,770
Total	7,263		17,206	24,469	18,683

¹ Executive Committee member, 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 All active Executive Committee members, with the exception of one member (who has met the requirement), are developing their shareholding in line with the shareholding guidelines

³ Pierre-Alain Ruffieux stepped down from the Executive Committee on 30 September 2023

⁴ Caroline Barth stepped down from the Executive Committee on 30 April 2023

⁵ Daniel Palmacci appointed to the Executive Committee on 1 November 2022

⁶ Christian Seufert appointed to the Executive Committee on 1 July 2022

⁷ Maria Soler Nunez appointed to the Executive Committee on 1 August 2022

Mandates of the Members of the Board of Directors and the Executive Committee

Board of Directors

Current mandates in for-profit companies and other organizations

Albert M. Baehny	<ul style="list-style-type: none"> Member of the Board of Directors of Investis Group Holding SA (since 2016) 	<ul style="list-style-type: none"> Chairman of the Board of Directors of Geberit AG (since 2011)
Marion Helmes	<ul style="list-style-type: none"> Member of the Board of Directors, Chair of the Audit Committee of Heineken N.V. (since 2018) Member of the Board of Directors, Chair of the Audit Committee of Siemens Healthineers AG (since 2018) 	<ul style="list-style-type: none"> Vice Chair, Member of the Presiding, Compensation and Audit and Finance Committee of ProSiebenSat.1 Media SE (2014 – 2023)
Angelica Kohlmann	<ul style="list-style-type: none"> Member International Advisory Board IE University and Business School, Madrid (since 2017) Chairperson Board of Directors, Bloom Diagnostics AG (since 2018) Chairperson Board of Directors, Kohlmann & Co AG (since 2013) 	<ul style="list-style-type: none"> Chairperson of the Advisory Board Peter Drucker Society Europe / Global Peter Drucker Forum, Vienna (since 2009) Board Observer Teralytics (2017 – 2023)
Christoph Mäder	<ul style="list-style-type: none"> Member of the Board of EMS Chemie Holding AG (2018 – 2023) Member of the Bank Council, Swiss National Bank (since 2021) Member of the Board of Directors Baloise Holding AG (since 2019) President of Economiesuisse (since 2020) Member of the Board of Directors Assivalor AG (since 2019) Member of the Advisory Board of Accenture Switzerland (since 2019) 	<ul style="list-style-type: none"> Partner at the law firm Becker-Gurini-Partner (since 2019) Member of the Council of Schweizer Jugend forscht (since 2018) Member of the Advisory Board of Vereinigung Schweizerischer Unternehmen in Deutschland (since 2016) Member of the Advisory Board of Loeba GmbH (since 2014)
Roger Nitsch	<ul style="list-style-type: none"> CEO and President of the Board of Directors of Neurimmune Group (since 2006) Member of the Advisory Board of PUREOS Bioventures (since 2017) Member of the Board of Directors of NOVAGO Therapeutics AG (since 2015) 	<ul style="list-style-type: none"> Member of the Board of Directors of INTEGRA Biosciences Holding AG (since 2002) Professor at University of Zurich (part-time since 2018) Institute for Regenerative Medicine (1998 – 2024)
Barbara Richmond	<ul style="list-style-type: none"> Group CFO of Redrow plc (since 2010) 	
Jürgen Steinemann	<ul style="list-style-type: none"> Chairman of the Supervisory Board of Metro AG (since 2015) Chairman of the Supervisory Board of Barentz International B.V. (since 2020) Managing Director of JBS Holding GmbH (since 2017) Chairman of the Supervisory Board of Bankiva B.V. (since 2017) Member of the Supervisory Board of Big Dutchman AG (since 2015) 	
Olivier Verscheure	<ul style="list-style-type: none"> Member of the Foundation Council of SWITCH (since 2019) Co-Founder and Executive Director of the Swiss Data Science Center, a joint venture between EPFL and ETH Zürich (since 2016) 	<ul style="list-style-type: none"> Member of the Scientific Advisory Board, ETH Strategic Initiative on Personalized Health and Related Technologies (since 2017) Co-Director of the Executive Education program in Data Science and Management, HEC Lausanne and EPFL

Executive Committee

	Company Name	Function
Gordon Bates	No external mandates	
Philippe Deecke	Assura	Member of the Board of Directors (since 2023)
Jean-Christophe Hyvert	No external mandates	
Daniel Palmacci	LOWENCO	Member of the Board of Directors (since 2022)
Christian Seufert	No external mandates	
Maria Soler Nunez	No external mandates	



Report of the statutory auditor

To the General Meeting of Lonza Group AG Ltd, Basel

Report on the Audit of the Remuneration Report

Opinion

We have audited the Remuneration Report of Lonza Group AG Ltd (the Company) for the year ended 31 December 2023. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) in the tables in the sections “Highest Compensation Paid to a Member of the Executive Committee”, “Aggregate Compensation of the Executive Committee”, “Board of Directors Compensation”, “Share Ownership of the Members of the Board of Directors and the Executive Committee” and “Mandates of the Members of the Board of Directors and the Executive Committee” of the Remuneration Report.

In our opinion, the information pursuant to Art. 734a-734f CO in the accompanying Remuneration Report complies with Swiss law and the Company’s articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the Audit of the Remuneration Report” section of our report. We are independent of the Company 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.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables in the sections “Highest Compensation Paid to a Member of the Executive Committee”, “Aggregate Compensation of the Executive Committee”, “Board of Directors Compensation”, “Share Ownership of the Members of the Board of Directors and the Executive Committee” and “Mandates of the Members of the Board of Directors and the Executive Committee” in the Remuneration Report, the consolidated financial statements, the stand-alone financial statements and our auditor’s reports thereon.

Our opinion on the Remuneration Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Remuneration Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Remuneration Report 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.

Board of Directors' Responsibilities for the Remuneration Report

The Board of Directors is responsible for the preparation of a Remuneration Report 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 a Remuneration Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibilities for the Audit of the Remuneration Report

Our objectives are to obtain reasonable assurance about whether the information pursuant to Art. 734a-734f CO is 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 SA-CH 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 this Remuneration Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Remuneration Report, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

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 to 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.

KPMG AG

Florin Janine Krapp
Licensed Audit Expert
Auditor in Charge

Noemi Maibach
Licensed Audit Expert

Zurich, 2 April 2024

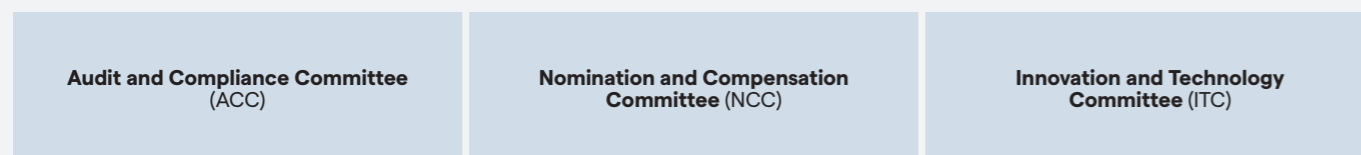


Corporate Governance

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Group Structure and Shareholders

Lonza Board of Directors

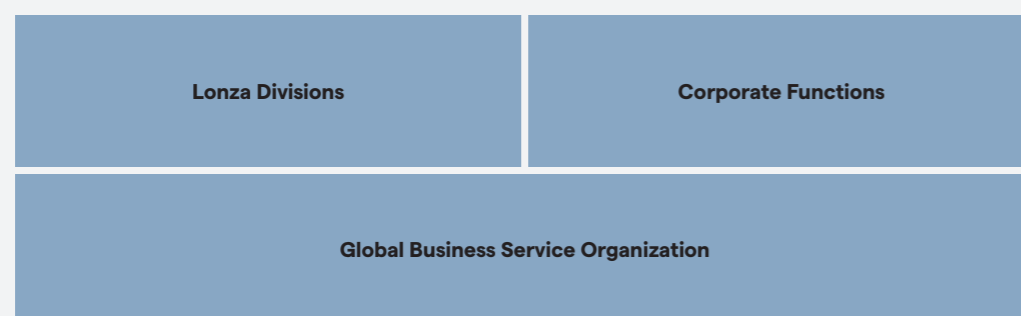


The Chairperson of the Board of Directors takes responsibility for all sustainability related issues

Lonza Executive Committee (EC)



Lonza



¹ Pierre-Alain Ruffieux was Chief Executive Officer (CEO) until September 2023
² Caroline Barth was Chief Human Resources Officer (CHRO) until May 2023

Operational Group Structure

Divisions

In 2023, Lonza's activities were organized in the following four divisions:

- Biologics
- Small Molecules
- Cell & Gene
- Capsules & Health Ingredients

Corporate Functions (non-exhaustive)

Corporate Functions include Human Resources (HR), Finance & Controlling, Tax, Treasury, Corporate Development, Procurement, Quality, Environment, Health and Safety (EHS), Corporate Communications, Investor Relations, Legal, Ethics & Compliance, Intellectual Property (IP), Engineering, IT, Audit Services, Insurance, Supply Chain and Real Estate Management.

Global Business Services Organization

Our Global Business Services Organization (GBSO) supports our divisions and corporate functions with transactional services in finance and HR. The GBSO focuses on standardization and automation of processes to drive productivity and higher quality services. Service delivery through the GBSO is centralized in Manchester (UK) to support EMEA markets and in San José (CR) for the Americas and through in-country teams in APAC.

Holding Company and Listed Companies

Lonza Group Ltd, with our registered office in Basel (CH), is the ultimate parent company of the Lonza Group. With the exception of Lonza Group Ltd, no equity securities of a company controlled by Lonza Group are listed. Please refer to the Shares and Participation Certificates section, page 199, for information on the listed shares, the stock exchanges on which Lonza Group Ltd is listed and the market capitalization.

Principal Subsidiaries and Joint Ventures

The principal subsidiaries and joint ventures of the Lonza Group are shown in note 32, Principal Subsidiaries and Joint Ventures, page 130.

Significant Shareholders

According to disclosure notifications filed with Lonza, the following shareholders held more than 3% of the Lonza share capital as of 31 December 2023: BlackRock, Inc., New York, NY (USA) – 9.85%, Norges Bank – 3.04% and UBS Fund Management (Switzerland) AG – 3.01%.

The current significant shareholders as well as further disclosure notifications registered in 2023 can be found at the [SIX Swiss Exchange disclosure platform](#).

Cross-Shareholdings

Lonza Group Ltd has not entered into any cross-shareholdings.

¹ The former Specialty Ingredients business was sold effective 1 July 2022

Capital Structure

Share Capital

As of 31 December 2023, Lonza's share capital amounted to CHF 74,468,752 fully paid-in and divided into 74,468,752 registered shares with a par value of CHF 1 each.

Shareholder Structure

	31.12.2023		31.12.2022	
	Shareholders in %	Shares in %	Shareholders in %	Shares in %
Switzerland	88.47	21.20	89.53	19.01
United Kingdom	0.89	6.42	0.93	18.48
USA	2.59	2.08	2.52	8.62
Others	8.05	9.06	7.02	5.12
Shares in transit		58.09		48.52
Treasury shares without voting rights		0.15		0.25
Share Buy Back as of 29.12.2023		3.01		
Total	100	100	100	100
Total number of shares		74,468,752		74,468,752

Share Register

	31.12.2023	31.12.2022
Registered shareholders	51,720	41,458
Registered shares with voting rights	26,233,571	29,455,541
Share distribution:		
1 – 100	40,450	31,854
101 – 1,000	9,942	8,366
1,001 – 10,000	1,076	998
10,001 – 100,000	214	195
100,001 – 1,000,000	34	40
Over 1,000,000	4	5
Total registered shareholders	51,720	41,458

Capital Band and Conditional Capital

Capital Band: At the Annual General Meeting held on 5 May 2023, the following capital band was introduced: The Board of Directors shall be authorized until 5 May 2028 to conduct one or more increases and/or reductions of the share capital within the upper limit of CHF 85,635,000, corresponding to 85,635,000 fully paid-up registered shares with a par value of CHF 1 each, and the lower limit of CHF 67,050,000, corresponding to 67,050,000 fully paid-up registered shares with a par value

of CHF 1 each. Based on the share capital currently entered in the Register of Commerce, this corresponds to a net increase of up to 11,166,248 fully paid-up registered shares with a par value of CHF 1 each, or a cancellation of up to 7,418,752 fully paid-up registered shares with a par value of CHF 1 each. The additional terms and conditions of the capital band are set out in Article 4^{ter} of the [Lonza Articles of Association](#).

Conditional Capital: Lonza's share capital 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. This conditional capital was created at the Annual General Meeting on 25 April 2017. The additional terms and conditions of the conditional capital (including the group of beneficiaries who have the right to subscribe for this additional capital) are set out in Article 4^{bis} of the [Lonza Articles of Association](#).

According to Article 4^{quater} of the [Lonza Articles of Association](#), the capital increases by way of using the capital band and the conditional capital may increase Lonza's share capital "on a non-pre-emptive basis" only by up to 10% of the share capital entered in the Register of Commerce at the time of the respective resolution, but, in any case, by a maximum of 750,000 registered shares, fully paid up, each with a par value of CHF 1 from 5 May 2023 to 5 May 2028. Additional terms and conditions of relating to this limit are set out in Article 4^{quater} of the [Lonza Articles of Association](#).

Changes in Capital

	2023	2022	2021	2020
Share capital in CHF	74,468,752	74,468,752	74,468,752	74,468,752
Registered shares	74,468,752	74,468,752	74,468,752	74,468,752
Par value in CHF / share	1	1	1	1

Shares and Participation Certificates

Lonza registered shares, with a par value of CHF 1 each, are listed on the SIX Swiss Exchange (SIX), with secondary listing on the SGX Singapore Exchange. In Switzerland, they have been included in the Swiss Market Index (SMI) since 3 May 2017.

Lonza has not issued any participation certificates ("Partizipationscheine", non-voting shares).

Stock Exchange Listing / Trading:

SIX Swiss Exchange
SGX Singapore Exchange

Common Stock Symbols:

Bloomberg LONN SW
Reuters LONN.S
Six Swiss Exchange LONN
SGX Singapore Exchange O6Z

Security Number:

Valor 001384101
ISIN CH0013841017

On 31 December 2023, Lonza had a market capitalization of CHF 26,340 million (2022: CHF 33,742 million).

Profit-Sharing Certificates

Lonza has not issued any non-voting equity security ("Genussscheine", profit-sharing certificates).

Limitations on Transferability and Nominee Registrations

Purchasers of registered shares who declare that they have acquired those shares in their own name and for their own account will be entered without limitation in the share register as registered shareholders with voting rights. Persons who do not declare to have acquired the respective shares in their own name and for their own account are considered "nominees". They will be entered with voting rights in the share register up to a maximum of 2% of the share capital, unless the actually entitled persons are revealed. The details are set out in Article 6 of the [Lonza Articles of Association](#). This "nominee" exemption allows for non-registration up to 2% of the share capital. It is not meant to serve as takeover defense. This restriction may only be removed by a resolution of the Shareholders' Meeting with a quorum in accordance with Swiss law.

Convertible Bonds

Neither Lonza Group Ltd nor any of its subsidiaries has outstanding convertible bonds.

Options

As of 31 December 2023, no options or warrants to acquire shares issued by or on behalf of Lonza Group Ltd were outstanding.

Board of Directors

The Board of Directors has eight members.

Name	Nationality	Year of birth	Year of initial appointment	Expiration of current term in office	Independence
Albert M. Baehny	Swiss	1952	2017	2024	Independent
Marion Helmes	German	1965	2022	2024	Independent
Angelica Kohlmann	German / Brazilian	1960	2018	2024	Independent
Christoph Mäder	Swiss	1959	2016	2024	Independent
Roger Nitsch	Swiss / German	1961	2022	2024	Independent
Barbara Richmond	British	1960	2014	2024	Independent
Jürgen Steinemann	German	1958	2014	2024	Independent
Olivier Verscheure	Belgian	1972	2018	2024	Independent

After seven years as Board member and six years as Chairman of Lonza, Albert Baehny has decided to not stand for re-election at the upcoming Annual General Meeting (AGM) in May 2024. The Board will propose to shareholders at the upcoming AGM the election of Jean-Marc Huët as the new Chairman of the Board. Jean-Marc Huët would join the Board of Directors as independent member.

The composition of the Board of Directors meets the gender representation threshold set out in Section 734f of the Swiss Code of Obligations.

Limitation of Number of Mandates

According to Article 26 of [Lonza's Articles of Association](#), no member of the Board of Directors may hold more than:

- Eight additional mandates in listed and non-listed companies, out of which not more than four mandates may be in listed companies; and
- Ten mandates in associations, trusts and employee welfare foundations, educational institutions and similar organizations (in all cases only to the extent they are an undertaking with an economic purpose).

The Chairperson of the Board of Directors may not hold more than eight additional mandates in listed and non-listed companies, out of which no more than three may be in listed companies. Mandates shall mean any membership in the board of directors, the executive committee, the advisory board or any comparable function under foreign law, of an undertaking with an economic purpose. Mandates in different legal entities that are under joint control or same beneficial ownership (including family asset management structures) are deemed one mandate. Mandates in companies that are controlled by Lonza or that control Lonza are not subject to the limitation set forth above. No member of the Board of Directors may hold more than five mandates at the request of Lonza or companies controlled by it, for a legal entity not affiliated with the group (including in pension funds or joint ventures).

All Board members comply with the provisions regarding their mandates. This is verified by Lonza on a regular basis.

Elections and Terms of Office

Each member of the Board of Directors is individually elected by the Annual General Meeting for a term of office of one year until the end of the next Annual General Meeting. Board members may not serve more than twelve complete terms of office on the Board of Directors. If deemed in the best interest of the Company, the Board of Directors can extend this limit. The Chairperson of the Board of Directors is elected by the Shareholders' Meeting. The Vice-Chairperson is appointed by the Board of Directors. The members of the Nomination and Compensation Committee are elected by the Shareholders' Meeting on an annual basis. The members of the other Board Committees are appointed by the Board of Directors. The Chairpersons of the Board Committees are nominated by the members of the respective Board Committees, except the Chairperson of the Nomination and Compensation Committee. The Chairperson of that Committee is elected by the Board of Directors.

Internal Organizational Structure

The Board of Directors consists of the Chairperson, the Vice-Chairperson and the other Board members. The Board of Directors strives to select the committee members based on their professional background and experience. In accordance

with [Lonza's Articles of Association](#), there must be at least five members. The members of the Board of Directors sat on the following committees in 2023:

Name	Audit and Compliance Committee	Nomination and Compensation Committee	Innovation and Technology Committee
Albert M. Baehny			Member
Marion Helmes	Member		
Angelica Kohlmann		Member	Chairperson
Christoph Mäder	Member	Chairperson	
Roger Nitsch			Member
Barbara Richmond	Chairperson		
Jürgen Steinemann		Member	
Olivier Verscheure			Member

Audit and Compliance Committee

The Audit and Compliance Committee (ACC) meets and consults regularly with the Executive Committee, Lonza Audit Services and the independent external auditors. In doing so, they review the scope and results of their work and their performance, according to the Audit and Compliance Committee Charter. Among other responsibilities, the Audit and Compliance Committee reviews: (i) the external auditors' independence; (ii) the systems of internal control and financial reporting; (iii) the risk management system; (iv) compliance with laws, regulations and policies; (v) Lonza's financial statements and results (including releases) and (vi) the reporting and assurance process for ESG. The Audit and Compliance Committee is empowered to decide the tasks assigned to it and regularly informs the full Board of Directors on all matters discussed and decided in its meetings. The members of the Audit and Compliance Committee benefit from their broad professional backgrounds and experience as former or present finance directors, member of audit committees, Chief Financial Officer (CFO) or Group General Counsel in other companies. Internal and external auditors have full and free access to the Audit and Compliance Committee. The Lonza Audit Services are overseen by the Audit and Compliance Committee and have a direct reporting line to the Chairperson of the Audit and Compliance Committee.

Nomination and Compensation Committee

The Nomination and Compensation Committee (NCC) is entrusted with responsibilities that include the review and recommendation of compensation policies and plans (e.g. incentive compensation and equity plans) and the compensation of the members of the Executive Committee. This committee also makes an assessment to ensure that the area of nomination and compensation is in compliance with the standards set forth in the charter of the Nomination and Compensation Committee. In addition, the Nomination and Compensation Committee evaluates potential members of the Board of Directors. The Nomination and Compensation Committee is empowered to decide the tasks assigned to it. It regularly informs the full Board of Directors on matters discussed in its meetings and submits proposals for Board decision in accordance with the Nomination and Compensation Committee Charter.

Innovation and Technology Committee

The Innovation and Technology Committee (ITC) monitors potential technology breakthroughs, supports management in driving innovation projects and provides and facilitates contacts, e.g. with academia and research institutions. With regard to the tasks assigned to it, the Innovation and Technology Committee regularly informs the full Board of Directors on all matters discussed and decided in its meetings, in accordance with the Innovation and Technology Committee Charter.

Number of Meetings, Duration and Attendance

Name	Board of Directors	Audit and Compliance Committee	Nomination and Compensation Committee	Innovation and Technology Committee
Number of meetings	10	6	6	5
Average duration	4h	3h	2.5h	2.5h
Overall attendance	96%	94%	100%	100%

The [Regulations Governing Internal Organization and Board Committees](#) set out in detail the powers and responsibilities of the Board of Directors, its Committees and the Executive Committee. The Board Committees provide support to the Board of Directors in their respective areas of responsibility. The Board of Directors meets with all members of the Executive Committee at each ordinary Board meeting for business updates

and to take decisions. The Chief Executive Officer (CEO) is a permanent guest of the Innovation and Technology Committee and is regularly invited to the meetings of the Nomination and Compensation Committee. The Chief Financial Officer (CFO) attends all meetings of the Audit and Compliance Committee. The Chief Human Resources Officer (CHRO) is regularly invited to the meetings of the Nomination and Compensation Committee. The Executive Committee members are not present during NCC meetings when their own performance and compensation is discussed.

Attendance

Name	Board of Directors	Audit and Compliance Committee	Nomination and Compensation Committee	Innovation and Technology Committee
Meeting Total	10	6	6	5
Albert M. Baehny	10			5
Marion Helmes	9	5		
Angelica Kohlmann	10		6	5
Christoph Mäder	10	6	6	
Roger Nitsch	9			5
Barbara Richmond	10	6		
Jürgen Steinemann	9		6	
Olivier Verscheure	10			5

Areas of Responsibility

In accordance with the law and the [Lonza Articles of Association](#), the Board of Directors is the supreme governance body of the Group. The Board of Directors is responsible for the tasks assigned to it according to (i) Article 18 of the Lonza Articles of Association and (ii) the [Regulations Governing Internal Organization and Board Committees](#) (Article 2.8). The Board of Directors defines the strategic direction of Lonza and is responsible for the ultimate management of Lonza. It also supervises the persons entrusted with Group management and is responsible for issuing the necessary instructions, especially with regard to compliance with the law, the Articles of Association and the regulations and directives. In compliance with the law and the Articles of Association, the Board of Directors has – with the exception of non-delegable and inalienable duties – delegated the management of the company to the Executive Committee. The Board of Directors commits itself to maintaining the highest standards of integrity and transparency in its governance of Lonza. On an annual basis, the Board undertakes a self-assessment process. The aim is to achieve continuous improvement in the functioning of the Board.

Governance and oversight of sustainability and environmental, social and governance (ESG) topics is with the Board of Directors, headed by the Chairperson of the Board, with specific aspects to be covered by the three Board Committees. While the Board acts as sponsor and overall owner of the program, the implementation is the responsibility of the Executive Committee. The Board and its Committees review and endorse Lonza's sustainability efforts and reporting. Sustainability includes ESG topics of importance relating to Lonza's business and stakeholders. The Sustainability and Risk Committee (SRC), headed by the Lonza

Group General Counsel and Company Secretary, manages identified material topics (as shown in the Materiality Matrix in the [2023 Sustainability Report](#)) and is responsible for sustainability reporting. The Head of Global Sustainability and the Head of Global Environment, Health and Safety (EHS) and their teams are responsible for proposing the corporate sustainability strategy and implementing and overseeing the Safety and Sustainability Policy. The Global Sustainability and EHS teams report to Lonza's Group General Counsel and Company Secretary.

Information and Control Instruments

The Board of Directors receives sufficient information from the Executive Committee to perform its supervisory duty and to make the decisions that are reserved for the Board of Directors through several means discussed below.

Board Information

The [Regulations Governing Internal Organization and Board Committees](#) require the CEO to inform the Executive Committee about business activities of the Group and, together with the Chairperson, inform the Board of Directors on the business activities of the Group and keep the Board of Directors constantly informed on all important business transactions and issues. During Board meetings, each member of the Board may request information from other members of the Board, as well as from the members of the Executive Committee present on all affairs of the Company and the Group. Outside of Board meetings, each member of the Board may request from the members of the Executive Committee information concerning the course of business of the Company and the Group.

Regular Reports to the Board

In addition to the documents required to pass resolutions, the Board of Directors receives the following reports:

- Reports on the sales and earnings performance of the Group structured by divisions;
- Reports on the cash flows, debt and debt-equity ratio, plus other relevant key figures for the Group on a quarterly basis;
- Qualitative assessments of the divisions on a quarterly basis;
- Reports of the external audit for the full-year results and procedures performed on the half-year results (through the Audit and Compliance Committee);
- In cases involving extraordinary events of considerable commercial relevance, the Board of Directors receives direct, immediate information;
- Risk assessment reports submitted at least once per year; they are designed to provide the Board with a consistent, Group-wide perspective of key risks;
- Ethics & Compliance update, including information on hotline reports.

Internal Audit

The Board of Directors, through the Audit and Compliance Committee, is supported by Lonza Audit Services. The team of nine authorized internal audit positions reviews financial, operational and information technology related activities of the entire Lonza Group with a risk-based audit program. The audit teams continually evaluate the adequacy and effectiveness of the system of internal controls as well as compliance with company policies, procedures, and external regulations. They recommend appropriate actions to correct deficiencies identified. In 2023, Lonza Audit Services delivered 11 internal audit and advisory engagement reports to the Audit and Compliance Committee, and they also informed the Audit and Compliance Committee about the status of implementation of agreed action plans with three follow-up audit reports.

Internal Control System

Lonza has implemented a financial control framework, in accordance with the requirements of the Swiss law, comprising relevant policies, procedures and controls. It provides the Group's management and Board of Directors with a reasonable degree of assurance that business processes are performed efficiently and effectively, in compliance with policies and laws, assets are safeguarded and financial statements are reliable.

Compliance Instruments

In addition to the above-mentioned control instruments, Lonza has implemented various other measures to improve compliance within the Group. The implementation of these measures is supervised by the Audit and Compliance Committee. One of these measures is the issuance of a Code of Conduct that expresses Lonza's core principles and values in regard to professional business behavior and provides assistance in recognizing, understanding and complying with the laws and ethical standards that govern Lonza's business activities. The Code of Conduct is available to all employees and information about it has been widely circulated within the Group. Lonza employees have to pass yearly online training courses, dealing with topics such as those addressed by the Code of Conduct, in particular antibribery, competition law and conflicts of interest. In addition to these measures, Lonza offers a "whistleblower" hotline (known as "Lonza Ethics Hotline"), which is operated by an external company. Internal investigations and any corresponding remediation measures are handled internally by Ethics & Compliance. Cases disclosed through the "whistleblower" hotline are ultimately reported to the Audit and Compliance Committee. Lonza periodically reviews and updates its policies to address changes in laws and regulations and to further strengthen its compliance programs.

Risk Assessment

The Board of Directors carries out risk assessments on a minimum of an annual basis. The objective of the risk assessments is to make the principal risks to which Lonza is exposed more transparent and to improve risk mitigation. In its risk assessment for 2023, the Board of Directors identified inter alia commercial, operational and cybersecurity risks for which corresponding risk mitigation measures have been adopted.



CVs Board of Directors

Members of the Board of Directors as of 31 December 2023

**Albert M. Baehny**

Nationality: Swiss
Year of birth: 1952

Chief Executive Officer (CEO) *ad interim* (since October 2023), Chairman of the Board of Directors of Lonza Group Ltd (since 2018), Independent member of the Board of Directors of Lonza Group Ltd (since April 2017).

On 1 October 2023, Albert M. Baehny took on the responsibilities as CEO *ad interim* until a permanent successor is found.

Albert M. Baehny holds a degree in biology from the University of Fribourg (CH).

Current Activities and Functions**Public Company Boards:**

- Member of the Board of Directors of Investis Group Holding SA (since 2016)
- Chairman of the Board of Directors of Geberit AG (since 2011)

Former Activities and Functions

- CEO *ad interim* of Lonza Group Ltd (2019 – 2020)
- CEO of Geberit Group (2005 – 2014)
- Head of Group Division Marketing and Sales Europe for Geberit Group (2003 – 2004)
- Senior Vice-President at Wacker Chemie AG (2001 – 2002)
- Various Marketing, Sales, Strategic Planning and Global Management Positions with:
 - Vantico (2000 – 2001)
 - Ciba-Geigy / Ciba Specialty Chemicals (1994 – 2000)
 - Dow Chemicals Europe (1981 – 1993)
 - Serono-Hypolab (1979 – 1981)

**Christoph Mäder**

Nationality: Swiss
Year of birth: 1959

Vice-Chairman of the Board of Directors of Lonza Group Ltd (since April 2020); Independent member of the Board of Directors of Lonza Group Ltd (since April 2016)

On 12 November 2019 Christoph Mäder was appointed **Lead Independent Director** by the Board.

Christoph Mäder holds a Master's degree in law from the University of Basel (CH) and is admitted to the Swiss Bar.

Current Activities and Functions

Christoph Mäder is the Chair of the Nomination and Compensation Committee (NCC), which is in charge of overseeing the evaluation of company leadership, succession planning, compensation policies and programs as well as leadership compensation, including setting the ESG targets within the Lonza Bonus target, and to oversee the achievements of such targets on an annual basis.

He is also a member of the Audit and Compliance Committee (ACC), which is in charge of overseeing the systems of internal control and financial reporting, and compliance with laws and regulations, including the reporting and assurance process for ESG.

Public Company Boards:

- Member of the Board of Directors Baloise Holding AG (since 2019)

Further Appointments:

- Member of the Bank Council, Swiss National Bank (since 2021)
- President of Economiesuisse (since 2020)
- Member of the Board of Directors Assivalor AG (since 2019)
- Member of the Advisory Board of Accenture Switzerland (since 2019)
- Partner at the law firm Becker | Gurini | Partner (since 2019)
- Member of the Council of Schweizer Jugend forscht (since 2018)
- Member of the Advisory Board of Vereinigung Schweizerischer Unternehmen in Deutschland (since 2016)
- Member of the Advisory Board of Loeba GmbH (since 2014)

Former Activities and Functions

- Member of the Board of EMS Chemie Holding AG (2018 – 2023)
- Member of the Group Executive Committee of Syngenta (2000 – 2018)
- Member of the Board Committee of economiesuisse (2008 – 2019)
- Vice-Chairman of economiesuisse (2011 – 2017)
- Member of the Executive Board of the Business and Industry Advisory Committee (BIAC) for the Organization for Economic Co-operation and Development (OECD) (2012 – 2016)
- Member of the Board of scienceindustries (2006 – 2018)
- Member of the Board of the Basel Chamber of Commerce (2002 – 2018)
- Head of Legal & Public Affairs for Novartis Crop Protection AG (1999 – 2000)
- Senior Corporate Counsel for Novartis International AG (1992 – 1998)

**Marion Helmes**

Nationality: German
Year of birth: 1965

Independent member of the Board of Directors of Lonza Group Ltd (since May 2022).

Marion Helmes has extensive financial expertise as well as global operational experience from a career that includes Chief Financial Officer positions at Celesio, Q-Cells and with ThyssenKrupp's Elevator and Stainless divisions. She currently holds Board Memberships with ProSiebenSat.1 Media, Siemens Healthineers AG and Heineken N.V.

Marion has a degree in Business Administration from Freie Universität Berlin and a PhD from the University of St. Gallen.

Current Activities and Functions

Marion Helmes is a member of the Audit and Compliance Committee (ACC), which is in charge of overseeing the systems of internal control and financial reporting, and compliance with laws and regulations, including the reporting and assurance process for ESG.

Public Company Boards:

- Member of the Board of Directors, Chair of the Audit Committee of Heineken N.V. (since 2018)
- Member of the Board of Directors, Chair of the Audit Committee of Siemens Healthineers AG (since 2018)

Former Activities and Functions

- Vice Chair, Member of the Presiding, Compensation and Audit and Finance Committee of ProSiebenSat.1 Media SE (2014 – 2023)
- Member of the Board of Directors, Member of the Remuneration Committee of British American Tobacco plc (2016 – 2022)
- Chief Financial Officer, Celesio AG. From 2013, Speaker of the Management Board (2012 – 2014)
- Chief Financial Officer, Q-Cells SE (2010 – 2011)
- Chief Financial Officer, ThyssenKrupp Elevator AG (2006 – 2010)
- Chief Financial Officer, ThyssenKrupp Stainless AG (2005 – 2006)
- Various positions in Mergers & Acquisitions, Corporate Development and Controlling, ThyssenKrupp AG (1997 – 2005)
- Project Manager, St. Gallen Consulting Group (1996)
- Manager Restructuring, Privatisation, Treuhandanstalt (1991 – 1994)

**Angelica Kohlmann**

Nationality: German, Brazilian
Year of birth: 1960

Independent member of the Board of Directors of Lonza Group Ltd (since May 2018).

Angelica Kohlmann holds a MD and doctorate in medicine from Hamburg University (DE).

Current Activities and Functions

Angelica Kohlmann is a member of the Nomination and Compensation Committee (NCC), which is in charge of overseeing the evaluation of company leadership, succession planning, compensation policies and programs as well as leadership compensation, including setting the ESG targets within the Lonza Bonus target, and to oversee the achievements of such targets on an annual basis.

She is the Chair of the Innovation and Technology Committee (ITC), which is in charge of reviewing the innovation and technology at Lonza, including ESG developments.

- Chair of the Board of Directors, Bloom Diagnostics AG (since 2018)
- Member International Advisory Board IE University and Business School, Madrid (since 2017)
- Chair of the Board of Directors, Kohlmann & Co AG (since 2013)
- International investor in biotech and tech, based in Switzerland (since 2014)
- Chair of the Advisory Board Peter Drucker Society Europe / Global Peter Drucker Forum, Vienna (since 2009)

Former Activities and Functions

- Board Observer Teralytics AG (2017 – 2023)
- Member Advisory Board UBS Unique (2017 – 2018)
- Director Trinnacle Fund Ltd (2016 – 2017)
- Member Board of Directors Teralytics AG (2013 – 2016)
- Founder & CEO Ifitech GmbH, Germany (2010 – 2017)
- International investor in biotech and tech, based in Germany (2000 – 2013)
- International consultant for strategy, management, investments and restructuring (1992 – 1999)
- Head global restructuring Behringwerke AG, Germany (1990 – 1992)
- Member Board Staff Hoechst AG, Germany (1988 – 1990)
- International Marketing Group Leader at Behringwerke AG (1986 – 1988)
- MD Anderson Cancer Center, Houston and Memorial Sloan Kettering Cancer Center, New York, USA



Roger Nitsch

Nationality: Swiss, German
Year of birth: 1961

Independent member of the Board of Directors of Lonza Group Ltd (since May 2022).

Roger Nitsch serves as CEO and President of Neurimmune, which he founded in 2006 with two business partners. A neuroscientist with a background in medicine, Roger is recognized as an opinion leader in neurodegenerative diseases with over 30 years of experience in Alzheimer's disease research and drug development. A Potamkin Prize winner and Member of the German Academy of Sciences, Roger served as a founding director of the Institute for Regenerative Medicine (IREM), University of Zurich.

Roger Nitsch is a Professor emeritus at the University of Zurich, he holds an MD degree from the University of Heidelberg and earned his post-doctoral qualification at the Massachusetts Institute of Technology and Harvard Medical School.

Current Activities and Functions

Roger Nitsch is a member of the Innovation and Technology Committee (ITC), which is in charge of reviewing the innovation and technology at Lonza, including ESG developments.

- CEO and President of the Board of Directors of Neurimmune Group (since 2006)
- Member of the Advisory Board of PUREOS Bioventures (since 2017)
- Member of the Board of Directors of NOVAGO Therapeutics AG (since 2015)
- Member of the Board of Directors of INTEGRA Biosciences Holding AG (since 2002)

Former Activities and Functions

- Professor at the University of Zurich (1998 – 2024)
- Director and co-founder of the Institute for Regenerative Medicine University of Zurich (2016 – 2020)
- Overseas Visiting Professor of Health Science Aino University, Osaka, Japan (2016 – 2018)
- Member of the Advisory Board Max-Planck-Institute for Psychiatry, Munich (2009 – 2012)
- Member and Chairman of the Scientific Advisory Board Institute for Advanced Studies (2006 – 2012)
- Chairman, Board of Trustees, Center for Clinical Research University Hospital Zurich (2002 – 2014)
- Vice Dean Research, Medical Faculty at the University of Zurich (2002 – 2008)
- Coordinator of the European Union DIADEM and APOPIS Research Consortia (1999 – 2006)
- Director at the Psychiatric University Hospital Zurich (1998 – 2005)
- Member of the Board of Directors and co-founder EVOTEC Neurosciences (1995 – 1998)
- Post-Doc, M.I.T. and Harvard Medical School (1990 – 1995)
- Post-Doc, University of Heidelberg (1987 – 1990)
- Research Fellow, Max-Planck Institute for Medical Research, Heidelberg (1983 – 1987)



Barbara Richmond

Nationality: British
Year of birth: 1960

Independent member of the Board of Directors of Lonza Group Ltd (since April 2014).

Barbara Richmond holds a first-class degree in management science from the University of Manchester Institute of Science and Technology in England. Barbara Richmond has substantial knowledge as a financial expert, demonstrated by her roles as CFO for various companies. She is a Fellow of the Institute of Chartered Accountants in England and Wales.

Current Activities and Functions

Barbara Richmond is the Chair of the Audit and Compliance Committee (ACC), which is in charge of overseeing the systems of internal control and financial reporting, and compliance with laws and regulations, including the reporting and assurance process for ESG.

Public Company Boards:

- Group CFO of Redrow plc (since 2010)

Former Activities and Functions

- Group CFO of Inchcape plc (2006 – 2009)
- Non-Executive Director and Audit Committee Chair of Scarborough Building Society until its merger with The Skipton Building Society (2005 – 2009)
- Non-Executive Director, Senior Independent Director and Audit Committee Chair of Carclo Group plc (2000 – 2006)
- Group CFO of Croda International plc (1997 – 2006) with dual role as Group CFO and President of Active Ingredients and Industrial Chemicals from 2002 to 2006
- Group CFO of Whessoe plc in 1993 (1993 – 1997)
- Various financial roles in Alstom Group SA (1987 – 1992)
- Auditor and management consultant for Arthur Andersen (1981 – 1984)



Jürgen Steinemann

Nationality: German
Year of birth: 1958

Independent member of the Board of Directors of Lonza Group Ltd (since April 2014).

Jürgen Steinemann holds a degree in Economics and Business Management from the European Business School in Wiesbaden (DE), London (UK) and Paris (FR).

Current Activities and Functions

Jürgen Steinemann is a member of the Nomination and Compensation Committee (NCC), which is in charge of overseeing the evaluation of company leadership, succession planning, compensation policies and programs as well as leadership compensation, including setting the ESG targets within the Lonza Bonus target, and to oversee the achievements of such targets on an annual basis.

Public Company Boards:

- Chairman of the Supervisory Board of Metro AG (since 2015)

Further Appointments:

- Chairman of the Supervisory Board of Barentz International B.V. (since 2020)
- Managing Director of JBS Holding GmbH (since 2017)
- Chairman of the Supervisory Board of Bankiva B.V. (since 2017)
- Member of the Supervisory Board of Big Dutchman AG (since 2015)

Former Activities and Functions

- Member of the Advisory Board of Tower Brook Capital Partners LP (2017 – 2022)
- Member of the Board of Directors of Barry Callebaut AG (2015 – 2020)
- Chief Executive Officer of Barry Callebaut Ltd (2009 – 2015)
- Member of the Board of the Swiss-American Chamber of Commerce (2011 – 2015)
- Member of the Executive Board and Chief Operating Officer of Nutreco (2001 – 2009)
- Chief Executive Officer of Lodders Croklaan (1999 – 2001)
- Various senior positions in business-to-business marketing and sales with the former Eridania Béghin-Say Group, ultimately in the «Corporate Plan et Stratégie» unit at the head office in Paris (1990 – 1998)



Olivier Verscheure

Nationality: Belgian
Year of birth: 1972

Independent member of the Board of Directors of Lonza Group Ltd (since May 2018).

Olivier Verscheure is a Professor of Computer Science at EPFL (ETH Lausanne) and the co-founder and Executive Director of the Swiss Data Science Center, a national hub for applied Artificial Intelligence (AI) and Data Science, jointly hosted at EPFL in Lausanne and ETH Zurich since 2016. Olivier also co-leads an executive training program in Data Science and Management with HEC Lausanne, blending his expertise in academia and industry. Before joining EPFL, he held various research and leadership positions at IBM in the United States and Ireland.

Olivier holds a PhD in Computer Science from EPFL (July 1999).

Current Activities and Functions

Olivier Verscheure is a member of the Innovation and Technology Committee (ITC), which is in charge of reviewing the innovation and technology at Lonza, including ESG developments.

- Member of the Foundation Council, SWITCH (since 2019)
- Co-Director of the Executive Education program in Data Science and Management, HEC Lausanne and EPFL (since 2018)
- Member of the Scientific Advisory Board, ETH Strategic Initiative on Personalized Health and Related Technologies (since 2017)
- Co-Founder and Executive Director of the Swiss Data Science Center (since 2016)

Former Activities and Functions

- Research Program Director at IBM Research, Ireland (2010 – 2016)
- Senior Research Manager at the IBM T.J. Watson Research Center, New York (2004 – 2010)
- Senior member of the research staff at the IBM T.J. Watson Research Center, New York (1999 – 2004)

Executive Committee

The Board of Directors appoints the members of the Executive of Directors. Lonza's Executive Committee performs the duties assigned to it by the Board of Directors under the terms of the Regulations Governing Internal Organization and Board Committees. It is responsible for managing Lonza worldwide and

for implementing policies and strategies as defined by the Board of Directors. The Executive Committee supports and coordinates the activities of the divisions, the corporate functions and the global business service organization. The Executive Committee is also responsible for leadership development.

Members of the Executive Committee

Name	Nationality	Year of Birth	Function
Albert M. Baehny	Swiss	1952	Chief Executive Officer <i>ad interim</i> (since October 2023)
Pierre-Alain Ruffieux	Swiss	1969	Chief Executive Officer (until September 2023)
Philippe Deecke	Swiss / German / French	1972	Chief Financial Officer
Ulrike Kaeppler	German	1967	Chief Human Resources Officer (since January 2024)
Caroline Barth	British / Swiss	1972	Chief Human Resources Officer (until May 2023)
Maria Soler Nunez	Spanish	1969	Head, Group Operations
Christian Seufert	German	1975	President, Capsules & Health Ingredients
Gordon Bates	British	1965	President, Small Molecules
Jean-Christophe Hyvert	Swiss / French	1972	President, Biologics
Daniel Palmacci	German / Italian / US	1969	President, Cell & Gene

[The composition of the Executive Committee meets the gender representation threshold set out in Section 734f of the Swiss Code of Obligations.]

Limitation of Number of Mandates

According to Article 26 of the Lonza Articles of Association, no member of the Executive Committee may hold more than:

- One additional mandate in a listed company;
- Two additional mandates in non-listed companies; and
- Ten mandates in associations, trusts and employee welfare foundations, educational institutions and similar organizations (in all cases only to the extent they are an undertaking with an economic purpose).

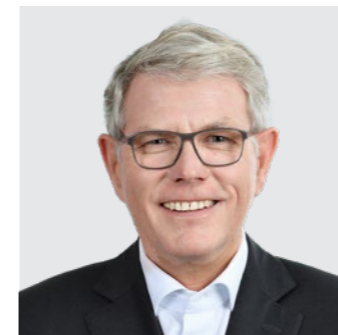
Mandates shall mean any membership in the Board of Directors, the Executive Committee, the advisory board or any comparable function under foreign law, of an undertaking with an economic purpose. Mandates in different legal entities that are under joint control or same beneficial ownership (including family asset management structures) are deemed one mandate. Mandates in companies that are controlled by Lonza or that control Lonza are not subject to the limitation set forth above. No member of the Executive Committee may hold more than five mandates at the request of Lonza or companies controlled by it, for a legal entity not affiliated with the group (including in pension funds or joint ventures).

Management Contracts

Lonza Group Ltd has not entered into management contracts with companies or natural persons not belonging to the Group.

CVs Executive Committee

Members of the Executive Committee as of 31 December 2023



Albert M. Baehny

Nationality: Swiss
Year of birth: 1952

Chief Executive Officer (CEO) *ad interim* (since October 2023) and Chairman of the Board of Directors of Lonza Group Ltd (since 2018).

On 1 October 2023, Albert M. Baehny took on the responsibilities as CEO *ad interim* until a permanent successor is found.

Albert M. Baehny holds a degree in biology from the University of Fribourg (CH).

Current Activities and Functions

- Independent member of the Board of Directors of Lonza Group Ltd (since April 2017)
- Member of the Board of Directors of Investis Group Holding SA (since 2016)
- Chairman of the Board of Directors of Geberit AG (since 2011)

Former Activities and Functions

- CEO *ad interim* of Lonza Group Ltd (2019 – 2020)
- CEO of Geberit Group (2005 – 2014)
- Head of Group Division Marketing and Sales Europe for Geberit Group (2003 – 2004)
- Senior Vice-President at Wacker Chemie AG (2001 – 2002)
- Various Marketing, Sales, Strategic Planning and Global Management Positions with:
 - Vantico (2000 – 2001)
 - Ciba-Geigy / Ciba Specialty Chemicals (1994 – 2000)
 - Dow Chemicals Europe (1981 – 1993)
 - Serono-Hypolab (1979 – 1981)



Philippe Deecke

Nationality: Swiss, German, French
Year of birth: 1972

Chief Financial Officer (CFO) and Member of the Executive Committee (since December 2021)

Philippe holds a Master's Degree in Industrial Management and Manufacturing and a Bachelor's Degree in Computer Science from the Swiss Federal Institute of Technology (ETH), Zürich (CH), as well as an MBA from Cornell University's Johnson School (US).

Current Activities

- Member of the Board of Directors, Assura (since May 2023)

Former Activities and Functions

- Chief Financial Officer and Member of the Executive Committee, Lonza Group Ltd (2021)
- CFO, Novartis Oncology (2021)
- CFO, Sandoz, division of Novartis (2017 – 2021)
- CFO, Alcon EMEA, division of Novartis (2015 – 2017)
- Head Group Business planning and Analysis, Novartis International AG (2012 – 2015)
- CFO, Chief Financial and Administration Officer, Novartis Schweiz AG (2010 – 2012)
- Project Director, Novartis International AG (2008 – 2010)
- Head Finance, Novartis Pharmaceutical Inc. (US) (2006 – 2008)
- Assistant to CEO, Novartis International AG (2005 – 2006)
- Associate Principal, McKinsey (1998 – 2005)



Gordon Bates

Nationality: British
Year of birth: 1965

President, Small Molecules Division (since January 2021) and Member of the Executive Committee (since April 2021)

Gordon Bates holds a master's degree in Engineering Business Management from the University of Warwick (UK).

Former Activities and Functions

- President, Lonza Chemical Division (2018 – 2020)
- Senior Vice President, Business Unit Head, Lonza Chemical and Microbial Manufacturing (2015 – 2017)
- Global Head of Sales, Lonza Pharma Custom Manufacturing (2013 – 2015)
- Head of Operations and Site Manager, Lonza Slough (UK) (2007 – 2013)
- Global Head of Lonza Operational Excellence (2003 – 2007)



Jean-Christophe Hyvert

Nationality: Swiss, French
Year of birth: 1972

President, Biologics (since January 2021) and Member of the Executive Committee (since April 2021)

Jean-Christophe Hyvert holds a master's degree in Physics from INSA, Rennes (FR) and an MBA from the Northwestern University (USA).

Former Activities and Functions

- President, Lonza Cell & Gene Division (2021 – 2022)
- Chief Commercial Officer, Lonza Pharma Biotech & Nutrition Segment (2019 – 2020)
- Vice President, Finance, Lonza Pharma & Biotech Segment (2017 – 2019)
- Finance Director ECEMEA, Baxter International (2016 – 2017)
- Senior Director EMEA Business Development, Baxter International (2015 – 2016)
- Finance Director, Baxter International (2013 – 2014)
- Various leadership positions in Finance and Operations at Newell Rubbermaid, Lehman Brothers and Legris (covering Corporate Development, M&A and Supply Chain) (1995 – 2013)



Ulrike Kaeppler

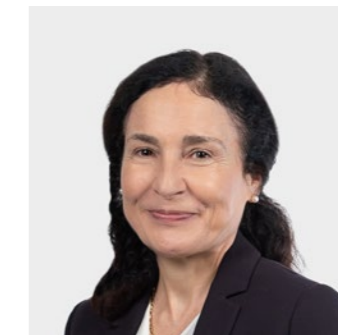
Nationality: German
Year of birth: 1965

Chief Human Resources Officer and Member of the Executive Committee (since January 2024)

Ulrike holds a graduate degree in Business Administration from Staatliche Berufshochschule Stuttgart.

Former Activities and Functions

- Senior Vice President, Various HR Leadership Positions, Smith + Nephew (2015 – 2023)
- Member of the Board/Chairman Compensation Nomination Committee, REHAU (2017 – 2020)
- Vice President, Various HR Leadership Positions, Smith + Nephew (2009 – 2014)
- HR Director, SC Johnson (1993 – 2009)



Maria Soler Nunez

Nationality: Spanish
Year of birth: 1969

Head, Group Operations and Member of the Executive Committee (since August 2022)

Maria Soler Nunez holds a PhD in Pharmacy in the area of Genetics, Molecular Biology from the Universidad Complutense de Madrid (ES).

Former Activities and Functions

- Chief Quality Officer, Novartis (2020 – 2022)
- Head Global Manufacturing Functions, Novartis (2018 – 2020)
- Head Packaging and Manufacturing, Science & Technology, Novartis (2018)
- Head Manufacturing, Science & Technology, Novartis (2016 – 2017)
- Various regional and global leadership positions in Manufacturing and Quality at Novartis and Lilly (1997 – 2016)



Daniel Palmacci

Nationality: German, Italian, US
Year of birth: 1969

President, Cell & Gene and Member of the Executive Committee (since November 2022)

Daniel Palmacci holds a Master's Degree in Chemistry and Process Engineering with High Honors from the Technical University Berlin (DE).

Current Activities

- Member of the Board of Directors, LOWENCO (since September 2022)

Former Activities and Functions

- Senior Vice President, Global Head Technical Operations, MorphoSys (2020 – 2022)
- Global Head Vaccines & Biologics Strategic Facility Creation, Merck Sharp & Dohme (2019 – 2020)
- Global Head Drug Substance Biopharma Manufacturing / CEO Sandoz GmbH, Novartis (2018 – 2019)
- Site Head, Drug Product Schafftenau, Novartis (2017 – 2018)
- Global Head External Supplier Operations, Biopharma, Sandoz – Novartis (2015 – 2017)
- Global Head Technical Operations, Biopharma, Sandoz – Novartis (2015)
- Global Product Leader & Global Head Manufacturing, Science & Technology (MS&T), Sandoz – Novartis (2013 – 2015)
- Head of Manufacturing, Bayer Healthcare (2008 – 2013)
- Director of Operations – Plant Manager, Bayer Healthcare (2006 – 2008)
- Various Project Manager and QA Manager roles at Berlex LCC, Schering AG, Schering do Brazil, Ingea depotec and GTZ (1994 – 2006)



Christian Seufert

Nationality: German
Year of birth: 1975

President, Capsules & Health Ingredients Division and Member of the Executive Committee (since July 2022)

Christian Seufert holds a master's degree in Business Administration and Economics from the University of Hohenheim (DE).

Former Activities and Functions

- Senior Vice President Pharma Solutions/Nutrition & Health Americas, BASF (2018 – 2022)
- Vice President, Global Segment Management Aroma Ingredients, BASF (2015 – 2018)
- Vice President, Regional Business Management Home Care, Industrial and Institutional Cleaning, Europe & EAWA, BASF (2012 – 2014)
- Vice President/Director, Regional Business Management Formulation Technologies, North America, BASF (2009 – 2012)
- Various regional and global leadership positions in Strategy, Sales and Marketing at BASF (2002 – 2009)

Former Members of the Executive Committee in 2023¹



Pierre-Alain Ruffieux, PhD

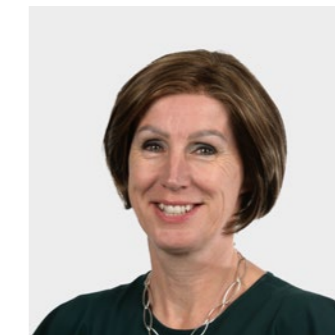
Nationality: Swiss
Year of birth: 1969

Chief Executive Officer (CEO) and Member of the Executive Committee (from November 2020 until September 2023)

Pierre-Alain Ruffieux holds a doctorate in Biotechnology and a master's degree in Chemical Engineering and Biotechnology from the Swiss Federal Institute of Technology (EPFL), Lausanne (CH).

Former Activities and Functions

- Head of Global Pharma Technical Operations & Member Pharma Executive Team, F. Hoffmann-La Roche (2017 – 2020)
- Head of Quality and Compliance, Global Pharma Technical Operations, F. Hoffmann-La Roche (2015 – 2017)
- Head of Quality, Pharmaceutical Division & Member Pharmaceutical Executive Committee, Novartis Pharmaceuticals (2012 – 2015)
- Head of Global Pharma Technical Operations & Biologics Quality Assurance, Novartis Pharmaceuticals (2010 – 2012)
- Global Head of Quality for Biopharmaceutical, Novartis Pharmaceuticals (2009 – 2010)
- Various positions in technical development and manufacturing at Novartis Pharmaceuticals & Sandoz, Novartis Group (2003 – 2009)
- Various positions in technical development and manufacturing at Sero (now Merck Sero) (1998 – 2003)



Caroline Barth

Nationality: British, Swiss
Year of birth: 1972

Chief Human Resources Officer (CHRO) and Member of the Executive Committee (from May 2020 until April 2023)

Caroline Barth holds a degree in European Business Studies from the University of Sunderland (UK) and an MBA from The Open University, Brussels (BE).

Former Activities and Functions

- Global Head of Human Resources, Pharma, Novartis Pharma AG (2016 – 2020)
- Global Head Pharma Strategy, Novartis Pharma AG (2019)
- Global Head of Human Resources, Pharma Manufacturing and Quality, Novartis Pharma AG (2014 – 2016)
- Global Head of Human Resources, Central & Eastern Europe, Novartis Pharma AG (2013 – 2014)
- VP, Human Resources Canada Pharma & Corporate HR Leader, Novartis Pharma AG (2010 – 2013)
- Head of Talent Management, Organizational Development & Staffing, Europe, Novartis Pharma AG (2008 – 2010)
- Head of Human Resources Global IT, Novartis Pharma AG (2006 – 2008)
- Human Resources Integration Leader, Novartis Pharma AG (2004 – 2006)
- HR Communications Leader, EMEA & APAC, Cisco Systems (2001 – 2003)
- HR Generalist, Emerging Markets, Cisco Systems (1997 – 2001)

¹ Information tracked until the end of employment with Lonza

Compensation, Shareholdings and Loans

Details of Board and Executive Committee compensation are contained in the Remuneration Report, respectively on page 183 and 187.

Shareholders' Participation Rights

Voting-Rights Restrictions and Representation

Only persons with valid entries in the share register are recognized as shareholders or usufructuaries. A shareholder may only be represented at the Annual General Meeting by a legal representative, another shareholder entitled to vote or the independent proxy. Persons who do not declare to have acquired their shares in their own name and for their own account are considered "nominees" and will only be entered with voting rights in the share register up to a maximum of 2% of the share capital, unless the entitled persons are revealed. The details are set out in Article 6 of the [Lonza Articles of Association](#). This "nominee" exemption allows for non-registration up to 2% of the share capital. It is not meant to serve as takeover defense. This restriction may only be removed by a resolution of a Shareholders' Meeting with a quorum in accordance with Swiss law. Each share has the right to one vote and is entitled to dividend. The shares held by Lonza are not entitled to vote at the Annual General Meeting and bear no dividend. Lonza may use an electronic voting system for all the resolutions to be taken at its Annual General Meeting. The [Lonza Articles of Association](#) do not contain any other rules on electronic participation in the Shareholders' Meeting, nor specific rules on the issue of instructions to the independent proxy.

Statutory Quora

Except as otherwise stipulated by law, an absolute majority of the votes represented at the Annual General Meeting is required for resolutions and elections. For certain important matters such as a change of the company purpose and domicile, the dissolution of the company without liquidation, and certain matters relating to capital changes, Article 704 of the Swiss Code of Obligations requires at least two-thirds of the voting rights represented and an absolute majority of the nominal value of shares represented.

Convocation of Shareholders' Meetings

Ordinary Shareholders' Meetings are called in accordance with the law and the [Lonza Articles of Association](#). Extraordinary Shareholders' Meetings must be called upon resolution of a Shareholders' Meeting or if demanded by one or more shareholders representing at least 5% of the share capital. Lonza posts the invitation to shareholders at least 20 days before the Annual General Meeting and publishes it on its website, as well as in the Swiss Official Gazette of Commerce.

Agenda

One or more shareholders representing together at least 0.134 percent of the share capital may request an item to be included in the agenda of a Shareholders' Meeting. The request to include an item must be submitted in writing at least 40 days before the meeting, stating the item to be included and the motions.

Entry in the Share Register

Purchasers of Lonza shares may submit a request to be entered, without limitation, as shareholders with voting rights in the share register, provided they expressly declare that they have acquired these shares in their own name and on their own account. Special rules exist for persons who do not expressly declare in the entry application that they hold the shares on their own account (nominees) – see Limitations on Transferability and Nominee Registrations, page 199. There are no special rules in the [Lonza Articles of Association](#) concerning a deadline for entry in the share register. The share register will be closed this year on Tuesday, 23 April 2024 at 5:00 pm CEST.

Changes of Control and Defense Measures

Duty to Make an Offer

According to the Swiss Federal Act on Financial Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FMIA), an investor who acquires more than 33 1/3% of all voting rights (directly, indirectly or in concert with third parties) whether they are exercisable or not, is required to submit a takeover offer for all shares outstanding. No special opting-out or opting-up dispositions are contained in the [Lonza Articles of Association](#).

Clauses on Change of Control

The employment agreements of the Executive Committee members contain certain clauses on change of control, which are outlined in the Compensation of the Executive Committee section of the Remuneration Report. In addition, Lonza's Long-Term Incentive Plan (LTIP) provides that unvested awards or blocked shares unconditionally vest upon change of control (see Compensation of the Executive Committee section of the Remuneration Report, page 179).

Auditors

Duration of the Mandate and Term of Office of the Auditor in Charge

The independent auditor, KPMG AG (Badenerstrasse 172, 8004, Zurich, Switzerland), has held the mandate as the external statutory auditor of Lonza Group Ltd and the Group since 1999. The external statutory auditor is elected at the Annual General Meeting for a term of one year. Florin Krapp from KPMG AG has

been nominated as lead auditor in charge for the financial year 2023. She first held the mandate as lead auditor in the financial year 2021. Lonza's Audit and Compliance Committee ensures that the auditor in charge is rotated at least every seven years.

Audit Tender

Following a thorough tender process initiated in 2022, the Board of Directors proposed to Lonza's shareholders to appoint Deloitte AG (Pfingstweidstrasse 11, 8005, Zurich, Switzerland) as its external auditor effective from the financial year 2024. At Lonza's Annual General Meeting on 5 May 2023, Deloitte AG was elected as auditor for the financial year 2024.

Auditing Fees and Additional Fees

The fees for professional services paid to KPMG AG for the years under audit ended 31 December 2023 and 2022 are as follows:

Million CHF	2023	2022
Audit Services	4.397	4.469
Audit-related Services		
– Assurance – Transaction Related		
– Assurance – Other	0.983	0.396
– Non-statutory Audit		
Tax Services	0.318	0.013
Other Services	0.027	0.453
Total	5.725	5.331

Audit services are provided as required by law and include the audit of the consolidated financial statement of Lonza Group Ltd as well as the required statutory audits of Lonza Group entities.

Audit-related services include other assurance and accounting services provided by the independent auditors but which may not exclusively be provided by the statutory auditor. These services go beyond the legal requirements and may include, inter alia, other attestation services, comfort letters, audits in connection with non-recurring transactions, consents and consultations, as well as audit services related to the performance of carve-out financial statements. Tax services represent tax compliance, assistance with historical tax matters, and other related services. Other services in 2023 and 2022 primarily related to vendor due diligence procedures and reporting of further provision of accounting and reporting guidance, as well as, training in finance and relevant regulations.

Supervisory and Control Instruments vis-à-vis the Auditors

The Audit and Compliance Committee is responsible for evaluating the performance and independence of the external auditors on behalf of the Board of Directors. This evaluation occurs at least once a year. The criteria applied for the assessment include professional competence, sufficiency of resources, the ability to provide effective and practical recommendations and coordination of the external auditors with the Audit and Compliance Committee and senior management. In the reporting year, KPMG AG attended six Audit and Compliance Committee meetings. In those meetings, the external auditors presented the 2023 audit strategy and their 2023 results.

The Comprehensive Auditor's Report to the Board of Directors prepared by KPMG AG summarizes the reports presented to the Audit and Compliance Committee throughout the year. Within the scope of the approved and budgeted amount, the Chief Financial Officer can delegate non-audit-related mandates to the external auditors, subject to all applicable auditor independence regulations. The Board of Directors has determined the rotation interval for the auditor in charge to be at least every seven years, as defined by the Swiss Code of Obligations.

The Audit and Compliance Committee reviews Lonza's financial reporting process on behalf of the Board of Directors. Lonza's management is responsible for preparing the financial statements and the reporting process, including the system of internal controls. The Audit and Compliance Committee is also responsible for overseeing the conduct of the activities by Lonza management and the external auditors.

The external auditor, KPMG AG, is responsible for expressing an opinion on the accounting records and the financial statements prepared in accordance with Swiss law and the [Lonza Articles of Association](#). KPMG AG is also responsible for expressing an opinion on the consolidated financial statements (balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes) prepared in accordance with the International Financial Reporting Standards (IFRS), which is issued by the International Accounting Standards Board (IASB), and with Swiss law. KPMG AG also audited the Lonza Remuneration Report 2023 with respect to the information required by the Swiss Code of Obligations.

Information Policy and Key Reporting Dates

Lonza pursues a proactive and professional communication policy. Lonza publishes price-sensitive information in accordance with the obligation to disclose price-sensitive facts as required by the SIX Swiss Exchange. Ad hoc notices are made available on Lonza's [news site](#) and submitted to SIX Swiss Exchange. Additionally, Lonza's website provides a [news and subscription service](#) that allows interested parties to receive, via e-mail distribution, free and timely notification of price-sensitive facts.

Corporate Communications reports directly to the Chief Executive Officer. Investor Relations reports to the Chief Financial Officer. On basic matters of general corporate policy, Corporate Communications and Investor Relations receive their directives from the Executive Committee. Lonza makes the Annual Report, the Sustainability Report, the Half-Year Results and Full-Year Results available to all interested parties as a [PDF download](#).

The invitation to the Annual General Meeting is published on our [website](#) and in the Swiss Official Gazette of Commerce. It is also sent by mail to the shareholders entered in the share register. Our website is regularly updated and provides relevant information such as share-price development, news releases and presentations. In 2023, financial results presentations were hosted via webcast and conference call. In addition, Lonza manages an annual program of investor meetings. Shareholders, potential investors and financial analysts are also welcomed at our headquarters at Münchensteinerstrasse 38, 4002 Basel, Switzerland or can contact Investor Relations via telephone (+41 (61) 316 2500) or email (investor.relations@lonza.com).

Anticipated Key Reporting Dates

The list of all corporate events of special interest is subject to change during the year as dates are adjusted and added. Updated information is found on the Investor Relations page of our website or on page 15 of the Annual Report.

Black-out Periods and Trading Bans

Lonza has two regular black-out periods which start on (i) June 9 and (iv) December 10 every year and end on the day after the public announcement of the company's Half-Year and Full-Year Results, respectively. During these black-out periods, members of the Board of Directors and Executive Committee as well as several employees (which are deemed to potentially have access to sensitive information during these periods) are not allowed to trade Lonza securities.

In addition, Lonza may issue a special trading ban outside of the black-out periods for persons which potentially have access to sensitive information (such as in the case of working on specific projects or matters which may lead to ad hoc announcements). These special trading bans are upheld for as long as the potentially sensitive information has not been made public. The persons in scope are informed of the start and the end of a special trading ban and are not allowed to trade Lonza securities during this period.

In 2023, no exceptions to the rules regarding regular black-out periods and special trading bans were granted.

Legal Disclaimer

Forward-Looking Statements

Forward-looking statements contained in this publication 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 2024 and Mid-Term Guidance 2024-2028 herein may not prove to be correct. The statements in the section on Outlook 2024 and Mid-Term Guidance 2024-2028 constitute forward-looking statements and are not guarantees of future financial performance.

Lonza Group’s actual results of operations could deviate materially from those set forth in the section on Outlook 2024 and Mid-Term Guidance 2024-2028 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 2024 and Mid-Term Guidance 2024-2028. Except as otherwise required by law, Lonza Group disclaims any intention or obligation to update any forward looking statements as a result of developments occurring after this publication was published.

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For publications and further information, please contact:

Lonza Group Ltd

Muenchensteinerstrasse 38
4002 Basel, Switzerland
Tel +41 61 316 81 11
www.lonza.com

Investor Relations

investor.relations@lonza.com

Media Relations

media@lonza.com

Share Register

c/o Computershare Schweiz AG
P.O. Box 4601 Olten, Switzerland
Tel +41 62 205 77 00
Fax +41 62 205 77 90
share.register@computershare.ch

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