Enabling a Healthier World

Lonza

Annual Report

2022

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Creating Value in 2022

Letter from the Chairman

Albert M. Baehny
Chairman of the Board of Directors

Dear Stakeholders
For Lonza, 2022 was a year characterized by sustained growth momentum supported by a focus on stable business performance and corporate sustainability. The Board has worked closely with the executive management to ensure the company strategy remained focused on serving the most pressing and complex needs of our customers while delivering long-term value back to our business.

Macroeconomic Context
In 2022, we saw the COVID-19 lockdown restrictions lifted in various western markets, meaning many of our colleagues were able to return to our offices. However, the year also brought challenges, including inflationary pressures, exacerbated by the prospect of energy supply shortages and increasing macroeconomic uncertainty. All these issues carried impacts for the global corporate community.

Through this time, I have been impressed by the focus and commitment of our global employee network. The focus and dedication of our people have helped us to navigate uncertainties while maintaining performance and continuity for our customers.

Investing for Long-Term Success
In 2022, the Board has coordinated with the Executive Committee (EC) to ensure that our investment strategy continues to focus on areas of sustained customer demand and market growth. Following these guiding principles, we have approved significant investments across all our divisions to serve our customers' complex needs across the value chain, from development to commercialization.

Specifically, the Board approved a major investment to build a new large-scale, commercial drug product facility in Stein (CH). The CHF 500 million investment will enable our business to further support customers across the product life cycle, by including commercial drug product manufacturing for large-scale market supply. Scheduled to come online in 2026, this facility consolidates our strong reputation for a broad range of offerings across services and modalities.

Looking more widely at our investment strategy, we have committed more than CHF 4 billion in CAPEX programs over the last three years to support our long-term success. While we maintain our growth momentum, we are proposing a shareholder dividend of CHF 3.50 per share, representing a year-on-year increase of 17% or CHF 0.50.

Furthermore, our strong balance sheet and positive outlook enable us to initiate a share buyback program of up to CHF 2 billion. This will enable us to return excess capital to shareholders at a time when our stock valuation is attractive for purchase. We remain committed to maintaining our strong investment grade rating. The share buyback does not impact our capability to invest in organic growth and bolt-on M&A.

Corporate Responsibility
We understand that sustainable value creation is an ethical, social and commercial imperative for our business, and aligns with our company's purpose of enabling a healthier world. This commitment to corporate responsibility is shared by our stakeholders, leadership team and global colleague community.

In 2022, we have consolidated our commitment to responsible business by embedding sustainability into our global business practices. The Board previously worked with the Executive Committee to agree on the seven United Nations' Sustainable Development Goals (SDGs) that are most relevant to our business. In 2022, targets were placed against each of the seven selected SDGs and an Executive Committee member was assigned to ensure the company delivered on its commitments.

2022 was the first year in which company performance against our sustainability targets was integrated into our global remuneration and reward programs. This has been designed to ensure that our people integrate sustainability considerations into their working practices. It will help us to create a culture of contribution, where our success is defined by how much we give back, as well as how much we achieve.

Looking to the Past, Present and Future
2022 represented a landmark moment as Lonza celebrated the 125th anniversary of its foundation. Such significant milestones present rare opportunities for reflection. Our company has undergone repeated transformations since it was founded in 1897 by the Swiss banker and philanthropist Alfons Ehinger. A contemporary Swiss newspaper report described Alfons as a leader of "tireless diligence and unshakable calm". Buried in our distant past, these characteristics still remain relevant and valuable to our business today, and act as a guide to manage the challenges and opportunities ahead.

Like the River Lonza, our business continues to move forward, and the Board continues to ensure our Group strategy remains agile and flexible to a changing world context. As we move into 2023, we will remain focused on serving our customers, maintaining stability and pursuing our purpose to enable a healthier world.

Thanks to our stakeholders
Lonza's success depends on the skills of our people, the loyalty of our customers, the confidence of our investors and the cooperation of our business partners. On behalf of the Board of Directors, I would like to close by extending my sincere thanks to all our stakeholders for their support and contribution to our business over the course of the year. I look forward to continuing our work and building further on our success in the year to come.

Albert M. Baehny
Chairman of the Board of Directors

Letter from the CEO

Pierre-Alain Ruffieux
Chief Executive Officer

Dear Stakeholders
125 years on from the foundation of our company, Lonza is more dynamic, agile and forward-focused than ever. Since 1897, Lonza has constantly evolved to meet the needs of the day with energy, light, fertilizer and now medical treatments and technologies. In 2022, we continued to adapt to our changing environment, while consolidating our position as a strategic partner to the healthcare industry.

Today, the biopharma industry is able to treat many of the world's most serious illnesses. The great challenge of modern medicine does not lie only in the discovery of new treatments. We must also find ways to manufacture and commercialize these treatments while maintaining safety, quality and value. During 2022, we have continued to fulfil our role as a trusted Contract Development and Manufacturing Organization (CDMO), while delivering on our targets, extending our offerings to meet customer needs and laying strong foundations for our future success.

Financial Performance
In 2022, Lonza reported sales of CHF 6.2 billion, sales growth of 15.0% AER (15.1% CER), and CHF 2.0 billion CORE EBITDA, resulting in a margin of 32.1%. These robust financial results are driven by strong underlying business performance and a COVID-related sales peak in 2022, which supported both sales and margin.

During the year, we maintained an active dialogue with our investor community. Following Philippe Deecke's appointment as Chief Financial Officer at the end of 2021, he and I have both spent time building relationships with our stakeholders and investors. Alongside our Half-Year and Full-Year updates, we hosted a series of investor briefings, including an investor roadshow in H2. For the first time since the pandemic began in 2020, Phillipe and I have also had the opportunity to meet with investors in person at events in key locations including London, Zurich, New York and Boston.

Growth Investments and Consolidated Focus
Our investment strategy continues to focus on capturing growth opportunities with attractive margins, while minimizing risk. In 2021, CAPEX reached 24% of sales, and in 2022 we continued to expand this ambitious target to CHF 1.9 billion or 30% of sales. In July, we committed to expanding our Drug Product Services offering with a CHF 500 million investment in a new drug product facility in Stein (CH). Once operational, the facility will complete the value chain for our Biologics customers.

We also announced a series of additional planned investments over the year, including an expanded highly-potent active pharmaceutical ingredients (HPAPI) suite for antibody-drug conjugate (ADC) manufacturing in Visp (CH). We also announced an early phase capacity expansion in Bend (US). These projects will enable us to build a global end-to-end offering for our customers in key modalities.

Operating in the Post-Pandemic Era
Although many Western countries emerged from strict COVID-19 lockdowns in H1 2022, we remained vigilant across our global business, monitoring outbreaks and observing local restrictions. Infection levels were under control in many markets at the end of 2022, but we remain aware of long-term impacts to communities, economies and healthcare systems.

2022 brought industry challenges, such as extended lead times for raw materials. Specifically, H2 was characterized by global uncertainties arising from increased energy costs and potential shortages. We continue to observe this shifting external context by actively reviewing our business and operating context, both at global and local site levels. We are actively working to mitigate known risks while remaining agile to emerging and unexpected business conditions.

Talent Retention and Development
There are high levels of competition to attract and retain industry-leading talent in the healthcare industry. In this context, we are continuing to focus on employee engagement, ensuring that we listen to feedback and adapt to meet our colleagues' needs.

Enabling employee growth is a critical driver for retention, and in 2022 a particular focus was placed on establishing leadership development programs, mentoring opportunities and career roadmaps. Our Voice of Employee Survey shows a strong increase in employees feeling that they can learn and grow at Lonza. Our redesigned performance and rewards structure – the Lonza Bonus – was launched in 2022. This aligns our divisions and functions into one performance structure, and is designed to recognize top talent with a consistent metric that takes

both company performance and personal development into account. While recognizing colleague performance, we also responded to global inflation volatility with an extraordinary mid-year salary increase for the 16 countries in which 2022 inflation levels substantially exceeded forecasts.

We also remain committed to carrying forward our flexible working practices from the pandemic, with a clear focus on work-life integration. In 2022, we launched a Global Hybrid Working Policy, allowing office-based colleagues to balance three days in the office with up to two days working from home each week. We also introduced a tech-enabled program that allows colleagues to work internationally for up to four weeks per year while observing local employment laws. These developments are designed to improve productivity, support wellbeing, and encourage collaboration and creativity.

Our Global Leadership Team

There have been planned changes to our Executive Committee, as Claude Dartiguelongue (former President of Capsules & Health Ingredients) and Stefan Stoffel (former Head of Group Operations) retired in 2022. I would like to take this opportunity to share my sincere thanks for their many contributions to Lonza and wish them both a long and happy retirement. As these valued colleagues retire, we have appointed new industry leaders to join the Executive Committee. In July, we were joined by Christian Seufert as President of the Capsules & Health Ingredients division, and in August, Maria Soler Nunez took up the position of Group Head of Operations. Finally, in November, Daniel Palmacci joined as President of the Cell & Gene division, succeeding Jean-Christophe Hyvert who will now refocus on his role as President of the Biologics division.

This expanded leadership structure will support the business in optimizing growth potential, with a dedicated President for each of our four divisions. It is my pleasure to extend a warm welcome to Christian, Maria and Daniel. All three are proven industry leaders with outstanding credentials, who will contribute in steering our business towards new levels of sustainable growth and development.

Progress on Sustainability

In 2022, our global operations continued to drive progress towards our seven key sustainability targets, based on selected relevant United Nations' Sustainable Development Goals (SDGs). We maintained momentum throughout the year in our ESG ambitions. Year-on-year, we achieved a 6% reduction in energy intensity, a 13% reduction in GHG emissions intensity, and a 13% reduction in water intensity. The substantial growth of our business in 2022 was achieved largely without footprint increases, and efficiency gains have enabled us to either meet or exceed our 2022 ambitions.

As part of our ESG focus, we remain committed to contributing to the communities in which we operate. To mark our 125th anniversary, in October 2022 we announced plans to give 125,000 volunteering hours to community causes across our global network. Commencing in 2023 – and every year thereafter – each colleague in our global community can take an annual volunteering day to dedicate to a local cause. Looking to the future, the amount of time we give back will increase in proportion to our growing colleague community.

Finally, we were proud to be recognized by Ethisphere® as one of the 2022 World's Most Ethical Companies. To receive this recognition for the second year running is a testament to the integrity of our people for remaining true to our values in the decisions they take at work each day.

Group Outlook 2023

In 2022, the global business community experienced challenges arising from macroeconomic uncertainty. In this context, our position as a dedicated partner to the healthcare industry has helped to protect our core business from short-term economic fluctuations. In addition, our focus on long-term customer contracts has helped to ensure continuing stability.

Looking forward, we remain on track to deliver our 2024 Mid-Term Guidance, supported by a 2023 Outlook of high single-digit CER sales growth. This reflects our strong underlying business performance, balanced by a reduction in COVID-related sales following the peak in 2022. A CORE EBITDA margin of 30 to 31% is supported by strong productivity and pricing, and offset by residual inflation and the ramp-up of new assets.

Thanks to our People and Stakeholders

As we celebrate 125 years of progress at Lonza, I would like to take this opportunity to thank our partners and suppliers for their engagement and loyalty, and our customers for trusting us to bring their treatments and products to market. I would also like to thank our investors for continuing to support our business.

Finally, my thanks to our colleagues across the global network for their commitment and dedication to making a meaningful difference in an increasingly complex world. I am particularly pleased to extend a welcome to our 3,500 new colleagues who joined Lonza in 2022, and I look forward to seeing what our growing community will achieve for our business and customers in 2023.

Pierre-Alain Ruffieux
Chief Executive Officer

2022 Highlights

January

We started 2022 with the launch of our new bYlok® Technology for the discovery and design of bispecific antibodies.

We also shared solid Full-Year 2021 financial results.

March

We announced Christian Seufert as our new President of the Capsules & Health Ingredients division.

We also announced the successful expansion of our API manufacturing laboratory in Nansha (CN).

April

We expanded the functionality for our Cocoon® Platform with a new magnetic selection capability for cell therapy manufacturing.

May

We announced our investment in additional inhalation capabilities at our Tampa (US) site.

We expanded our Capsugel® offering with the launch of titanium dioxide-free (TiO_2-free) white hard gelatin capsules, helping customers to meet new EU regulatory requirements for nutraceutical applications.

June

We announced the completion of our early clinical phase development and manufacturing facility in Bend (US).

We also launched the PyroCell® Monocyte Activation Test - Human Serum System. This uses human serum instead of fetal bovine serum for pyrogen testing.

July

At the beginning of H2, we announced the appointment of Maria Soler Nunez as Head of Group Operations.

We announced a CHF ~500 million investment to build a large-scale commercial drug product facility in Stein (CH).

We also announced a solid financial performance at Half-Year 2022 with 16.8% CER sales growth and 33.1% CORE EBITDA margin.

October

We announced the collaboration with Singzyme to enhance our bioconjugation offering.

October marked an important milestone for our Houston (US) site, with two cell and gene therapies manufactured at the site receiving FDA approval.

September

We announced our collaboration with Touchlight to expand our end-to-end offering for mRNA manufacturing.

We completed the expansion of our Highly Potent API (HPAPI) multipurpose suite for payload-linkers in Visp (CH).

We also announced the appointment of Daniel Palmacci as President of the Cell & Gene division.

November

We launched Capsugel® Enprotect™, the first ever coating-free capsule to support the delivery of acid-sensitive APIs directly to the small intestine.

We announced the collaboration with biotech company AbTis to extend our bioconjugation capabilities.

Lonza at a Glance

1,995m
CORE EBITDA in CHF

32.1
CORE EBITDA margin in %

6,223m
Sales in CHF

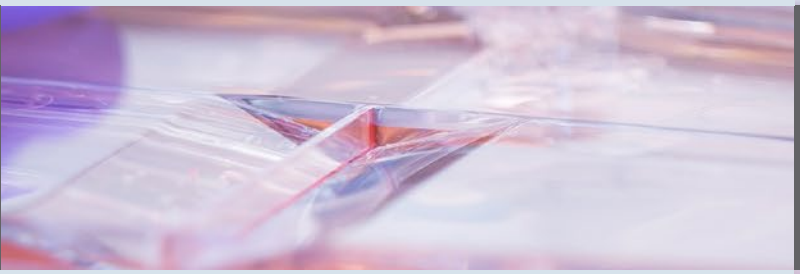
15.1
Sales growth in % [1]

11.4
ROIC in %

>790
CDMO customers [4]

17,494

Employees (Full-time equivalent)



~375

New CDMO programs signed in 2022

>35

Global development and manufacturing sites

2,605

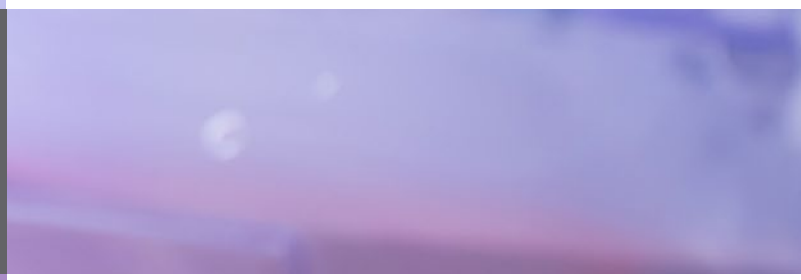
Trademark filings

~115

New CDMO customers in 2022[4]

>1,025

Small[2] and large[3] molecules



344

Active patent families

[1] Constant exchange rate (CER); in actual exchange rate (AER) +15.0%
[2] Including active pharmaceutical ingredients (API), highly potent API (HPAPI), dosage form and delivery systems and particle engineering
[3] Including mammalian, microbial, bioconjugates and cell and gene therapy products (personalized medicines are included for pre-clinical and clinical molecules only, early development services are included for pre-clinical molecules only)
[4] Based on distinct companies

Financial Highlights

2022 was another year of strong performance for Lonza with CHF 6.2 billion sales (15.0% AER[1]; 15.1% CER[2] sales growth) and CHF 2.0 billion CORE EBITDA, resulting in a margin of 32.1%. The sales growth was supported by strong momentum in the underlying business and a COVID-related sales peak which enhanced both sales and margin.

CORE EBITDA grew 19.8%, leading to a year-on-year margin improvement of 1.3ppts. This increase was driven by a combination of growth projects ramping-up and productivity improvements in the base business. However, the strong productivity and base profitability were offset by the residual impact of inflation. Our business model and proactive approach allows us to actively and effectively manage the impact of inflation through price increases in our product business and inflation clauses in our CDMO contracts. We are also working on procurement and supply chain initiatives to manage the rising costs of raw materials.

Throughout 2022, we continued our accelerated investment program to support future growth. For the Full Year, total capital expenditures (CAPEX) reached CHF 1.9 billion or 30% of sales, from which around 85% was deployed for growth projects. Our growth projects carry an attractive financial return profile and larger projects are de-risked by customer commitments, long-term contracts and strong pipeline.

Our return on invested capital (ROIC) remains strong at 11.4% (0.7% ppts increase vs prior year). This was driven by CORE EBITDA growth and partially offset by a 5ppts increase in our effective tax rate, which now stands at 15.9% - around the lower end of our guided range (16 to 18%).

In 2022, we delivered a negative free cash flow (FCF) before acquisitions of CHF 465 million, reflecting our strategy of high CAPEX investments but also a temporary increase in inventory to maintain supply continuity. Underlying cash generation remains solid, with strong 18% FCF conversion before growth CAPEX.

We intend to initiate the return of excess capital to shareholders through a share buyback of up to CHF 2 billion, based on our strong balance sheet and positive outlook. The share buyback will not impact our capability to invest, and we remain committed to maintaining our strong investment grade rating. We expect the buyback to commence in H1 2023 and be completed in H1 2025.

[1] Actual exchange rate
[2] Constant exchange rate

Outlook 2023 and Mid-Term Guidance 2024

Lonza provides the following Outlook for Full-Year 2023, assuming no unexpected adverse events:

- High single-digit CER sales growth
- CORE EBITDA margin of 30-31%

Lonza confirms its Mid-Term Guidance 2024:

- Low teens CER sales CAGR (2021-2024)
- ~33–35% CORE EBITDA Margin
- Double-digit ROIC

Personal Perspective

Philippe Deecke
Chief Financial Officer

In 2022, we delivered a solid financial performance in line with our guidance, despite a challenging macroeconomic environment characterized by supply chain challenges, and rising inflation and interest rates. Our net debt leverage of +/-0, enables us to fully maintain our investment and financing flexibility.

CAPEX reached 30% of sales in 2022 as we continued to invest in organic growth opportunities to secure our long-term success. We maintained a strong investment focus on Biologics, while ensuring a balance by providing funding to growth projects across all divisions. Our investment criteria remained unchanged, with an IRR threshold of between 15 and 20% and a ROIC at peak of 30% or more.

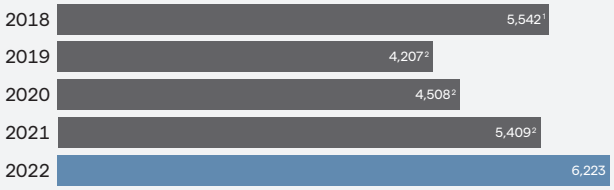
IT continued to support growth, with the initiation of major infrastructure projects to boost our operational resilience and security. This will remain critical as we continue to grow. At the same time in Finance, we introduced new automation processes in our Global Business Service Centers and continued our focus on advisory excellence. In 2023, a functional priority will be a focus on end-to-end processes and further standardizing our finance offering to improve scalability.

We continue to work on pricing and productivity which are two core competencies in the current macroeconomic environment. We are committed to continue investing in high-value organic opportunities to drive future growth. These measures will support our financial performance in 2023 and beyond.

Supported by our strong and differentiated market position and our record for innovation and quality, we are well placed to capture value in the CDMO industry.

Historic Progression

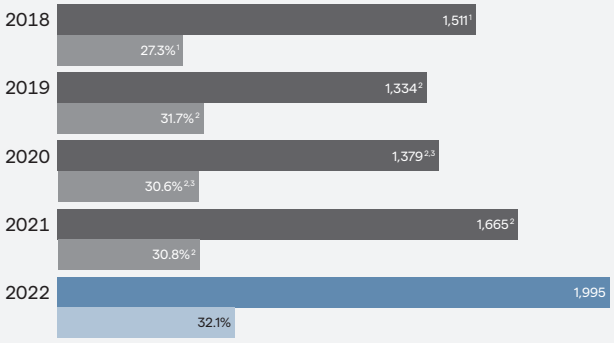
Sales
Million CHF



ROIC
in %

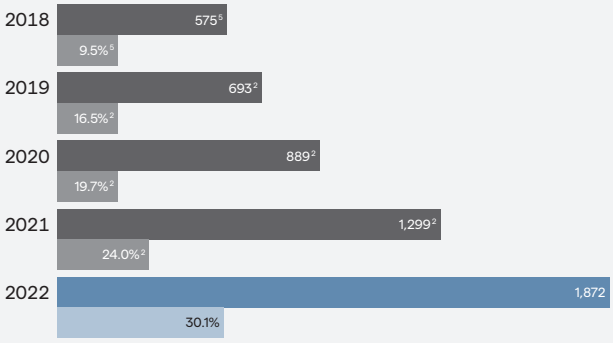
CORE EBITDA
Million CHF

CORE EBITDA Margin
In %

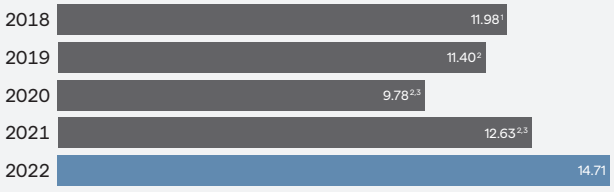


Capital Expenditures (CAPEX)
Million CHF

CAPEX/Sales
In %



CORE EPS diluted
CHF



Net Debt/CORE EBITDA[4]
Ratio

[1] Lonza continuing operations, excluding the Water Care business classified as discontinued operations
[2] Lonza continuing operations excluding the Specialty Ingredients business, that was sold on 1 July 2021 and therefore reported as discontinued operations in 2021
[3] CORE results for the Full-Year 2021 were restated to reflect the changes from the revised Alternative Performance Measures policy that was introduced on 1 January 2022
[4] "Net debt", "Net debt / CORE EBITDA" reflect total group including discontinued operations from 2018 to 2020 and continuing operations (excluding Lonza Specialty Ingredients business) from 2021 onwards
[5] Lonza including Water Care business


Lonza
COCOON

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 2022 at CHF 453.1 per share, which represents a decrease of 40.5% in 2022.

The free float in Lonza Group Ltd registered shares reached 99.75% at year-end, and the average daily trade volume was 166,895 shares in 2022.

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 2022:

Principal Shareholders:
BlackRock, Inc., New York, NY (USA) 9.92%

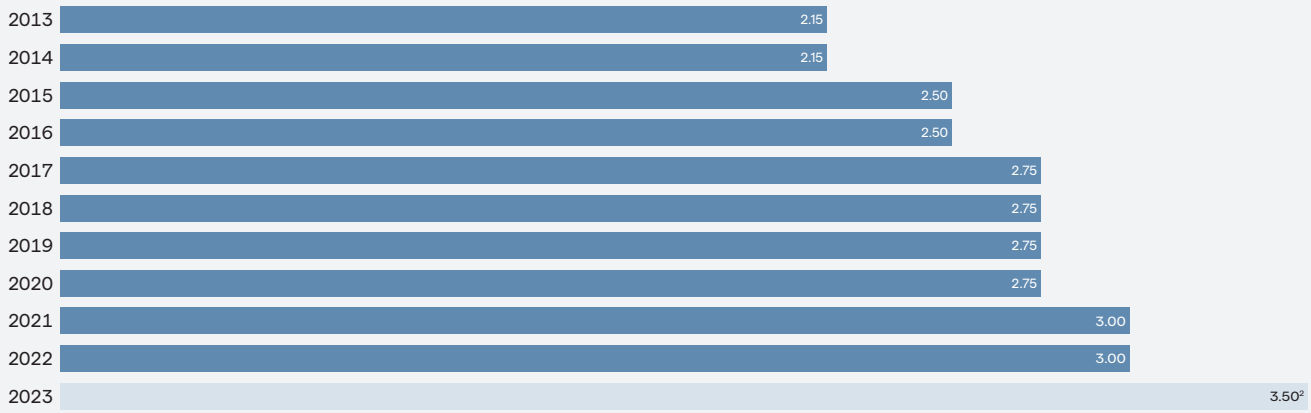
We know of no other shareholder(s) that owned more than 3% of our share capital as of 31 December 2022. To the best of our knowledge, the shareholder mentioned above is not linked by any shareholders' agreement or similar arrangement with respect to their shareholdings in Lonza or the exercise of shareholders' rights. For a full review of the individual disclosure notifications made during 2022, please refer to the SIX Swiss Exchange disclosure platform.

Dividend

Lonza's Board of Directors is proposing a dividend for shareholders of CHF 3.50 per share for 2022. The proposal represents a payout of 21.4% of 2022 reported profit for the period of Lonza Group (or 25% excluding the gain of divestitures). Subject to approval at the upcoming Annual General Meeting (AGM) on 5 May 2023, 50% of the dividend of CHF 3.50 per share will be paid out of the capital contribution reserve and will therefore be free from Swiss withholding tax.

Dividend Payment History[1]

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 – 2022

In CHF/Share

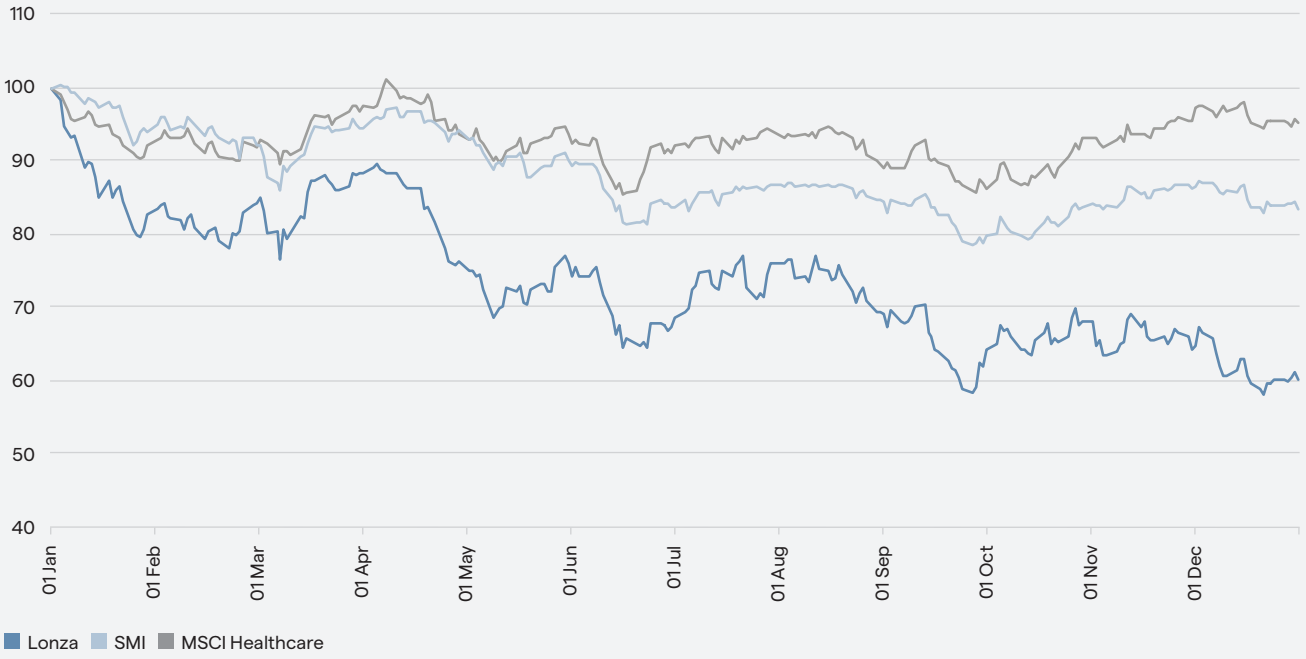
Financial Events in 2022	
A Full-Year Results 2021	26.01.2022
B Annual Report 2021	24.03.2022
C Annual General Meeting	05.05.2022
D Ex-Dividend Date	09.05.2022
E Record-Dividend Date	10.05.2022
F Dividend-Payment Date	11.05.2022
G Half-Year Results 2022	22.07.2022

Share Price in 2022	
Share Price High	CHF 749.2 on 03.01.2022
Share Price Low	CHF 437.5 on 20.12.2022
Share Price Closing	CHF 453.1 on 30.12.2022

Source: Bloomberg

Lonza Share Price Development vs. Swiss Market Index (SMI) and MSCI Healthcare Index 2022

Rebased to 100



Source: Bloomberg

Upcoming Financial Events

Date	Time	Event
20 April 2023	17:00 CEST	Closing of the Share Register
5 May 2023		Annual General Meeting for the Financial Year 2022
9 May 2023		Ex-Dividend Date
10 May 2023		Record-Dividend Date
10 May 2023		Qualitative Update
11 May 2023		Dividend-Payment Date
21 July 2023		Half-Year Results 2023
17 October 2023		Capital Markets Day (including Qualitative Update)
31 January 2024		Full-Year Results 2023

More information for our shareholders and capital market is available on Lonza's Investor Relations webpage. To learn more about Lonza's activities during 2022, refer to our News Archive.

Ten-Year Overview of Major Key Indicators

million CHF	2013	2014	2015	2016	2017	2018[1]	2019[2]	2020[2,3]	2021[2]	2022
Sales	3,584	3,640	3,803	4,132	4,548	5,542	4,207	4,508	5,409	6,223
CORE EBITDA	711	743	793	918	1,196	1,511	1,334	1,379	1,665	1,995
Margin in %	19.8	20.4	20.9	22.2	26.5	27.3	31.7	30.6	30.8	32.1
EBITDA	647	737	780	848	1,084	1,429	1,264	1,378	1,365	2,139
Margin in %	18.1	20.2	20.5	20.5	23.8	25.8	30.0	30.6	25.2	34.4
Result from operating activities (EBIT)	253	423	428	486	673	842	825	901	851	1,541
Margin in %	7.1	11.6	11.3	11.8	14.8	15.2	19.6	20.0	15.7	24.8
ROIC in %[4]	n.a.	n.a.	n.a.	n.a.	8.4	8.0	9.2	9.1	10.7	11.4
CORE EPS (diluted) in CHF	4.97	6.76	6.76	8.38	10.78	11.98	11.40	9.78	12.63	14.71
EPS (diluted) in CHF	1.67	4.54	5.26	5.69	9.70	8.77	8.68	9.77	9.05	16.34
Operational free cash flow (bef. acquisitions and divestitures)	519	476	693	638	658	884	371	504	399	(465)
Net debt / (net cash)[5]	2,103	2,011	1,660	1,584	3,762	3,534	2,961	2,813	(958)	(186)
Net debt / CORE EBITDA[5]	3.0	2.7	2.1	1.7	2.7	2.3	1.8	1.7	(0.6)	(0.1)
Number of employees (Full-Time Equivalent)[6]	9,935	9,809	9,829	10,130	14,618	15,375	15,468	14,062	16,218	17,494

[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 2013 to 2020 and continuing operations (excluding Lonza Specialty Ingredients business) from 2021 onwards
[6] "Number of employees (Full-time Equivalent)" reflect total group (including discontinued operations) from 2013 to 2019 and continuing operations (excluding Lonza Specialty Ingredients business) from 2020 onwards

Our Strategic Priorities

Across our four divisions (Biologics, Small Molecules, Cell & Gene and Capsules & Heath Ingredients), we offer a wide breadth of services and products that deliver on our Group vision to bring any therapy to life.

Today, the biopharmaceutical industry is able to treat many of the world's most serious illnesses. The great challenge of modern medicine does not only lie in the discovery of new treatments. We must also find ways to manufacture and commercialize these treatments at speed while maintaining safety, quality and value. At the same time, we see that treatments and modalities are becoming increasingly complex and the path to commercialization is becoming more challenging to navigate. In this uncertain and changing environment, Lonza's ability to support customers across the entire product lifecycle has never been more important.

Our unique capability to meet customers' complex needs is underpinned by five strategic priorities which sit at the heart of our business strategy. While maintaining a focus on these priorities, we also remained responsive to changes in the external environment in 2022 – from macroeconomic trends to the evolving competitive landscape. By delivering on our strategic priorities while remaining agile to change, we will continue to drive long-term value and success.

This section highlights our five strategic priorities, and demonstrates the progress made in each key area during 2022.

Service

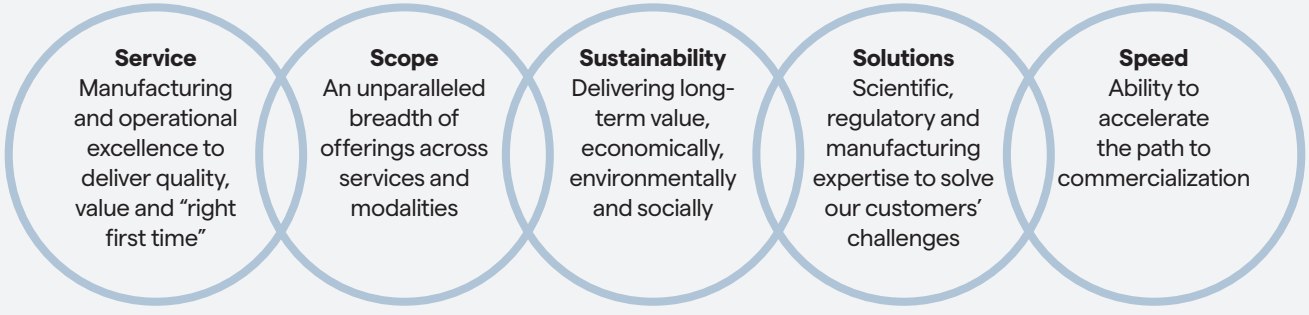
Delivering exceptional customer service, built upon mutual trust and respect, is a priority for our business. We work alongside our customers to address their most pressing needs. This approach is supported by close collaboration and an integrated, end-to-end service offering.

Across the business, we continued to maintain our focus on Lean operating principles with the rollout of our Lean training program in 2022. By actively identifying opportunities for improvement in day to day performance, this approach drives operational excellence internally while delivering improved levels of speed, value and quality for our customers.

In 2022, we ran our Lonza Promoter Score (LPS) survey for the third consecutive year. This provided valuable insights into our customers' satisfaction with our services and products, and enabled us to measure our impact. The feedback consistently demonstrated the value that our customers place on the specialist knowledge of our people. From large pharma and nutraceuticals to small biotech, our customers actively seek the expertise of our colleague community to bring their treatments to market. We have seen increased satisfaction scores across the business in 2022 compared with the first LPS survey in 2020. This reflects our ongoing efforts to drive continuous improvement.

In Capsules & Health Ingredients, we launched a new service package to further enhance collaboration with our customers. Through Launch with Lonza™, we now partner with customers to help solve their unique dosage delivery challenges. This collaborative approach positions Lonza as an industry leading partner with the capabilities and expertise to guide customers through the entire product cycle.

Our Strategic Priorities



Scope

To support our vision to bring any therapy to life, we continued to expand our breadth of offerings. Over the course of the year, we continued to build both capacity and capability in our Small Molecules division. In March 2022, we completed an expansion to our laboratories in Nansha (CN) for the clinical supply of highly-potent APIs (HPAPIs). HPAPIs form a large part our development pipeline, and the expansion enables us to meet growing global demand for HPAPI manufacturing - especially in oncology clinical trials.

In response to strong demand from customers for agile, phase-appropriate manufacturing services for early-phase clinical trials, we added a dedicated Early Phase Clinical Manufacturing facility at our Small Molecules site in Bend (US). This new facility provides additional capacity for solutions to complex bioavailability challenges in clinical projects.

In Biologics, there was a major development in July 2022, when we announced a ~CHF 500 million investment to build a new commercial Drug Product facility in Stein (CH). This new facility strengthens our ability to support customers throughout the drug development journey from early development to clinical and commercial supply.

Finally, in Capsules & Health Ingredients, we expanded the breath of our offerings in 2022 to satisfy growing pharmaceutical and nutraceutical customer demand for high-value capsules with novel functionalities. From specialized delivery solutions to "free-from" products, our differentiated and broad portfolio ensures that we can meet customer needs.

Sustainability

At Lonza, sustainability is about delivering long-term value environmentally, economically and socially. To support our work in this important area, we have selected the seven UN Sustainable Development Goals (SDGs) that are most relevant to our business. These range from climate and water action to people development and gender equality. As of 2022, we reflected this ESG focus in our global remuneration policies across every level of the organization. This was designed to drive engagement and ensure that sustainability achievements are recognized as a core metric in our long term success.

Significant gains have been made at a site level across the global network. In Visp (CH), we completed an investment to achieve a 20% annual reduction in water usage by using recycled water for steam production. In Nansha (CN), we have achieved an annual saving of 90 MWh with a simple upgrade to automate our air conditioning systems. Finally, our site in Puebla (MX) is now using 100% renewable electricity from wind and solar to power its operations.

At a global level, we sourced 25% of our purchased electricity from renewable sources in 2022, as part of a program to replace our traditional power mix with green electricity by 2025, where possible. While our business grew substantially during the last year, this was achieved alongside efficiency gains and without significant footprint growth. As a result, we met all of our global sustainability intensity goals in 2022, and have already reached our 2030 targets on waste and CO_2 emissions. We have since amended our 2030 goals to target a more ambitious 50% reduction in intensity.

Solutions

We support our customers with a combination of scientific, regulatory and manufacturing expertise. In 2022, we responded at speed to changing regulatory requirements and supported customers through stringent commercial approvals. This was accompanied by the launch of several new solutions backed by our scientific and manufacturing capabilities.

Capsules & Health Ingredients launched two innovative capsule solutions in 2022. Capsugel® Enprotect™ is designed for intestinal drug delivery and does not disintegrate during stomach transit. This provides a viable oral solution to deliver novel therapies to the small intestine. We also launched our proprietary titanium dioxide (TiO_2)-free white hard gelatin capsule in response to the European Union Commission's decision to ban TiO_2 from food colorants. The TiO_2 free capsule was recognized with a Regulatory and Compliance Award at the CPhI Pharma Awards in Q4.

The regulatory expertise of our Cell & Gene division was highlighted in October 2022 when we announced that two cell and gene therapies manufactured at our Houston (US) site received FDA approval. These approvals represent the second and third cell and gene therapy (CGT) commercial approvals supported by the facility, and reflect our colleagues' commitment to partnering with our customers on the path to commercialization. We are committed to collaborating with regulatory authorities and playing an active role in establishing commercial manufacturing quality standards as the CGT field continues to evolve.

Our approach to innovation provides a critical point of differentiation for our business and delivers advantages for our customers. In the last year, Cell & Gene focused on further enhancing the performance and functionality of our innovative Cocoon® Platform for automated cell therapy manufacturing by introducing a magnetic selection capability, which is designed to address challenges in the manufacturing process. The magnetic selection capability, which we announced in April 2022, can be utilized at any point in the manufacturing process to provide a high level of customization and consistency. It expands our end-to-end solution for cell therapy manufacturing and demonstrates our commitment to sustained investment in next-generation technologies.

We continue to innovate our offering in line with evolving customer needs. In recent years, the biologics pipeline has continued to evolve towards more complex protein formats. Responding to this industry development, in January 2022 we launched our new bYlok® technology platform for the discovery and design of complex proteins. The solution was recognized by *The Medicine Maker* amongst the top innovations of 2022.

Speed

The path to commercialization continues to accelerate across the healthcare industry, and we understand that speed remains a critical contributor to competitive advantage. Across the business, we continue to find new ways to ramp up speed to market for customers of all sizes. In particular, smaller companies without in-house development and manufacturing capacity can significantly benefit from collaborating with a single CDMO throughout their development and manufacturing journey.

We understand that biopharmaceutical companies face increasing pressure to advance molecules to first-in-human trials faster than ever before. Our early development services in Slough and Cambridge (UK) are helping Biologics customers to de-risk this process with efficiency gains, which offer huge potential to accelerate timelines. We combine human expertise with artificial intelligence (AI) to resolve potential issues and stabilize molecules prior to clinical trial. This offering is helping customers to reduce failure risks in early development, reduce failure risks and accelerate speed to market.

We also launched two new offerings in Biologics targeting standard and more complex proteins to support timelines to clinic. We can now support our customers in moving from gene to Investigational New Drug designation (IND) filing in 11 months for standard monoclonal antibodies (mAbs), and from gene to IND in 13 months for more complex proteins.

We continue to advance our bioconjugates offering to support speed to patient. We now offer the Lonza Bioconjugation Toolbox, which provides customers access to tools and scalable technology to support discovery, development and manufacture.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Our Approach to Sustainability

Our purpose to enable a healthier world shapes not only the products and services that we deliver for our customers, but also our approach to doing business. Across our global network, we remain committed to improving our social engagement and governance activity while reducing our environmental footprint.

The Global Reporting Initiative (GRI) Standards are critical in ensuring transparent reporting against sustainability commitments. We track our performance against this recognized industry benchmark, across a range of economic, environmental and social indicators.

This section of our Annual Report provides a short overview of the most important sustainability topics in our business today. It is supported in greater detail by the 2022 Sustainability Report, which offers deeper levels of information and insight into our sustainability commitments and latest performance indicators.

Building a Sustainable Business Model

In 2021, we completed a materiality assessment to support our business as it completed its transformation into a pure play partner to the pharma, biotech and nutrition industries. This assessment enabled us to prioritize the initiatives and activities that best support sustainable development in the healthcare context. It laid the groundwork for establishing a clear sustainability focus in 2022 – the first full year in which our business has been fully dedicated to serving the healthcare industry. Ten sustainability topics were identified as the most relevant for us globally, reflecting the impact of our operations, products and services across the value chain.

We also support the UN Sustainable Development Goals (SDGs). These goals span health, education, inequalities, responsible consumption, climate change and natural resources. We have prioritized seven SDGs which are most relevant to our own operations. These goals are embedded within our sustainability roadmap and provide a focus for our targets and achievements.

To raise awareness and drive engagement with these important metrics, each of the seven SDGs has been directly assigned to an Executive Committee (EC) member. They are each supported by a Program Manager to develop initiatives and oversee implementation across the business.

As of 2022, these SDGs and related performance metrics are built into our global compensation framework, to capture sustainability as a key measure of both business success and personal development.

Our Guiding Principles

UN Sustainable Development Goals (SDGs)

Our Policy

Our Environment

We strive to continually reduce emissions, energy, water and material intensity.

Compliance and Integrity

We ensure that legal compliance, integrity and ethical conduct are the foundations in every place we operate.

Vision ZERO

We continually improve our systems and aspire to ZERO incidents, injuries and environmental footprint.

Our People

We develop our employees by helping them grow. We provide safe workplaces, care for employees' well-being and foster their involvement and participation.

Value for Society

We create value for society by innovating and delivering science-based solutions to enable a healthier world. We engage in the communities where we operate.

Our Focus: Material Topics

Environment

- Carbon emissions (Scope 1, 2 and 3)
- Energy
- Water and Effluents
- Waste

Responsibility

- Anti-Bribery/Anti-Corruption
- Supply Chain Responsibility

Social

- Occupational Health and Safety
- Diversity and Equal Opportunity
- Employee Recruitment, Development and Retention
- Employee Engagement

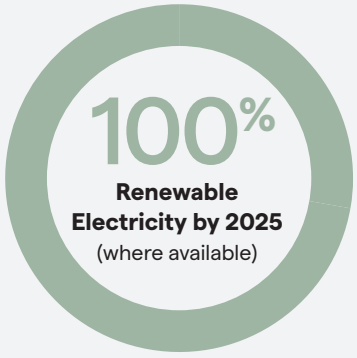
Sustainability Targets

To enable continual progress on our safety and sustainability performance, we have established a clear set of incremental targets between 2019 and 2030. These intensity targets include a 36% reduction for energy and greenhouse gas emissions and 24% reduction for waste. Our 2018 performance establishes a baseline, and targets were reassessed and updated to reflect the new focus of our business after the divestment of the former Specialty Ingredients segment in 2021.

Each sustainability target is measured per CHF million in sales to align with our growth trajectory. This measure takes into account our diverse and evolving product portfolio, which includes manufacturing pharmaceutical ingredients and capsules, health ingredients, gene therapy and cell media production, alongside the licensing of technologies and systems. Using a denominator of financial value ensures that our diverse portfolio can be consistently measured and allows us to carry forward this metric in the case of business growth, major acquisitions or divestments.

Alongside these initiatives, we continue to work towards our global goal of procuring and sourcing all our electricity from renewable sources by 2025, where available.

Renewable Electricity Ambition

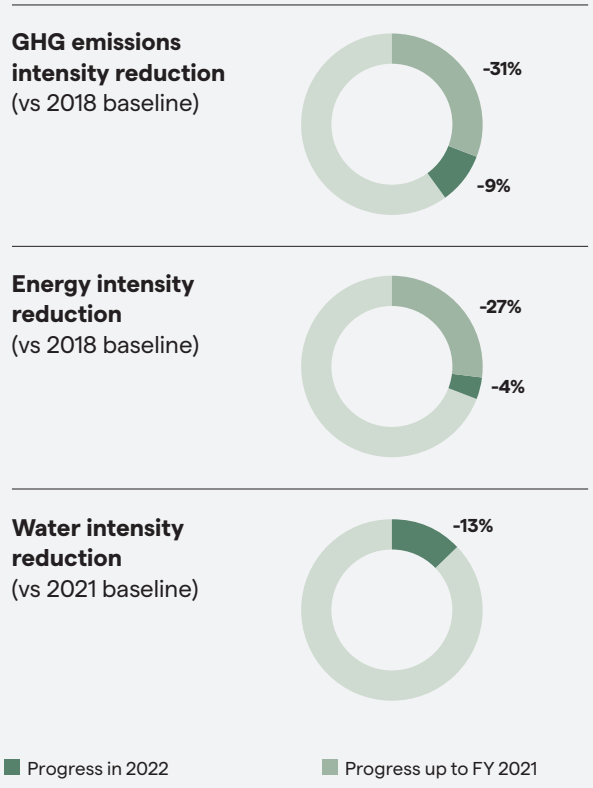


In addition to this global measurement framework, operating sites set targets for material topics within their localities (such as emissions, water quantity and other parameters). Each site in our global network has a three-year roadmap with detailed action plans to deliver against global and local targets.

Our Progress in 2022

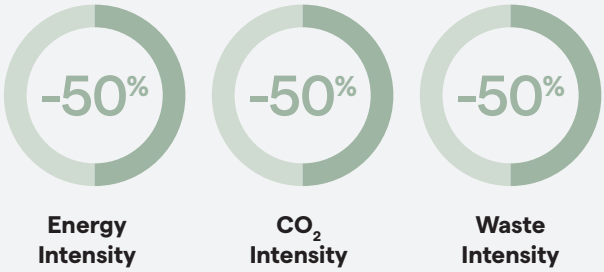
In 2022, we recorded a considerable reduction in the intensity numbers, which is related to significant growth without proportionate footprint increases, supported by additional efficiency gains. These intensity reductions also reflect the shift in our business model to become a strategic partner to the healthcare industry. As we have already reached the majority of our initial 2030 intensity targets, we are resetting our targets to a more ambitious level. We are now aiming to achieve 50% reductions in intensity by 2030, compared to the 2018 baseline.

Our Progress in 2022



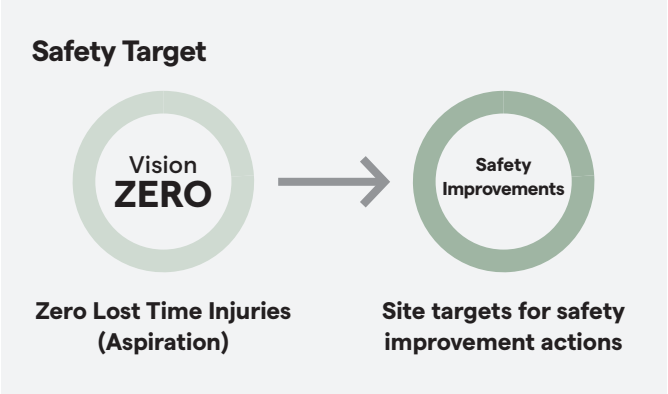
Updated 2030 Targets

Baseline 2018, Total Company (Per CHF 1 Million Sales)



Safety Targets

At Lonza, we follow our Vision Zero initiative, which aspires to zero workplace injuries and illnesses, manufacturing process incidents and environmental incidents. Safety targets are set locally by sites and are aligned with Vision Zero. Our framework measures both the identification and completion of safety-related corrective actions, rather than measuring injuries alone (which can vary widely from year to year). This leading metric drives engagement, understanding and behavior change within our global workforce.



Mitigating Risk with a Data-Driven Approach

Safety and sustainability are both commercial and ethical imperatives. They provide opportunities to drive value for society, our customers, our employees and the environment. To ensure we maximize these opportunities, we take a systematic and data-driven approach to delivering on our targets.

At every site, we collect data on accidents and incidents, energy, water and waste, and analyze deviations from established goals. Our sites are regularly visited by our Environment, Health and Safety (EHS) team. The EHS team audits our sites to identify compliance risks and procedures to ensure that we can take appropriate corrective measures. We also regularly review site and workplace risks and identify ways to mitigate any impact on our wider business performance.

Personal Perspective

Andreas Bohrer
General Counsel

Sustainability is one of our five core strategic priorities. It secures our freedom to operate, boosts investor confidence and supports talent attraction and retention. For these reasons, it sits at the heart of our approach to delivering long term value at an economic, environmental and social level.

In 2022, we made good progress on our ESG commitments. We reduced greenhouse gas, energy and waste intensity, progressed our initiative to transition to 100% renewable electricity, and undertook major water stewardship projects. At the same time, we defined sustainable design standards for our growth projects, and engaged with our suppliers to reduce Scope 3 emissions across the value chain.

We understand that our people are key to driving progress on sustainability. Starting in 2022, we increased engagement across the organization. ESG now accounts for 25% of the business performance component in our employee bonus calculations.

There is a lot more to do in this area and our aspirations are ambitious. In 2023 and beyond, we aim to further reduce greenhouse gas emissions as well as water and energy intensity. We will also continue to work with our suppliers and our customers to improve ESG along the value chain. At the same time, as a science-led company we are currently examining how we can refine our approach to target setting.

By ensuring that sustainability remains a long-term strategic priority, we will continue to enable a healthier world for people and planet alike.

Our People and Culture

Overview

Our people sit at the heart of our business. They are critical to our ability to deliver and succeed. To ensure they feel valued, we continue to focus on developing a strong structure adapting accordingly, and continually improving our employee experience. This is an important part of our global people strategy, which is designed to enable our colleagues to "Come, Stay, Grow and make a Meaningful Difference".

In 2022, we have continued to evolve our strategy to encourage continuous improvement on the topics that matter most to our employees across our global network. As we maintain momentum through a period of rapid growth, in 2022 we focused on the "stay" and "grow" pillars of our employee offering to support the retention of our current colleagues, as well as improving the onboarding experience for newly hired talent. Personal development and job satisfaction remain priorities to ensure we continue to offer rewarding career opportunities, improve long-term job satisfaction and support sustainable growth across our global business.

People at Lonza

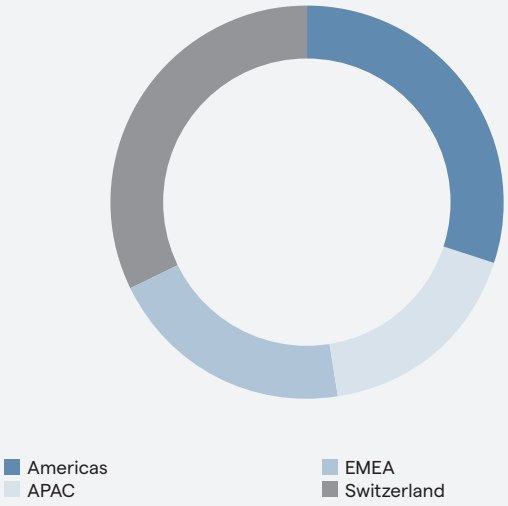
Our diverse global community encompasses a broad range of backgrounds, cultures and perspectives. Across the 28 countries in which we operate, our employee community comprises more than 100 nationalities. We have a cross-generational community and – in line with previous years – we continued to see a proportionate increase in the recruitment of younger employees during 2022. Globally, the gender split remains at 36% female and 64% male.

We understand the value and importance of diversity and inclusion across our employee community. By embracing different characteristics, preferences and beliefs, we can encourage innovation, engagement and creativity. Further information on recent initiatives in this area can be found in our 2022 Sustainability Report.

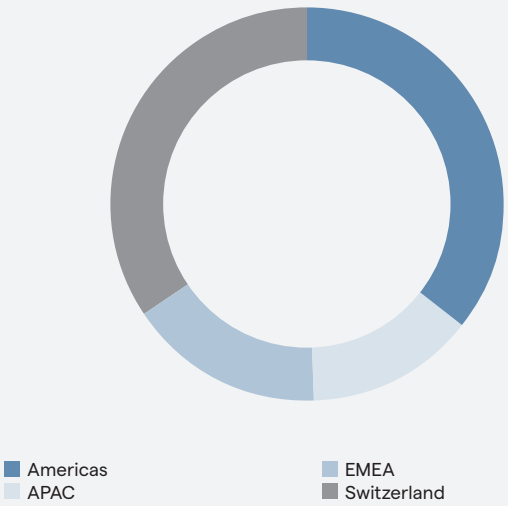
Coming to Lonza (Attracting the Right People)

In 2022, our work continued to support a strong pipeline of talented candidates, supported by a strong onboarding process as an integral part of our recruitment program. More than 3,500 new employees joined Lonza in 2022. Our recruitment activities had a strong focus in our Visp (CH), Houston (US) and Portsmouth (US) sites.

Geographic Diversity



Hires in 2022 by Region



We continued to focus on the strength of our talent pipeline by enhancing our portfolio of Employer Value Proposition (EVP) content and campaigns. Improved access to interactive and video content has supported talent attraction and helped new joiners to understand our working practices and cultural values.

We have also improved the onboarding experience in 2022, in the time prior to an employee's start date as well as in the first days of joining. This has been designed to manage turnover levels for early tenure employees. It was delivered by expanding our digital onboarding tool, which has created a tailored and engaging platform for new hires across selected test sites in the US and Switzerland. Feedback received from Houston (US), the first pilot location, has shown that the tool provides an enhanced onboarding experience with the overall satisfaction rate increasing by 17%. Positive responses to the question: "Do you see yourself working for the organization in two years' time?" rose by 11%, showing a promising impact on retention. By using the tool, managers, HR partners and new colleagues have regular interaction in the time before hire and during onboarding. Having confirmed positive outcomes from the test phase, the program will be further expanded across Europe and Asia in 2023.

We continue to review our initiatives to ensure we can attract industry leading talent and create an environment where they can thrive and feel motivated by a sense of belonging. This will support the ongoing expansion of our employee community as we continue in our work to achieve our ambitious, sustainable growth plans in the coming years.

Staying at Lonza (An Empowering Environment for our People)

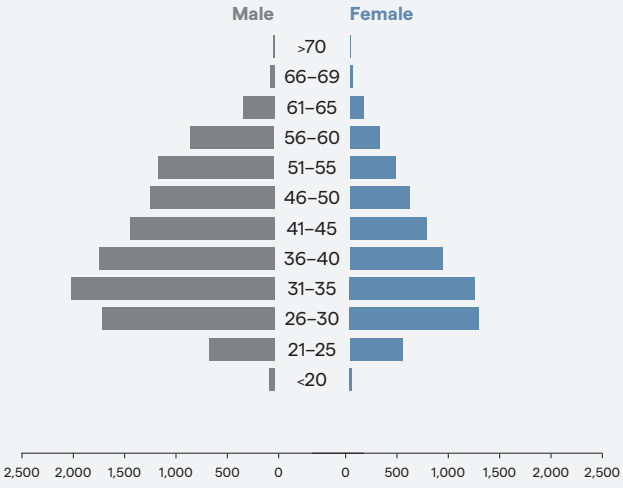
A period of rapid growth in 2021 required us to focus on creating a stable environment to attract new employees and, in 2022 the focus shifted to talent retention. This strategic approach was designed to engage our new colleagues and to manage the challenges arising from a competitive external recruitment market.

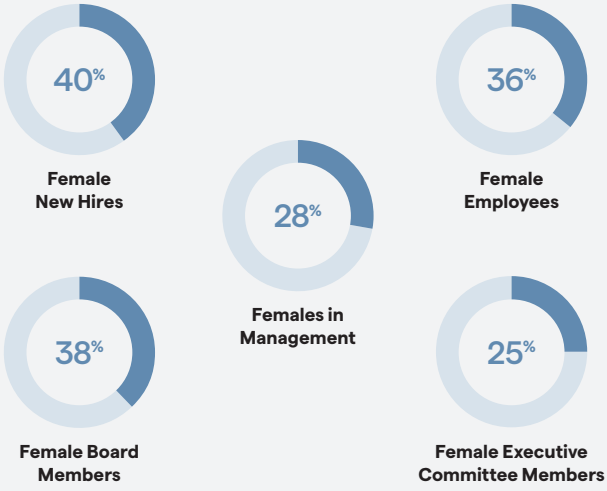
2022 saw an employee voluntary turnover rate of 10.7%[1], globally. This is in line with our competitors at a global level and is lower than external market trends. However, higher rates were identified at the beginning of the year for the Americas and for employees with a tenure of two to three years on a global basis. In 2022, we continued to collect data and insights to understand the root causes of these movements. We also worked to establish appropriate initiatives to improve retention. In response to the findings, we worked to provide stronger career progression and development opportunities and to create a more consistent approach to leadership training. We have seen an improvement to 14.4% for the Americas (from 16.6%) and 14% for employees with a tenure of two to three years (from 17.2%). Improving employee engagement and retention will remain a priority in 2023, to ensure that our new programs are culturally embedded through sustained focus and commitment.

In 2021 and 2022, our Voice of Employee Survey and Exit Survey information indicated that there was an opportunity to improve work schedules across our global network. As part of

[1] Total turnover in 2022 was 12.8%

Broad Balance Across Age Groups





Eight employees did not wish to disclose their gender

our post-pandemic back-to-office planning, we redeveloped our approach to hybrid working at a global level to ensure that colleagues could continue to deliver while benefitting from improved levels of flexibility.

Lonza's Global Hybrid Work Policy was introduced in 2022, allowing our employee population to perform part of their work remotely for up to two days a week (where tasks allowed, representing 25% of global employee base). This was designed to provide time to connect with colleagues in person during the remaining three days per week. Introducing a global policy ensured a consistent experience for employees across our network. In 2022, we also launched the "Work from Anywhere" policy. This provides employees with an opportunity to work from another location for up to four weeks per year, subject to compliance requirements.

As we work in a highly competitive industry for talent acquisition and retention, we invest in regular external benchmarking, as well as actively listening to our colleagues. The insights gained from our work in these areas has led to enhancements and new offerings across our Total Reward suite.

During 2022, our Lonza Bonus plan was redesigned to bring our divisions and functions into a single performance structure that aligns to our One Lonza company performance ambition. The new Lonza Bonus plan also encourages greater focus on sustainability across the business, as a proportion of the company performance calculation is now measured through our progress on our Environmental, Social and Governance targets.

Further enhancements were made with new employee share program offerings. Our "ShareMatch" program allows employees to purchase an agreed number of Lonza shares at a discount, with a company matching scheme after a three-year holding period. This is expected to encourage colleagues to engage with company performance and supports improved retention rates. In 2022, it was offered to employees in Switzerland, the UK and the US (excluding residents of California), with 30% uptake among eligible employees, higher than external benchmarks for this program. We aim to expand the eligible country list in 2023.

The Lonza Restricted Share Plan (LRSP) was also launched in 2022. It allows senior leaders to nominate key strategic talent to receive company shares on a three year holding period, for those who are not otherwise eligible to receive company shares. The aim is to recognize and reward high-value strategic contributors in a way that will encourage loyalty and improve retention.

Throughout 2022, we have continued to explore ways to support the wellbeing of our people. We launched a pilot of an Employee Wellbeing App ("Lonza Life"), designed to boost the wellbeing of our employees and their families in relation to health, wellbeing and fitness. This pilot has given us the opportunity to listen to and understand the needs of our employees. In 2023, we will take a site or country approach to advance a meaningful wellbeing offering focused on Mental, Financial, Physical and Social Wellbeing. Further support is provided through the existing Employee Assistance Program (EAP), which provides a global support structure, offering advice and guidance for physical and mental health.

We aim to ensure that our people feel safe and empowered at Lonza through a focus on Inclusion, Diversity and Belonging (IDB). The IDB Council runs a series of regional events and initiatives to ensure every colleague is welcomed and valued for their differences. Specifically, Gender Equality was a focus in 2022, in support of the UN Sustainable Development Goal (SDG) 5, which targets an increase in women in management, alongside initiatives to ensure gender equality across the employee experience. These initiatives have seen the proportion of women in management positions increase to 27.6% and female representation across the company reach 36%. Our Voice of Employee Survey found that appreciation of Lonza as an inclusive and diverse company continued to increase between Q3 2021 to Q3 2022, with an increase in a feeling of belonging from 66% to 68%. More information on the IDB Council and the SDG 5 Gender Equality initiative can be found in the 2022 Sustainability Report.

Looking to 2023, we will continue to listen to employees' feedback, benchmark progress, and monitor market trends to ensure that we continue to care for our people. This is important for our business, as we understand that strong and sustained performance is made possible through happy and engaged employees.

Growing at Lonza (Developing our People)

To ensure employees feel that they can build a career at Lonza, personal growth and development became a focus in 2022. It is a vital part of our employee career journey and a key to long-term job satisfaction.

Our new Leadership Framework was developed, comprising three core components: Care, Coach and Communicate. It was designed to provide a common understanding of the expectations of our leaders and to support them in navigating the change from traditional management to servant leadership. With the framework in place, our people can expect a consistent experience across the business while leaders have the clarity of clear guidance supported by a bespoke framework.

This overarching framework is supported by the launch of related leadership development training including the Core Leadership Impact Program (CLIP) and Accelerated Management Development Program (AMDP). CLIP comprises a series of modules to empower leaders by improving their awareness of their own strengths alongside focal areas for improvement. CLIP was rolled out to around 330 leaders in 2022. AMDP is a targeted program to ensure a strong pipeline for senior leadership positions. It gives

up to 10 employees the opportunity to experience supported job rotation (internationally and domestically) and offers intensive development programs to enhance leadership capabilities. It is designed to ensure a strong and sustainable future by nurturing leading internal talent.

We are also developing a culture of learning at Lonza through Quality Education, linked to the UN SDG 4 (Quality Education). By providing technical training programs we are encouraging our people to take ownership of their development. We launched LinkedIn Learning in 2021, and in 2022 we saw increased utilization of this important resource with learning hours increasing by 72%. We have curated several Lonza courses on the platform, allowing for tailored and specialist training in areas most requested by employees. We will explore ways to further enhance the use of this tool in 2023.

The focus on personal and professional learning and the impact on career development is demonstrated with an increase in our internal mobility between positions to 29.8% in 2022 (an increase of 5.6% from 2021).

Opportunities for personal and professional development remain critical in creating and maintaining an engaged employee community. We will continue to build a compelling environment where employees are inspired to grow, by listening to feedback from our biannual Voice of Employee Survey (distributed in March and September) and establishing programs that can influence career paths in a meaningful way.

Looking to 2023

With a strong baseline of employee feedback from our onboarding experience, Voice of Employee Survey, Exit Survey and live global people data, we have established a data-driven people strategy that aligns with the needs of our people and business.

In 2022, we refined our strategic approach to ensure our employees stay and grow with us, while maintaining momentum in other key areas of our people offering. This will continue into 2023, with an emphasis on operational excellence, enhanced use of automation, technology and continuous improvements to the employee experience. As we continue to consolidate our culture and identity as a strategic partner to the healthcare industry, we aim to empower our leaders, to enable our employees to make a meaningful difference and to provide an innovative approach to sustainable and strategic talent development.

Personal Perspective

Caroline Barth
Chief Human Resources Officer

During 2022, we continued to focus on building strong foundations to drive engagement and retention. This was illustrated by an increase in our Employee Engagement Index to 67 (from 65 in September 2021).

We took time to listen to and understand our employees' priorities, so that we could focus on the areas that mattered most to them. Specifically, our Voice of the Employee survey was designed to create an inclusive feedback culture. This survey is now in its second year and provides an open forum that allows each leader to understand the needs and values of their people. The success of this platform is demonstrated by the increase in participation rates to 71% (from 69% last year).

Collectively, our employee listening programs helped us to develop a framework to guide our leaders on how best to serve and support their people. Focusing on the three key areas of caring, communicating and coaching, the framework is designed to ensure consistent leadership across our global network.

Looking to 2023, we will continue to use the insights from our extensive datasets and, specifically, create improved career development pathways for top talent. We have already seen the benefits of this data-driven approach in 2022 with a year-on-year 5% improvement in perceptions of career development. Personal career growth opportunities are further enhanced by the higher visibility of our internal career options, which have supported an increase in our internal hire rate to around 30%.

To ensure we maintain momentum in the career development space, we are also working to improve access to learning programs to support development at all levels. This will ensure that we are all equipped to make a meaningful difference to our customers and their patients.


Lonza

Our Businesses

Our Offering

Lonza is a preferred global partner to the pharmaceutical, biotech and nutrition markets. We optimize scientific innovation and manufacturing technology to enable our customers to serve their patients and consumers.

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

Our services and products span from early-phase discovery to custom development and manufacturing of active pharmaceutical ingredients to innovative dosage forms for the pharma and consumer health and nutrition industries. Our scale and resources mean we can provide a one-stop solution for our customers.

Our business is structured to meet our customers' complex needs across four divisions: Biologics, Small Molecules, Cell & Gene and Capsules & Health Ingredients.

Capabilities offered by Lonza

		Pre-clinical & phase I	Phase II & Phase III	Commercial
Biologics	Mammalian	✓	✓	✓
	Bioconjugates	✓	✓	✓
	mRNA	✓[1]	✓[1]	✓
	Microbial	✓	✓	✓
	Drug Product	✓	✓	✓[2]
Small Molecules		✓	✓	✓
Cell & Gene		✓	✓	✓
Capsules & Health Ingredients		✓	✓	✓

[1] Process Development and Analytical Development as of 2023, cGMP manufacturing as of 2024
[2] Full commercial as of 2026

Innovation

Strategic innovation continues to drive progress and advancement across the healthcare industry. Specifically, innovation in pharmaceutical manufacturing directly impacts the market by providing critical tools to support the future success of novel drug candidates. By boosting efficiency and effectiveness in healthcare manufacturing, innovation enables developers to focus on the rapid development of novel and complex modalities that target unmet medical needs.

As a preferred CDMO, we leverage our substantial expertise and experience to drive innovation across multiple modalities and throughout the drug development process from discovery to development, manufacturing, and commercialization.

We believe that investing in research and development (R&D) is essential to meeting our customers' long-term needs. Our R&D network supports innovation across all our divisions and modalities, leading to strong synergies and inventive projects that have the potential to deliver benefits to the wider industry and – ultimately – to the lives of our customers' patients. Our key cross-divisional innovation areas are summarized below.

Integrating artificial intelligence, machine learning and robotics into the drug development and manufacturing journey

In recent years, digitalization and industry 4.0 has become the cornerstone of innovation. This global trend has wide-reaching implications for many industries including medicine, life sciences and healthcare manufacturing.

At Lonza, we are integrating various digital technologies into the drug development and manufacturing journey. "Bioprocessing 4.0" is about digitally connected process that supports improved speed, flexibility and efficiency, while managing cost. Such connected and integrated technologies can unlock greater depth of process knowledge, supported by advanced data management capabilities, which can be used to optimize and control processes.

We are already implementing machine learning algorithms (ML) and artificial intelligence (AI) into our processes to navigate the complexity and speed requirements of manufacturing novel treatments. Examples of how AI has been implemented include using computer vision technologies in quality assurance for product quality optimization, and developing hybrid approaches for process scale-ups that combine AI, mechanistic models and statistics.

AI, ML and big data management are used in our R&D teams to support computer-aided drug design, protein profile assessment, engineering mammalian expression systems with DNA element design, and for predicting side effects for novel therapies. In small molecule development and manufacturing, ML algorithms and automated solutions are implemented in retrosynthesis and synthetic route optimization, toxicological assessment of new chemical entities, and formulation design.

In addition, our Drug Products Services team has developed an AI image analysis tool that aids in the fast detection and classification of particles. There is a primary focus on detecting polysorbate degradation products, which are crucial for maintaining the stability of proteins to extend their shelf-life. This detection technology aims to deliver therapeutics of the highest quality by optimizing sub-visible particle imaging for formulation development.

Another application of digitalization lies in workflow automation. Digitally sustainable operations for managing laboratory work and documentation can facilitate a smooth transition from manual, paper-based documentation processes to a fully electronic system that meets regulatory requirements. Lonza's MODA® Platform represents a comprehensive laboratory data and manufacturing management solution across multiple systems and scales. It has been implemented across selected areas of our manufacturing network to boost process efficiency and quality.

Supporting the development and manufacturing of emerging modalities

While standard monoclonal antibodies continue to dominate the mammalian pipeline, we are witnessing an uptake of new molecular formats into the global drug development pipeline. We continue to build on our established track record with biologics such as monoclonal antibodies. However, we are increasingly focused on developing and enhancing our strong capabilities in more complex biologics such as bispecific antibodies, bioconjugates and mRNA.

A major trend is the increased focus on bispecific antibodies which, unlike standard monoclonal antibodies, can recognize more than one antigen. In the past 20 years, almost 300 bispecific antibody-based drug candidates have entered the clinic. We support the development and manufacturing of these complex formats by leveraging more than 30 years of experience in supporting protein manufacture.

In the cell and gene therapy field, we see rapid growth in the area of in vivo therapy, where genetic material is delivered to target affected cells inside a patient's body. Scalable manufacturing platforms are vital in supporting the timely and reliable supply of such therapies. We have been involved in developing manufacturing platforms for new vectors for these therapies, which aim to reduce immunogenicity and improve organ tropism. Alongside supporting novel vectors for gene therapies, we are also active in the field of exosome-based therapies. As a leader in this space, we have created a CDMO offering supporting this novel therapeutic platform, including manufacturing, purification and analytics.

Personal Perspective

Maria Soler Nunez
Head, Group Operations

In 2022, we delivered an extensive portfolio of growth projects across our operations, while navigating the challenges arising from continuing supply disruptions. We also built important foundations in key areas such as automation, supply chain and data management, as well as implementing a responsible sourcing program, to embed ethical, social, governance and environment-related principles in our procurement management processes and to support sustainability and decarbonization in our value chain.

There is a continuing need to balance immediate business needs with mid- to long-term strategic ambitions. We must also remain attentive and prepared to manage any challenges arising from the current macroeconomic conditions. Specifically, we anticipate possible future issues relating to material supply, rising inflation and potential energy shortages. To ensure business continuity and success, we are already allocating relevant resources to mitigate known risks, while remaining responsive to unforeseen eventualities.

Looking to 2023, we are focused on supporting the business in successfully delivering its strategic growth projects and maintaining a competitive advantage through operational excellence. We will also continue to strengthen our focus on sustainability across our operations. These ambitions are strongly supported by established Lean operating principles, which improve productivity and ensure we continue to deliver on our customers' needs.

Biologics

>600[1]

pre-clinical and clinical large molecules

>55[1]

commercial large molecules

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

We are a full service CDMO, active across a wide range of Biologics modalities, including mammalian, microbial, bioconjugates, mRNA and drug product services to the biotech and pharma industry. Throughout 2022, we continued to further strengthen our integrated end-to-end approach and expand our global network to match market and customer needs.

In particular, we offer clinical and commercial manufacturing services across our global network, from small-scale (1,000 to 2,000L) through mid-scale (3,000L and 6,000L) to large-scale (10,000L, 15,000L and 20,000L). Our expertise in stainless steel, single-use and hybrid technologies, and development and innovation capabilities helps our customers to de-risk the path to market.

Market Trends

The biopharmaceutical market has continued to expand in 2022 and is expected to grow by a compounded annual growth rate (CAGR) of around 8% over the next five years[1]. Historically, the biopharmaceutical market pipeline grew 11% per year over the last 10 years[2]. Positive growth is expected to continue in the future.

Looking at the Biologics CDMO market, the associated rise in demand for outsourcing has led to continued growth, with a current forecast of 12% growth (CAGR) over the next four years[3].

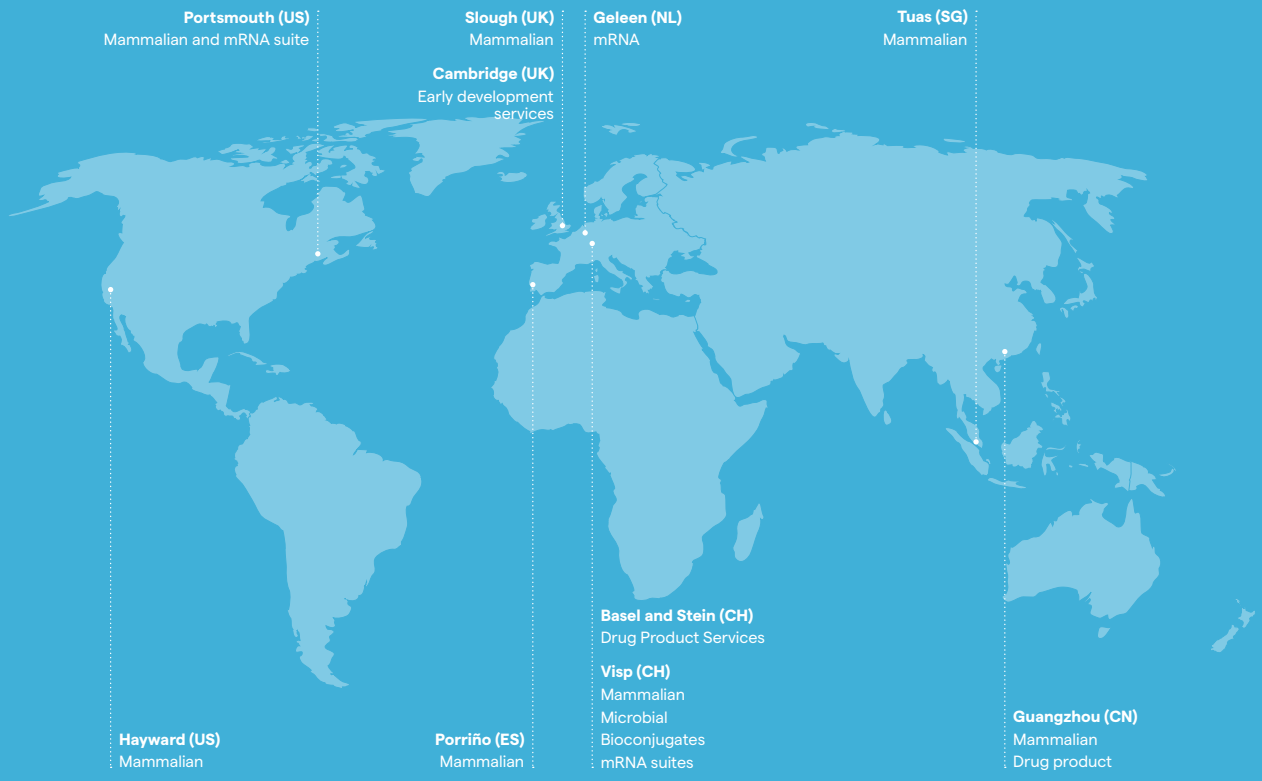
We are seeing significant growth in the biologics development and manufacturing pipeline worldwide. An increasing number of new applications for drug approvals are being filed by emerging and small biotechs. These early-stage companies usually do not have in-house capacity on which to rely for early testing, scale-up development and manufacturing. For these customers, collaborating with a well-established CDMO can significantly simplify the development process and supply chain, in addition to improving speed and success rates across a wide range of modalities.

The market is continuing to drive progress with new molecular formats and modalities emerging to target unmet medical needs. These new advances create demand for development and manufacturing expertise. The increasing complexity of the molecules entering the clinical pipeline is driving demand for experienced CDMOs that can help customers in drug development de-risk investment and accelerate time to market.

A rising number of more complex biomolecular formats are entering the global pipeline. These include bioconjugates, fusion proteins, recombinant proteins, and bispecific antibodies (bsAbs). In this context, the need for a deeper and earlier understanding of the biological mode of action is becoming more important. The resulting demand for services to develop and manufacture these complex biomolecules is expected to rise proportionately in the coming years.

[1] Evaluate Pharma "2022 World Preview Report" (2022)
[2] Citeline Trend Analysis (2022)
[3] Frost&Sullivan - Growth Opportunities in Biologics Contract Development and Manufacturing Market, 2022
[4] Evaluate Pharma (2021)

Our Global Development and Manufacturing Footprint



BsAbs may be described as molecules that recognize two different antigens or epitopes, compared to conventional monoclonal antibodies (mAbs) that can only recognize one. Bispecific antibodies range from small proteins – two linked antigen-binding fragments – to large molecules with other attached domains. This biotherapeutic class offers improvements in treatment precision and flexibility. Specifically, bsAbs may play a meaningful role for patients receiving cancer care, by creating a more accessible form of treatment for patients who are unable to travel to receive care. It appears that bispecific proteins and other complex protein formats will come to dominate the drug development pipeline in the next five to ten years.

Looking at drug product sales, the market has historically been dominated by oral dosage forms for small molecules, but there is an increasing focus on injectable forms, driven by biologics. These injectable forms look set to become the largest drug product market segment over the next three years. Such a shift in market tectonics is expected to lead to a significant market need among pharma and biotech customers for CDMO support in the fill and finish space[4].

Our Offering

As a leading CDMO for biopharmaceuticals, we serve our customers across their product lifecycle from pre-clinical development, through trials, to launch and market supply.

Our portfolio is one of the most complete in the Biologics industry. It includes mammalian and microbial expression systems, as well as capabilities for bioconjugation and mRNA manufacturing. We are currently expanding drug formulation and drug product development and manufacturing to provide our customers with simplified and de-risked supply chains. We are also investing in innovation to support our customers with leading development services, and other manufacturing technologies, such as perfusion or conjugation capabilities.

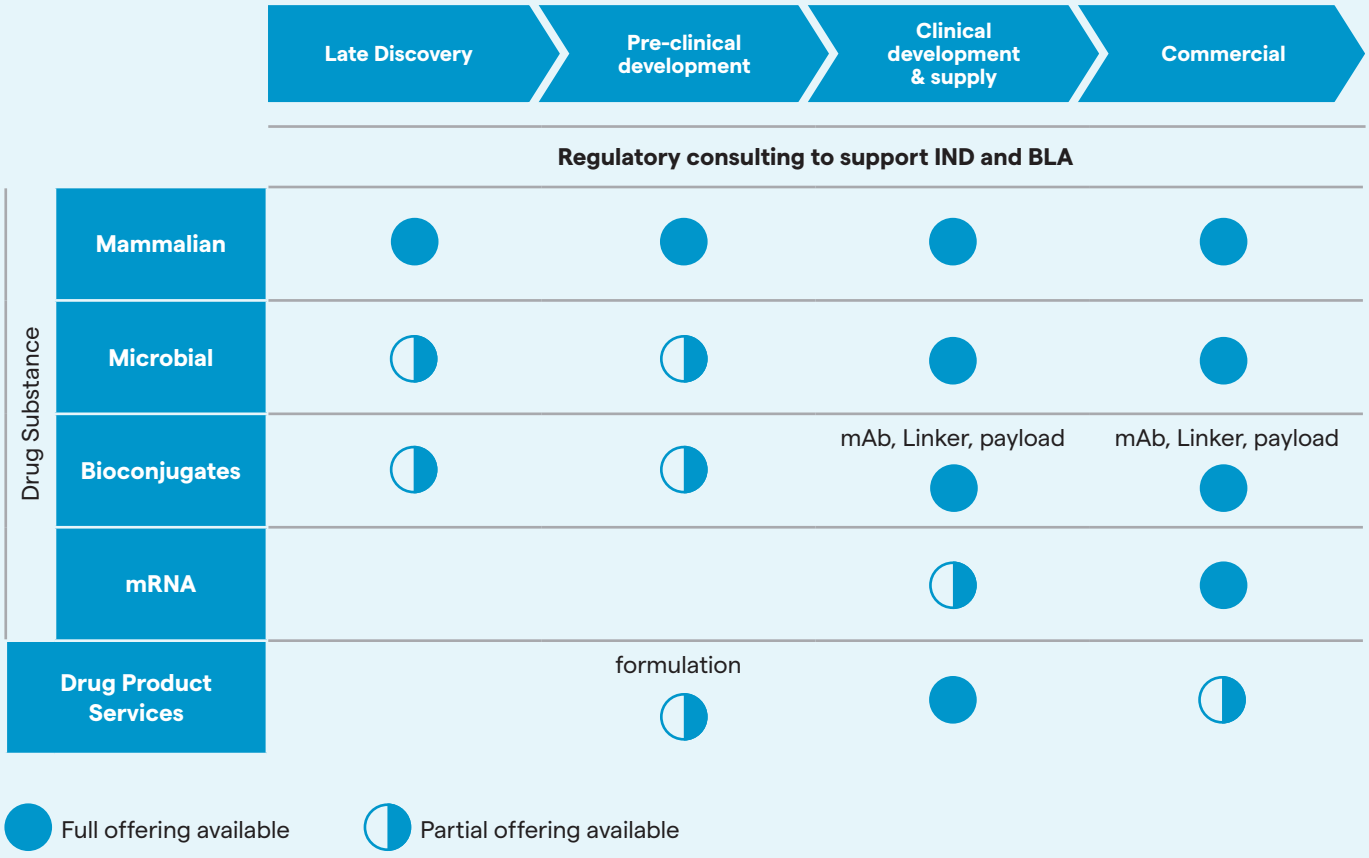
Mammalian is and will remain a critical manufacturing technology for the pharma and biotech industry. We hold a leading position in this space, backed by more than 30 years of experience in manufacturing mammalian cell culture. Alongside this established track record, we provide an integrated range of services that span late discovery to commercial supply.

As the pipeline for mammalian expression becomes more complex, we use our proprietary GS Xceed® Expression System in combination with other molecular tools, such as GS PiggyBac® for stable expression of large DNA cargos and bYlok® Technology, for the discovery and design of bsAbs. These molecular tools have been designed to meet the needs of new and complex molecular formats. They carry multiple customer benefits by improving speed to market as well as helping to reduce costs and delays that may arise from low yields or poor batch quality.

Our extensive mammalian manufacturing capacities include small-scale, single-use systems to mid-scale and large-scale stainless steel assets. With facilities located across the US, Europe and Asia, we can offer our customers phase-appropriate capacity and can respond to the increasing need for regional manufacturing hubs.

Within our **Microbial** business, we support customers at every step on the path to commercialization, including strain development, cell banking, process development, and process optimization. With more than three decades of experience manufacturing microbial products at our Visp (CH) site, along with our established regulatory expertise, we have an unparalleled track record of delivering commercial supply. Our proprietary XS Technologies® expression systems support our mid-scale and large-scale commercial manufacturing offerings. These expression systems target the biotherapeutics pipeline, which continues to show sustained growth. They also support multiple classes of more complex molecule development projects to meet the specialized needs of smaller biotech customers.

Our microbial customers also benefit from our extensive experience and capabilities in advanced engineering and process development. Our toolbox can deliver a scalable, efficient and compliant process with established and reliable technologies. Our XS Technologies® platform for microbial expression includes Escherichia coli, Pichia pastoris and Bacillus subtilis expression systems.



As one of the first CDMOs to support the commercialization of **bioconjugates**, we have a broad and established capability in manufacturing these complex molecules. Representing a growing class of biopharmaceuticals, they are an important pillar of our Biologics business. Our offering covers all elements of the complex supply chain, from late discovery through to commercialization, including the manufacturing of monoclonal antibodies, linkers and payload, and other components. We support the development and manufacturing of protein modalities, including the option for early tuning and de-risking. The offering includes the synthesis and purification of small molecule linkers and payloads prior to bioconjugation, supported by a toolbox of modality-agnostic technologies. The bioconjugation toolbox concept offers our customers access to a selected range of robust and scalable advanced technologies that meet the unique needs of these complex molecules.

mRNA technology has the potential to transform the way we manage and treat many illnesses and infections. We pioneered the commercialization of this modality through the successful delivery of the drug substance for Moderna's COVID-19 vaccine. The possibilities for this technology have truly emerged in the last three years and we are working to capture future opportunities by completing our offering across the value chain. To support this ambition, we are building additional mRNA and lipid nanoparticle (LNP) process and analytical development labs, as well as clinical cGMP capabilities at our site in Geleen (NL). These expanded development services are expected to come online at the beginning of 2023, with cGMP readiness scheduled for early 2024.

Our **Drug Product Services (DPS)** offering focuses on parenteral dosage forms. Our portfolio includes products for injection and infusion for intravenous, subcutaneous, intraocular and other routes of parenteral administration. Our integrated modality-agnostic offering and extensive regulatory expertise can support monoclonal antibodies as well as other biologics including novel formats. It also supports noncytotoxic bioconjugates, peptides, viral vector and small molecules.

Personal Perspective

Jean-Christophe Hyvert
President, Biologics Division

Demand for commercial capacity has been strong and sustained throughout 2022. We are investing in commercial assets, backed by customer agreements across modalities including mammalian, microbial and conjugation. The ramp-up of new facilities continued in 2022, including our mid-scale 6K mammalian facility and the opening of two new bioconjugates suites. We are making progress on the commissioning of our mid-scale microbial facility and the build-out of our new large-scale facility in Visp (CH), supported by strong customer demand. We also saw continued interest in Ibex® Dedicate, providing customized solutions across different technologies and much-needed flexibility during late-phase trials.

We are investing in innovation and developing our early clinical offering for pharma and biotech customers, to ensure the support of our global network for the migration of molecules through clinical stages. Alongside our new bYlok® bispecific pairing technology, we added new development capabilities in Slough (UK) for the discovery and design of complex proteins. We are also enabling biotech customers to unlock faster timelines, from gene to Investigational New Drug (IND) filing in 11 months for classic mAbs and 13 months for bispecifics, in addition to customized solutions tailored to specific customer needs. Finally, we continue to build our end-to-end network as we invest in commercial drug product capacity and ramp up additional drug product lines in Stein (CH), as well as conjugation capacity and capabilities in Visp (CH).

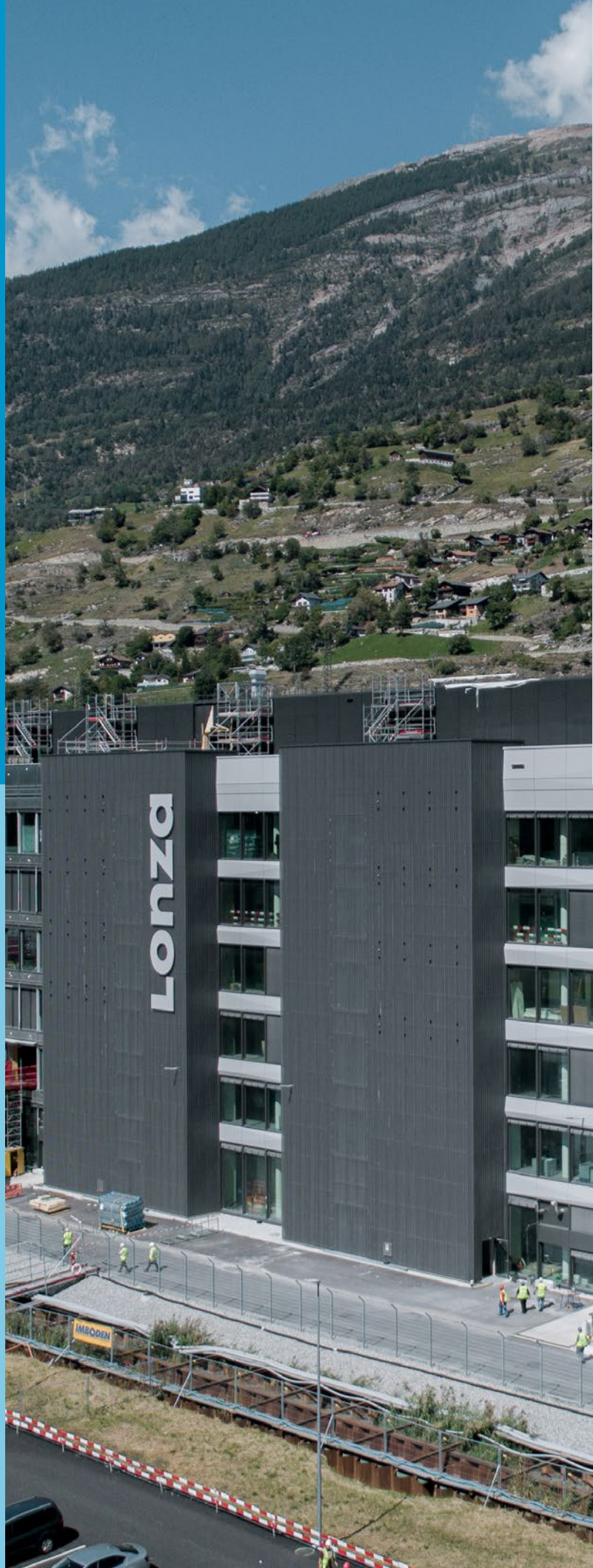
Customer needs continue to evolve and market demand fluctuates in line with a general market slowdown in clinical trial recruitment and biotech funding. In this context, we are building flexibility into our offer and network, enhancing our capabilities and investing in our people. These combined efforts will ensure that we are ready to adapt to shifts in customer expectation and market need.

Looking ahead to 2023, our priority is to continue on our strategic journey: building our global network across modalities, end-to-end offering and clinical development expertise. We will continue to ramp up new assets and deliver against our planned growth. Our goal is to provide full lifecycle support, from preclinical development through trials to commercial launch. Whether our customers are developing innovative mRNA therapies or complex bioconjugates, we will continue to support them with best-in-class facilities, innovative technologies and talented people across the network.

Ibex®
Solutions

Ibex® Solutions
Ibex® Solutions comprises a series of advanced manufacturing facilities which 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 three 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 complete and tailored portfolio of services under a single contractual framework. Ibex® Solutions enables our customers to bring their new medicines and vaccines to their patients at speed, while providing the flexibility to actively manage supply constraints, drug development uncertainty and market demand changes.

Ibex® Design and Develop
Biologics development and clinical manufacturing phases are covered by Ibex® Design and Ibex® Develop. These offerings support companies at any stage from clinical trials up to product launch. Completed in 2021, the facilities benefit from high levels of automation and employ single-use technologies (1,000L and 2,000L bioreactors). Ibex® Design and Ibex® Develop are focused on supporting customers with limited time and funds by providing clear timelines and defined packages.



Ibex® Dedicate
Ibex® Dedicate provides a flexible manufacturing solution, which can be customized to our customers' specific operational and commercial needs. With the support of Ibex® Dedicate, customers with products in late clinical and commercial stages are able to manage risks by responding dynamically to changes in market demand by simplifying their supply chain. Multiple modalities have been able to ramp up in record timeframes using Ibex® Dedicate shells. These are technology agnostic spaces that are ready for fit-out with a relatively low initial investment. Our multi-purpose facilities currently support a broad range of customer needs across large-scale and small-scale mammalian, bioconjugation, microbial and mRNA.

Highlights and Initiatives

In 2022, strong sales growth in Biologics was supported by a robust underlying performance and a peak in COVID-related sales. The business experienced sustained levels of customer demand for commercial capacity. By bringing new facilities online during the year, such as the 6K mid-scale mammalian facility in Portsmouth (US), and building new capacity, including the large-scale mammalian facility in Visp (CH), we will continue to meet sustained customer demand. As an example, in a new agreement with GSK, we will commence activities to manufacture a marketed product in our 20K mammalian facility. This marks the beginning of a wider strategic partnership with GSK.

We also approved a series of significant new expansions across multiple modalities, including a commercial drug product facility in Stein (CH).

Looking to 2023, our top priority is to continue to provide strong manufacturing and development expertise to our customers and deliver on our ambitious growth projects across modalities. We will also work on continuing to leverage our expertise in product introductions and technology transfers to optimize current capacity. Finally, we will maintain targeted investment in internal and external innovation to strengthen our technology offering.

Speed to Clinic
With pressing clinical needs and the biotech sector facing tight funding schedules, getting new molecules into the clinic quickly is critical. In 2022, we launched two new DNA to Investigational New Drug (IND) service offerings aimed at supporting innovative biotech companies. For standard monoclonal antibodies (mAbs), we now offer material for toxicity studies in five months and for IND filing in 11 months. For more complex bsAbs, we can offer unprecedented timelines of seven and 13 months to toxicity and IND, respectively. In addition, we are creating more flexible offers for customers that have specifics needs for their complex molecular formats.

These timelines are achieved through our experienced development teams and our proprietary GS piggyBac® cell line engineering technology together with GSv9® Media and Feeds, as well as high throughput systems such as the Beacon™ Optofluidic Technology.

To strengthen our clinical manufacturing offering, we continued to build new mammalian capacity in Portsmouth (US). The expanded facility, complete with six 2,000L n-1 perfusion-enabled bioreactors, is expected to be due for completion in 2023. In Singapore, we completed the expansion of an additional 1800m^2 of lab space at the end of 2021 and this came online earlier in 2022.

Developing and Scaling Complex Medicines
We support the specific needs of customers with leading expression systems and molecular biology tools. This is achieved by combining established expertise across our four development sites in Slough (UK), Visp (CH), Singapore (SG) and Guangzhou (CN).

We are committed to developing a toolbox of expression systems for all types of business that can license our technology platforms for use in-house. For example, we entered into a licensing agreement with Luzhu Biotechnology Co., Ltd., for the use of our GS Xceed® Gene Expression System with GS piggyBac® transposon technology, for the development of scalable, robust and reliable expression processes.

At the beginning of the year, we announced the launch of our new design and discovery platform bYlok®. This new engineering approach for bsAbs has the potential to streamline future clinical manufacturing. The bYlok® technology was developed to meet the challenge of designing, developing and manufacturing bsAbs molecules at scale without implications of cost and time to market.

We also extended our Early Development Services in Cambridge (UK) to include bioconjugates, launching integrated solutions for molecule design, lead generation and optimization. The extended offering provides unique tools to assess the manufacturability and immunogenicity of proteins and protein engineering tools for the protein part of bioconjugates.

Sustainable End-to-End Supply
We announced an investment of approximately CHF 500 million to build a new large-scale, commercial drug product facility in Stein (CH). This investment fulfills our strategic commitment to complete the value chain in Biologics, so that customers can benefit from an end-to-end service. This is achieved through an integrated model, to increase flexibility, simplicity and speed to market.

The new flexible facility will be constructed on the same campus as our current clinical drug product facility, allowing us to leverage our existing infrastructure, capabilities and talent.

Ibex® Solutions – Our Commitment to the Full Lifecycle
In 2022, our Ibex® Solutions offering remained highly attractive to customers. Modules in our first manufacturing complex are now fully allocated. The range of technologies housed in the first complex – including mRNA, microbial, mammalian and bioconjugation – clearly highlights the broad value of the concept.

Building on the success of our Ibex® Dedicate model, we announced the opening of a new, custom-built, bioconjugation facility within Lonza's Ibex® Dedicate manufacturing complex in Visp (CH).

The facility will play a key role in the scaled manufacturing of Kodiak's lead therapeutic candidate KSI-301 to support a potential global commercial launch. Once fully operational – and if the therapy is approved for commercial use – the facility is expected to have the capacity to supply over 10 million dose equivalents of KSI-301 annually. The strong relationship between Kodiak and Lonza has led to a multi-year commercial collaboration.

mRNA – Expanding Commercial Capacities
We are expanding our capabilities in mRNA to support market growth and customer demand. We are building additional mRNA and lipid nanoparticle (LNP) process and analytical development labs, as well as clinical cGMP manufacturing capabilities at our site in Geleen (NL) to meet the demand of biotech with early clinical pipelines. These investments are designed to support the next generation of mRNA therapies. The start of development activities and tech transfers is expected in Q3 2023 with cGMP readiness scheduled for early 2024. In addition, fill and finish for LNP-encapsulated mRNA is expected to be available from Q1 2024 from our Stein (CH) facility.

In 2022, we also announced a collaboration with Touchlight to expand our end-to-end offering for mRNA manufacturing with an additional, differentiated source of DNA raw material, Touchlight Doggybone DNA (dbDNA™).

Access to this technology expands the options for our customers beyond the traditional method of working with plasmid DNA (pDNA), while continuing to benefit from our integrated mRNA manufacturing offering.

Financial Performance in Full-Year 2022
Comparison vs. Prior Year

3,274m
+21.7%[1]
Sales (CHF)

1,228m
+25.4%
CORE EBITDA (CHF)

37.5%
+1.2ppts
CORE EBITDA Margin

[1] Sales growth is at constant exchange rate (CER)

Innovation Spotlight

Gene editing for improved cell line development

Continuing to develop modern gene editing tools may ultimately lead to significantly improved platforms for protein expression. Access to a gene editing technology is critical for developing next-generation host cell lines. One example is the use of clustered regularly interspaced short palindromic repeats (CRISPR), a flexible gene editing technique that enables a precise "cut and paste" of DNA to engineer optimized production cell lines.

Our R&D Cell Engineering team in Cambridge (UK) has evaluated several CRISPR-Cas-based nuclease platforms and initiated an extensive research program to develop the enhanced next-generation Chinese hamster ovary (CHO) cell line. Microbial R&D in Visp (CH) has produced the CRISPR-Cas proteins for evaluation and then transferred production to an external supplier to secure long-term supply for the production of these enhanced cell lines. Expected to be launched in 2023, our new cell lines will enable customers to deliver cutting-edge therapeutics that address unmet patient needs.

Precise execution of bispecific antibodies at scale, from design to delivery

The number of bispecific antibodies in development is accelerating due to their broad therapeutic applications and benefits. Generating these complex biomolecules can, however, be challenging. Downstream processing requires specialized processes that can be time and resource intensive, as multiple cell lines are often required to produce one product.

For an IgG-type bispecific molecule, mispairing of the heavy chain (HC) and light chain (LC) can yield multiple combinations of incorrectly paired molecules. Up to ten pairing variations from two independent parental antibodies are possible, with only one being the intended molecule. This year, we launched the patented, proprietary platform technology bYlok®, which solves the assembly challenge associated with these sophisticated molecules. The bYlok® technology was recognized as one of the best innovations of 2022 by *The Medicine Maker*.

The bYlok® technology provides an elegantly engineered approach that drives correct HC-LC pairing by introducing simple disulfide bond modifications. bYlok® technology can be used on existing Fc-based bispecifics, and it allows for expression from a single cell line and purification using standard downstream processing steps. This increases manufacturing efficiency, and eases downstream processing and purification. In studies, our R&D team combined bYlok® technology and our proprietary GSquad™ vector system to generate cell lines that express high concentrations of bispecific antibodies. Such a positive outcome from this integrated technological approach demonstrates the strength of our analytical capabilities.

Small Molecules

>225[1]

pre-clinical and clinical small molecules

>135[1]

commercial small molecules

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

The Small Molecules division offering covers drug substance, particle engineering and drug product development and manufacturing. With a global network of five sites across Europe, the US and China, our geographical footprint remains aligned with the biopharmaceutical industry's major growth markets. These markets account for more than 60% of overall global pharmaceutical growth[1].

Market Trends

Small molecules represent the largest single drug class, accounting for more than 40%[2] of the global biopharmaceutical market by revenue and more than half of clinical pipelines. Currently, demand is driven by improved global access to medicine, demographic trends, public health initiatives, new drug launches and pricing reviews.

The three therapeutic areas driving revenue growth in Small Molecules are Oncology, Immunology and Antidiabetics. The growth in the Oncology market directly impacts the demand for highly potent active pharmaceutical ingredients (HPAPIs) since they have been associated with inhibiting cancer growth and demonstrated usefulness in cancer treatment, alongside treating diabetes and autoimmune diseases. The growth of the HPAPI market is outpacing the overall API market[3], resulting from a wide range of potential uses and benefits for patients, and by the improvements in their precision and bioavailability. Currently, approximately 30% of the small molecules pipeline consist of HPAPIs[4].

In the manufacture of HPAPIs, there are multiple potential benefits from collaborating with an established CDMO partner, such as Lonza, that has demonstrated expertise in developing highly-potent products and experience in navigating the challenges of containment. Specifically, we see that oncology therapeutics comprise a higher concentration of molecules requiring containment, and we continue to invest in this area of growing demand.

Small and emerging companies own 84%[4] of small molecules clinical pipelines and we see a continuation of the trend for accelerated approvals. We work in partnership with small biotech companies to meet the need for accelerated timelines, while continuing to provide robust and scalable manufacturing solutions.

[1] IQVIA: Market Prognosis Global 2021-2025
[2] Evaluate Pharma (Dec 2022)
[3] Chemanager Online
[4] Citeline and internal Lonza Market Analysis
[5] Internal 2022 MI analysis of 100 FDA approved drugs
[6] Internal 2022 MI analysis of pipeline molecules out of Pharma circle

Our Global Development and Manufacturing Footprint

● Particle Engineering and Drug Product development and manufacturing
▲ Particle Engineering development and manufacturing
★ Drug Product development and manufacturing
◆ Drug Substance development and manufacturing

Small molecules are becoming increasingly complex. As an example, longer synthetic pathways have risen by 75% in the last two decades[5]. This new development demands expertise in the management of complex supply chains, a breadth of assets and in-depth knowledge of product and process. Drug product formulation is also becoming more complex. Low solubility is exhibited by more than 75% of clinical candidates, and techniques such as Spray Dried Dispersion are often required to enhance bioavailability[6].

Our Offering

We offer integrated drug substance to drug product solutions, supporting customers across all aspects of design, development and manufacturing, including particle engineering and drug product packaging. This service offering provides substantial value to our customers across the entire drug development pipeline by simplifying interfaces, reducing costs and accelerating timelines.

With a deep expertise in complex small molecules, our established and differentiated offering serves the complex needs of our customers. We are one of the market leaders in the development of highly potent active pharmaceutical ingredients (HPAPI) and specialized handling, such as containment for bioconjugate payloads.

Our HPAPI offering addresses multiple challenges facing our customers, as we can customize assets to meet the specific needs of their molecules. Taking an integrated approach allows us to progress from clinical to commercial manufacture within a single site.

We currently provide integrated development and manufacturing across monoclonal antibody, payload-linker and conjugation and are continuing to make significant investments in this area. At our Visp (CH) site, we also develop and manufacture payloads for bioconjugates.

We offer particle engineering services across both drug substance and drug product development and manufacturing. It is a key component of our integrated service and is often required to meet drug delivery challenges, such as low levels of bioavailability. Our technologies include particle size reduction, spray drying and melt-spray-congeal technology, all of which address different challenges in drug product formulation.

To support accelerated timelines to clinic and commercialization, we offer phase-appropriate assets alongside our particle engineering technologies. We have also invested to establish dedicated early phase clinical manufacturing centers to complement our fast to clinic offering.

Complete Life Cycle Offering

Design
Small- / Lab-scale

Develop
Clinical scale development, manufacture and packaging

Manufacture
Commercial scale manufacture and packaging

Our Portfolio of Services

Drug Substance Intermediates
GMP intermediates

Drug Substance
Full range of API inclusive of HPAPI, cytotoxic payloads for ADCs

Drug Product Intermediates
Micronized API, spray dried dispersions

Drug Product
Tablets, encapsulated powder & multiparticulates, injectables

Financial Performance in Full-Year 2022
Comparison vs. Prior Year

819m +5.9%[1]
Sales (CHF)

248m +15.3%
CORE EBITDA (CHF)

30.3% +2.3ppts
CORE EBITDA Margin

[1] Sales growth is at constant exchange rate (CER)

SimpliFiH® Solutions is an integrated offering designed to reduce the timeline from initial idea to first-in-human (FiH) clinical verification. It addresses bioavailability challenges often associated with new and complex molecules and can reduce Phase 1 timelines by three months compared to traditional approaches.

Highlights and Initiatives

In 2022, existing commercial products and the clinical pipeline drove sustained customer demand in the Small Molecules division. We have a robust order book of future committed business, which provides mid-term visibility and security. It means our assets are highly utilized, which can create longer lead times to onboard new programs and customers. To address this, we have invested to expand our capability to meet ongoing demand for early phase programs.

Our priority is to strengthen our portfolio in the highest value areas of the market. Market and customer segmentation is focused on companies that are most likely to benefit from our specialized service offerings and capabilities in complex and highly potent products. We continue to strengthen our early phase offerings in these areas through innovation and by deploying new agile manufacturing solutions.

In 2022, we consolidated our particle reduction size capabilities with the divestment of our former site in Quakertown (US). Our micronization and milling capabilities are now centralized in our Monteggio (CH) site. This maximizes potential synergies arising from the Monteggio (CH) site's proximity to our Visp (CH) API manufacturing center.

Growth Investments

In line with our sustained focus on growth investments to meet customer demand, we continued to expand our manufacturing assets and development services in 2022. Our expansions in Nansha (CN), Tampa (US) and Bend (US) were successfully executed and came online in 2022. In Nansha (CN), we have extended the capacity and capabilities of our development and kilogram-scale cGMP manufacturing laboratories for the clinical supply of HPAPI. The laboratories are part of a previous announcement in 2021 to expand the mid-scale manufacturing capacity at the Nansha (CN) site and add additional capabilities in our global HPAPI manufacturing network.

We also announced plans to expand inhalation capabilities at our Tampa (US) site. The investment will include additional inhalation testing capacity, specialized in development, clinical and commercial manufacturing of small molecule-based therapies targeting respiratory diseases and disorders. The expansion will also establish additional capacity for dry powder inhaler (DPI) product development services.

In addition, we completed a dedicated early phase clinical manufacturing facility in Bend (US) to expedite product delivery, a crucial step in the journey towards clinical trials. The new facility provides additional capacity for solutions to address complex bioavailability challenges in clinical projects, as well as additional capabilities for development and clinical manufacture.

To enhance our ability to meet accelerated timelines for increasingly complex molecules, we have increased capacity for the manufacturing of antibody-drug conjugates (ADC) payloads at our Visp (CH) site. This expansion underlines the strategic position of ADCs in our portfolio and reflects our continued focus and momentum in this area. We develop and produce all components of these increasingly important therapies, including cytotoxic payloads, antibodies and the required linkers. The additional capacity for ADC payloads supports the entire development and manufacturing pipeline, from feasibility studies to commercial supply.

Integrated Service Offering

We support customer development pipelines with a comprehensive set of capabilities, from drug substance through to drug product development and manufacturing. As an example, we are collaborating with Vivesto to supply clinical material for its investigational drug candidate, Cantrixil.

We have also announced the extension of our collaboration with Forbion, a venture capital firm and BioGeneration Ventures (BGV), its joint venture partner. This partnership will now include the development and manufacturing of small molecules. The extended collaboration will provide services relating to small molecules for both Forbion and BGV portfolio companies that are active in the biopharmaceutical space.

Looking to the future, strong ongoing clinical pipelines continue to drive demand for our Small Molecules offering. We recognize signs of a potential slowdown, with biopharma investment across the industry reduced to 2019 levels following a temporary peak during the pandemic[1]. In addition, the number of clinical trials underway for non-COVID therapies is yet to return to pre-pandemic levels and a 25% reduction in USFDA approvals was observed in 2022[2]. Whilst we are actively monitoring the impact of these global trends on our business, we nonetheless continue to expect strong demand for our services, supported by a robust order book of future committed business from our existing customer base.

[1] Jeffries, equity research, Dec 11, 2022
[2] Novel Drug Approvals for 2022 | FDA

Personal Perspective

Gordon Bates
President, Small Molecules Division

2022 was a year characterized by organic growth and new collaborations. Our expansions in Nansha (CN) and Bend (US) are both now complete and operational for early-phase clinical manufacturing programs. We maintained a strong pipeline of committed business throughout 2022 and entered a new clinical portfolio deal with a large pharmaceutical company.

Across the network, our manufacturing assets are well utilized. Whilst this is reflective of sustained demand, we continue to balance utilization levels with the necessary lead times to successfully onboard new customer programs. While adding new capacity, we will also focus on driving operational excellence across our global network. We look forward to new facilities coming online in Visp (CH) to further build our manufacturing capacity in the years ahead.

In 2023, we will focus on successfully executing our order pipeline and realizing our committed investment projects. As we expect sustained demand for our services, we aim to further expand our capacity and drive operational excellence to unlock future growth potential across our portfolio.

Innovation Spotlight

Spray Drying Process Innovations for Bioavailability Enhancement

Dry powder inhalers for inhalation drugs provide a non-invasive and easy-to-use delivery method for patients with respiratory diseases. Inhalation delivery includes both pulmonary (lung) and intranasal delivery, using a wide range of APIs including small molecules, prodrugs, peptides, oligonucleotides, proteins and antibodies.

For both pulmonary and intranasal delivery, particle engineering is critical to achieving a drug's target product profile in the body. Our particle engineering expertise includes spray drying (for intranasal and pulmonary delivery) and micronization (for pulmonary small molecules delivery). Recent innovations by the R&D and product development teams at the Bend (US) site focus on improving spray drying particle engineering and formulation for our customers.

A simultaneous spray drying process was introduced in 2022. Here, innovative combined formulations of small molecules and biotherapeutics for pulmonary delivery can be manufactured in a single process step. Building on a successful program in 2021, new processes and analytical equipment are being onboarded to enable clinical manufacturing of inhaled biotherapeutic APIs in early 2023. Finally, bespoke atomization and collection technology were also implemented into our inhalation spray drying processes to improve throughput, reduce nitrogen consumption and improve product yields. Together, these innovations will enable new therapies with faster timelines to improve the lives of patients with respiratory diseases.

Cell & Gene

>20
Years of C&G cGMP manufacturing experience

>200
Process Development Projects

>200
pre-clinical therapies supported by Bioscience

>150
clinical and commercial therapies supported by Bioscience

Our offering includes development and manufacturing services, products, solutions, testing and automation platforms. We also offer tools and technologies to enable cell and gene innovators to develop, de-risk and industrialize their therapies. We support customers from research to commercial production through our global network spanning three continents.

Market Trends

With almost 2,800[1] products in development across the industry, the cell and gene therapy sector has seen tremendous growth and interest over the last few years. Novel treatment candidates demonstrate the potential to change the way patients with cancer and genetic diseases are treated.

In 2022, the market saw clinical pipeline growth. Autologous products make up around 40% of the cell and gene therapy pipeline, followed by allogeneic products (around 30%) and in vivo viral vector products (around 30%)[1].

While the autologous cell therapy area grew significantly in the last five years, it is showing signs of slowing down, partly due to the impact of the COVID-19 pandemic on patient treatment. Nonetheless, while allogeneic cell therapy surpassed other modalities in 2022, autologous cell therapy is expected to remain the primary market category in the near future.

Immune cell-based therapies dominate the market, with T-cells and natural killer (NK) cell products driving interest due to their potential to address potential bottlenecks of autologous cell therapies, including cost-of-goods, scale-up efforts, and the ability to ramp up or down based on demand. Viral vector continues to benefit from healthy market growth both as a therapy and raw material.

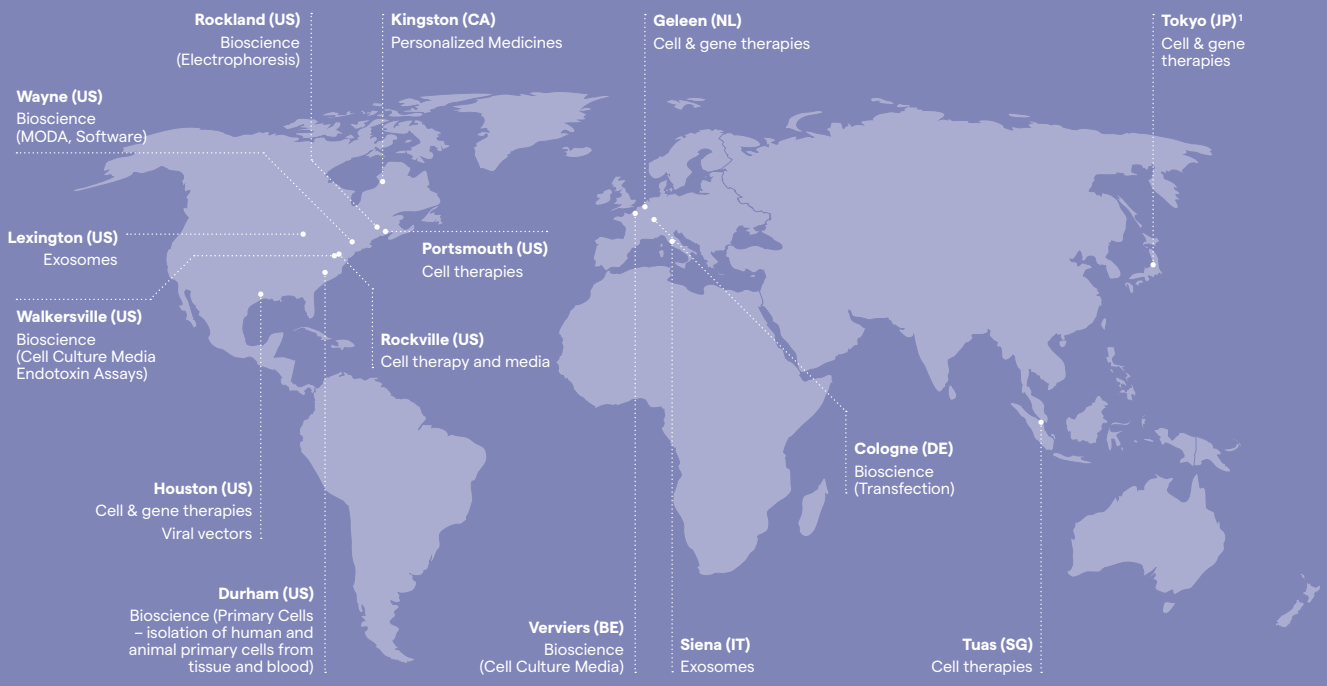
There is a developing market tension as funding across the biotech industry is decreasing while competition in rare disease areas is increasing. In this context, speed to clinic and market is set to become even more critical, alongside access to complex manufacturing technology, safety and efficacy.

Regulators are paying increasing attention to the cell and gene therapy space. Despite accelerated pathways, cell and gene therapies remain subject to the same approval processes as traditional biologics. Ensuring safety and efficacy is not the only focus. Therapy developers also need to demonstrate the mechanism of action, process robustness, scalability and potency of their drug candidates. In response to these imperatives, process and analytical development are expected to play an increasingly important role towards commercialization.

The cost of production remains a significant hurdle on the path to commercialization. This means that investing in platforms that increase productivity and offer flexible manufacturing ramp-up or ramp-down in response to demand is becoming more important to success. As a result, companies need to consider commercialization challenges from the early phases of drug development.

[1] Citeline Pharmaprojects Pipeline Search July 1, 2022, internal analysis

Our Global Development and Manufacturing Footprint



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

New emerging modalities and tools continue to grow within the cell and gene therapy sector, including exosomes, induced pluripotent stem cell (iPSC)-based immunotherapies, allogeneic versions of autologous CAR T-cells, NK cells, and *in vivo* gene editing. Continuing innovation in therapy development and manufacturing will be essential for long-term success and commercial viability. In this context, CDMOs are likely to take a more prominent role in the path to commercialization, supported by robust quality systems, expertise and an accelerated approach to scalable manufacturing.

Our Offering

Our broad offering includes development and manufacturing services, products, solutions, testing and automation platforms. We also offer tools and technologies to enable our customers to develop, de-risk and industrialize therapies, from basic research to commercialization.

Our Cell & Gene division includes three business areas: Cell & Gene Technologies, Personalized Medicine, and Bioscience.

Cell & Gene Technologies (CGT) is focused on providing an integrated range of CDMO services that span the full value chain of cell and gene therapy modalities (allogeneic and autologous therapies and viral vector).

Our integrated service proposition relies on two core pillars of CDMO services:

- **Process development:** leveraging our large team of expert scientists in process development to provide a step-by-step approach to the phase-appropriate development of robust, reproducible and commercially viable processes. This is based on current GMP (cGMP) design considerations and de-risking the path to commercialization. With an increase in demand for best-in-class process development services, we announced in 2022 the significant expansion of our process development laboratories at our Houston (US) and Geleen (NL) facilities.

- **Clinical and commercial manufacturing:** Best-in-class services are enabled by large teams of highly-skilled manufacturing personnel operating in dedicated suites within commercially approved cell and gene facilities.

Additional CDMO services include:

- Regulatory consulting: support to achieve successful fast-track approval for accelerated regulatory pathways and special designations.
- Bioassay services: full analytical methods lifecycle including development, optimization, qualification and validation of tailored assays. This is supported by a library of pre-developed, fast-qualified assays towards IND filing, first-in-human or later-phase trials.
- Tissue Acquisition: customized research and GMP Tissue Acquisition services for allogeneic and autologous cell therapy.

We provide these service offerings across a wide range of modalities to bring our customers the expertise they need for their therapies. These include:

- Autologous cell therapy: end-to-end development and manufacturing services to achieve commercial viability.
- Allogeneic cell therapy: flexible and scalable development and manufacturing services to bring allogenic cell therapy from concept to patient.
- Viral Vectors: advanced viral vector technologies and easy access to proprietary novel vectors to support gene therapy applications.
- Exosomes: 2D/3D cell culture and the latest exosome characterization technology.
- iPSCs: proprietary cGMP iPSC custom generation, expansion and differentiation services for tailor-made, fully cGMP iPSCs production.

The **Personalized Medicine** business develops breakthrough technologies to accelerate the industrialization of cell and gene therapy manufacturing. A primary focus is our Cocoon® Platform, a functionally closed, highly flexible and scalable cell manufacturing solution. The Cocoon® integrates multiple unit operations including isolation, cell selection, activation, transduction/transfection, expansion, and harvest into a single system. This degree of process automation has the potential to drive down costs and provide greater access to patients. The Cocoon® Platform is commercially available and being deployed across a number of clinical programs in centralized and point of care manufacturing settings.

Our **Bioscience** business provides a range of solutions for customers working at different stages of the therapeutic journey across multiple modalities, from cell & gene therapies to recombinant proteins, vaccines, and injectable drugs. Our expertise in primary human cell biology tools enable customers to develop more predictive models and accelerate the path to IND. We are also a trusted, committed partner for critical raw materials and technologies that enable better processes and quality decisions for bioprocessing customers.

Our offering includes:

- **Discovery tools**
  - Primary human cells and assays for *in vitro* models
  - Specialized research use only (RUO) media for primary cell culture
  - Non-viral transfection systems for gene modification & related drug discovery screening

Personal Perspective

Daniel Palmacci
President, Cell & Gene Division

Since joining Lonza in November 2022, I have been impressed with the focus on meeting customers' needs and driving technological innovation across the Cell & Gene division.

In our Cell & Gene Technologies business unit, our people are unlocking opportunities to capture the high commercial and therapeutic potential of this rapidly growing market. Following commercial approvals for two therapies produced at our Houston (US) site in 2022, we now manufacture three commercially available cell and gene products. We have also invested to expand our process development capabilities at our laboratories in Houston (US) and Geleen (NL) to meet evolving customer needs.

While we continue to see healthy growth in the clinical pipeline, there has been some reduction in the availability of biotech funding. In this context, operational excellence has become increasingly important, to ensure that value is optimized through efficiency. To support our customers in this area, we continue to focus on driving continuous improvement to enhance delivery and quality across our network.

As I commence my first full year with Lonza in 2023, I am greatly looking forward to leading the Cell & Gene division into its next chapter of growth. Our key priority for the coming year is to build our pipeline to support the development and commercialization of innovative therapies. We will continue to offer customers an integrated and accelerated approach to project scale-up, supported by robust quality systems and strong levels of technical expertise.

Overview of our Cell & Gene business units		
Cell & Gene Technologies Contract Development and Contract Manufacturing of cell and gene therapies	**Bioscience** Life science research to develop and test therapeutics	**Personalized Medicine** Breakthrough technology to accelerate the industrialization of cell and gene therapy manufacturing

• Scientific expertise to develop the GMP process, including characterization (Assays)
• Commercial viability: scaling-up, automating, optimizing and industrializing
• Global network of manufacturing sites, dedicated and established suites and expert personnel
• Quality systems & regulatory compliance
	• 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
		• Primary focus is the Cocoon® Platform for cell therapy manufacturing
		  • Highly flexible and scalable solution offers the potential to drive down costs and provider greater access to patients
		  • Multiple unit operations integrated into a single system
		  • Supports centralized or decentralized manufacturing model

Financial Performance in Full-Year 2022
Comparison vs. Prior Year

693m
+13.6%[1]
Sales (CHF)

116m
+9.4%
CORE EBITDA (CHF)

16.7%
-0.9ppts
CORE EBITDA Margin

[1] Sales growth is at constant exchange rate (CER)

- **Bioprocessing Solutions**
  - For Further Manufacturing (FFM) cell culture media for the manufacturing of protein, vaccines and cell & gene therapies
  - Large volume transfection systems for cell & gene therapy clinical production
  - Endotoxin/pyrogen testing solutions, including reagents and automation
  - Informatics solutions for GMP manufacturing and quality control

Highlights and Initiatives

In 2022, the Cell & Gene division benefitted from strong overall performance in the Bioscience business unit.

In our Cell & Gene Technologies business, two additional cell and gene therapies manufactured at our Houston (US) site achieved FDA approval. However, delays in clinical trials and customer product challenges impacted sales growth.

Our Personalized Medicines business unit remained focused on key R&D initiatives and scaling manufacturing, with multiple clinical-stage therapies now being manufactured on the Cocoon® Platform.

The Bioscience business continues to experience strong customer demand across its portfolio, especially in testing and media. A strategic reconfiguration in Bioscience in 2022 will support the business to deliver innovative products at scale in the long-term, with an emphasis on capturing market share in growth modalities, specifically cell and gene therapies and next-generation biologics.

Clinical and Commercial Programs
Our site in Houston (US) is dedicated to cell and gene therapy development and manufacturing. In Q3 2022, two cell and gene therapies manufactured at the site were approved by the FDA for commercial use, demonstrating our continued focus on improving quality and operations in collaboration with regulatory authorities. ZYNTEGLO®, for the treatment of transfusion-dependent beta-thalassemia, and SKYSONA®, for the treatment of early, active cerebral adrenoleukodystrophy, are both produced by bluebird bio of Somerville, Massachusetts and were approved in August and September 2022, respectively.

Also in 2022, the CGT business enhanced the New Product Introduction (NPI) process to standardize the customer journey from early-stage development to commercialization. It provides a roadmap and a systematic approach to development and manufacturing, ensuring necessary quality standards are met for tech transfers, cGMP manufacturing and pre-approval inspection readiness. This NPI process has been designed to support more CGT customers in reaching commercialization.

Personalized Medicine
Through our Cocoon® Platform, we are addressing challenges traditionally associated with autologous cell therapy. The platform enables our partners to provide personalized immunotherapies to critically ill patients at a higher speed and quality, while managing the costs associated with such personalized treatments.

During 2022, we expanded the functionality of the Cocoon® Platform by releasing a second-generation instrument that includes integrated capabilities in cell binding, cell separation, and bead removal. The Magnetic Selection capability, which can be utilized at any point in the manufacturing process, provides a high level of customization and consistency and expands the end-to-end solution for cell therapy manufacturing. This innovative new functionality will further strengthen the Cocoon® Platform's leading role in the commercialization of cell therapies. Ultimately, it will help to advance discoveries into the clinic where they can benefit patients.

Moving forward, we will maintain our focus on building additional capability and functionality into the platform to address unmet market needs, while continuing to ensure system robustness and exceptional customer service. Our goal is to build an autologous cell therapy manufacturing capability focused on cancer and monogenic rare diseases, while building further on the high market potential of Cocoon®.

Bioscience
Across the year, we leveraged our expertise to develop new products that support the cell and gene market. One example is the launch of the PyroCell® Monocyte Activation Test - Human Serum System (PyroCell® MAT HS System), which uses human serum instead of fetal bovine serum for in vitro pyrogen testing. This new system exhibits enhanced sensitivity for the detection of non-endotoxin pyrogens as well as reduced interferences from complex drug products such as biologics-based pharmaceuticals.

In early 2022, we began offering large batch sizes of human cord blood CD34+ hematopoietic stem cells for creating humanized mouse models. These are critical for the preclinical safety testing of immunotherapies. We are currently one of the leaders in the market with this offering. The additional offering will facilitate the more rapid and cost-effective creation of large and HLA-matched humanized mouse cohorts to streamline biologics testing and research.

In August 2022, we launched the Nebula® Multimode Reader, the first multimode reader qualified for use with Lonza's turbidimetric, chromogenic and recombinant endotoxin detection methods. The new compact reader, designed to minimize laboratory footprint, is compatible with all of Lonza's quantitative endotoxin tests and allows for an easier selection of the best-suited assay for specific samples. This addition to our portfolio complements our competitive advantage in QC automation.

Innovation Spotlight

Developing novel analytical techniques for AAV-based therapies

The gene therapy field has achieved transformative progress over the past half-century, continually evolving to bring life-changing therapies to patients. Viral vectors lie at the heart of the field as a primary delivery vehicle of novel gene-based therapies. Recently, this area of the market has witnessed unprecedented growth, supported by a number of landmark regulatory approvals. This culminated in the recent regulatory approval of an adeno-associated viral vector (AAV)-based therapy for haemophilia B. As a part of our holistic standardized process for developing and manufacturing AAV-based products, we have developed novel analytical techniques to ensure stability and quality of these vector-based therapies. These will help our customers to have more control of their product and better navigate the regulatory path to commercialization.

Our teams in Houston (US) and Basel (CH) have developed several analytical techniques targeting the in-depth analysis of AAV capsid proteins, viral genome, and AAV infectivity. These projects aim to develop accurate and robust analytical methods to ensure the quality and safety of AAV-based therapies for clinical applications.

Capsules & Health Ingredients

~260
billion. 2022 Capsules Capacity

>30
Product Offerings

~40
Ingredient Patent Families

80
Capsules and Dosage Delivery Form Patent Families

Our broad range of high-quality capsules and health ingredients are manufactured across our global network, in ten locations spanning three continents. From multiple global innovation centers, with experienced, talented teams and state-of-the-art equipment, we also offer customers a variety of collaboration and innovation opportunities to support their end-to-end product development plans. To deliver a comprehensive service, we provide our customers with both local and international technical, quality and regulatory support.

Market Trends

The Capsules & Health Ingredients division primarily serves the pharmaceutical and nutraceutical markets.

In the **pharmaceutical market**, we saw growth in the supply of capsules for prescription drugs in 2022. While this area experienced reduced government spending[1], this challenge was partially offset by the higher use of over-the-counter (OTC) medications in H1, as part of the ongoing consumer response to the COVID-19 pandemic.

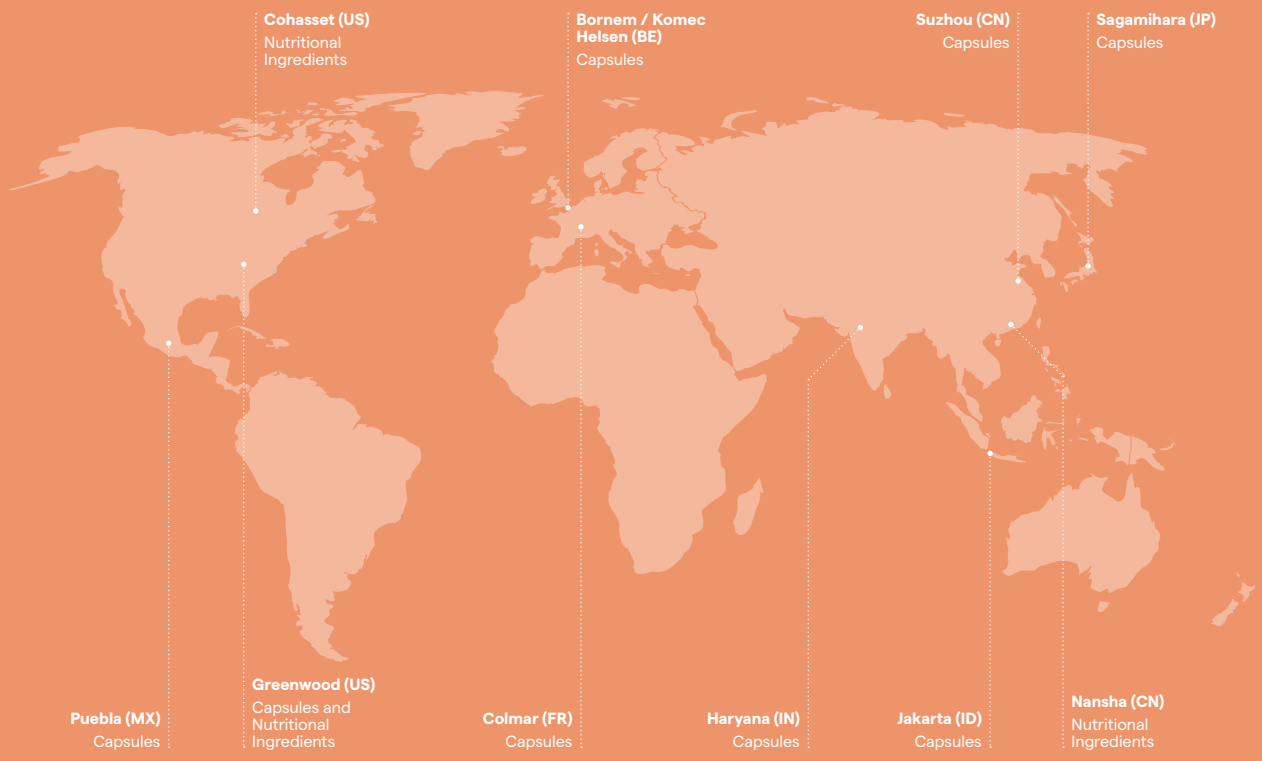
In supporting pharmaceutical development, the small molecule pipeline remained healthy with a stronger focus on solutions to support the delivery of new, more complex formulations and sensitive medications. We also saw increasing interest in our specialty capsules which are particularly valuable to therapies such as live bio-therapeutic products that often require gastric protection and targeted delivery profiles.

In the **nutraceutical** market, we saw strong demand for both capsules and health ingredients, across all three regions in H1. This was partially driven by the ongoing proactive consumer response to the COVID-19 pandemic. However, in H2, we experienced softer demand in vitamins, minerals and supplements as the impact of the pandemic reduced and recessionary concern, particularly in the Americas, negatively affected consumer spending on over-the-counter proactive health products. A consumer preference for 'free-from' products, alongside emerging regulatory requirements, meant that demand for clean-label capsules remained strong.

More widely, we saw continued interest in our innovation collaborations and complete solutions for both markets. These support more complex formulations and the end-to-end concept-to-commercialization delivery of nutraceutical products.

[1] IQVIA institute

Our Global Development and Manufacturing Footprint



Our Offering

Capsules

We offer a wide range of animal-based, vegetarian and clean label Capsugel® capsule options with different release profiles and encapsulation technologies to meet a variety of application and patient needs. For our pharmaceutical customers, we provide pre-clinical and clinical solutions and specialized delivery applications. For our nutraceutical customers, we offer multipurpose, clean-label, performance-enhancing options.

Our global capsule manufacturing network is one of the largest in the world and is supported by local and global logistics, R&D, technical and customer service specialists. Customers work with us to customize their end medication or supplement to meet unique product specifications and consumer preferences while complying with regulatory requirements. Through this collaboration, we enable our customers to bring their therapies and health supplements to market safely, effectively and efficiently.

We also provide a scalable portfolio of capsule-filling equipment and supporting technical services to meet our customers' fill and finish needs.

Dosage Form Solutions

We support customers throughout the product development cycle with a truly collaborative, innovation-driven end-to-end service. In the pharmaceutical market, this can include supporting fast-track approvals and the growing specialty and orphan drug pipeline, which require a unique approach to active ingredient delivery. For the nutraceutical market, we offer "ready to go" formulations and unique liquid fill delivery technologies to rapidly bring novel supplements to market.

Health Ingredients

Specifically for the nutraceutical market, we provide multiple high-value, research-backed ingredients across a number of growing market platforms. Our offerings target global consumer concerns, including joint health, muscular strength, energy, endurance, weight management and recovery. Our deep technical expertise, extensive global market knowledge and trend-tracking capabilities enable us to support healthy living through improved human and pet nutrition. Our portfolio includes premier brands such as UC-II® for joint health, Carnipure® for energy and a range of other branded products targeting immune health, digestive and emotional health, heart health and blood sugar health.

Highlights and Initiatives

In 2022, the Capsules & Health Ingredients division's sales growth was mainly driven by price increases and pharma demand. We continued to serve evolving customer needs through innovation across a broad range of services and modalities. By developing new capsules and dosage delivery capabilities – mainly driven by specialty capsules – we have maintained a highly differentiated offering in our product portfolio and technologies.

More widely, our new Launch with Lonza™ services have been designed to further enhance collaboration with customers interested in our innovative and complete solutions for the pharmaceutical and nutraceutical markets. Our range of services also support more complex formulations and end-to-end delivery, in particular in nutraceuticals.

Capsules

Operations and Supply Chain

We delivered against our ambitious expansion plans at many manufacturing sites globally and our overall capacity has increased to around 260 billion capsules per year. The introduction of several operational and quality improvements has delivered positive results and focused actions have been implemented to improve customer experience and global supply reliability.

Leveraging our extensive in-house design, technical and engineering teams, we continued to develop our next-generation proprietary capsule manufacturing line, which will significantly improve output and reduce product variability.

Financial Performance in Full-Year 2022

Comparison vs. Prior Year

1,266m

+5.9%[1]

Sales (CHF)

418m

+1.0%

CORE EBITDA (CHF)

33.0%

-1.4ppts

CORE EBITDA Margin

[1] Sales growth is at constant exchange rate (CER)

Titanium Dioxide Free Capsules
In response to the European Union Commission's decision to ban the use of titanium dioxide (TiO_2) in food supplement products from mid-2022, we launched TiO_2-free white opaque hard gelatin capsules. These offer our nutraceutical customers the same whiteness and masking functionality as gelatin capsules containing TiO_2 whilst meeting the new TiO_2-free requirements.

In addition, our pharmaceutical customers are also proactively evaluating this capsule in response to potential future TiO_2 regulatory changes within their industry. We are delighted this new capsule was recognized with a Regulatory and Compliance Award at the Convention on Pharmaceutical Ingredients (CPhI) in November 2022.

Next Generation Enteric Capsule - Capsugel® Enprotect™
Our new Enprotect™ enteric capsule, launched in H2, has been designed to withstand degradation during stomach transit, releasing its contents in the intestine. In 2023, we will leverage this manufacturing technology for other applications, including an Enprotect™ capsule for anaerobic live biotherapeutic products.

More information about the Enprotect™ capsules can be found in the Innovation Spotlight section on page 64.

Personal Perspective

Christian Seufert
President, Capsules & Health Ingredients Division

Whilst our pharmaceutical market has remained robust, changing consumer preferences negatively impacted the nutraceutical market in 2022. We are addressing this more competitive environment through innovation, expanded end-to-end services and improved manufacturing agility.

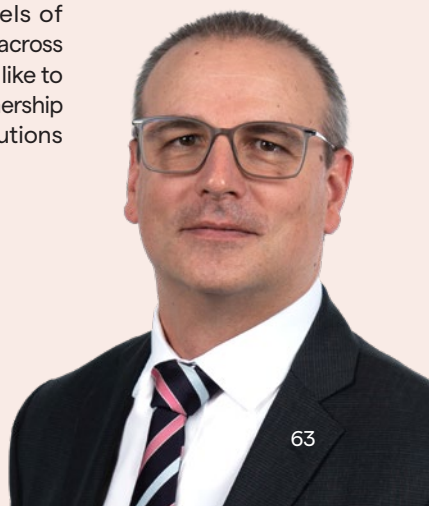
As part of our innovation agenda, we launched our new gelatin titanium dioxide (TiO_2)-free capsule and our enteric Enprotect™ capsule. Both capsules provide new platforms for more innovation going forward and I was particularly pleased to see our TiO_2-free capsule recognized at CPhI with a Regulatory and Compliance Excellence Award.

Complementing our approach to product innovation, we have expanded our end-to-end services with our Launch with Lonza™ program. Working closely with our customers, we have created value by optimizing product delivery and launch effectiveness.

Our customer offering has been further supported by capacity expansion across our network to improve delivery lead times, while maintaining quality and safety. We also continue to adopt lean operating principles across our existing assets to improve manufacturing efficiency and agility.

Looking forward, we will maintain our strong customer focus by improving our services in line with their needs. By focusing on product and process innovation, digital capabilities, manufacturing automation and our sustainability credentials, we will consolidate our position as a preferred strategic partner to the capsules and health ingredients markets.

Since joining in July 2022, I have been impressed by the strong customer relationships and the high levels of expertise and engagement shared across our colleague community. I would like to thank our customers for their partnership and our people for their contributions this year.



Dosage Form Solutions
A commercial scale melt spray congealing technology platform was installed in Greenwood (US), enabling the manufacture of high-quality, cost-effective lipid multi-particulates at a commercial scale. This proprietary solution helps to maximize ingredient functionality and expands application versatility for nutraceutical customers.

Health Ingredients
A new randomized, double-blind, placebo-controlled study found our UC-II® undenatured type II collagen supplement plays a role in delivering joint health benefits. The study was featured in two research publications:

- Schön et al. (2022). UC-II® undenatured type II collagen for knee joint flexibility: a multicenter, randomized, double-blind, placebo-controlled clinical study. *Journal of Integrative and Complementary Medicine*.
- Knaub et al. (2022). UC-II® undenatured type II collagen reduces knee joint discomfort and improves mobility in healthy subjects: a randomized, double-blind, placebo-controlled clinical study. *Journal of Clinical Trials*.

Innovation Spotlight

Next-generation enteric capsule for delivering acid-sensitive products into the intestine

Building on our extensive experience in generating novel and innovative solutions for oral solid dosage forms, we have developed a unique technique to build a bi-layer capsule that supports targeted intestinal delivery. The new Enprotect™ enteric capsule, launched at the end of 2022, has been designed to release its contents in the intestine. This is achieved by preventing degradation during stomach transit, which is normally caused by the presence of acids and enzymes.

The innovative capsule solution meets a pressing market need by offering a simple targeted delivery method without a need for additional coatings. This scalable and customizable solution can aid in delivering novel therapies to the distal small intestine, such as small peptides, RNA-based therapeutics, or live biotherapeutic products. The ready-to-use capsule will save pharmaceutical and nutraceutical customers time in the development and manufacturing stages, enabling them to bring new therapies to market faster.

Looking to 2023, we will leverage the first-of-its-kind Enprotect™ manufacturing technology for other applications. These will include a next-generation Enprotect™ capsule specifically for anaerobic live biotherapeutic products and other novel targeted-release capsule formulations.

Partnerships and Joint Ventures

Lonza and Sanofi entered into a strategic partnership in 2017 to build and operate a mammalian cell culture facility for monoclonal antibody production in Visp (CH). The large-scale facility, which utilizes 20,000L bioreactors, became operational in 2021.

Bacthera is a strategic joint venture (JV) which was established by Lonza and Chr. Hansen in 2019. The company is now a leading 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.

The company'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 medicines for human clinical trials and ultimately develop commercial products.

In November 2021, Bacthera announced a collaboration with Seres Therapeutics, a leading microbiome therapeutics company, to manufacture SER-109, which is Seres' lead product candidate for recurrent Clostridioides difficile infection (rCDI). SER-109 has potential to become the first LBP to go into commercial production.

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 will be located 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.


Lonza

Financial Statements

Consolidated Balance Sheet

Assets[1]

million CHF	Notes[2]	2022	2021
Non-current assets			
Property, plant and equipment	5	6,120	4,694
Intangible assets	4	2,231	2,454
Goodwill	4	2,863	2,986
Other non-current assets	6	408	352
Deferred tax assets	20	17	18
Total non-current assets		**11,639**	**10,504**
Current assets			
Inventories	8	1,819	1,501
Trade receivables	9	1,164	928
Current tax receivables		30	28
Other receivables, prepaid expenses and accrued income, incl. derivatives	10	480	314
Short-term investments	13	885	1,602
Cash and cash equivalents	11	1,339	1,582
Total current assets		**5,717**	**5,955**
Total assets		**17,356**	**16,459**

[1] At 31 December
[2] See the accompanying notes to the consolidated financial statements

Equity and Liabilities [1]

million CHF	Note [2]	2022	2021
Equity			
Share capital	24	74	74
Share premium		2,582	2,693
Treasury shares		(114)	(177)
Retained earnings and reserves		8,055	7,160
Total equity attributable to equity holders of the parent		**10,597**	**9,750**
Non-controlling interests		68	73
Total equity		**10,665**	**9,823**
Liabilities			
Non-current provisions	12	378	368
Employee benefit liabilities	22	29	97
Other non-current liabilities	14	1,094	1,027
Non-current debt	13	1,554	2,234
Deferred tax liabilities	20	556	540
Total non-current liabilities		**3,611**	**4,266**
Current provisions	12	47	44
Other current liabilities	14	1,775	1,545
Trade payables	15	477	483
Current debt	13	678	169
Current tax payables	20	103	129
Total current liabilities		**3,080**	**2,370**
Total liabilities		**6,691**	**6,636**
Total equity and liabilities		**17,356**	**16,459**

[1] At 31 December
[2] See the accompanying notes to the consolidated financial statements

Consolidated Income Statement [1]

Million CHF	Notes [2]		2022	2021
Sales	1		**6,223**	**5,409**
Cost of goods sold			(3,785)	(3,299)
Gross profit			**2,438**	**2,110**
Marketing and distribution			(244)	(224)
Research and development	21		(95)	(90)
Administration and general overheads [3]			(721)	(671)
Other operating income [4]	18.1		262	62
Other operating expenses [5]	18.2		(99)	(336)
Result from operating activities (EBIT) [6]			**1,541**	**851**
Financial income	19.1		9	33
Financial expenses	19.2		(104)	(96)
Net financial result			**(95)**	**(63)**
Share of loss of associates / joint ventures	7		2	(28)
Profit before income taxes			**1,448**	**760**
Income taxes	20		(230)	(83)
Profit from continuing operations			**1,218**	**677**
Profit from discontinued operations, net of tax [7]	3.1		0	2,270
Profit for the period			**1,218**	**2,947**
Attributable to:				
Equity holders of the parent			1,215	2,944
Non-controlling interest			3	3
Profit for the period			**1,218**	**2,947**
Earnings per share for profit from continuing operations attributable to equity holders of the parent:				
Basic earnings per share - EPS basic	25	CHF	16.37	9.08
Diluted earnings per share - EPS diluted	25	CHF	16.34	9.05
Earnings per share for profit attributable to equity holders of the parent:				
Basic earnings per share - EPS basic	25	CHF	16.37	39.65
Diluted earnings per share - EPS diluted	25	CHF	16.34	39.52

[1] For the year ended 31 December
[2] See the accompanying notes to the consolidated financial statements
[3] Includes the amortization of acquisition-related intangible assets (2022: CHF 138 million, 2021: CHF 141 million)
[4] Operating income in 2022 includes a CHF 199 million gain from disposal of businesses
[5] Operating expenses in 2021 include environmental remediation costs of CHF 300 million, predominantly related to Gamsenried (CH) (see note 12)
[6] Result from operating activities (EBIT) excludes interest income and expenses as well as financial income and expenses that are not interest related (see note 19) and Lonza's share of profit / loss from associates and joint ventures
[7] The Specialty Ingredients business was sold effective on 1 July 2021 (see note 3.1)

Consolidated Statement of Comprehensive Income[1]

Million CHF	Notes[2]	2022		2021	
Profit for the period			**1,218**		**2,947**
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Remeasurements of net defined benefit liability		49		247[3]	
Income tax on items that will not be reclassified to profit or loss	20	(8)	41	(45)	202
Items that are or may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		(205)		(68)	
Reclassification of foreign currency differences related to divested businesses	3.1, 3.2	8		191	
Cash flow hedges - effective portion of changes in fair value		10		29	
Cash flow hedges - reclassified to property, plant and equipment		4		0	
Cash flow hedges - reclassified to profit or loss		9		(10)	
Income tax on items that are or may be reclassified to profit or loss	20	(3)	(177)	(6)	136
Other comprehensive income for the period, net of tax			**(136)**		**338**
Total other comprehensive income for the period			**1,082**		**3,285**
Total comprehensive income attributable to:					
Equity holders of the parent			1,084		3,279
Non-controlling interests			(2)		6
Total comprehensive income for the period			**1,082**		**3,285**

[1] For the year ended 31 December
[2] See the accompanying notes to the consolidated financial statements
[3] CHF 169 million relate to continuing operations (note 22) and CHF 78 million relate to discontinued operations

Consolidated Cash Flow Statement [1]

Million CHF	Notes [2]	2022	2021
Profit for the period		**1,218**	**2,947**
Adjustments for non-cash items:			
– Income taxes	20	229	125
– Net financial result		95	67
– Share of loss of associates / joint ventures	7	(2)	28
– Depreciation of property, plant and equipment (incl. depreciation of right-of-use assets)	5	409	347
– Amortization of intangibles	4	187	175
– Reversal of impairment		0	(8)
– Impairment losses on property, plant, equipment and intangibles	4,5	2	1
– Increase in provisions	12	71	309
– Increase / (decrease) in employee benefit liability		(12)	10
– Loss on disposal of property, plant and equipment		2	2
– Non-cash items related to divested businesses		(203)	(2,230)
– Amortization of other liabilities / assets		(140)	(94)
– Share-based payments	23	32	45
Income taxes paid		(223)	(166)
Interest paid		(64)	(63)
Total before change in net working capital		1,601	1,495
Increase in inventories		(343)	(381)
Increase in trade receivables		(252)	(292)
Increase / (decrease) in trade payables		(2)	213
(Increase) / decrease other net working capital		114	300
Use of provisions	12	(58)	(56)
Decrease in other payables, net		(40)	(62)
Net cash provided by / (used for) operating activities		**1,020**	**1,217**
Purchase of property, plant and equipment	5	(1,830)	(1,301)
Purchase of intangible assets	4	(42)	(40)
Acquisitions of subsidiaries, net of cash acquired [3]	3.4	(10)	(48)
Divestitures of subsidiaries, net of cash disposed of	3.2	238	120
Purchase of unconsolidated investments		(7)	(18)
Proceeds from unconsolidated investments		4	11
Proceeds from assets held for sale	3.1	0	3,972
Lease payments received / (lease prepayment)		5	(17)
Capitalized contract costs		(53)	(39)
Net proceeds from sales and purchases of other assets		2	(5)
(Increase) / decrease in short-term investments	13	718	(1,602)
Increase / (decrease) in loans and advances		(18)	(15)
Interest received		10	3
Dividends received		9	0
Net cash provided by / (used for) investing activities		**(974)**	**1,021**

Million CHF	Notes[2]	2022	2021
Repayment of straight bonds	13	(105)	(375)
Repayment of German Private Placements	13	0	(784)
Increase / (decrease) in debt	13	(47)	(42)
Principal elements of lease payments		(60)	(30)
Increase in other non-current liabilities[4]		213	347
Decrease in other non-current liabilities		(8)	0
Capital injection from owners of the non-controlling interests		2	0
Purchase of treasury shares		(58)	(174)
Sale of treasury shares		7	0
Dividends paid[5]	25	(228)	(225)
Net cash provided by / (used for) financing activities		**(284)**	**(1,283)**
Effect of currency translation on cash		(5)	8
Net increase in cash and cash equivalents		**(243)**	**963**
Cash and cash equivalents at 1 January		1,582	619
Cash and cash equivalents at 31 December		**1,339**	**1,582**

[1] For the year ended 31 December 2021, the Group has elected to present a statement of cash flows that includes an analysis of all cash flows in total – i.e. including both continuing and discontinued operations.
[2] See the accompanying notes to the consolidated financial statements
[3] Includes contingent consideration and deferred purchase price payments from prior years acquisitions
[4] In 2021, Lonza received payments of CHF 18 million from customers to purchase equipment for utilization at Lonza facilities. These payments are not separately disclosed in the consolidated cash flow statement as the related equipment is not owned by Lonza
[5] Includes dividends of CHF 5 million (2021: CHF 2 million) paid to non-controlling interest shareholders of a subsidiary

Consolidated Statement of Changes in Equity

million CHF	Notes[1]	Attributable to equity holders of the parent							Non-controlling interests	Total equity
		Share capital	Share premium	Retained earnings	Hedging reserve	Translation reserve	Treasury shares	Total		
At 1 January 2021		**74**	**2,804**	**4,985**	**(20)**	**(928)**	**(100)**	**6,815**	**69**	**6,884**
Profit for the period		0	0	2,944	0	0	0	2,944	3	2,947
- Remeasurement of defined benefit liability		0	0	202	0	0	0	202	0	202
- Exchange differences on translating foreign operations		0	0	0	0	117	0	117	3	120
- Cash flow hedges		0	0	0	16	0	0	16	0	16
Other comprehensive income, net of tax		0	0	202	16	117	0	335	3	338
Total comprehensive income for the period		**0**	**0**	**3,146**	**16**	**117**	**0**	**3,279**	**6**	**3,285**
Dividends	25	0	(111)	(112)	0	0	0	(223)	(2)	(225)
Recognition of share-based payments	23	0	0	51	0	0	0	51	0	51
Movements in treasury shares		0	0	(95)	0	0	(77)	(172)	0	(172)
At 31 December 2021		**74**	**2,693**	**7,975**	**(4)**	**(811)**	**(177)**	**9,750**	**73**	**9,823**
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	25	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	23	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**

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

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

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 technologies 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.

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.

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.

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

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

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 that reported monthly to the Group's Executive Committee.

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[3]	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[4]	(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 income / (expense)	0	0	0	1	1	(1)	0
Environmental expenses, net of reversal of provision	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 of leased assets	71	0	5	4	80	8	88
Additions to intangible assets	8	0	4	9	21	21	42
Additions to investment in associates / 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] In 2022, sales third-party at Corporate include CHF 123 million of sales to the Specialty Ingredients business (that was divested on 1 July 2021). These sales had a dilutive effect of 60 bps on the group margin for the year
[4] Refer to note 21

The reconciliation of the CORE EBITDA to the IFRS result for the twelve months ended 31 December in 2022 and 2021 is as follows:

million CHF	2022	2021
Profit before income taxes from continuing operations	**1,448**	**760**
Net financial result	(95)	(63)
Share of loss from associates/joint ventures	2	(28)
Result from operating activities (EBIT)[1] (from continuing operations)	**1,541**	**851**
Environmental-related expenses	(27)	(300)[2]
Litigations	(31)[3]	0
Income / (expense) resulting from acquisition and divestitures	202	0
Depreciation & amortization of property, plant and equipment and intangibles, incl. impairment and reversal of impairments	(597)	(514)
CORE EBITDA (from continuing operations)	**1,995**	**1,665**

[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] In 2021, environmental remediation expenses predominantly relate to Gamsenried (CH). Refer to note 12
[3] Litigation related to a Lonza legacy site / business

Year ended
31 December 2021

million CHF	Biologics	Small Molecules	Cell & Gene	Capsules & Health Ingredients	Total operating segments	Corporate / Eliminations	Group total
Sales third-party	2,699	767	602	1,204	5,272	137[3]	5,409
Intersegment sales[1]	5	3	46	4	58	(58)	0
Total sales	**2,704**	**770**	**648**	**1,208**	**5,330**	**79**	**5,409**
CORE EBITDA[2]	**979**	**215**	**106**	**414**	**1,714**	**(49)**	**1,665**
– Percentage return on sales in %	36.3	28.0	17.6	34.4	32.5	n.a.	30.8
included in results from operating activities:							
Research and development[4]	(119)	(19)	(31)	(12)	(181)	0	(181)
Depreciation and amortization	(171)	(56)	(51)	(178)	(456)	(65)	(521)
Impairment, net of reversal of impairment	0	0	0	0	0	8	8
Restructuring income / (expense)	6	0	0	1	7	(1)	6
Environmental expenses, net of reversal of provision	0	0	0	0	0	(304)	(304)
Other segment information:							
Additions to property, plant and equipment	920	118	84	83	1,205	53	1,258
Additions to property, plant and equipment from acquisitions	0	0	8	0	8	0	8
Additions to intangible assets	12	0	2	5	19	21	40
Additions to goodwill and intangible assets from acquisitions	0	0	53	0	53	0	53
Additions to investment in associates / joint ventures	0	0	0	3	3	0	3

[1] Intersegment sales were based on prevailing market prices
[2] Refer to section "Alternative Performance Measures" for details on the calculation methodology
[3] In 2021, sales third-party at Corporate include CHF 84 million of sales to the Specialty Ingredients business (that was divested on 1 July 2021) during the second half of 2021. These sales had a dilutive effect of 50 bps on the group margin for the year
[4] Refer to note 21

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. Intersegment sales and transfers are based on prevailing market prices.

1.4
Geographical Information

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	5
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

Year ended
31 December 2021

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

[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 2022, Lonza's largest customer accounted for 9.2% and the second, third, fourth and 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.

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

Note 2
Revenues

2.1
Disaggregation of Third-Party Revenues

Lonza derives its revenue primarily from long-term 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 and manufacturing services, from research to commercial supply. Lonza supports customers' research activities as well as the whole life cycle of a customer product from development of a drug substance to commercial supply.

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 technologies 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.

- **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.

  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.

  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.

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

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

million CHF	2022	2021
Biologics	3,274	2,699
Small Molecules	819	767
Cell & Gene	693	602
Capsules & Health Ingredients	1,266	1,204
Corporate	171	137
Total	**6,223**	**5,409**

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 business for customer-specific production facility expansions or modifications on Lonza's premises. They typically include costs for commissioning, qualification and start-up, as well as for activities relating to process development and technology transfer. The assets are amortized on a straight-line basis over the term of the specific contract they relate to, consistent with the pattern of recognition of the associated revenue. Additionally, if services rendered by Lonza exceed the payment received, a contract asset (accrued income) is recognized.

Contract liabilities mainly consist of upfront and other one-time payments, typically resulting from long-term contracts in the contract development and manufacturing business. These payments make up part of the expected transaction price and are deferred until batches are released. Additionally, if the payments received exceed services rendered, a contract liability (deferred income) is recognized. The non-current portion of deferred 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	2022	2021
Trade receivables	1,164	928
Total trade receivables	**1,164**	**928**

million CHF	Notes	2022	2021
Accrued income	10	188	127
Capitalized contract cost[1]	6,10	72	54
Total contract assets		**260**	**181**

[1] Thereof non-current CHF 67 million (2021: CHF 32 million) and current CHF 5 million (2021: 22 million)

million CHF	Notes	2022	2021
Non-current deferred income	14	739	675
Current deferred income	14	649	667
Total contract liabilities		**1,388**	**1,342**

Movement in Capitalized Costs to Fulfill a Contract

million CHF	2022	2021
At 1 January	**54**	**42**
Asset recognized from costs incurred to fulfill a contract at 31 December	47	39
Amortization and impairment loss recognized as cost of providing services during the period	(29)	(27)
At 31 December	**72**	**54**

Movement in Contract Liabilities

million CHF	2022	2021
At 1 January	**1,342**	**957**
Revenue recognized that was included in the contract liability balance at the beginning of the period	(667)	(520)
Increases due to cash received, excluding amounts recognized as revenue during the period	711	841
Acquisition of subsidiaries	0	60
Currency translation effects	2	4
At 31 December	**1,388**	**1,342**

Note 3
Business Combinations and Sale of Businesses

3.1
Divestment of Lonza Specialty Ingredients Business (2021)

On 23 July 2020, Lonza's Board of Directors decided to divest the Lonza Specialty Ingredients business via a sales process. On 8 February 2021, Lonza announced that it has entered into a definitive agreement with Bain Capital and Cinven. The divestment of the former Specialty Ingredients business was completed on 1 July 2021 for an enterprise value of CHF 4.2 billion and was finally settled before 31 December 2021.

The results from Specialty Ingredients were presented as part of discontinued operations in 2021.

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

In the consolidated income statement, the result on discontinued operations includes the Lonza Specialty Ingredients business (2021: 6 months from January to June, only) together with certain corporate costs directly attributable to Lonza Specialty Ingredients together with carve-out / divestiture related costs and presented as follows:

million CHF	2022	2021[1]
Sales	0	887
Costs of goods sold	0	(611)
Gross profit	**0**	**276**
Marketing and distribution	0	(49)
Research and development	0	(15)
Administration and general overheads	(1)	(70)
Other operating income	0	10
Other operating expenses	0	(7)
Result from operating activities (EBIT)	**(1)**	**145**
Net financial result	0	(4)
Share of loss of associates / joint ventures	0	(1)
Profit from operating activities before taxes	**(1)**	**140**
Income taxes	1	(35)
Profit from operating activities, net of tax	**0**	**105**
Gain on sale of discontinued operations[2]	0	2,172
Income tax on sale of discontinued operations	0	(7)
Profit from discontinued operations, net of tax	**0**	**2,270**
Attributable to:		
Equity holders of the parent	0	2,270
Non-controlling interest	0	0
	CHF	
Basic earnings per share	(0.00)	30.57
Diluted earnings per share	(0.00)	30.47

[1] The Specialty Ingredients business was sold effective 1 July 2021. Therefore, results from operating activities in 2021 are not comparable to 2022
[2] In 2021, the gain from discontinued operations includes the proceeds received (CHF 4,016 million), the net assets that were disposed of (CHF 1,602 million), the divestiture and separation related costs (FY 2021: CHF 56 million) and the recycling of accumulated exchange rate translation reserve losses (CHF 186 million)

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

million CHF	2021
Goodwill	(513)
Non-current assets	(910)
Current assets	(647)
Cash and cash equivalents	(44)
Deferred tax liabilities	56
Total non-current and current liabilities	455
Net assets disposed of	**(1,602)**
Consideration received, satisfied in cash	4,016
Cash and cash equivalents disposed of	(44)
Cash inflow on disposal	**3,972**

3.2 Divestment of Other Businesses (2021 and 2022)

In addition to the Lonza Specialty Ingredients business (see note 3.1), Lonza completed the divestiture of several other businesses in 2022 (Bioscience and Small Molecule) and 2021 (Capsules & Health Ingredients and Small Molecules).

The table below aims at summarizing the effect of above disposals on the Group financial statements in both years:

Effect of the disposal of other businesses on the consolidated balance sheet:

million CHF	2022	2021
Goodwill	(9)	0
Intangible assets	(10)	(55)
Property, plant & equipment [1]	(14)	(44)
Other non-current assets	0	(1)
Current assets (other than cash and cash equivalents)	(8)	(37)
Cash and cash equivalents	(2)	(8)
Non-current liabilities	8	13
Current liabilities	1	16
Net assets disposed of	**(34)**	**(116)**
Consideration received , satisfied in cash	240	128
Contingent consideration receivable	2	0
Total consideration	**242**	**128**
CTA recycling and disposal costs	(9)	(8)
Gain on disposal , net of CTA recycling and disposal costs	**199**	**4**
Consideration received, satisfied in cash	240	128
Cash and cash equivalents disposed of	(2)	(8)
Cash inflow on disposal	**238**	**120**

[1] Includes right-of-use of leased assets of CHF 7 million (2021: CHF 2 million)

3.3
Acquisitions in Exosomes Bioprocessing Business

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

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

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

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

million CHF	2021
Intangible assets (technologies and customer relationships)	35
Property, plant & equipment	8
Net identifiable assets	**43**
Goodwill	18
Total consideration	**61**
Cash consideration	1
Manufacturing services in kind	60
Total consideration transferred	**61**

3.4
Cash Flow from Acquisitions of Subsidiaries

million CHF	2022	2021
Deferred consideration paid [1]	(3)	(43)
Cash consideration paid	0	(3)
Contingent consideration paid [2]	(7)	(2)
Net cash outflow	**(10)**	**(48)**

[1] Payments in 2021 predominantly related to the acquired Fill and Finish Business, Stein (CH)
[2] See note 27.6

Note 4
Intangible Assets and Goodwill

4.1
Cost and Accumulated Amortization and Impairment

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

The Capsugel trade name acquired through the business combination in 2017 as well as the trademarks acquired through the acquisition of Cambrex (2007) are considered to have indefinite useful lives. As a result, these intangible assets with a carrying amount of CHF 241 million as of 31 December 2022 (2021: CHF 252 million) are not systematically amortized.

Development costs as of 31 December 2022 predominantly include technologies acquired with the acquisitions of Capsugel, amounting to CHF 693 million (2021: CHF 800 million) and Octane of CHF 81 million (2021: CHF 94 million).

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)
Acquisition of subsidiaries	0	0	0	0	0	0	0
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**

Year ended
31 December 2021

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

4.2
Impairment Tests for Cash-Generating Units Containing Goodwill and Intangible Assets with Indefinite Useful Lives

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

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

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

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

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

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

million CHF	2022	2021
Capsules & Health Ingredients	1,381	1,438
Small Molecules	1,080	1,129
Cell & Gene	368	385
Biologics	34	34
Total carrying amounts of goodwill as at 31 December	**2,863**	**2,986**

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

million CHF	2022	2021
Capsules & Health Ingredients	216	227
Cell & Gene	25	25
Total carrying amounts of intangible assets with indefinite useful life as at 31 December	**241**	**252**

The recoverable amount of the cash-generating units is based on the value-in-use calculation. The supporting cash flow projections for 2023 to 2027 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 2023–2027 based on a 5.9% (2021: 4.4%) average sales growth with increasing EBIT margins. The cash flow projections beyond the five-year period are based on 2.0% (2021: 2.0%) growth rate. A pre-tax discount rate of 7.2% (2021: 7.3%) has been used in discounting the projected cash flows.

The cash-generating unit Small Molecules provides cash flow projections for 2023–2027 based on a 6.9% (2021: 10.3%) average sales growth with increasing EBIT margins. The cash flow projections beyond the five-year period are based on 2.0% (2021: 2.0%) growth rate. A pre-tax discount rate of 6.3% (2021: 5.5%) has been used in discounting the projected cash flows.

Bioscience / Cell & Gene Technologies / Personalized Medicine businesses is a group of cash-generating units reported in the Cell & Gene division. The businesses are characterized by strong dynamic growth across the majority of its markets, driven by the aging population and improved access to healthcare. The cash flow projections for 2023–2027 are based on a 22.0% (2021: 20.6%) average sales growth. The cash flow projections beyond the five-year period are extrapolated using a 2.0% (2021: 2.0%) growth rate. A pre-tax discount rate of 7.7% (2021: 5.8%) 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 5
Property, Plant and Equipment

million CHF	2022	2021
Property, plant and equipment own assets	5,733	4,320
Right-of-use of leased assets	387	374
Total	**6,120**	**4,694**

5.1
Property Plant and Equipment Own Assets

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)
Acquisition of subsidiaries	0	0	0	0	0
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
Impairment losses	0	0	0	0	0
Reversal of impairment losses	0	0	0	0	0
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**

Year ended
31 December 2021

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

Commitments for capital expenditure in property, plant and equipment amounted to CHF 893 million at year-end 2022 (2021: CHF 737 million), mainly related to capital expenditures at sites in Visp (CH), Portsmouth (US) and Singapore. No assets were pledged for security of own liabilities in 2022 and 2021.

5.2
Leases

Right-of-use of Leased Assets

Year ended
31 December 2022

million CHF	Buildings and structures	Production facilities	Others	Total
Net carrying amount at the year ended	293	53	41	387
Additions for the year ended	70	0	18	88
Depreciation for the year ended	(38)	(5)	(3)	(46)
Impairment for the year ended	0	(2)	0	(2)

Year ended
31 December 2021

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

Lonza predominantly leases office buildings, together with warehouses and production assets. The maturities of the lease liabilities are presented in note 27.3.

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

million CHF	2022	2021
Expenses related to short-term leases and low value assets[1]	(9)	(7)
Expenses related to variable lease payments not included in lease liabilities[1]	(11)	(7)
Other rent expenses (including incidental expenses)[1]	(9)	(6)
Total lease expenses not part of right-of-use of leased assets	**(29)**	**(20)**
Depreciation of right-of-use of leased assets[1]	(46)	(36)
Impairment of right-of-use of leased assets[2]	(2)	0
Interest expense on leases[3]	(11)	(12)

	2022	2021
Total cash outflows on leases	**(100)**	**(82)**

[1] Included in cost of goods sold and administrative expenses
[2] Included in other operating expenses
[3] Included in financial result

Note 6
Other Non-Current Assets

million CHF	Notes	2022	2021
Loans and advances	13	194	177
Other investments		66	73
Capitalized contract costs	2	67	32
Investments in associates / joint ventures	7	33	31
Defined benefit pension plan asset	22.1	2	2
Derivative financial instruments	27.5	5	0
Contingent consideration related to sale of business	27.6	2	0
Other assets		39	37
Total		**408**	**352**

Loans and advances at 31 December 2022 includes a CHF 155 million (2021: CHF 159 million) loan to BioAtrium AG. This associated company represents a strategic partnership between Sanofi and Lonza (see note 7.2). It also includes a CHF 38 million (2021: CHF 16 million) loan to BacThera (see note 7.1).

Note 7
Investments in Joint Ventures and Associates

In 2022 and 2021, 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	2022	2021
Balance Sheet Value		
Interests in joint ventures	0	0
Interests in associates	33	31
Total	**33**	**31**

Net income statement effect	2022	2021
Share of profit / (loss) of joint ventures	0	(15)
Share of profit / (loss) of associates	2	(13)
Total	**2**	**(28)**

7.1 Joint Ventures

With BacThera Ltd. (founded in April 2019), the Group established together with Chr. Hansen Holding A/S a strategic partnership in developing and manufacturing live biotherapeutic products for Pharma Biotech & Nutrition customers. This partnership brings together Chr. Hansen's extensive know-how in developing, upscaling and manufacturing bacteria strains and Lonza's strong capabilities in pharma contract manufacturing and outstanding formulation and drug delivery technologies. The phased investment of approximately EUR 90 million is shared equally between the parties to build a cGMP-compliant pharma production capability.

In 2022, BacThera Ltd 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 38 million (2021: CHF 16 million). Lonza accounts for its 50% share in BacThera Ltd as a joint venture in accordance with IFRS 11. The financial results of BacThera Ltd in both reporting periods are predominantly affected by ongoing operational ramp-up losses. Following the investment write-off in 2021, Lonza continued to maintain its investment value in BacThera Ltd at CHF 0 million.

7.2 Associates

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

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). The total commitment of both partners is estimated to be CHF 290 million and is equally shared between the two parties.

Lonza continues to account for its share in BioAtrium Ltd as investment in associates in accordance with IAS 28. In 2022, BioAtrium Ltd started being fully operational and generated a net profit of CHF 5 million. According to the shareholder's agreement, Lonza considered its share of profit and recognized an adjustment to its investment value in BioAtrium Ltd by CHF 2 million.

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

million CHF	2022	2021
Percentage of ownership	**50%**	**50%**
Current assets	79	88
Non-current assets	346	347
Current liabilities	46	53
Non-current liabilities (including non-current debt of CHF 309 million; 2021: CHF 317 million)	329	334
Net assets (100%)	**50**	**48**
Group's share of net assets (50%)	25	24
Carrying amount of interest in BioAtrium Ltd	**33**	**31**
Revenue	139	22
Profit and total comprehensive income (100%)	3	(17)
Group's share of profit and total comprehensive income (50%)	**2**	**(9)**

Note 8
Inventories

million CHF	2022	2021
Inventories	1,993	1,623
Value adjustments	(174)	(122)
Total	**1,819**	**1,501**

million CHF		2022		2021
Raw materials	40%	722	41%	616
Work in progress	13%	240	14%	210
Finished goods	34%	619	32%	478
Other	13%	238	13%	197
Total	**100%**	**1,819**	**100%**	**1,501**

By Operating Segments

million CHF		2022		2021
Biologics	51%	928	51%	770
Small Molecules	21%	377	22%	325
Cell & Gene	14%	252	12%	181
Capsules & Health Ingredients	14%	267	15%	232
Corporate / Intercompany Profit Eliminations	0%	(5)	0%	(7)
Total	**100%**	**1,819**	**100%**	**1,501**

The cost of inventories recognized as expenses during the period and included in “Cost of goods sold” amounted to CHF 3,683 million (2021: CHF 3,246 million).

Inventory Value Adjustments

million CHF	Raw materials	Work in progress and finished goods	Other	Total 2022	Total 2021
At 1 January	**40**	**55**	**27**	**122**	**116**
Increase	38	107	5	150	69
Reversal / Utilization of write-downs	(22)	(75)	0	(97)	(61)
Transfer to assets held for sale	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	(1)
Currency translation differences	0	0	(1)	(1)	(1)
At 31 December	**56**	**87**	**31**	**174**	**122**


Lonza

Note 9
Trade Receivables

million CHF	2022	2021
Receivables from customers	1,192	940
Allowances for credit losses	(28)	(12)
Total	**1,164**	**928**

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 2022, 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	2022	2021
Balance at the beginning of the year	**12**	**14**
Increase in provision for credit losses	20	0
Decrease in provision for credit losses	(4)	(2)
Balance at the end of the year	**28**	**12**

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

Note 10
Other Receivables, Prepaid Expenses and Accrued Income

million CHF	Notes	2022	2021
Accrued income	2	188	127
Other receivables		112	81
Prepaid expenses		82	39
Derivative financial instruments	27.5	93	41
Capitalized contract costs	2	5	22
Prepaid taxes and social security payments		0	4
Total		**480**	**314**

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

Note 11
Cash and Cash Equivalents

million CHF	2022	2021
Cash	232	954
Time deposits	1,107	628
Total	**1,339**	**1,582**

Note 12
Provisions

million CHF	Environmental	Restructuring	Other	Total
At 1 January 2022	**394**	**6**	**12**	**412**
Increase	31	5	40	76
Used	(23)	(1)	(34)	(58)
Reversed	(3)	(2)	0	(5)
At 31 December 2022	**399**	**8**	**18**	**425**
thereof current	29	6	12	47
thereof non-current	370	2	6	378

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 399 million (2021: CHF 394 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 during 2021 and 2022. 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 2022 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 2022 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.

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

Note 13
Net Debt

The net debt comprises:

million CHF	Notes	2022	2021
Debt			
Non-current debt		1,554	2,234
Current debt		678	169
Total debt		**2,232**	**2,403**
Loans and advances (floating interest rates)			
Non-current loans and advances		(194)	(177)
Short-term investments		(885)	(1,602)
Cash and cash equivalents	11	(1,339)	(1,582)
Total loans and advances and cash and cash equivalents		**(2,418)**	**(3,361)**
Net debt / (net cash)		**(186)**	**(958)**

Non-Current Debt

million CHF	2022	2021
Straight bonds	749	1,246
Term loan	644	635
German Private Placement	46	240
Other long-term debt	115	113
Total non-current debt	**1,554**	**2,234**

Straight Bonds - Fixed Interest Rates

million CHF	2022	2021
CHF bonds		
3%, CHF 105 million, 2012/2022, due 11 October 2022, issued at 100.74%	0	105
1.25%, CHF 175 million, 2015/2023, due 22 September 2023, issued at 100.133%	175	175
1%, CHF 300 million, 2020/2023, due 28 April 2023, issued at 100.015%	300	299
0.7%, CHF 110 million, 2017/2024, due 12 July 2024, issued at 100.222%	110	110
0.35%, CHF 150 million, 2020/2026, due 22 September 2026, issued at 100.148%	150	150
EUR bonds		
1.625%, EUR 500 million, 2020/2027, due 21 April 2027, issued at 99.424%	489	512
Total including current portion	**1,224**	**1,351**
Less current portion of straight bonds	(475)	(105)
Total non-current straight bonds	**749**	**1,246**

Current Debt

million CHF	2022		2021	
Due to banks and other financial institutions (German Private Placement)		185		0
Others		18		64
Non-current debt due within one year				
– Straight bond (2012-2022)	0		105	
– Straight bond (2015-2023)	175		0	
– Straight bond (2020-2023)	300	475	0	105
Total current debt		**678**		**169**

Debt: Movements in Carrying Value of Recognized Liabilities

million CHF	2022	2021
At 1 January	**2,403**	**3,580**
Repayment of straight bond	(105)	(375)
Repayment of German Private Placements	0	(784)
Increase / (decrease) in other debt	(47)	(27)
Changes from financing cash flows	**(152)**	**(1,186)**[1]
Amortization of financing costs and discounts	**3**	**5**
Net foreign currency transaction (gains) losses	(1)	22
Currency translation effects	(21)	(18)
Changes in foreign exchanges rates	**(22)**	**4**
At 31 December	**2,232**	**2,403**

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

Breakdown of Total Debt by Currencies

million CHF	2022 Average Interest Rate %	2022 %	2022	2021 Average Interest Rate %	2021 %	2021
CHF	1.09	34	749	0.93	37	879
EUR	1.58	30	674	1.38	29	706
USD	2.74	36	809	1.99	34	818
Total		**100**	**2,232**		**100**	**2,403**

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

Debt repayments
Following the successful closing of the sale of the Lonza Specialty Ingredients business and the receipt of the disposal net proceeds in July 2021, Lonza did not issue any new bonds or other debt securities neither in 2021 nor in 2022.

In 2021, Lonza repaid its scheduled debt maturities totaling CHF 727 million equivalent (thereof CHF 352 million related to the German Private Placement and CHF 375 million related to the Swiss bonds). In addition, Lonza decided to early repay the floating rate German Private Placement totaling CHF 432 million equivalent.

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

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

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

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 as of 31 December 2022 nor in 2021.

Other debt
Other current and non-current debt comprise industrial revenue bonds of USD 130 million (2021: USD 152 million) issued by governmental institutions in the United States (repayable in 2025, 2030 and 2047). 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, 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 2022, Lonza maintained a total balance of CHF 2.2 billion, thereof CHF 1.3 billion was classified as cash & cash equivalents (cash at banks and bank deposits with maturities less than 3 months). Furthermore, Lonza held short-term investments amounting to CHF 0.9 billion, thereof bank deposits with maturity between three and six months totaling CHF 0.7 billion (classified as financial assets at amortized costs) and investments into short-term money market funds of CHF 0.2 billion (classified as financial assets at fair value through profit or loss).

Short-term Investments

million CHF	2022	2021
Investments at amortized costs	650	1,357
Investments at fair value through profit or loss	235	245
Total short-term investments	**885**	**1,602**

In 2022, all short-term investments are made in CHF (while in 2021, a minor portion is made in USD - see note 27.4).

Note 14
Other Non-Current and Current Liabilities

Other Non-Current Liabilities

million CHF	Notes	2022	2021
Deferred income	2	739	675
Lease liabilities		301	296
Contingent consideration	27.6	26	27
Derivative financial instruments	27.5	1	13
Other liabilities		27	16
Total other non-current liabilities		**1,094**	**1,027**

Other Current Liabilities

million CHF	Notes	2022	2021
Deferred income	2	649	667
Accrued liabilities and other payables		693	484
Personnel related liabilities		271	268
Lease liabilities		54	50
Derivative financial instruments	27.5	62	36
Accrued interest payables		14	14
Other liabilities		32	26
Total other current liabilities		**1,775**	**1,545**

Note 15
Trade Payables

million CHF	2022	2021
Payable to third parties	477	483
Total	**477**	**483**

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 16
Material and Energy Costs

million CHF	2022	2021
Material costs	1,349	1,097
Energy costs [1]	154	135
Total	**1,503**	**1,232**

[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 28 million for the year 2022 (2021: CHF 40 million) relates to energy procured on behalf of third parties, that was recharged as part of sales

Note 17
Personnel Expenses

million CHF	Notes	2022	2021
Wages and salaries		1,590	1,369
Operating expenses defined benefit pension plans	22.1	47	52
Other social security contributions		312	296
Other personnel expenses		190	172
Total		**2,139**	**1,889**

Note 18
Other Operating Income and Expenses

18.1
Other Operating Income

million CHF	Notes	2022	2021
Revenue from Transitional Service Agreements with divested businesses [1]		30	20
Government grants, research & development and other tax credits		7	10
Write back of provisions		6	9
Reversal of impairment on property, plant and equipment		0	8 [2]
Gain from disposal of businesses [3]	3.2	199	4
Gain from disposal of property, plant and equipment and other assets		2	2
Sundry income		18	9
Total		**262**	**62**

18.2
Other Operating Expenses

million CHF	2022	2021
Increase in provisions [4]	(35)	(309)
Settlement of customer claims / litigations	(38) [5]	(1)
Impairment on property, plant and equipment and other assets	(2)	0
Loss from disposal of property, plant and equipment and other assets	(4)	(9)
Loss from disposal of businesses [3]	(3)	0
Sundry expense	(17)	(17)
Total	**(99)**	**(336)**

[1] Income related to transitional services with Specialty Ingredients business (that was sold effective on 1 July 2021)
[2] Reversal of impairment on property, plant and equipment in 2021 primarily related to Corporate assets in Guangzhou (CN)
[3] In 2022, gain/loss related the divestiture of several businesses in Bioscience and Small Molecule. In 2021, gain is related to the Softgel Liquid-filled hard capsule divested business
[4] Increase in both years predominantly related to environmental remediation provisions (see note 12)
[5] Litigation related to a Lonza legacy site / business

Note 19
Net Financial Result

19.1
Interest and Other Financial Income

million CHF	2022	2021
Interest income	6	3
Gains on investments measured at fair value through profit or loss	3	30
Total	**9**	**33**

19.2
Interest and Other Financial Expenses

million CHF	Notes	2022	2021
Interest expenses on debt and bonds		(43)	(38)
Interest expenses on IFRS 16 lease liabilities	5.2	(11)	(12)
Amortization of debt fees and discounts		(6)	(5)
Net interest expenses on financial assets		(3)	(10)
Interest related to financial derivative instruments		(4)	(13)
Unfavorable impact from fair value adjustment on contingent purchase price consideration	27.6	(5)	0
Losses on investments measured at fair value through profit or loss		(7)	(3)
Foreign exchange rate differences, including impact from currency-related financial derivative instruments		(15)	(7)
Interest expenses on IAS 19 employee benefit liabilities		0	(1)
Other interest expenses		(2)	(3)
Other financial expenses		(8)	(4)
Total		**(104)**	**(96)**

Note 20
Taxes

20.1
Income Taxes

Lonza Group Ltd is domiciled in Basel, Switzerland. The income tax rate in the Canton of Basel-Stadt is 13% (2021: 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 2022 is 16% (2021:11%).

Major Components of Tax Expenses

million CHF	2022	2021
Current taxes	(211)	(126)
Deferred tax expense relating to the origination and reversal of temporary differences	(41)	42
Deferred tax income resulting from tax rate changes	22	1
Total	**(230)**	**(83)**

Reconciliation of Tax Expenses

million CHF	2022	2021
Profit before income taxes	1,448	760
Tax at the group rate (2022: 13% / 2021: 13%)	188	99
Deviation from average group tax rate	42	17
Non-deductible expenses	9	10
Tax-free earnings	(32)	(33)
Deferred tax effect from tax rate changes	(22)	(1)
Changes in prior year estimates (including valuation allowances)	25	(21)
Withholding taxes	6	5
Effect of non-recognition of deferred tax assets	14	8
Other	0	(1)
Total	**230**	**83**
Current tax expenses (charged) / credited directly to equity	**5**	**2**

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	2022 Assets	2022 Liabilities	2021 Assets	2021 Liabilities
Current provisions	22	25	18	31
Non-current provisions / Employee benefit liabilities	89	34	96	31
Intangible assets	0	477	0	522
Inventories, net	57	29	30	32
Property, plant and equipment	14	190	11	153
Other assets	0	2	2	3
Tax loss carry-forwards and tax credits	36	0	93	0
Netting of deferred tax assets and deferred tax liabilities	(201)	(201)	(232)	(232)
Total	**17**	**556**	**18**	**540**

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

million CHF	2022	2021
Deferred tax assets	17	18
Deferred tax liabilities	(556)	(540)
Net deferred tax liability, at 31 December	**(539)**	**(522)**
Less deferred tax liabilities net, at 1 January	522	557
(Increase) in deferred tax liabilities, net	**(17)**	**35**
Currency translation differences	(15)	(11)
Disposal of subsidiaries	0	(8)
Movements of deferred (tax assets) / liabilities recognized in other comprehensive income	8	30
Movements of deferred (tax assets) / liabilities recognized in equity	5	(1)
Reclassification to assets / liabilities held for sale	0	(2)
(Expense) / income recognized in income statement	**(19)**	**43**

Unrecognized Tax Losses: Expiry

million CHF	2022	2021
Within 1 year	1	0
Between 2 to 5 years	84	89
After 5 years	0	1
Unlimited	97	84
Total	**182**	**174**

In addition to the unrecognized tax losses shown in the table above, the Group has additional unrecognized tax losses for US state tax purposes in the amount of CHF 276 million at 31 December 2022 (2021: CHF 328 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 584 million at 31 December 2022 (2021: CHF 324 million).

20.2
Disclosure of Tax Effects on Each Component of Other Comprehensive Income

	2022			2021		
million CHF	Before-tax amount	Tax (expense) benefit	Net-of-tax amount	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
Exchange differences on translating foreign operations	(197)	0	(197)	123	(3)	120
Cash flow hedges	23	(3)	20	19	(3)	16
Remeasurement of defined-benefit liability	49	(8)	41	247	(45)	202
Other comprehensive income	**(125)**	**(11)**	**(136)**	**389**	**(51)**	**338**

Note 21
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 194 million (2021: CHF 181 million for continuing operations) 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 22
Employee Benefit Liabilities

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

million CHF	Notes	2022	2021
Defined benefit pension plans	22.1	29	96
Non-current vacation accrual (Swiss entities)		0	1
Total		**29**	**97**

22.1
Defined-Benefit Pension Plans

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

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

The plan contains a cash balance benefit formula, accounted for as a defined-benefit plan. Employer and employee contributions are defined in the pension fund rules in terms of an age-related sliding scale of percentages of pay. Under Swiss law, the company guarantees the vested benefit amount as confirmed annually to members. Interest may be added to member balances at the discretion of the Board of Trustees. The risks linked to retirement benefits (disability and death) have been reinsured until 31 December 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 include 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 will be introduced in the base plan as of 1 January 2023. Salary components which exceed this threshold will be 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 liability over 2021 – 2022 is as follows:

	2022				2021		
	Defined benefit obligation	Fair value of plan assets	Impact of asset ceiling	Net defined benefit liability	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability
At 1 January	**2,265**	**(2,171)**	**0**	**94**	**2,218**	**(1,940)**	**278**
Included in profit or loss							
Current service cost	56	0		56	52	0	52
Past service cost	(9)	0		(9)	0	0	0
Interest expense / (income)	24	(24)		0	7	(6)	1
Included in other comprehensive income							
Actuarial loss / (gain) arising from:							
– Demographic assumptions	(1)	0			(42)	0	
– Financial assumptions	(464)	0			(80)	0	
– Experience adjustment	39	0			123	0	
Return on plan assets excluding interest income	0	358			0	(170)	
Change in asset ceiling	0	0	19		0	0	
Remeasurements loss / (gain)	(426)	358	19	(49)	1	(170)	(169)
Effect of movements in exchange rates	(18)	17	0	(1)	3	(2)	1
Other							
Contributions paid:							
– Employers	0	(64)		(64)	0	(66)	(66)
– Plan participants	38	(38)		0	29	(29)	0
Benefits paid	(26)	26		0	(42)	42	0
Divestiture of subsidiaries	0	0	0	0	(3)	0	(3)
At 31 December	**1,904**	**(1,896)**	**19**	**27**	**2,265**	**(2,171)**	**94**
– Thereof present value of funded defined-benefit obligation	1,896				2,255		
– Thereof present value of unfunded defined-benefit obligation	8				10		

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

million CHF	2022	2021
Defined benefit pension plan asset	2	2
Defined benefit pension plan liability	(29)	(96)

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 of CHF 9 million.

The Group expects to pay CHF 69 million in contributions to defined-benefit pension plans in 2023.

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

million CHF	CH	UK	Rest of the world	2022 Total	CH	UK	Rest of the world	2021 Total
Present value of defined-benefit obligation	1,733	103	68	1,904	1,973	217	75	2,265
Fair value of plan assets	(1,751)	(98)	(47)	(1,896)	(1,917)	(213)	(41)	(2,171)
Impact of asset ceiling	19	0	0	19	0	0	0	0
Total net defined-benefit liability	**1**	**5**	**21**	**27**	**56**	**4**	**34**	**94**

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

in %	2022		2021	
	CH	UK	CH	UK
Discount rate	2.28	5.05	0.35	1.95
Future salary increases	1.25	n.a.	1.25	n.a.
Future pension increases	n.a.	3.35	n.a.	3.40

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

in years	2022		2021	
	CH	UK	CH	UK
Retiring at the end of the reporting period				
- Male	21.9	23.1	21.8	23.1
- Female	23.5	24.5	23.5	24.7
Retiring 20 years after the end of the reporting period				
- Male	23.5	24.4	23.4	24.4
- Female	25.1	25.9	25.0	26.1

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

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

effect in million CHF	Change in assumption	31.12.2022 Increase	31.12.2022 Decrease	31.12.2021 Increase	31.12.2021 Decrease
Discount rate	0.25%	(56)	60	(84)	90
Future salary increases	0.25%	5	(5)	9	(9)
Life expectancy	1 year	60	(62)	92	(94)

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	2022	2021
Group	12.4	15.2
CH	12.2	14.4
UK	17.7	24.2

Plan assets comprise:

million CHF	2022				2021			
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
Equity instruments	417	0	417	22	591	0	591	27
Debt instruments								
– Investment-grade (AAA to BBB)	713	0	713		769	0	769	
– Non-investment-grade (below BBB)	18	0	18		43	0	43	
	731	0	731	39	812	0	812	37
Real-estate	167	104	271	14	151	102	253	12
Cash and cash equivalents	39	0	39	2	55	0	55	3
Other	438	0	438	23	456	4	460	21
Total plan assets	**1,792**	**104**	**1,896**	**100**	**2,065**	**106**	**2,171**	**100**

Note 23
Share-Based Payments

Long-Term Incentive Plan (LTIP)

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

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

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

For any pro-ration treatment, as outlined in the relevant Plan Rules, the entire length of the three-year performance period is utilized. The LTIP plan design and target setting is determined at the beginning of the three-year performance period. For 2022 the plan design included minimum, target and stretch (maximum) goals.

The 2022 LTIP budget value for the Executive Committee was approved as submitted at the AGM 2022 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 2022 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 2022. These financial performance targets for the 2024 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 2022 (LTIP 2022)
The 2022 LTIP award threshold performance level was determined to be a double digit percentage above the CORE EPS threshold performance level for the 2021 LTIP award. The maximum performance level was determined to be above the 2024 Mid-Term Guidance and is a double-digit percentage figure above threshold performance levels.

ROIC Approved at AGM 2022 (LTIP 2022)
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 2022 LTIP award threshold performance level was determined to be aligned with the ROIC threshold performance level set for the 2021 LTIP award. The maximum performance level was determined to be above the 2024 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 2020
Performance under the LTIP 2020 exceeded target performance levels for both CORE EPS and ROIC. This generated a 200% and 194% payout on each of these measures respectively. With a 50% weighting applied to the two performance measures, the total 2020 LTIP payout equaled 197%. See page 194 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 a grade 10 in the organization are eligible to be considered for an award. Executive Committee members may receive awards via the Executive Committee Appointments Policy only – see page 188 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.

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 2019	01.02.2019	261.90	110,026	28,815,809	31.01.2022
LTIP 2020	01.02.2020	396.20	70,985	28,124,257	31.01.2023
LTIP 2021	29.01.2021	570.00	52,133	29,715,810	31.01.2024
LTIP 2022	31.01.2022	615.87	38,411	23,656,183	31.01.2025
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
Share Match 2022	06.04.2022	672.20	12,461.441	8,376,581	06.04.2025

In 2022, 19 new LRSP awards were issued, for a total of 11,643 shares and an aggregated fair value at grant date of CHF 6,905,071. Vesting period of those plans is between 2 and 4 years.

In 2022, the Share Match plan was issued, for a total of 12,461.441 shares and an aggregated fair value at grant date of CHF 8,376,581. Vesting period of the plan is 3 years.

Vesting Conditions at Grant Date

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

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 2021 of the LTIP

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

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

Development within 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 2021 of the LRSP

	Equity awards outstanding 01.01.2021	Equity awards granted during 2021	Equity awards forfeited during 2021	Vested equity awards during 2021	Equity awards outstanding 31.12.2021
LRSP during 2020	4,124	0	0	0	4,124
LRSP during 2021	0	4,738	0	0	4,738
Total equity awards	**4,124**	**4,738**	**0**	**0**	**8,862**

At 31 December 2021, 11 active LRSP awards do exist.

The fair value at grant date of the equity awards granted in 2022 for the LTIP was CHF 615.87 (2021: CHF 570.00). The fair value at grant date for the LRSP awards was between CHF 492.23 and CHF 625.27 depending on the grant date of the award. The fair value at purchase date under the ShareMatch plan was CHF 672.20.

The costs were calculated using the market price at grant date, including probabilities as per conditions of vesting. The amounts for equity awards are expensed on a straight-line basis over the vesting period, based on estimates of equity awards that will eventually vest. The discount applied on the purchase of shares under the ShareMatch program was expensed immediately.

Compensation of the Board of Directors

Objective and Market Benchmarking

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

Structure and Level of Compensation

The Chairperson of the Board of Directors and its Members receive their compensation as 50% in Lonza Group Ltd shares and 50% in cash. This was paid in quarterly installments during the 2022 financial year.

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

The position and associated compensation of the Chairman of the Board of Directors and its members was approved by shareholders at the 2022 Annual General Meeting (AGM).

Compensation Components
For the period from the AGM 2022 to the AGM 2023, the members of the Board of Directors receive fixed gross compensation for Board of Directors' membership and additional compensation for Committee Chairperson and committee members as described in the table below.

Board of Directors

Compensation Board of Directors Annual General Meeting (AGM) 2022 to 2023 (excluding social security contributions)

In CHF	Base annual fee	Committee membership fee per committee	Committee Chairman fee
Chair of the Board of Directors[1]	750,000	-	-
Member of the Board of Directors[2]	200,000	40,000	80,000
	The additional responsibilities of Vice-Chairperson and Lead Independent Director[3] do not attract any additional fees		
Form of payout	50% in Lonza Group shares and 50% in cash. This is paid in quarterly installments during the 2022 financial year		

[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] The compensation for a Committee Chairperson amounts to CHF 280,000 where chairing one committee. In the case of multiple committee memberships each attracts a separate fee
[3] The roles and responsibilities of such Lead Independent Director are in line with sect. 18 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 2022

Grant Date	Total Number of Shares	Share Price in CHF	Fair Values of Shares in CHF	Cash[1] in CHF	Total in CHF	Blocked Until
31.03.2022	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[1] in CHF	Total in CHF	Blocked Until
31.03.2021	551	539.44	297,231	300,000	597,231	31.03.2024
30.06.2021	449	662.24	297,346	299,940	597,286	30.06.2024
30.09.2021	420	711.24	298,721	300,000	598,721	30.09.2024
31.12.2021	392	759.24	297,622	300,000	597,622	31.12.2024
Total	**1,812**	**657.24**	**1,190,920**	**1,199,940**	**2,390,860**	

[1] Excluding social security and withholding tax

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

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

[1] Excluding social security and withholding tax

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

Development of Compensation for Board of Directors in 2019

Grant Date	Total Number of Shares	Share Price in CHF	Fair Values of Shares in CHF	Cash[1] in CHF	Total in CHF	Blocked Until
31.03.2019	1,203	297.34	357,700	360,000	717,700	31.03.2022
30.06.2019	1,005	326.56	328,193	330,000	658,193	30.06.2022
30.09.2019	970	338.44	328,287	330,000	658,287	30.09.2022
31.12.2019	926	353.68	327,508	330,000	657,508	31.12.2022
Total	**4,104**	**326.92**	**1,341,688**	**1,350,000**	**2,691,688**	

[1] Excluding social security and withholding tax

The amount of CHF 2,691,688 was recognized as an expense in the year 2019.

Recognition in the Consolidated Financial Statements

All of the equity-settled share-based payments had an impact on the 2022 "Profit before income taxes" amounting to an expense of CHF 32 million (2021: CHF 45 million).

Note 24
Changes in Shares and Share Capital Movements

Effect in million CHF	31.12.2022	Change in year	31.12.2021	Change in year	31.12.2020
Total number of shares	**74,468,752**	**0**	**74,468,752**	**0**	**74,468,752**
Treasury shares					
Free shares	(187,126)	92,497	(279,623)	(93,943)	(185,680)
Total treasury shares	**(187,126)**	**92,497**	**(279,623)**	**(93,943)**	**(185,680)**
Total shares ranking for dividend at 31 December	**74,281,626**	**92,497**	**74,189,129**	**(93,943)**	**74,283,072**
Share capital movements					
Share Capital in CHF	**74,468,752**	**0**	**74,468,752**	**0**	**74,468,752**

The share capital on 31 December 2022 comprised 74,468,752 registered shares (2021: 74,468,752) with a par value of CHF 1 each, amounting to CHF 74,468,752 (2021: CHF 74,468,752).

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

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

At 31 December 2022, 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 (2021: CHF 37,234,376) included in the financial statements of the parent company cannot be distributed.

Dividend On 5 May 2022, at the Annual General Meeting, shareholders approved the distribution of a dividend of CHF 3.00 per share in respect of the 2021 financial year (financial year 2020: CHF 3.00). The dividend distribution totaled CHF 223 million (2021: CHF 223 million), equally recorded against the retained earnings (CHF 112 million) and the reserves from capital contribution of Lonza Group Ltd (CHF 111 million). A dividend payment per share of CHF 3.50 is proposed by the Board of Directors to be made after the 31 December 2022 balance sheet date, subject to approval by the shareholders at the Annual General Meeting on 5 May 2023.

Note 25
Earnings Per Share

	2022	2021
Weighted average number of outstanding shares (basic)		
Weighted average number of outstanding shares	74,229,594	74,255,891
Weighted average number of outstanding shares (diluted)		
Weighted average number of outstanding shares	74,229,594	74,255,891
– Adjustments for dilutive share units and shares	127,742	234,215
Weighted average number of shares for diluted earnings per share	74,357,336	74,490,106

million CHF	2022			2021		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit for the period (equity holders of the parent)	1,215	0	1,215	674	2,270	2,944
Basic earnings per share in CHF	**16.37**	**0.00**	**16.37**	**9.08**	**30.57**	**39.65**
Diluted earnings per share in CHF	**16.34**	**0.00**	**16.34**	**9.05**	**30.47**	**39.52**
Dividends paid for the period[1]			**223**			**223**
Dividends per share for the period in CHF			**3.00**			**3.00**
Dividends declared after the balance sheet date			260			223
Dividends per share declared after the balance sheet date in CHF			**3.50**			**3.00**

[1] Excluding dividends of CHF 5 million (2021: CHF 2 million) paid to minority shareholders of a subsidiary

Note 26
Related Parties

Identity of Related Parties
The Group has a related-party relationship with associates, joint ventures (see note 7 and 32), pension and other post-retirement plans (see note 22) as well as with the Board of Directors and the members of the Executive Committee

Transactions with Key Management Personnel
Board of Directors
In 2022 payments to acting members of the Board of Directors of Lonza Group Ltd totaled CHF 2.683 million[1] (2021: CHF 2.517 million[1]), of which 47.5% (2021: 47.3%) 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 2022 23,077 (2021: 48,159) or <0.1% (2021: 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 2022, CHF 8.464 million[1,2] (2021: CHF 8.856 million[1,2]) in cash and additional benefits. Share based compensation includes 8,800 LTIP shares and 1,903 LRSP (Lonza Restricted Share Unit Plan) shares granted (2021: 8,713 LTIP shares and 2,305 LRSP shares) and the value of share based Bonus payments, equivalent to a total value of CHF 0.777 million (2021: CHF 1,585 million). In 2022 termination benefits were paid out to departing members of the Executive Committee in accordance with the employment agreements and plan rules equal to CHF 0.784 million (CHF 0.418 million in cash and in shares equivalent to a value of CHF 0.366 million). In 2021 termination benefits were paid out to the departing and former members of the Executive Committee according to their employment agreements equal to CHF 0.357 million (CHF 0.169 million in cash and in shares equivalent to a value of CHF 0.188 million).

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

Million CHF	2022	2021
Short-term benefits[1]	7.759	8.092
Post-employment benefits and other benefits[2]	2.112	2.090
Share-based payments[3]	8.493	9.442
Other compensation[4]	0.984	0.357
Total	**19.348**	**19.981**

[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 have been 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, short–term incentive and social security) and shares (LTIP) received by departed members of the Executive Committee during 2022 and 2021 as well as a cash payment to an Executive Committee member in lieu of forfeited annual bonus at their previous employer

Note 27
Financial Risk Management

27.1
Overall Risk Management Policy

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

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

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

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

27.2
Credit Risk

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

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

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

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

Consequently, the bad debt allowance (see note 9) represents primarily the credit risk of specific customers.

Aging of Trade Receivables[1]

million CHF	2022	2021
Not past due	965	819
Past due 1-30 days	108	57
Past due 31-120 days	75	40
Past due more than 120 days	44	24
Total	**1,192**	**940**

[1] Excluding allowances for credit losses (see note 9)

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	2022	2021
Trade receivables, net	9	1,164	928
Other receivables	10	112	81
Accrued income	2	188	127
Non-current loans and advances	6	194	177
Short-term investments at amortized costs	13	650	1,357
Cash and cash equivalents	11	1,339	1,582
Total financial assets at amortized cost		**3,647**	**4,252**
Financial assets at fair value			
Derivative financial instruments	27.5	98	41
Short-term investments at fair value through profit or loss	13	235	245
Total financial assets at fair value		**335**	**286**
Total financial assets		**3,982**	**4,538**

27.3 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 2022), which are committed for up to five years and uncommitted credit lines of CHF 139.9 million (CHF 0 used as of 31 December 2022).

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 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 (2017-2024)	110	112	0	1	111	0	0	0
Straight bond (2020-2023)	300	303	303	0	0	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

Year ended
31 December 2021

million CHF	Carrying amount	Contractual cash flows[1]	Between 0 and 6 months	Between 7 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Straight bond (2012-2022)	105	108	0	108	0	0	0	0
Straight bond (2015-2023)	175	179	0	2	177	0	0	0
Straight bond (2020-2023)	299	305	3	0	302	0	0	0
Straight bond (2017-2024)	110	113	0	1	1	111	0	0
Straight bond (2020-2026)	150	155	0	1	1	1	152	0
Euro bond (2020-2027)	512	561	8	0	8	8	17	520
German Private Placement	240	246	1	2	196	47	0	0
Term loan	635	677	6	6	13	467	185	0
Other debt due to others	177	210	62	1	2	2	24	119
Total debt	**2,403**	**2,554**	**80**	**121**	**700**	**636**	**378**	**639**
Other non-current liabilities	312	378	0	0	72	32	58	216
- of which lease liabilities	296	362	0	0	56	32	58	216
Other current liabilities	572	581	562	19	0	0	0	0
- of which lease liabilities	50	59	40	19	0	0	0	0
Trade payables	483	483	483	0	0	0	0	0
Derivative financial instruments	49	49	46	12	4	0	0	0
Contingent consideration	27	33	4	0	6	18	0	5
Total financial liabilities	**3,846**	**4,078**	**1,175**	**152**	**782**	**686**	**436**	**860**

[1] Including interest payments

27.4
Market Risk

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

Foreign Exchange Risk

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

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

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

		Post-tax profit			
million CHF	Sensitivity	2022		2021	
		+	-	+	-
USD	+ / - 10%	(1.4)	1.4	(4.3)	4.3
EUR	+ / - 10%	(1.2)	1.2	1.2	(1.2)
GBP	+ / - 10%	(1.3)	1.3	(0.9)	0.9

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 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
Short-term investments	0	0	0	0	0	0
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)**

Year ended
31 December 2021

million CHF	USD	GBP	EUR	SGD	Other	Total
Non-current financial assets	42	0	3	0	0	45
Trade receivables, net	314	94	72	2	24	506
Other receivables, prepaid expenses and accrued income	0	0	1	0	0	1
Short-term investments	182	0	0	0	0	182
Cash and cash equivalents	263	173	18	7	15	476
Non-current and current debt	(685)	0	(194)	0	0	(879)
Other current and non-current liabilities	(28)	(0)	(1)	(4)	1	(32)
Trade payables	(215)	(39)	(85)	(8)	(55)	(401)
Net group internal loans	422	3	231	23	96	775
Gross balance sheet exposure	**296**	**231**	**45**	**21**	**82**	**674**
Currency-related instruments	(345)	(241)	(30)	(24)	(92)	(732)
Net exposure	**(49)**	**(10)**	**14**	**(3)**	**(10)**	**(58)**

The following exchange rates were applied during the year:

Balance Sheet Year-End Rates	2022	2021
Dollar	0.9238	0.9128
Euro	0.9855	1.0340
Pound sterling	1.1124	1.2336
Renminbi	0.1330	0.1436
Singapore dollar	0.6888	0.6764

Income Statement Year-Average Rates	2022	2021
Dollar	0.9548	0.9144
Euro	1.0050	1.0814
Pound sterling	1.1795	1.2579
Renminbi	0.1420	0.1418
Singapore dollar	0.6925	0.6804

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	2022	2021
Net Debt / (cash)	13	(186)	(958)
Net debt at fixed interest rates[1]		(1,050)	(1,421)
Interest risk exposure		(1,236)	(2,379)

[1] Including effects from cross currency interest rate swaps

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.

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

27.5
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 2022 and 2021. 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	
	2022	2021	2022	2021	2022	2021	2022	2021
Currency-related instruments	3,266	10,880	45	27	(33)	(24)	12	3
Total financial instruments at fair value through profit or loss	**3,266**	**10,880**	**45**	**27**	**(33)**	**(24)**	**12**	**3**

Financial Instruments Effective for Hedge-Accounting Purposes

million CHF	Contract or underlying principal amount		Positive fair values		Negative fair values		Total net fair values	
	2022	2021	2022	2021	2022	2021	2022	2021
Currency-related instruments	3,266	2,538	48	14	(29)	(12)	19	2
Interest-related instruments	185	402	5	0	(1)	(13)	4	(13)
Total financial instruments effective for hedge-accounting purposes	**3,450**	**2,940**	**53**	**14**	**(30)**	**(25)**	**23**	**(11)**

Offsetting of Financial Asset and Financial Liabilities

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

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

million CHF	Assets		Liabilities	
	2022	2021	2022	2021
Currency related instruments	93	41	(62)	(36)
Interest related instruments	5	0	(1)	(13)
Carrying value of derivative financial instruments	**98**	**41**	**(63)**	**(49)**
Derivatives subject to master netting agreements	(56)	(32)	56	32
Net amount	**42**	**9**	**(7)**	**(17)**

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.

27.6
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	2022				2021			
	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	235	0	0	235	245	0	0	245
Other investments	0	66	0	66	0	73	0	73
Derivative financial instruments	0	98	0	98	0	41	0	41
Contingent consideration related to sale of businesses	0	0	2	2	0	0	(0)	(0)
Liabilities								
Derivative financial instruments	0	(63)	0	(63)	0	(49)	0	(49)
Contingent consideration related to acquisition of businesses	0	0	(26)	(26)	0	0	(27)	(27)
Net assets and liabilities measured at fair value	**235**	**101**	**(24)**	**312**	**245**	**65**	**(27)**	**283**

In 2022 and 2021 there were no transfers between Level 1 and Level 2 fair value measurements.

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

Contingent Consideration Arrangements Related to Sale of Business

million CHF	2022	2021
At 1 January	**(0)**	**14**
Arising from sale of business	2	0
Payments received	0	(13)
Currency translation effects	0	(1)
At 31 December	**2**	**(0)**

The contingent consideration arrangement related to the sale of the Peptides business was finally settled at the end of 2021.

Contingent Consideration Arrangements Related to Acquisition of Businesses

million CHF	2022	2021
At 1 January	**27**	**28**
Payments made	(7)	(2)
Unfavorable impact from fair value adjustment on contingent purchase price consideration	5	0
Unwinding of discount	2	0
Currency translation effects	(1)	1
At 31 December	**26**	**27**

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 2022 the total potential payments under contingent consideration arrangements could be up to CHF 62 million, primarily related to the Octane acquisition (2021: CHF 64 million) whereas the estimated payments amounted to CHF 27 million at December 2022 (2021: CHF 27 million).

27.7
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 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	112	0	112	112
Accrued income	0	0	188	0	188	188
Current advances	0	0	194	0	194	194
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**	**3,647**	**0**	**4,048**	**4,048**
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	1,063	1,063	1,063
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**	**4,100**	**4,189**	**4,136**

[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

Year ended
31 December 2021

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	73	0	0	0	73	73
Trade receivables, net	0	0	928	0	928	928
Other receivables	0	0	81	0	81	81
Accrued income	0	0	127	0	127	127
Current advances	0	0	177	0	177	177
Short-term investments	245	0	1,357	0	1,602	1,602
Cash and cash equivalents	0	0	1,582	0	1,582	1,582
Contingent consideration from sale of business	0	0	0	0	0	0
Derivative financial instruments	0	41	0	0	41	41
Total financial assets	**318**	**41**	**4,252**	**0**	**4,611**	**4,611**
Debt						
– Straight bonds[1]	0	0	0	1,351	1,351	1,407
– Other debt	0	0	0	1,052	1,052	1,052
Current liabilities	0	0	0	572	572	572
Non-current liabilities	0	0	0	312	312	312
Trade payables	0	0	0	483	483	483
Contingent consideration	27	0	0	0	27	27
Derivative financial instruments	0	49	0	0	49	49
Total financial liabilities	**27**	**49**	**0**	**3,770**	**3,846**	**3,902**

[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

27.8
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 2022, the return was 11.4% (2021: 10.7%, see further details in section Alternative Performance Measures). In comparison, the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 1.84% (2021: 1.42%).

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. In addition, Lonza intends to initiate a share buyback program in H1 2023 of up to CHF 2 billion for the purpose of subsequent capital reductions. Neither Lonza Group Ltd nor any of its subsidiaries is subject to externally imposed capital requirements.

Note 28
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 2022: 23,077 (2021: 48,159)[1] registered shares of Lonza Group Ltd and controlled <0.1% (2021: <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 2022: 7,507 (2021: 4,660)[1] shares and controlled <0.1% (2021: <0.1%) of the share capital. The individual control rights are proportional to the holdings shown below.

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

Board of Directors [1]

	Numbers of shares	
	2022	2021
Albert M. Baehny	4,857	4,262
Werner Bauer [2]	n/a	26,712
Angelica Kohlmann	1,313	1,065
Christoph Mäder	3,959	3,697
Barbara Richmond	3,884	3,657
Jürgen Steinemann	7,549	7,343
Olivier Verscheure	1,271	1,065
Dorothée Deuring [2]	n/a	358
Roger Nitsch [3]	122	n/a
Marion Helmes [3]	122	n/a
Total	**23,077**	**48,159**

[1] Spouse, children below 18, any legal entities that they own or otherwise control, or any legal or natural person who is acting as their fiduciary
[2] Werner Bauer and Dorothée Deuring did not stand for re-election at the 2022 AGM
[3] Marion Helmes and Roger Nitsch were appointed to the Board of Directors at the 2022 AGM

Executive Committee [1,2]

	Numbers of shares	
	2022	2021
Pierre-Alain Ruffieux	2,963	0
Stefan Stoffel [3]	n/a	3,500
Caroline Barth	871	445
Claude Dartiguelongue [4]	n/a	0
Gordon Bates [5]	1,770	606
Jean-Christophe Hyvert [5]	1,903	109
Philippe Deecke [6]	0	0
Christian Seufert [7]	0	n/a
Maria Soler Nunez [8]	0	n/a
Daniel Palmacci [9]	0	n/a
Total	**7,507**	**4,660**

[1] Spouse, children below 18, any legal entities that they own or otherwise control, or any legal or natural person who is acting as their fiduciary
[2] All active Executive Committee members, with the exception of Gordon Bates (who has met the requirement), are developing their shareholding in line with the shareholding guidelines
[3] Stepped down from the Executive Committee on 31 August 2022
[4] Stepped down from the Executive Committee on 31 July 2022
[5] Appointed to the Executive Committee on 1 April 2021
[6] Appointed to the Executive Committee on 1 December 2021
[7] Appointed to the Executive Committee on 1 July 2022
[8] Appointed to the Executive Committee on 1 August 2022
[9] Appointed to the Executive Committee on 1 November 2022

Note 29
Enterprise Risk Management

Our Enterprise Risk Management (ERM) program is a critical element of our strategic planning and provides a mechanism and appropriate governance for risk management. The focus of the program is on risks and opportunities that may affect the company's strategic and financial targets or impact the mid-term success of the business, as well as evaluating emerging risks that may impact our business over a longer term horizon. The annual ERM process includes the following elements:

- Risk Identification: We identify risks during discussions with individual risk owners. The discussions include focus on ESG risks, including those related to climate change.
- 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 15 high-level thematic risk categories. An increased focus on Environmental, Social, and Governance (ESG) topics, including climate change, 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 2022 were presented to the Executive Committee, the Audit and Compliance Committee and the Board of Directors at their meetings in September, October and December 2022, respectively. Financial risk management is disclosed in note 27.

Note 30
Events after Balance Sheet Date

The Company intends to initiate a share buyback program in H1 2023 of up to CHF 2 billion for the purpose of subsequent capital reductions. The program is due to be completed in H1 2025.

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 31
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	Town/Country	Currency[1]	Share Capital	Holding Direct	Holding Indirect
BacThera AG	Visp CH	CHF	11,000,000		50%
BioAtrium AG	Visp CH	CHF	87,700,000		50%
Capsugel Australia Pty Ltd	Sydney AUS	AUD	6,368,270		100%
Capsugel Belgium NV	Bornem BE	EUR	236,921,555[2]	99.9%[2]	0.1%[2]
Capsugel Brasil Importação e Distribuição de Insumos Farmacêuticos e Alimentos Ltda.	Rio de Janeiro BR	BRL	74,976,852		100%
Capsugel Canada Corp.	Vancouver CA	CAD	n/a[3]		100%
Capsugel de México, S. de R.L. de C.V.	Puebla ME	MXN	870,004,052		100%
Capsugel Distribucion, S. de R.L. de C.V.	Puebla ME	MXN	20,000,000		100%
Capsugel France SAS	Colmar FR	EUR	1,280,000		100%
Capsugel Healthcare Private Limited	Gurugram IN	INR	2,985,075,930		99.9%[2]
Komec N.V.	Wilrijk BE	EUR	62,000		100%
LLC Capsugel	Domodedovo (Moscow Region) RU	RUB	150,000		100%
Lonza AG	Visp CH	CHF	60,000,000	100%	
Lonza Bend Inc.	Portland US	USD	n/a[3]		100%
Lonza Biologics Inc	Wilmington US	USD	1,000		100%
Lonza Biologics Ltd.	Guangzhou CN	USD	87,200,000		100%
Lonza Biologics plc	Slough GB	GBP	14,500,000		100%
Lonza Biologics Porriño S.L.	Porriño ES	EUR	10,295,797[2]		100%
Lonza Biologics Tuas Pte. Ltd.	Singapore SG	SGD USD	172,000,000 25,000,000		100%
Lonza Bioscience Singapore Pte Ltd	Singapore SG	USD	1		100%
Lonza Cologne GmbH	Cologne DE	EUR	1,502,000		100%
Lonza Costa Rica, S.A.	Heredia CR	CRC	10,000		100%
Lonza Finance International NV[4]	Bornem BE	EUR	43,061,500	100%	
Lonza Greenwood LLC	Wilmington US	USD	n/a[3]		100%
Lonza Guangzhou Pharmaceutical Ltd	Guangzhou CN	USD	133,578,892		100%
Lonza Houston Inc.	Wilmington US	USD	290		100%
Lonza K.K.	Sagamihara JP	JPY	110,000,000		100%
Lonza Netherlands B.V.	Maastricht NL	EUR	2,115,232		100%
Lonza Rockland, Inc.	Wilmington US	USD	100		100%
Lonza Sales AG	Basel CH	CHF	2,000,000	100%	
Lonza Shanghai International Trading Ltd.	Shanghai CN	USD	200,000		100%
Lonza Swiss Finanz AG[4]	Basel CH	CHF	100,000	100%	
Lonza Swiss Licences AG	Basel CH	CHF	100,000	100%	
Lonza Tampa LLC	Wilmington US	USD	n/a[3]		100%
Lonza (Thailand) Co., Ltd.	Bangkok TH	THB	170,000,000		100%
Lonza USA Inc.	Wilmington US	USD	5	100%	
Lonza Verviers SRL	Verviers BE	EUR	18,750		100%
Lonza Walkersville, Inc.	Wilmington US	USD	10		100%
Micro-Macinazione SA	Monteggio CH	CHF	1,000,000		100%
Octane Biotech, Inc.	Ontario CA	CAD	n/a[3]		80%
P.T. Capsugel Indonesia	Jakarta IN	IDR	76,835,140,525		100%
Suzhou Capsugel Limited	Suzhou CN	USD	44,700,000		75%

[1] Abbreviation of currencies in accordance with ISO standards
[2] Rounded amount
[3] No par value
[4] This entity does not meet above mentioned thresholds. It was included due to its significance for group financings

Note 32
Accounting Principles

32.1
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 helps its customers to deliver new and innovative medicines that help treat a wide range of diseases.

32.2
Basis of Preparation

The consolidated financial statements for 2022 and 2021 are reported in Swiss francs (CHF), rounded to millions, and based on the annual accounts of Lonza Group Ltd (Company) and its subsidiaries at 31 December, which have been drawn up according to uniform Group accounting principles. The consolidated accounts are prepared in accordance with International Financial Reporting Standards (IFRS) and with Swiss law. They are prepared on the historical cost basis, except that money market funds, derivative financial instruments and contingent considerations are stated at their fair values, and the employee benefit liability is stated at the fair value of plan assets less the present value of the defined benefit obligation.

Following the Board of Directors' decision on 23 July 2020 to divest the Specialty Ingredients segment, a divestment process was initiated in H2 2020. On 8 February 2021, Lonza entered into a definitive agreement with Bain Capital and Cinven. The sale was completed on 1 July 2021 and finally settled before 31 December 2021. In the consolidated financial statements, discontinued operations include the Specialty Ingredients business (2021: 6 months from January to June, only) together with certain corporate costs directly attributable to Specialty Ingredients together with carve-out / divestiture related costs.

32.3
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:

- COVID-19-Related Rent Concessions – (Amendments to IFRS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)

32.4
Accounting Standards Issued, but Not Yet Effective

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

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

Standard/Interpretation	Effective date
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	1 January 2024
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment to IAS 12)	1 January 2023
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	N/A
Lease liability in a sale-and-leaseback (Amendment to IFRS 16)	1 January 2024

32.5
Significant Accounting Policies

Principles of Consolidation

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

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 7. 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 und excludes amounts collected on behalf of third parties. Revenues are recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. In the custom manufacturing business, customer agreements may foresee payments at or near inception of contracts, which typically relate to setup efforts (e.g. system preparation, facility modification) for new customer-dedicated production facilities. Such setup efforts typically do not represent separate performance obligations, as no good or service is transferred to the customer. The payments for these setup efforts comprise part of the expected transaction price and are deferred as contract liabilities (non-current deferred income) until performance obligations are satisfied. Product sales are recognized when control of the products has been transferred, i.e. when the products are delivered to the customer, the customer has full discretion over the sales channel and pricing of the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Contracts with customers may include volume discounts based on aggregate sales over a specified period. Revenues from these sales are recognized based on the price specified in the contract, net of the estimated volume discounts.

Accumulated experience is used to estimate and provide for such discounts, using the expected value method, and revenues are only recognized to the extent that it is highly probable that no significant reversal will occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. Revenues from providing services are recognized in the accounting period in which these services are rendered. For most services revenue recognition over time is appropriate. This is done with reference to output (i.e. analysis delivered) to measure the amount of revenue to be recognized. Revenue recognition over time is not applied for customer service contracts where the consideration depends on a defined outcome or result and its achievement cannot be estimated. In this case, revenues are only recognized at the point in time when the service has been completed and accepted by the customer.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Instruments
The Group has classified its financial assets in the following measurement categories, which are disclosed in note 27: 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.

Discontinued Operations
A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of such a line of business or area of operations. Classification as a discontinued operations occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

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

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

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

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

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

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

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

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

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

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

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

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

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

32.6
Significant Accounting Estimates and Judgments

Key Assumptions and Sources of Estimation Uncertainty

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

Impairment Test of Property, Plant and Equipment, Intangible Assets and Goodwill
The Group has carrying values with regard to property, plant and equipment of CHF 5,733 million (2021: CHF 4,320 million), goodwill of CHF 2,863 million (2021: CHF 2,986 million) and intangible assets of CHF 2,231 million (2021: CHF 2,454 million) (see notes 4 and 5). The intangible assets include trademarks acquired through business combinations with a carrying value of CHF 241 million (2021: CHF 252 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 4 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 4.2.

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 2022, the present value of the Group's defined-benefit obligation was CHF 1,904 million (2021: CHF 2,265 million). The plan assets at fair value amounted to CHF 1,896 million (2021: CHF 2,171 million), resulting, compared with the present value of the pension obligation, in a funded status deficit of CHF 27 million (2021: CHF 94 million) (note 22). 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 2022 amounted to CHF 399 million (2021: CHF 394 million), as disclosed in note 12. 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 2022, deferred tax assets of CHF 17 million (2021: CHF 18 million), current tax receivables of CHF 30 million (2021: CHF 28 million), deferred tax liabilities of CHF 556 million (2021: CHF 540 million) and current tax payables of CHF 103 million (2021: CHF 129 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, none of the jurisdictions in which the Group operates had enacted or substantively enacted the tax legislation related to the top-up tax. Management is closely monitoring the progress of the legislative process in each jurisdiction the Group operates in.

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

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

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

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

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

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

The Group intends, and has the ability, to maintain these trademarks for the foreseeable future. The assumption of an indefinite useful life is reassessed whenever there is an indication that a trademark may have a definite useful life. In addition, intangible assets with indefinite useful lives are tested for impairment on an annual basis (see note 4).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KPMG

Statutory Auditor's Report

To the General Meeting of Lonza Group Ltd, Basel

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Lonza Group Ltd and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2022 and the consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss 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 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.

KPMG AG
Zurich, 8 March 2023

KPMG

REVENUE RECOGNITION

Key Audit Matter

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

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

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

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

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

Our response

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

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

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

For further information on revenue recognition refer to the following:

- Note 32 Accounting Principles
- Note 2 Revenues

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UNCERTAIN INCOME TAX POSITIONS AND RELATED TAX EXPENSES

Key Audit Matter	Our response
The Group operates in a complex multinational tax environment giving rise to cross-border transactions and complex taxation arrangements being subject to various country specific tax laws. During the normal course of business local tax authorities may challenge financing arrangements between Group entities, transfer-pricing arrangements relating to the Group's manufacturing and supply chain and the ownership of intellectual property rights. During 2022, the Group continued to update its transfer pricing model. This triggered changes to the taxable income of certain entities. It required management to make assumptions and estimates related to the measurement and recognition of resulting income taxes. The Group has also recognized provisions for other uncertain tax items, the estimation of which is subject to management's judgement. Based on these complexities, uncertainties and management's judgment involved in estimating the income taxes, we identified the completeness and valuation of uncertain income tax positions and related tax expenses as a key audit matter.	Our audit approach included the use of local tax specialists in all key jurisdictions to evaluate tax provisions and potential exposures as of 31 December 2022. In response to the implemented changes to the transfer pricing model, we read and evaluated management's documentation. Our tax specialists assisted in reperforming calculations and assessing appropriateness of management's conclusions. We obtained explanations from management regarding the known uncertain tax positions and analyzed correspondence with taxation authorities to identify uncertain tax positions. We assessed the adequacy of management's taxation provisions by considering country specific tax risks, transfer-pricing risks, compliance risks and potential penalties and fines. We critically reviewed and evaluated the judgements made by management in assessing the quantification and probability of significant exposures and the level of provision required for specific matters. Furthermore, we evaluated whether uncertain income tax items were appropriately disclosed in the Group's consolidated financial statements.

For further information on income taxes refer to the following:

— Note 32 Accounting Principles

— Note 20 Taxes

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, the remuneration report of the company 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, ISAs 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, ISAs 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 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 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

Timothy Scott
Licensed Audit Expert

Zurich, 8 March 2023

Financial Statements of Lonza Group Ltd

Balance Sheet – Lonza Group Ltd

Assets[1]

CHF	Notes	2022	2021
Non-current assets			
Long-term financial assets:			
– from third parties		37,500,000	16,250,000
– from subsidiaries and associates	2.2	2,361,765,620	2,436,756,431
Investments	2.1	4,748,394,547	4,748,387,303
Property, plant and equipment		76,824	118,589
Prepaid expenses and accrued income:			
– from third parties		11,163,277	7,815,592
Total non-current assets		**7,158,900,268**	**7,209,327,915**
Current assets			
Cash and cash equivalents	2.3	1,222,349,166	1,367,756,334
Short term financial assets:			
– from third parties	2.3	977,796,031	1,642,553,775
– from subsidiaries and associates		2,492,741,284	1,102,429,597
Other short-term receivables:			
– from third parties		4,345,026	8,487,430
– from subsidiaries and associates		44,991,059	31,371,423
Prepaid expenses and accrued income:			
– from third parties		2,998,786	1,205,775
– from subsidiaries and associates		16,575,792	7,367,824
Total current assets		**4,761,797,144**	**4,161,172,158**
Total assets		**11,920,697,412**	**11,370,500,073**

[1] At 31 December

Liabilities and Shareholders' Equity[1]

CHF	Notes	2022	2021
Shareholders' equity			
Share capital	2.6	74,468,752	74,468,752
Legal capital reserves:			
– Reserves from capital contributions	2.7	2,352,462,436	2,463,921,215
Legal retained earnings reserves:			
– General legal retained earnings		37,234,376	37,234,376
Voluntary retained earnings:			
– Available earnings:			
– Profit brought forward		5,623,539,280	3,389,663,927
– Profit for the year		606,884,922	2,345,334,132
Treasury shares	2.8	(114,131,744)	(176,650,172)
Total shareholders' equity		**8,580,458,022**	**8,133,972,230**
Non-current liabilities			
Long-term interest-bearing liabilities:			
– to third parties	2.5	692,850,000	878,478,750
– to subsidiaries and associates		787,247,850	1,113,200,700
Long-term provisions:			
– to third parties		18,162,429	17,081,550
Derivatives financial liabilities:			
– to third parties		1,505,339	12,678,257
– to subsidiaries and associates		5,030,846	6,294
Total non-current liabilities		**1,504,796,464**	**2,021,445,551**
Current liabilities			
Trade accounts payables:			
– to third parties	2.4	3,112,005	2,339,486
– to subsidiaries and associates		2,322,501	3,180,845
Short-term interest-bearing liabilities:			
– to third parties	2.5	184,783,125	0
– to subsidiaries and associates		1,319,950,345	957,232,417
Short-term provisions:			
– to third parties		23,496,553	42,807,634
Accrued expenses and deferred income:			
– to third parties		236,877,611	164,436,591
– to subsidiaries and associates		64,900,786	45,085,319
Total current liabilities		**1,835,442,926**	**1,215,082,292**
Total liabilities		**3,340,239,390**	**3,236,527,843**
Total liabilities and shareholders' equity		**11,920,697,412**	**11,370,500,073**

[1] At 31 December

Income Statement – Lonza Group Ltd

CHF	Notes	2022	2021
Income			
Dividend income	2.9	484,899,564	646,555,159
Royalties income		211,044,938	193,830,763
Other financial income	2.10	133,092,152	101,401,570
Other operating income		1,787,792	4,468,219
Other income from sale of business	2.13	6,230,167	1,631,750,010
Total income		**837,054,613**	**2,578,005,721**
Expenses			
Other financial expenses	2.11	61,660,569	66,270,712
Personnel expenses		61,688,309	63,699,681
Other operating expenses	2.12	73,721,561	88,903,112
Depreciation on equipment		41,765	78,370
Direct taxes		33,557,487	13,719,714
Total expenses		**230,169,691**	**232,671,589**
Profit for the year		**606,884,922**	**2,345,334,132**

Notes to the Financial Statements – Lonza Group Ltd

Note 1
Principles

1.1 General Aspects

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

1.2 Financial Assets

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

1.3 Treasury Shares

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

1.4 Share-Based Payments

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

1.5 Short-/Long-Term Interest-Bearing Liabilities

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

1.6 Currency- and Interest-Related Instruments

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

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

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

Note 2
Information on Balance Sheet and Income Statement Items

2.1 Investments

Lonza Group Ltd holds the following direct subsidiaries as of 31 December 2022. For indirect principal subsidiaries, please see the list in note 31 to the Group's consolidated financial statements.

		Share Capital in 1,000[1]		Direct Holding in %[1]	
		31.12.2022	31.12.2021	31.12.2022	31.12.2021
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	Visp, 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[2]	USD[2]	100.0%	100.0%
Seed Fund Cycle-C3E (A), L.P.	Montreal, CA	CAD 1,000	CAD 1,000	100.0%	100.0%

[1] Rounded amounts
[2] Share capital USD 5.00

2.2 Long-Term Financial Assets

Lonza Group Ltd issued subordination agreements of CHF 384 million (2021: CHF 389 million) on loans to subsidiaries and associates.

2.3 Cash, Cash Equivalents and Short-Term Financial Assets

Following the sale of the Lonza Specialty Ingredients business, Lonza parked the excess cash into short-term plain vanilla instruments, such as overnight deposits, bank term deposits, notice deposits and short-term money market funds in line with the Group's investment policy. At year-end 2022, Lonza Group Ltd maintained a total balance of CHF 2.2 billion, thereof CHF 1.2 billion was classified as cash & cash equivalents (cash at banks and bank deposits with maturities less than 3 months). Furthermore, Lonza held short-term investments amounting to CHF 1.0 billion, thereof bank deposits with maturity between three and six months totaling CHF 0.7 billion (classified as financial assets at amortized costs) and investments into short-term money market funds of CHF 0.3 billion (classified as 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 661,432 at 31 December 2022 (2021: CHF 277,914).

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

CHF	2022	2021
German Private Placement	230,973,125	239,518,750
Term loan Facility B1 / B2 USD 700 Mio	646,660,000	638,960,000
Total long-term interest-bearing liabilities	**877,633,125**	**878,478,750**

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

Debt Repayments
Following the successful closing of the sale of the Lonza Specialty Ingredients business and the receipt of the disposal net proceeds in July 2021, Lonza did not issue any new bonds or other debt securities neither in 2021 nor in 2022.

In 2021, Lonza repaid its scheduled debt maturities of CHF 352 million equivalent related to the Schuldschein. In addition, Lonza decided to early repay floating rate Schuldschein notes totaling CHF 432 million equivalent.

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

Syndicated Loan Facilities
In 2019, Lonza signed a Syndicated Loan Facility with a consortium of banks 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 as of 31 December 2022 nor in 2021.

2.6
Share Capital and Authorized Capital

The share capital on 31 December 2022 comprised 74,468,752 registered shares (2021: 74,468,752) with a par value of CHF 1 each, amounting to CHF 74,468,752 (2021: CHF 74,468,752).

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

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

At 31 December 2022, 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 (2021: CHF 37,234,376) included in the financial statements cannot be distributed.

2.7
Reserves from Capital Contributions

CHF	2022
Reserves from Capital Contributions at 1.1.2021	**2,575,394,015**
Dividend payout May 2021	(111,472,800)
Reserves from Capital Contributions at 31.12.2021	**2,463,921,215**
Dividend payout May 2022	(111,458,779)
Reserves from Capital Contributions at 31.12.2022	**2,352,462,436**

2.8
Treasury Shares

	Total Shares	Average Rate in CHF	Number of Transactions
Treasury shares at 1.1.2021, weighted average price	**185,680**	**538.54**	
Acquisitions 2021	274,779	633.48	29
Distribution to Board members	(1,950)	618.11	4
Distribution to LTIP share plans	(178,886)	570.03	3
Treasury shares at 31.12.2021, weighted average price	**279,623**	**631.74**	
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/LRSP/ShareMatch share plans	(185,422)	631.75	5
Sale 2022	(90)	632.46	2
Treasury shares at 31.12.2022, weighted average price	**187,126**	**609.92**	

2.9
Dividend Income

Dividend income in 2022 includes a dividend distribution from Lonza Sales AG of CHF 331,000,000 (2021: CHF 248,205,000), and from Lonza Holding Singapore Pte Ltd of USD 118,000,000 (2021: USD 117,000,000). Capsugel Belgium NV elected not to distribute a dividend in 2022 (2021: EUR 201,000,000).

2.10
Other Financial Income

CHF	Notes	2022	2021
Interest on loans to subsidiaries		97,819,956	77,556,713
Gain on treasury shares	1.4	20,959,081	0
Bank interest		7,387,565	301,951
Net gain financial instruments		4,377,961	20,769,424
Other		2,547,589	2,773,482
Total financial income		**133,092,152**	**101,401,570**

2.11
Other Financial Expenses

CHF	Notes	2022	2021
Interest on deposits subsidiaries		24,923,765	27,106,385
Bank interest and fees		24,606,550	17,525,233
Negative interest rates on investments		9,909,364	8,516,558
Amortization of discounts and issue costs		1,585,599	3,412,494
Loss on treasury shares	1.4	541,336	7,878,164
Net exchange rate loss		93,955	1,750,943
Other		0	80,935
Total financial expenses		**61,660,569**	**66,270,712**

2.12
Other Operating Expenses

CHF	2022	2021
Consulting expenses	63,751,254	78,878,986
Administrative expenses	6,840,304	6,922,316
Other operating expenses	3,130,003	3,101,810
Total other operating expenses	**73,721,561**	**88,903,112**

2.13
Other Income from Sale of Business

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

On 8 February 2021, Lonza announced that it has entered into a definitive agreement with Bain Capital and Cinven. The divestment of the former Specialty Ingredients business was completed on 1 July 2021 resulting in cash proceeds of CHF 2.5 billion and was finally settled before 31 December 2021. Some post-closing purchase price adjustments resulted in a gain of CHF 6 million in 2022.

Note 3
Other Information

3.1 Full-time Equivalents

At 31 December 2022, Lonza Group Ltd had 84 employees (2021: 78).

3.2 Contingent Liabilities, Guarantees and Pledges

At 31 December 2022, indemnity liabilities, guarantees and pledges in favor of third parties totaled CHF 1,537,737,781 (2021: CHF 1,593,333,662). The company is a member of the Lonza Group value-added-tax group in Switzerland and is thereby jointly and severally liable to the federal tax authorities for value-added-tax debts of the group.

3.3 Major Shareholders

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

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

In accordance with Art. 663c para. 3 of the Swiss Code of Obligations: See note 28 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 23 in the Group's consolidated financial statements), Lonza Group Ltd allocates treasury shares and equity awards as follows:

	2022		2021	
	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	2,184	1,213,347	1,950	1,205,319
Granted equity awards allocated to members of the Executive Committee	12,316	7,483,677	10,717	6,466,718
Granted equity awards allocated to other employees	3,256	2,014,397	2,862	1,631,340
Total	**17,756**	**10,711,421**	**15,529**	**9,303,377**

In 2022 Lonza Group Ltd employed 7 members of the Executive Committee (2021: 6).

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 initiate a share buyback program in H1 2023 of up to CHF 2 billion for the purpose of subsequent capital reductions. The program is due to be completed in H1 2025.

Proposal of the Board of Directors

CHF	2022
Available earnings brought forward	5,623,539,280
Profit for the year	606,884,922
Available earnings at the disposal of the Annual General Meeting	**6,230,424,202**
Payment of a dividend (out of available earnings brought forward) in 2022 of CHF 1.75 (2021: CHF 1.50) per share on the share capital eligible for dividend of CHF 74,281,626 (2021: 74,305,853)	(129,992,845)
Available earnings carry-forward	**6,100,431,357**

CHF	2022
Legal capital reserves qualified as reserves from capital contributions	2,352,462,436
Reserves from capital contributions	**2,352,462,436**
Payment of a dividend (out of reserves from capital contributions) in 2022 of CHF 1.75 (2021: CHF 1.50) per share on the share capital eligible for dividend of CHF 74,281,626 (2021: 74,305,853)	(129,992,846)
Available reserves from capital contributions carry-forward	**2,222,469,590**

CHF	2022
Proposed payment of a dividend out of available earnings brought forward	129,992,845
Proposed payment of a dividend out of reserves from capital contributions	129,992,846
Total proposed payment of a dividend	**259,985,691**

If the General Annual Meeting approves the above proposal for appropriation of available earnings and distribution of reserves from capital contribution, a dividend of total CHF 3.50 per share will be paid. 50% of such dividend will be paid out as repayment from reserves from capital contributions without deduction of Swiss withholding tax in accordance with Art. 5 para. 1bis of the Federal Law on Withholding Tax. The other 50% of such dividend will be paid from available earnings. The last trading day with entitlement to receive the dividend is 8 May 2023. As from 9 May 2023 (ex-date), the shares will be traded ex-dividend. The dividend will be payable from 11 May 2023.

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 2022, and the income statement for the year then ended, and notes to the financial statement, including a summary of significant accounting policies.

In our opinion, the financial statements 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 sections "Highest Compensation Paid to a Member of the Executive Committee", "Aggregate Compensation of the Executive Committee", "Payment to Departed Executive Committee Members in 2022" and "Compensation of the Board of Directors 2022 - Implementation" of 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

KPMG AG
Zurich, 8 March 2023

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

Timothy Scott
Licensed Audit Expert

Zurich, 8 March 2023


Lonza

Alternative Performance Measures

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

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

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

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

In the following tables, all financial information referring to 2021 are based on "continuing operations" (that are exclusive of the Specialty Ingredients business) unless explicitly stated otherwise.

CORE Results

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

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

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

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

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

The reconciliation of the IFRS result to the CORE result for Full-year 2022 and 2021 is as follows:

million CHF	2022	2021
IFRS Profit	**1,218**	**677**
CORE adjustments		
Environmental remediation expenses	27	300[2]
(Income) / expense resulting from acquisitions and divestitures	(202)	0
Litigations	31[3]	0
Tax effect[1]	23	(33)
CORE Profit	**1,097**	**944**
CORE Profit from continuing operations attributable to equity holders of the parent	**1,094**	**941**
CORE Earnings per share attributable to equity holders of the parent	**14.74**	**12.67**

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	2022	2021
Result from operating activities (EBIT)	**1,541**	**851**
Depreciation of property, plant and equipment	409	347
Amortization of intangible assets	187	175
Impairment and reversal of impairment on property, plant, equipment and intangibles	2	(8)
Earnings before interest, taxes and depreciation (EBITDA)	**2,139**	**1,365**

million CHF	2022	2021
Earnings before interest, taxes and depreciation (EBITDA)	**2,139**	**1,365**
Environmental remediation expenses	27	300[2]
(Income) / expense resulting from acquisitions and divestitures	(202)	0
Litigations	31[3]	0
CORE EBITDA	**1,995**	**1,665**

[1] Group tax rate on continuing operations of 15.9% for 2022 and 10.9% for 2021
[2] In 2021, environmental remediation expenses predominantly relate to Gamsenried (CH). Refer to note 12 disclosed in the Lonza Annual Report 2022
[3] Litigation related to a Lonza legacy site / business

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 2022 financial results based on constant exchange rates (i.e. 2021 exchange rates) with the actual 2021 financial results.

Lonza Group (Continuing Operations)

million CHF	2022	2021	Change in %
Sales	**6,223**	**5,409**	15.0
Retranslation at prior year rates	4		
Sales in constant currency	**6,227**		15.1
CORE EBITDA	**1,995**	**1,665**	19.8
Retranslation at prior year rates	(13)		
CORE EBITDA in constant currency	**1,982**		19.0
Margin in %	31.8		

Biologics

million CHF	2022	2021	Change in %
Sales	**3,274**	**2,699**	21.3
Retranslation at prior year rates	12		
Sales in constant currency	**3,286**		21.7
CORE EBITDA	**1,228**	**979**	25.4
Retranslation at prior year rates	(11)		
CORE EBITDA in constant currency	**1,217**		24.3
Margin in %	37.0		

Small Molecules

million CHF	2022	2021	Change in %
Sales	**819**	**767**	6.8
Retranslation at prior year rates	(7)		
Sales in constant currency	**812**		5.9
CORE EBITDA	**248**	**215**	15.3
Retranslation at prior year rates	(2)		
CORE EBITDA in constant currency	**246**		14.4
Margin in %	30.3		

Cell & Gene

million CHF	2022	2021	Change in %
Sales	**693**	**602**	15.1
Retranslation at prior year rates	(9)		
Sales in constant currency	**684**		13.6
CORE EBITDA	**116**	**106**	9.4
Retranslation at prior year rates	0		
CORE EBITDA in constant currency	**116**		9.4
Margin in %	17.0		

Capsules & Health Ingredients

million CHF	2022	2021	Change in %
Sales	**1,266**	**1,204**	5.1
Retranslation at prior year rates	9		
Sales in constant currency	**1,275**		5.9
CORE EBITDA	**418**	**414**	1.0
Retranslation at prior year rates	4		
CORE EBITDA in constant currency	**422**		1.9
Margin in %	33.1		

Corporate

million CHF	2022	2021
Sales	**171**	**137**
Retranslation at prior year rates	(1)	
Sales in constant currency	**170**	
CORE EBITDA	**(15)**	**(49)**
Retranslation at prior year rates	(4)	
CORE EBITDA in constant currency	**(19)**	

Operational Free Cash Flow

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

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

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

In 2022 and 2021, the development of operational free cash flow by component was as follows:

Components of operational free cash flow

million CHF	2022	2021[1]
Earnings before interests , taxes and depreciation (EBITDA)	**2,138**	**3,683**
Change of operating net working capital[2]	(653)	(257)
Capital expenditures in tangible and intangible assets	(1,872)	(1,341)
Disposal of tangible and intangible assets	13	19
Change of other assets and liabilities	108	257
Gamsenried environmental remediation expense[3]	0	285[3]
Specialty Ingredients business - Recycling accumulated exchange rate effects	0	186
Gain from sales of assets held for sale and subsidiaries[4]	(199)	(2,426)
Operational free cash flow (before acquisitions / divestitures)	**(465)**	**406**
Acquisitions of subsidiaries[5]	(10)	(47)
Divestitures of subsidiaries[4]	238	4,092
Operational free cash flow	**(237)**	**4,451**

[1] Operational Free Cash Flow represents Lonza Group incl. Discontinued Operations
[2] Includes in 2022 non-cash amortization of current deferred income of CHF 170 million (2021: CHF 97 million), recognized in the income statement through EBITDA
[3] In 2021, environmental remediation expenses predominantly relate to Gamsenried (CH). Refer to note 12 disclosed in the Lonza Annual Report 2022
[4] In 2022, gains / cash inflows related the divestiture of several businesses in Bioscience and Small Molecule. In 2021, gain / cash inflows related to both Specialty Ingredients and Softgel Liquid-filled hard capsule divested businesses
[5] Includes contingent consideration and deferred purchase price payments from prior years acquisitions

Return on Invested Capital from Continuing Operations

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

In 2022 and 2021, 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	2022	2021
Result from operating activities (EBIT)	**1,541**	**851**
Share of gain / (loss) of associates / joint ventures	2	(28)
CORE adjustments		
Environmental remediation expenses	27	300[1]
(Income) / expenses resulting from acquisitions and divestitures	(202)	0
Litigations	31[2]	0
Net operating profit before taxes	**1,399**	**1,123**
Taxes[3]	(222)	(122)
Net operating profit after taxes (NOPAT)	**1,177**	**1,001**
Average invested capital	**10,326**	**9,387**
ROIC in %	**11.4**	**10.7**

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	2022	2021
Intangible assets	2,368	2,560
Property, plant & equipment	5,389	4,079
Goodwill	2,928	3,079
Inventories	1,816	1,397
Trade receivables	971	766
Other operating receivables	297	303
Other assets	207	263
Trade payables	(439)	(379)
Other operating liabilities	(2,676)	(2,009)
Net current and deferred tax liabilities	(535)	(672)
Average invested capital	**10,326**	**9,387**

[1] In 2021, environmental remediation expenses predominantly relate to Gamsenried (CH). Refer to note 12 disclosed in the Lonza Annual Report 2022
[2] Litigation related to a Lonza legacy site / business
[3] Group tax rate on continuing operations of 15.9% for 2022 and 10.9% for 2021

Remuneration

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 Chairman of the Nomination and Compensation Committee (NCC) and on behalf of its fellow members, I am pleased to introduce our 2022 Remuneration Report, which adheres to the remuneration disclosure obligation under the revised Swiss Code of Obligation. In this report, we outline the current compensation policies and the decisions made in relation to 2022 compensation for the Executive Committee of Lonza.

We are grateful for the active engagement and time with our shareholders, the investor community and proxy advisors in 2022. It helps to ensure we continue our open and transparent dialogue. Our discussions during 2022 covered matters relating to the implementation of environmental, social and governance (ESG) compensation measures into executive compensation, changes to the Executive Committee, as well as overall company developments.

2022 Performance Outcomes

Lonza presents strong 2022 performance outcomes which have benefitted the public, our shareholders and our employees. The NCC determined that the 2022 Lonza Bonus performance targets, performance outcomes and payout levels be measured against the predetermined and originally set performance targets. The 2020 – 2022 Long-term Incentive Plan (LTIP) performance targets related to 2020 were revised in 2021 following the LSI carve-out in 2020 and subsequent divestiture in 2021. The targets related to 2021 and 2022 were predetermined exclusive of LSI and so remain as originally set. Performance outcomes, and in turn payout levels, were measured against these revised in 2020 and originally set in 2021 and 2022 targets.

The Full-Year 2022 Group results led to the achievement of the target 2022 performance outcomes. The Lonza Group performance outcomes against all four performance measures (sales, Core EBITDA, free cash flow and ESG) coupled with personal perfmance, resulted in a proposed annual bonus payout at 102% of target for the Executive Committee. See page 193 for more details.

Overall Group performance in 2022 also had an impact on the 2020 LTIP, which vested at the beginning of 2023 at 197% of target. This was as a result of CORE EPS and ROIC measures being over-achieved during the three-year performance period.

We explain in this report how our 2022 performance impacts the compensation under the incentive plans for the Executive Committee.

2022 Committee Activities

The NCC performed its regular activities throughout the year, including succession planning for the Executive Committee, reviewing the peer groups used for benchmarking, operating the performance management process and the determination of compensation for the members of the Executive Committee.

Following a review of total rewards, which was undertaken in 2021, the NCC focused on implementing a number of updates to the Executive Compensation policy in 2022. These market-aligned changes are intended to make continuity and sustainability an integral part of our compensation system. My letter outlines the highlights whilst more details can be found in the full report.

In 2022, a new annual bonus plan (Lonza Bonus) was introduced. ESG performance measures now have a 25% weighting within the overall company performance measures. This plan including ESG measures applies to both the EC and the wider organization.

We determined to include ESG within the annual bonus so we could observe and enhance our approach in future years. This ensures continued alignment with our business strategy and shareholder interests.

These embedded ESG performance measures include quantitative and qualitative targets for each of the seven United Nations' Sustainable Development Goals (SDG) we have prioritized due to their strong alignment with our business strategy:

- Good Health and Well-being (SDG 3)
- Climate Action (SDG 13)
- Industry, Innovation and Infrastructure (SDG 9)
- Responsible Consumption and Production (SDG 12)
- Gender Equality (SDG 5)
- Clean Water and Sanitation (SDG 6)
- Quality Education (SDG 4)

The targets tie incentive compensation to annual progress on long-term environmental objectives to reduce GHG emissions, optimize energy and water consumption, as well as expand programs to improve our supply chain sustainability, our females in management positions and our educational programs.

Our process of setting stretch targets (personal, financial and ESG related), is extensive, iterative and robust. Under the Lonza Bonus plan, the maximum attainable short-term incentive for the Executive Committee reflects 195% of the target (previously 200%), in line with the wider organization and based on company performance factor and formulaic non-discretionary personal factor multipliers. Details can be found on page 191.

To further strengthen governance of our variable compensation plans, a Malus provision was introduced alongside the already existing Clawback policy in respect of both Lonza Bonus and long-term incentive awards. Details can be found on page 189.

The NCC decided that the peer groups for Executive Committee compensation shall be reviewed for continued relevancy and also recognizing Lonza's healthcare focus following the divestment of the Specialty Ingredients Division (LSI). This resulted in a refined peer group list with the primary and secondary peer group approach remaining. The updated peer groups can be found on page 187. Market benchmarking for the Executive Committee was undertaken at the end of 2022 based on the updated peer groups.

Finally, the revised fees for the Lonza Board of Directors (as outlined in the 2022 Invitation to the Annual General Meeting) were implemented in 2022 after having been supported by our shareholders. The fee for the Chair of the Board of Directors increased while the fee for the committee chairs and memberships remained the same. Furthermore, it was determined that committee fees are paid per committee membership. This approach is in line with market practice and recognizes Lonza's recent structural changes, which significantly impacted the work of the Board of Directors, particularly the time required for stakeholder engagement and ESG oversight. Details of the revised fees can be found on page 199.

Changes to the Executive Committee during 2022

Our Executive Committee went through a number of planned changes in 2022. The first was the appointment of Christian Seufert who joined the Executive Committee on 1 July 2022 as President Capsules & Health Ingredients. Christian succeeds Claude Dartiguelongue who retired on 31 July 2022. Maria Soler Nunez, Head Group Operations, joined the Executive Committee on 1 August 2022, succeeding Stefan Stoffel who retired on 31 August 2022. Finally, Daniel Palmacci joined the Executive Committee on 1 November 2022 as President Cell & Gene Division. The Cell & Gene Division had been led by Jean-Christoph Hyvert who had dual responsibility – he will continue in his role as President Biologics Division. With Daniel's appointment, the Executive Committee has expanded to ensure dedicated divisional focus and thereby maximizing the growth potential of each area of the business.

All compensation decisions relating to the appointments and departures were made in line with our Executive Compensation Appointment and Termination Policies outlined on page 188.

On behalf of the Nominations and Compensation Committee, I thank our shareholders for the continued dialogue during 2022. We respectfully ask for your endorsement of this 2022 Remuneration Report and approval of Executive Compensation that will be put forward to you at the 2023 Lonza Annual General Meeting.

Yours faithfully,
Christoph Mäder

Chairman of the Nomination and Compensation Committee

At a Glance

Lonza's approach to compensation is designed to attract and retain talent with competitive compensation programs. Our compensation programs are performance-based, linking employee rewards with company and individual performance. Executive compensation is aligned with the short-term and long-term objectives of the wider business. Results are measured based on the achievement of specific short and long-term objectives, which are defined to achieve a balance between short-term and long-term outcomes. We encourage strategic decisions that drive competitive advantage but discourage executives from taking unnecessary or excessive risks that may threaten the financial health, reputation or sustainability of the Company.

2022 Executive Committee Compensation Policy Table

Base Salary	Benefits	Lonza Bonus	Long-term Incentive Plan	Lonza Restricted Share Plan	Shareholding Guidelines
Fixed pay reflecting scope of the role performed, experience and skill set	Retirement and other benefits to complement Lonza's total compensation offering	Rewards performance against annual company financial and ESG objectives, and individual goals, values and behaviors	Rewards long-term company performance and aligns interests of the Executive with shareholders	Additional variable compensation component, used as a vehicle to support the Executive Committee Appointments Policy. Awarded solely in cases where an Executive forgoes certain compensation at their previous employer	Shareholding guidelines to align interests of the Executive with shareholders
Vehicle					
100% cash	Retirement plans and other benefits such as transportation, expense and medical benefits and other insurances	100% cash; or 50% cash and 50% equity until shareholding guidelines are met. The NCC may grant exceptions in justified cases	100% vesting subject to a three-year performance period	100% equity subject to a two to five-year time-based vesting period	
Levels					
Consideration of • experience of individual; • direct role responsibilities; and • market levels observed at companies in the relevant industry to Lonza	Broadly aligned with the wider workforce and country benefits policy of the country in which they are employed	Target levels: • **CEO** 100% of salary • **Other EC** 75% of salary Minimum: 0% of target Maximum: 195% of target	Target levels: • **CEO** 150% of salary • **Other EC** 125% of salary Minimum: 0% of target Maximum: 200% of target	Levels set are less than forgone awards, considering, but not limited to previous employer variables such as historical company performance, volatility and the equity instrument	• **CEO** 300% of salary • **Other EC** 200% of salary To be accumulated over 5 years
Performance Measures					
		Company factor: Made up of four weighted components resulting in a company factor from 0 – 150% of target • Sales 22.5% • CORE[1] EBITDA 37.5% • Free Cash Flow 15% • ESG KPIs 25% **Personal factor:** based on personal performance and may result in a multiplier from 0% – 130% in line with performance rating	50% CORE[1] EPS 50% ROIC	Sustained performance in role Continued employment	
Clawback and Malus					
		Variable compensation for Executive Committee members is subject to Clawback and Malus provisions to allow for forfeiture, reduction or recovery of awards.			

[1] CORE results exclude exceptional expenses and income related to e.g. restructuring, environmental-remediation, acquisitions and divestitures, impairments and amortization of acquisition-related intangible assets, which can differ significantly from year to year

Executive Committee Performance Management Annual Process

With the introduction of a new annual bonus plan approach, effective from 2022, the 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 business 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 where their own performance 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 where their own performance is discussed.

Executive Committee Performance Management Annual Process

1. Target Setting

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

2. Year-end Performance Assessment Company Performance

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

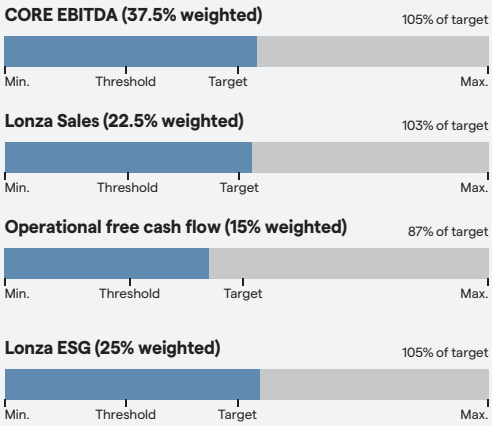
- Each EC member conducts a self-assessment
- CEO performance is assessed by the Chair of the Board to determine a performance rating considering a review of company targets set at the beginning of the year (financial and ESG), personal goals, and values and behaviors
- EC member performance is assessed 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
- CEO and EC ratings calibrated and endorsed by NCC respectively resulting in a formulaic non-discretionary personal performance factor

3. Determining CEO and EC Compensation

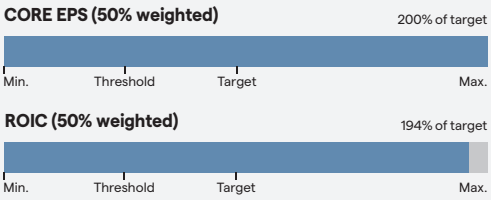
- Annual bonus outcomes are formulaic using the company and personal performance factors and put to shareholder vote at the AGM
- Long-term incentive outcomes are formulaic based on outcomes of the relevant financial metrics
- Base salary is reviewed by NCC in line with performance, market benchmarks,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

2022 Lonza Bonus and LTIP outcomes

2022 Lonza Bonus

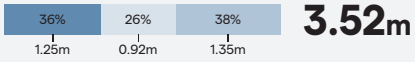


2020 – 2022 Long-term Incentive Plan



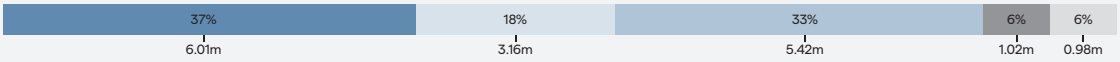
2022 Total Remuneration Paymix (CHF)

Highest Paid Member of the Executive Committee



3.52m

All Executive Committee



16.59m

Total Fixed | Lonza Bonus | LTIP | LRSP [1] | Other Compensation [2]

[1] Lonza Restricted Share Unit Plan (LRSP) 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 page 194 for details of the LRSP award

[2] Cash payment (including base salary, other benefits, short-term incentive and social security) and shares (LTIP) received by a departed member of the Executive Committee during 2022 and a cash payment to an Executive Committee member upon their appointment to compensate for forfeited annual bonus at their previous employer

Board of Directors Compensation Policy

Compensation of Board of Directors from Annual General Meeting (AGM) 2022 to 2023 (excluding social security contributions)

In CHF	Base annual fee	Committee membership fee per committee	Committee Chairperson fee
Chair of the Board of Directors [1]	750,000	-	-
Member of the Board of Directors [2]	200,000	40,000	80,000
	The additional responsibilities of Vice-Chairperson and Lead Independent Director[3] do not attract any additional fees		
Form of payout	50% in Lonza Group shares and 50% in cash and paid 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] The compensation for a Committee Chairperson amounts to CHF 280,000 where chairing one committee. In the case of multiple committee memberships each attracts a separate fee

[3] The roles and responsibilities of Lead Independent Director are in line with sect. 18 para. 2 of the Swiss Code of Best Practice for Corporate Governance, requiring adequate control mechanisms, and commensurate to such position


Lonza

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 (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

As outlined in the Organizational Regulations (Article 2.8), the Board of Directors takes decisions on the following matters:

1. The determination of compensation for the members of the Board of Directors in accordance with the Articles of Association
2. The proposals to the Shareholders' Meeting regarding approval of the compensation of the Board of Directors and the Executive Committee; and
3. The preparation of the Remuneration Report

Responsibilities of the Nominations and Compensation Committee

The Nomination and Compensation Committee (NCC) has the following roles and responsibilities as outlined in the NCC Charter:

1. To recommend and review compensation policies and plans for approval by the full Board of Directors
2. To review periodically and make recommendations to the Board of Directors regarding any variable incentive and the extent to which the plans meet their objectives
3. To advise the Board of Directors on the compensation of its members, to evaluate the performance of the CEO on a regular basis and to determine his/her compensation based on performance and subject to approval of the compensation of the Executive Committee by the Shareholders' Meeting pursuant to the Articles of Association
4. To review and approve the compensation proposals for members of the Executive Committee subject to approval by the Shareholders' Meeting pursuant to the Articles of Association
5. To recommend to the Board of Directors proposals to be submitted to the Annual Shareholders' Meeting for approval regarding total amounts of compensation of the Board and the Executive Committee pursuant to the Articles of Association
6. To support the Board of Directors in preparing the Remuneration Report
7. To inform the Board of Directors about compensation policies and programs as well as benchmark compensation of key peer companies; and
8. To inform the Board of Directors about the terms of employment for the members of the Executive Committee

The NCC continuously reviews the aspects of executive compensation and compliance with good governance standards and also in light of continuous growth, transformation of the Company and inclusion in the Swiss Market Index (SMI).

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.

External Advisors

Lonza continues to engage with external advisors on an ad hoc basis as required. In 2022, the Committee was provided with external market and legal insight from PWC[1] , Willis Towers Watson (WTW)[1] and Blesi & Papa[1] reflecting a total cost of approximately CHF 75,000. The CHRO and the relevant HR specialists prepare and provide the NCC meeting materials. These individuals have an advisory function without voting rights.

Market Benchmarking

Lonza reviews total compensation for the Executive Committee, wider employees and Board of Directors, through regular benchmarking versus the market, to ensure levels remain competitive to support the retention and attraction of talent.

The total compensation (base salary, variable incentives, pension and other benefits) for Executive Committee members in particular is benchmarked every two to three years or when fundamental company parameters alter (e.g. acquisition or divestment) against a relevant industry peer group.

The Committee revisited the peer groups in 2022 following the LSI divestment in 2021 to ensure the relevance of the peers for the purposes of compensation and benefits benchmarking for Lonza going forward. The use of the primary and secondary market benchmarking peer groups remain. The primary peer group now contains European pharmaceutical, life sciences and CDMO sector businesses of similar size. This peer group continues to serve as the essential reference point. An additional secondary peer group of European pharmaceutical sector businesses of varying size has been added, allowing us to obtain insight on those relevant industry companies which are smaller or larger than Lonza, through a secondary reference lens. The Swiss and the US secondary peer groups have been refreshed to include more relevant peers. These secondary peer groups are used as reference points only.

Executive Committee benchmarking peer groups

Primary peers	Secondary peers		
European life science businesses of similar size	**European life science businesses of varying size**	**Swiss companies in wider industries**	**US life science companies**
• 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	• 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 • QIAGEN NV • Reckitt Benckiser Group Plc • Roche Holding AG • Sanofi • Sartorius AG • Siegfried Holding AG • Smith & Nephew Plc • Sonova Holding AG • Teva Pharmaceutical Industries Limited • UCB SA • Vifor Pharma AG	• Alcon AG • Barry Callebaut AG • Bucher Industries AG • Dufry AG • Emmi AG • Galenica AG • Geberit AG • Georg Fischer AG • Givaudan SA • Implenia AG • Logitech International S.A. • OC Oerlikon Corp. AG • SGS SA • Siegfried Holding AG • Sika AG • Sonova Holding AG • Straumann Holding AG • Sulzer AG	• AbbVie 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. • PerkinElmer, Inc. • Regeneron Pharmaceuticals, Inc. • Stryker Corporation • Syneos Health, Inc. • The Cooper Companies, Inc. • Thermo Fisher Scientific Inc. • Vertex Pharmaceuticals Incorporated • Viatris Inc. • Waters Corporation • West Pharmaceutical Services, Inc. • Zimmer Biomet Holdings, Inc. • Zoetis Inc.

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

Executive Committee Appointments Policy

In line with mandatory Swiss law, Lonza does not give any "golden handshakes". Total compensation for an incoming Executive Committee member will be directly aligned with the Executive Committee compensation policy (outlined on page 182). The Committee will also consider making equity (LRSP) or cash awards in lieu of compensation that the individual has forfeited at their previous employer, as a result of accepting the Lonza appointment. The time horizon, vehicle and value of any award will be directly informed by the details of the awards being forfeited. In such cases replacement, award levels will be less than the level of the awards being forfeited at the previous employer. Details of any such buyout award for Executive Committee members will be disclosed at the time of grant, in the relevant Remuneration Report.

Executive Committee Termination Policy

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

Compensation in Case of Termination

Termination type	Treatment of compensation
Death, disability and retirement Termination by the Company Without Cause	• 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 • Pro-rata annual bonus payment relating to year of termination, measured up to the end of the notice period (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	• 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 employment is terminated, except if both of the following occur: I. Termination is after 31 December of the plan year; and II. Executive was not released from their obligation to work • All unvested LTIP / LRSP awards will lapse
Termination by the Company for Cause	• 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 • All unvested LTIP / LRSP awards will lapse
Change of Control [1]	• 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

[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 contract

Non-Compete Clause

Under the terms of the employment agreement of the Executive Committee, members whose employment is terminated agree that they will not, for a period of six months for EC members and 12 months for the Chief Executive Officer following the end of the notice period, be partially or fully employed by any entity that materially competes with the Company or any of its businesses. In case of a breach of the non-competition clause, the executive shall pay damages to the Company. As compensation for the period of non-competition, the executive will receive a monthly consideration equal to the executive's last monthly base salary minus any new income the executive earns in the relevant month. The Company may elect to fully or partially release the departing Executive Committee member from this non-competition obligation no later than six months prior to the end of the notice period. This non-compete clause is a standard feature aligning with Swiss Employment Laws.

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 period applies until the third anniversary of the distribution date.

Shareholding Guidelines

The Committee feels strongly that Executive Committee members and other senior managers should have a defined Lonza shareholding to strengthen their alignment with our shareholders' interests. Lonza operates a minimum shareholding guideline for the Executive Committee and other senior managers. The below minimum shareholding levels are to be achieved within the 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.

Shareholding Guidelines

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 these levels during 2022.

Compensation of the Executive Committee 2022

Base Salary

Objective and overview	• Paid as a fixed amount reflecting the role performed, experience and skill set • Base salary forms the basis of total compensation • Paid out in cash, and reviewed annually, taking into consideration the responsibilities of the position, the personal performance of the Executive Committee member, and base salary increases made across the Company
2022 implementation	• Base salary for those appointed to the Executive Committee during 2022 was set taking in consideration the experience of individual, and relevant market levels for the role observed at companies in a relevant industry to Lonza

Benefits

Objective and overview	• Complement the total compensation offering on a country or market specific basis • Includes retirement and other benefits such as transportation allowance, expense allowance, life and health insurance and medical allowance
2022 implementation	• Administered in 2022 in line with country wide retirement plan and benefit policies and 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 component of variable compensation, provides the potential for an annual bonus payment based on performance of the Group and the executive versus annual targets

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 measures

Annual bonus target	×	**Company performance factor**	×	**Personal performance factor**	=	**Bonus award**
Annual bonus target		Company factor made up of four weighted components resulting in a company factor		Personal factor based on personal performance rating considering delivery of: role; annual goals; values and behaviors, results in a formulaic non-discretionary pay out percentage		The resulting award is paid 100% in cash if shareholder guidelines have been met. Or, 50% cash and 50% Lonza Group shares if shareholder guidelines have not been met.

Levels	**CEO** 100% of base salary at-target **Other Executive Committee members** 75% of base salary at-target	0 – 150% of target	• Unsatisfactory 0 – 40% • Developing Performer 80% • Successful Performer 100% • Outstanding Performer 130%	The realized bonus award may range from 0 – 195% of target.
2022 company performance conditions	The 2022 annual bonus for Executive Committee members was based on company performance measures with the financial and ESG performance results derived from the audited 2022 results, and personal performance			
Definition	**Sales** Measures revenue generated	**CORE[1] EBITDA** Measures Group operating performance and profitability	**Free Cash Flow** Measures the ability of the company's business operations to generate cash	**ESG** Measures the company's annual progress towards our long term sustainability ambitions
Weighting	**22.5%**	**37.5%**	**15.0%**	**25.0%**

[1] CORE results exclude exceptional expenses and income related to e.g. restructuring, environmental remediation, impairments and amortization of acquisition related intangible assets, which can differ significantly from year to year

Environmental, Social and Governance (ESG)

Lonza has prioritized seven of the United Nations Sustainable Development Goals as the most relevant to our purpose of enabling a healthier world through enabling 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 with the equally weighted targets set out below. Each of these goals is sponsored by an Executive Committee member to bring a dedicated focus whilst at the same time supporting the holistic achievement of all the ESG goals as the Executive Committee have a shared collective responsibility for their achievement.

2022 pay out factor

ESG

2022 Achievement (% of target)

Sustainable Development Goal	Objective Description	2022 Achievements	Achievement
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 and annual progress on our ESG roadmap.	Customer satisfaction increased 6 points year over year. We improved our ESG risk management, governance and reporting by incorporating TCFD disclosures in our Sustainability Report and improving supply chain programs.	150%
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 and developing a plan to procure all renewable electricity by 2025.	While absolute emissions increased slightly year over year due to growth, we developed roadmaps to reduce Scope 1 and 2 emissions in mid – long term. Our emissions intensity (tons of CO_2/mio CHF) decreased year over year. We continued work to implement virtual power purchase agreements (VPPAs) for new wind and solar developments, onsite capacity, renewable energy certificates and other market instruments.	50%
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 1.9% year over year. We expanded our initiatives to increase the percentage of females at all levels of the organization.	125%
4. Quality Education	Expansion of initiatives to improve education offerings for employees.	Employee satisfaction related to learning and development increased by 3% and implemented monitoring of our existing education programs to ensure transparency and accessibility of our programs.	125%
6. Clean Water and Sanitation	Annual progress towards reducing industrial water intensity by 50% by 2030.	We reduced industrial water intensity by more than 10% year over year. We improved our water risk assessments and mitigation plans for each site.	100%
12. Responsible Consumption and Production	Lonza improves ESG along its supply chain.	We rolled out a new supplier code of conduct and due diligence programs combining elements of environmental (Scope 3), social and governance topics, with highest risk and/or impact suppliers being first priority.	100%
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 Sustainable Design Standards for large capital expansion and refurbishment projects worldwide. These standards incorporate the best solutions in terms of reducing energy consumption, greenhouse gas emissions, water consumption and waste production into our assets for the most common utilities.	90%
ESG Factor			**105%**

Overall Company Performance

2022 Group performance targets and outcomes

	Weighting	Target	Maximum	Actual	2022 Achievement (% of target)
Lonza Sales	22.5%	6,205	6,505	6,223	103%
CORE[1] EBITDA	37.5%	1,982	2,103	1,985	105%
Free Cash Flow	15.0%	-432	-307	-465	87%
Lonza ESG	25.0%				105%
Total Company Performance Factor	**100%**	**-**	**-**	**-**	**102%**

[1] CORE results exclude exceptional expenses and income related to e.g. restructuring, environmental remediation, impairments and amortization of acquisition related intangible assets, which can differ significantly from year to year

The 2022 Lonza bonus will be paid to the eligible Executive Committee members in May 2023 subject to shareholder approval at the 2023 Annual General Meeting.

CEO Personal Performance

Lonza Bonus comprises both company and personal factors. In addition to company financial and ESG targets, the CEO also has two ambitious personal objectives. It was determined that these goals, should have a business focus, a "what" goal, and a behavior focus, a "how" goal. The overall holistic personal performance factor is determined by considering performance against these two goals, as well as overall contributions and demonstration of Lonza values and behaviors.

Goal 1
Personal "what" goal focussed on operational effectiveness through ensuring delivery against budget, inventory and supply management, ramp-up of production capacity and capturing value in the CDMO healthcare market.

Goal 2
Personal "how" goal focussed on delivery through internal engagement and external relationships by building strong customer relationships with key customers, achieving good levels of employee engagement, instilling governance methods and lean practices across the organization as well as further strengthening the Executive Committee.

Overall holistic assessment
The CEO performance in 2022 has been successful. In a challenging inflationary environment 2022 financial goals as well as ESG measures have been delivered. Operational effectiveness has been delivered through ramp-up of additional production capacity whilst managing supply and inventory through a period of global disruption. Further selective divestments have been implemented to simplify the business portfolio and focus on the CDMO healthcare market.

Customer relationships in particular with key customers have been further extended as reflected in increased customer satisfaction which supported the ESG achievements. A reconfiguration and extension of the Executive Committee team to include industry-leading talent has been delivered which also supported successfully driving focus on holistic governance and lean practices, as well as employee engagement which was surveyed systematically with an independent survey being implemented twice in 2022. Employee engagement scores improved over the survey period.

On balance and considering holistic performance over the full year, the Chair of the Board and also the NCC determined that a personal performance rating of Successful Performer fairly reflects 2022 performance. This results in a formulaic and non-discretionary output of a 100% personal performance factor.

Personal Performance Factor	**100%**
CEO Overall Pay-out Factor	**102%**

Long-term Incentive Plan (LTIP)

Objective and overview

- Part of the variable compensation component, the LTIP has been designed to align 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 certain 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

- **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

Performance	Payout (% of target)
Minimum	0%
Threshold	50%
Target	100%
Maximum	200%

2020 LTIP award - performance conditions and payout

The 2020 LTIP award was granted in 2020 and vested in early 2023 following a three year performance period which was based on the below financial performance metrics:

		2020–2022 LTIP performance			
	Weighting	Target	Maximum	Actual	2022 Achievement (% of target)
CORE[1] EPS (earnings per share)	50%	14	16.1	16.4	200%
ROIC (return on invested capital)	50%	9.9%	11.4%	11.3%	194%
Total	–	-	-	-	197%

This resulted in a payout of 197% of target LTIP levels for Executive Committee members with this award

2022 LTIP award

Overview
The 2022 LTIP budget value for the Executive Committee was approved by the Board of Directors and submitted to the 2022 AGM. Following shareholder approval at this meeting, the awards were subsequently administered. Similar to previous years, the 2022 LTIP awards include minimum, threshold, target and stretch goals, as outlined above.

Performance measures and target setting
The 2022 LTIP awards are subject to CORE EPS and ROIC performance measures, each with an equal weighting. These long-term performance measures remain appropriate to measure the long-term performance of Lonza. They 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 Committee and approved by the Board of Directors in January 2022. These financial performance targets for the 2024 year end are commercially sensitive at this time and will not be disclosed publicly until after the awards have vested.

CORE[1] EPS
The 2022 LTIP award threshold performance level was determined to be 125% of the CORE EPS threshold performance level for the 2021 LTIP award. The 2022 LTIP maximum performance level was determined to be above the 2024 Guidance and is a double-digit percentage figure above threshold performance levels.

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 2022 LTIP award threshold performance level was determined to be 95% of the ROIC threshold performance level set for the 2021 LTIP award. The maximum performance level was determined to be above the 2024 Guidance and is close to a double-digit percentage figure above threshold performance levels.

[1] CORE results exclude exceptional expenses and income related to e.g. restructuring, environmental remediation, impairments and amortization of acquisition related intangible assets, which can differ significantly from year to year

Lonza Restricted Share Plan (LRSP)

Objective , overview and performance measures

- A buyout instrument for Executive Committee members awarded solely in cases where an Executive forgoes certain compensation at their previous employer. 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

- 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

- 100% equity following a two to five-year time-based vesting period

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 2022. The compensation and variable long-term compensation budgets are based on shareholders' approval during the 2022 Annual General Meeting.

Million CHF	2022	2021
Fixed compensation		
Base salary	0.90	0.90
Post-employment benefits / other benefits [1]	0.35	0.36
Variable compensation		
Short-term incentive (cash) [2]	0.92	0.69
Short-term incentive (shares) [2]	0.00	0.69
LTIP (grant value) [3]	1.35	1.35
Total	**3.52**	**3.99**

[1] The disclosed amounts on this line represent the full costs of employer contributions for social security and pension fund amounts for 2022 and 2021. For 2022 the employer pension contributions were CHF 0.10m (2021: CHF 0.10m)
[2] For those Executive Committee Members who are yet to reach the minimum shareholding, the 2022 Bonus will be paid out as 50% cash and 50% shares (individual exceptions reserved subject to NCC approval).
[3] The fair value in 2022 and 2021 was calculated using base salary and market value at grant date (31 January 2022 and 29 January 2021). It is possible that the eventual value at vesting will be higher or lower (or even zero)

Aggregate Compensation of the Executive Committee

The table below shows the aggregated breakdown of all compensation provided to Executive Committee members[1] in 2022 and 2021.

Million CHF	2022	2021
Fixed compensation		
Base salary [2]	4.01	3.58
Post-employment benefits / other benefits [3]	2.00	1.97
Variable compensation		
Short-term incentive (cash) [4,5]	2.42	2.81
Short-term incentive (shares) [6]	0.74	1.58
LTIP (grant value) [7]	5.42	4.97
LRSP (grant value) [8]	1.02	1.70
Other compensation [9]	0.98	0.85
Total	**16.59**	**17.46**

[1] 7.7 members in 2022 and 6.3 members in 2021. Claude Dartiguelongue retired from the Executive Committee with immediate effect on 31 July 2022. Stefan Stoffel retired from the Executive Committee on 31 August and their departures are is treated in accordance with contractual obligations and applicable plan rules. Rodolfo Savitzky stepped down from the Executive Committee on 20 November 2021 and his departure continues to be treated in line with contractual obligations and applicable plan rules. Christian Seufert, Maria Soler Nunez and Daniel Palmacci became Executive Committee members on 1 July 2022, 1 August 2022 and 1 November 2022 respectively
[2] Base salary levels paid for the periods when individuals sat on the Executive Committee during 2022 and 2021
[3] Social security, pension fund and other benefits. The disclosed amounts on this line represent the full costs of employer contributions for social security and pension fund amounts for 2022 and 2021. For 2022 the employer pension contributions were CHF 0.66.m (2021: CHF 0.23m). The table shows the fair value of the other benefits
[4] The company factor for 2022 was 102% (2021: 153%) and the rounded average personal factor for the EC Members was 100% (Successful Performer). Payouts will be made with the first possible payroll after shareholders' approval at the 2023 AGM
[5] 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
[6] For those Executive Committee members who are yet to reach the minimum shareholding, the 2022 Bonus will be paid out as 50% cash and 50% shares (individual exceptions reserved subject to NCC approval)
[7] The fair value in 2022 and 2021 was calculated using base salary and market value at grant date (31 January 2022 and 29 January 2021). It is possible that the eventual value at vesting will be higher or lower (or even zero)
[8] In line with the Executive Committee Appointments Policy (see page 188), awards made in 2022 to Executive Committee members under the Lonza Restricted Share Unit Plan (LRSP) compensated for time-based 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 194 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 2022 and 2021 as well as a cash payment to an Executive Committee member in lieu of forfeited annual bonus at their previous employer.

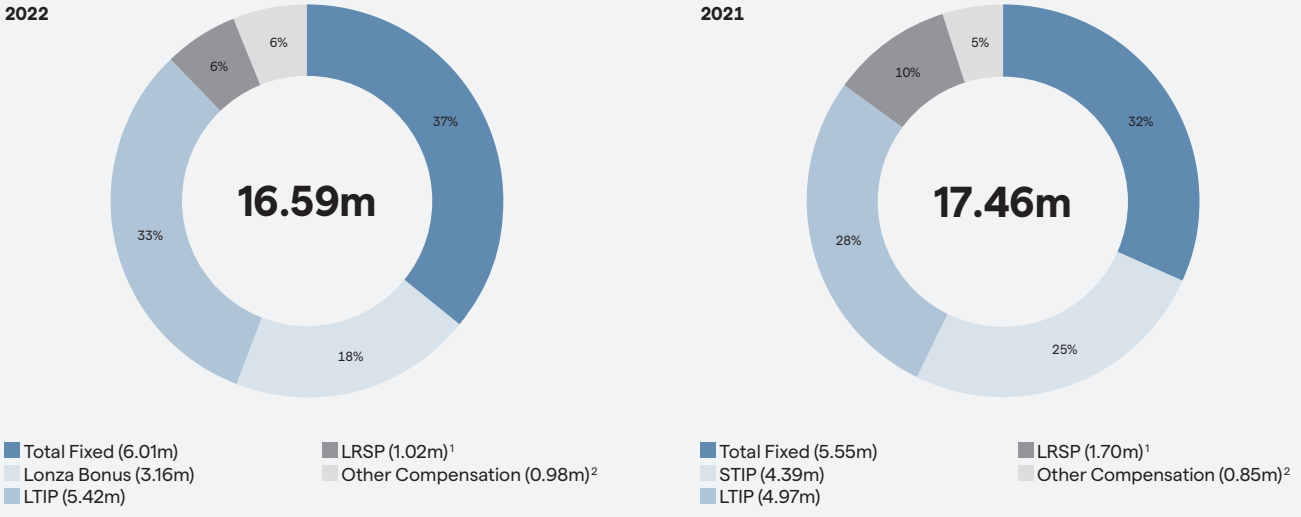
The aggregated base salary levels increased by 12% in 2022 (12% in 2021), primarily as a result of the increase in Executive Committee members in 2022. There were 7.3 active Executive Committee members in 2022 compared to 6.3 active Executive Committee members in 2021, reflecting the portion of time held by Executive Committee members during each year.

The proposed bonus payments for 2022 are reflective of the 2022 Group financial and ESG performance versus the performance targets set, as outlined on page 193 of this report. The performance outcomes result in a proposed payout of 102% of target levels. The 2022 Executive Committee member representation of 7.5 for the annual bonus is lower than the Executive Committee member representation for base salary at 7.7 due to the President, Cell & Gene Division not receiving an annual bonus payout for 2022 as he joined post the annual bonus eligibility cutoff date.

The 2022 LTIP grant value reflects an increase in aggregate levels compared to 2021, albeit there was no change to policy levels during 2022. The difference in value is driven by the increase in the number of Executive Committee members for 2022 compared to 2021 (7.3 members in 2022 compared to 6.3 members in 2021 receiving an award).

No loans or credits were outstanding as of 31 December 2022. During 2022, no payments (or waiver of claims) 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.

2022 fixed versus variable pay mix



1 Lonza Restricted Share Unit Plan (LRSP) 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 page 195 for details of the LRSP award made in 2022 and the 2021 Remuneration Report for details of the award made in 2021
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 2022 and 2021. For 2022 this also includes a cash payment to an Executive Committee member made upon their appointment to compensate for forfeited annual bonus at their previous employer

Appointments to the Executive Committee in 2022

Three appointments were made to the Executive Committee during the year. The resulting structure provides a dedicated President for each of our four Divisions, thereby maximizing the growth potential of each area of the business. Christian Seufert – President, Capsules & Health Ingredients Division, Maria Soler Nunez – Head, Group Operations and Daniel Palmacci – President, Cell & Gene Division were appointed to the Executive Committee on 1 July 2022, 1 August 2022 and 1 November 2022 respectively.

Total compensation was set in line with the Executive Committee Compensation Policy. All relevant pro-rated compensation levels for all new Executive Committee members are included in the aggregated compensation table on page 195. Two Executive Committee members received a 2022 award under the Lonza Restricted Share Unit Plan (LRSP), to compensate for equity awards which were forfeited when leaving their previous employers.

The LRSP awards have a grant value less than the value of the awards forfeited. 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. 59% of the awards (CHF 600,000) will vest after two years and the remaining 41% (CHF 420,000) will vest after three years to align with the previous vesting schedule of the forfeited equity awards. The full awards are subject to continued employment, sustained individual performance, clawback and malus, under the Clawback and Malus Policy outlined on page 189.

The LRSP is an instrument used at the Executive Committee member level solely as a vehicle to support Executive Committee appointments (see page 188 for further details) in cases where compensation is forfeited at a previous employer and a Lonza replacement award is required. One Executive Committee member received a cash payment upon joining Lonza in lieu of forfeited annual bonus at their previous employer. This cash payment is subject to clawback and malus, under the Clawback and Malus Policy outlined on page 189.

Payment to Departed Executive Committee Members in 2022

Claude Dartiguelongue stepped down as President, Capsules & Health Ingredients and Member of the Executive Committee on 31 July 2022. Her departure is treated in accordance with contractual obligations and applicable plan rules.

Stefan Stoffel stepped down as Head, Group Operations and Member of the Executive Committee on 31 August 2022. His departure is treated in accordance with contractual obligations and applicable plan rules.

Rodolfo Savitzky stepped down as Chief Financial Officer and Member of the Executive Committee on 20 November 2021. His departure continues to be treated in accordance with contractual obligations and in line with applicable plan rules.

No other payments (or waiver of claims) were made to former Executive Committee members in 2022.

Compensation Compared to the Lonza Workforce

Executive Committee members received an average base salary increase of 1.29%. This is in comparison to the wider Lonza workforce who received an average base salary increase of 1.24% as part of the annual salary review in April 2022. As the Executive Committee is primarily Swiss based, the Lonza Workforce reflects regular Swiss employees. Any workforce representation wider than this would not enable a fair comparison due to varying inflation and market levels across the world.

Compensation of the Board of Directors 2022

Policy

Objective and Market Benchmarking

The Board of Directors regularly reviews the compensation of its members, including the Chairperson, based on a proposal by the Nominations and Compensation Committee, including relevant benchmarking information. After eight years of consistent fee levels, a review of Board of Director fees was undertaken in 2022. This review recognized the increasing workload arising from growth at Lonza and after reviewing against the peer group, the Chair fee was increased and separate committee fees were applied per committee. However, the base fee for other board members was not increased.

This review sets the compensation levels 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 (market capitalization) and global presence to Lonza. The peer group comprises ABB Ltd, Richemont SA, Givaudan SA, Kühne + 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 as 50% in Lonza Group shares and 50% in cash. This was paid in quarterly installments during the 2022 financial year. The number of shares granted for Board of Directors' compensation is based on the average closing share price of the last five business days of each quarter. Share restrictions lapse after three years from the grant date. Shares are eligible for a dividend. This structure of Board of Directors' compensation is closely aligned with our shareholders' interests. The members of the Board of Directors do not receive variable compensation. The members of the Board of Directors are reimbursed for travel and other related expenses associated with their responsibilities as members of the Board of Directors of Lonza. The position and associated compensation of the Chair of the Board of Directors and its members was approved by shareholders at the 2022 Annual General Meeting (AGM). This reflects an increase in compensation levels and an adjustment to the structure of committee payments as compared to 2021.

Compensation Components

For the period from the 2022 AGM to the 2023 AGM, the members of the Board of Directors receive fixed gross compensation for Board of Directors' membership and additional compensation for Committee Chairpersons and committee members as described in the table below. The compensation of the Chairperson of the Board of Directors includes compensation as a member of the Innovation and Technology Committee of the Board of Directors. The additional responsibilities of Vice-Chairperson do not attract any additional fees.

Board of Directors

Compensation Board of Directors Annual General Meeting (AGM) 2022 to 2023 (excluding social security contributions)

In CHF	Base annual fee	Committee membership fee per committee	Committee Chair fee
Chair of the Board of Directors [1]	750,000	-	-
Member of the Board of Directors [2]	200,000	40,000	80,000
	The additional responsibilities of Vice-Chairperson and Lead Independent Director[3] do not attract any additional fees		
Form of payout	50% in Lonza Group shares and 50% in cash and paid 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] The compensation for a Committee Chairperson amounts to CHF 280,000 where chairing one committee. In the case of multiple committee memberships each attracts a separate fee
[3] The roles and responsibilities of such Lead Independent Director are in line with sect. 18 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. No loans or credits were outstanding as of 31 December 2022. During 2022, no payments (or waiver of claims) were made to current or former Board members nor to persons closely linked to them. No member of the Board of Directors benefits materially from any contract between a Lonza company and a third party. For a full review of the historical development of compensation for the Board of Directors, see note 23 in the Lonza Group consolidated financial statements. Compensation levels for the 2023 to 2024 AGM period are disclosed in the 2023 AGM invitation.

Board of Directors Compensation [1]

	2022					2021				
In CHF	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]	322,479	702	354,605	67,541	744,625	271,629	455	298,901	56,621	627,152
Werner Bauer [5]	31,828	52	34,601	6,344	72,773	127,297	211	138,736	25,407	291,440
Dorothée Deuring [5]	31,063	52	34,601	7,332	72,996	124,235	211	138,736	29,359	292,330
Marion Helmes [6]	48,867	187	88,771	41,133	178,771					
Angelica Kohlmann [7]	133,150	296	149,104	31,435	313,689	106,359	181	118,952	25,295	250,606
Christoph Mäder [7]	137,633	303	153,762	32,425	323,820	124,234	211	138,736	29,359	292,330
Roger Nitsch [6]	79,790	187	88,771	18,930	187,491					
Barbara Richmond [7]	66,759	264	133,909	99,269	299,937	60,231	181	118,952	94,026	273,210
Jürgen Steinemann	65,081	232	118,714	54,919	238,714	65,031	181	118,952	54,969	238,952
Olivier Verscheure	106,370	232	118,714	25,273	250,357	92,630	181	118,952	39,023	250,606
Total	**1,203,020**	**2,507**	**1,275,552**	**384,601**	**2,683,173**	**971,646**	**1,812**	**1,190,920**	**354,060**	**2,516,626**

[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 23 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 committee membership. Albert Baehny is also a member of the Innovation and Technology Committee.
[5] Werner Bauer and Dorothée 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 Chairpersons 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 2022: 23,077 (2021: 48,159)[1] registered shares of Lonza Group Ltd and controlled <0.1% (2021: <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 2022: 7,507 (2021: 4,660)[1] shares and controlled <0.1% (2021: <0.1%) of the share capital. The individual control rights are proportional to the holdings shown below.

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

Board of Directors [1]

	Numbers of shares	
	2022	2021
Albert M. Baehny	4,857	4,262
Werner Bauer [2]	n/a	26,712
Angelica Kohlmann	1,313	1,065
Christoph Mäder	3,959	3,697
Barbara Richmond	3,884	3,657
Jürgen Steinemann	7,549	7,343
Olivier Verscheure	1,271	1,065
Dorothée Deuring [2]	n/a	358
Roger Nitsch [3]	122	n/a
Marion Helmes [3]	122	n/a
Total	**23,077**	**48,159**

[1] Spouse, children below 18, any legal entities that they own or otherwise control, or any legal or natural person who is acting as their fiduciary
[2] Werner Bauer and Dorothée Deuring did not stand for re-election at the 2022 AGM
[3] Marion Helmes and Roger Nitsch were appointed to the Board of Directors at the 2022 AGM

Executive Committee [1,2]

	Numbers of shares	
	2022	2021
Pierre-Alain Ruffieux	2,963	0
Stefan Stoffel [3]	n/a	3,500
Caroline Barth	871	445
Claude Dartiguelongue [4]	n/a	0
Gordon Bates [5]	1,770	606
Jean-Christophe Hyvert [5]	1,903	109
Philippe Deecke [6]	0	0
Christian Seufert [7]	0	n/a
Maria Soler Nunez [8]	0	n/a
Daniel Palmacci [9]	0	n/a
Total	**7,507**	**4,660**

[1] Spouse, children below 18, any legal entities that they own or otherwise control, or any legal or natural person who is acting as their fiduciary
[2] 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] Stepped down from the Executive Committee on 31 August 2022
[4] Stepped down from the Executive Committee on 31 July 2022
[5] Appointed to the Executive Committee on 1 April 2021
[6] Appointed to the Executive Committee on 1 December 2021
[7] Appointed to the Executive Committee on 1 July 2022
[8] Appointed to the Executive Committee on 1 August 2022
[9] Appointed to the Executive Committee on 1 November 2022

Report of the Statutory Auditor

To the General Meeting of Lonza Group Ltd, Basel

Report on the Audit of the Remuneration Report

Opinion
We have audited the accompanying remuneration report of Lonza Group Ltd for the year ended 31 December 2022. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections “Highest Compensation Paid to a Member of the Executive Committee”, “Aggregate Compensation of the Executive Committee”, “Payment to Departed Executive Committee Members in 2022” and “Compensation of the Board of Directors 2022 - Implementation” of the remuneration report.

In our opinion, the information on remuneration, loans and advances in the attached Remuneration Report complies with Swiss law and Art. 14-16 VegüV.

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 sections “Highest Compensation Paid to a Member of the Executive Committee”, “Aggregate Compensation of the Executive Committee”, “Payment to Departed Executive Committee Members in 2022” and “Compensation of the Board of Directors 2022 - Implementation” in the Remuneration Report, the consolidated financial statements, the 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 on remuneration, loans and advances pursuant to Art. 14-16 VegüV 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 judgment and maintain professional scepticism 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 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

Timothy Scott
Licensed Audit Expert

Zurich, 8 March 2023


Lonza

Corporate Governance

Group Structure and Shareholders

Lonza Board of Directors

Audit and Compliance Committee (ACC)	**Nomination and Compensation Committee** (NCC)	**Innovation and Technology Committee** (ITC)

The Chairperson of the Board of Directors takes responsibility for all sustainability related issues

Lonza Executive Committee (EC)

Pierre-Alain Ruffieux Chief Executive Officer (CEO)	**Philippe Deecke** Chief Financial Officer (CFO)	**Caroline Barth** Chief Human Resources Officer (CHRO)	**Maria Soler Nunez**[1] Head, Group Operations
Christian Seufert[2] President, Capsules & Health Ingredients	**Gordon Bates** President, Small Molecules	**Jean-Christophe Hyvert** President, Biologics	**Daniel Palmacci**[3] President, Cell & Gene

Lonza

Lonza Divisions	**Corporate Functions**
Global Business Service Organization	

[1] Stefan Stoffel was Head, Group Operations until August 2022
[2] Claude Dartiguelongue was President, Capsules & Health Ingredients until July 2022
[3] Jean-Christophe Hyvert was President, Cell & Gene until November 2022

Operational Group Structure

Divisions
In 2022, 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 209, 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 31, Principal Subsidiaries and Joint Ventures, page 138.

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 2022: BlackRock, Inc., New York, NY (USA) 9.92%.

The current significant shareholders as well as further disclosure notifications registered in 2022 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 2022, 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

	31.12.2022		31.12.2021	
	Shareholders in %	Shares in %	Shareholders in %	Shares in %
Switzerland	89.53	19.01	91.08	17.86
United Kingdom	0.93	18.48	0.40	16.99
USA	2.52	8.62	0.98	11.53
Others	7.02	5.12	7.54	6.38
Shares in transit		48.52		46.86
Treasury shares without voting rights and without dividend		0.25		0.38
Total	**100**	**100**	**100**	**100**
Total number of shares		74,468,752		74,468,752

Share Register

	31.12.2022	31.12.2021
Registered shareholders	41,458	32,520
Registered shares with voting rights	29'455'541	31,175,762
Share distribution:		
1 – 100	31'854	23,562
101 – 1,000	8'366	7,758
1,001 – 10,000	998	951
10,001 – 100,000	195	202
100,001 – 1,000,000	40	41
Over 1,000,000	5	6
Total registered shareholders	**41,458**	**32,520**

Authorized and Conditional Capital

The Board of Directors is authorized to increase, at any time until 6 May 2023, the share capital of Lonza 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 authorized capital was created by the Annual General Meeting held on 6 May 2021. The additional terms and conditions of the authorized capital (including the group of beneficiaries who have the right to subscribe for this additional capital) are set out in Article 4ter 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 by 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 4bis of the Lonza Articles of Association.

According to Article 4^{quater} of the Lonza Articles of Association, the capital increases in the form of conditional capital and authorized capital may increase Lonza's share capital only by a maximum aggregate amount of CHF 7,500,000, which equates to ≈10% of the existing share capital.

Changes in Capital

	2022	2021	2020	2019
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 2022, Lonza had a market capitalization of CHF 33,742million (2021: CHF 56,715 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 2022, 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	2023	Independent
Marion Helmes	German	1965	2022	2023	Independent
Angelica Kohlmann	German / Brazilian	1960	2018	2023	Independent
Christoph Mäder	Swiss	1959	2016	2023	Independent
Roger Nitsch	Swiss / German	1961	2022	2023	Independent
Barbara Richmond	British	1960	2014	2023	Independent
Jürgen Steinemann	German	1958	2014	2023	Independent
Olivier Verscheure	Belgian	1972	2018	2023	Independent

Werner Bauer and Dorothée Deuring were members of the Board of Directors until the Annual General Meeting 2022 on 5 May 2022.

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, charitable foundations, trusts and employee welfare foundations.

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 are mandates in the supreme governing body of a legal entity that is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control or in the same beneficial ownership are deemed to be a single 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.

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. 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 2022:

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

The Board of Directors strives to select the committee members based on their professional background and experience.

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; and (v) Lonza's financial statements and results (including releases). 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	6	7	6	5
Average duration	3.5h	3h	2.25h	2.5h
Overall attendance	100%	100%	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.

Attendance

Name	Board of Directors	Audit and Compliance Committee	Nomination and Compensation Committee	Innovation and Technology Committee
Meeting Total	**6**	**7**	**6**	**5**
Albert M. Baehny	6		6	5
Werner Bauer [1]	3			2
Dorothée Deuring [1]	3	3		
Marion Helmes [2]	3	4		
Angelica Kohlmann	6		6	5
Christoph Mäder	6	7	6	
Roger Nitsch [2]	3			3
Barbara Richmond	6	7		
Jürgen Steinemann	6		6	
Olivier Verscheure	6			5

[1] Dorothée Deuring and Werner Bauer were members of the Board of Directors, the Audit and Compliance Committee respectively the Innovation and Technology Committee until the Annual General Meeting held on 5 May 2022. They attended all meetings which were held prior to their departure.
[2] Marion Helmes and Roger Nitsch became members of the Board of Directors, the Audit and Compliance Committee respectively the Innovation and Technology Committee after the Annual General Meeting held on 5 May 2022. They attended all meetings which were held after their election.

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 2022 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; and
- 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.

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 2022, Lonza Audit Services delivered 16 internal audit reports to the Audit and Compliance Committee, and they also informed the 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 but monitored 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 2022, the Board of Directors identified inter alia commercial, operational and cybersecurity risks for which corresponding risk mitigation measures have been adopted.


Lonza

CVs Board of Directors

Members of the Board of Directors as of 31 December 2022

Albert M. Baehny

Nationality: Swiss
Year of birth: 1952

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).

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 (since April 2020) and Lead Independent Director (since November 2019) of the Board of Directors of Lonza Group Ltd; Independent member of the Board of Directors of Lonza Group Ltd (since April 2016).

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

Public Company Boards

- Member of the Board of Directors EMS Chemie Holding AG (since 2018)
- Member of the Board of Directors Baloise Holding AG (since 2019)

Further Appointments

- President of Economiesuisse (since 2021)
- 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-Hanhart-Vogt (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

- Group General Counsel (including oversight of the risk and compliance function) and 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
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)
- Vice Chair, Member of the Presiding, Compensation and Audit and Finance Committee of ProSiebenSat.1 Media SE (since 2014)

Former Activities and Functions
- 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
- Member International Advisory Board IE University and Business School, Madrid (since 2017)
- Chairperson Board of Directors, Bloom Diagnostics AG (since 2014)
- Chairperson Board of Directors, Kohlmann & Co AG (since 2013)
- International investor in biotech and tech, based in Switzerland (since 2014)
- Board Observer Teralytics AG (since 2017)
- Chairperson of the Advisory Board Peter Drucker Society Europe / Global Peter Drucker Forum, Vienna (since 2009)

Former Activities and Functions
- 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 – various cancer research functions

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. 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.

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
- CEO and President of the Board of Directors of Neurimmune AG (since 2018)
- Member of the Advisory Board of PUREOS Bioventures (since 2017)
- Member of the Board of Directors of NOVAGO Therapeutics AG (since 2015)
- Chairman of the Board of Directors of Neurimmune Holding AG (since 2006)
- Member of the Board of Directors of INTEGRA Biosciences Holding AG (since 2002)
- Professor at the University of Zurich (part-time since 2018) Institute for Regenerative Medicine (since 1998)

Former Activities and Functions
- 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 Chief Financial Officer for various companies. She is a Fellow of the Institute of Chartered Accountants in England and Wales.

Current Activities and Functions
- Group CFO of Redrow plc (since 2010)

Former Activities and Functions
- Group CFO (including oversight of the accounting function) 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

Public Company Boards

- Chairman of the Supervisory Board of Metro AG (since 2015)

Further Appointments

- Investor in food and agro businesses
- Managing Director of JBS Holding GmbH (since 2017)
- Chairman of the Supervisory Board of Bankiva B.V. (since 2017)
- Member of the Advisory Board of Tower Brook Capital Partners LP (since 2017)
- Member of the Supervisory Board of Big Dutchman AG (since 2015)

Former Activities and Functions

- 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 Loders 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 holds a PhD in computer science from the Swiss Federal Institute of Technology, Lausanne (CH) (EPFL, July 1999).

Current Activities and Functions

- Expert in the Strategy Working Group on Data, Computing and Digital Research Infrastructures in the State Secretariat for Education, Research and Innovation (SERI) (since 2019)
- Member of the Foundation Council of SWITCH (since 2019)
- Founder and Executive Director of the Swiss Data Science Center, a joint venture between EPFL and ETH Zürich (since 2016)
- Member of the Executive Committee of Personalized Health and Related Technologies (PHRT), an ETH Domain Strategic Focus Area (since 2017)
- Co-academic Director, Certificate of Advanced Studies (CAS), Data Science and Management, HEC Lausanne and EPFL (since 2018)

Former Activities and Functions

- Lab Program Director and Senior Research Manager at IBM Research Ireland (2010–2016)
- Research Manager and Senior Member of the Research Staff at the IBM T.J. Watson Research Center (1999–2010)

Former Members of the Board of Directors in 2022[1]

Werner Bauer

Nationality: Swiss
Year of birth: 1950

Independent member of the Board of Directors of Lonza Group Ltd (April 2013 until May 2022).

Werner Bauer holds a diploma and PhD in chemical engineering from the University of Erlangen-Nürnberg (DE). He has received several scientific honors, among others the BioAlps Award 2011 and Honorary Senator from the Technical University of Munich (DE).

Current Activities and Functions

Public Company Boards

- Member of the Board of Directors of SIG Combibloc Group AG (since 2018)
- Vice-Chairman of the Board of Directors of Givaudan SA (since 2014)

Further Appointments

- Member of the Board of Directors of the Urs Bühler Innovation Fund (since 2019)
- Vice-Chairman of the Supervisory Board of Bertelsmann SE & Co. KGaA (since 2012)
- Chairman of the Board of Trustees of the Bertelsmann Foundation (since 2003)

Former Activities and Functions

- Member of the Supervisory Board of GEA Group AG (2011–2018)
- Chairman of the Supervisory Board of Nestlé Deutschland AG (2007–2017)
- Executive Vice-President of Nestlé S.A., Head of Innovation, Technology, Research and Development (2007–2013)
- Executive Vice-President of Nestlé S.A., Head of Technical, Production, Environment, Research & Development (2002–2007)
- Various managerial positions of increasing responsibility at Nestlé (1990–2002)
- Chairman of the Board of Directors of Galderma Pharma S.A. (2011–2014)
- Member of the Board of Directors of L'ORÉAL, France (2005–2012)
- Member of the Board of Directors of Alcon Inc., Switzerland (2002–2010)
- Director of the Fraunhofer Institute for Food Technology & Packaging and Professor in Bioprocess Technology at Technical University Munich (DE) (1985–1990)
- Professor of Chemical Engineering at the Technical University of Hamburg (DE) (1980–1985)

Dorothée Deuring

Nationality: Austrian
Year of birth: 1968

Independent member of the Board of Directors of Lonza Group Ltd (April 2020 until May 2022).

Non-Executive Director and Corporate Finance Adviser, who brings more than 25 years of experience in the fields of manufacturing, biotech, pharmaceuticals and banking. Ms Deuring currently serves on the board of several companies including Axpo, Bilfinger and Elementis. Her Board memberships span the energy, plant engineering, chemical and biopharmaceutical sectors. She received her Master of Science in Chemistry from Université Louis Pasteur, Strasbourg in 1994. In 1996 she received her Master in Business Administration from INSEAD, Fontainebleau (FR).

Current Activities and Functions

Public Company Boards

- Supervisory Board Member, Immofinanz AG (since 2021)
- Member of the Board of Directors, Member of the Audit Committee of Axpo Holding AG (since 2017)
- Member of the Board of Directors, Member of the Audit and Remuneration Committees of Elementis PLC (since 2017) Activity
- Independent Corporate Finance Adviser (since 2014)

Former Activities and Functions

- Supervisory Board Member, Member of the Audit Committee of Bilfinger SE (2016-2021)
- Member of the Board of Directors of PIQUR Therapeutics AG (2019-2021)
- Member of the Board of Directors of Selecta AG (2020)
- Supervisory Board Member (Beirat) of Röchling Group SE & Co. KG (2016–2019)
- Head of Corporate Advisory Group Europe, Managing Director Wealth Management Division of UBS AG (2011–2014)
- Managing Director Investment Banking, Head Healthcare and Chemicals M&A of Bankhaus Sal. Oppenheim Jr & Cie (2007–2009)
- Vice Director, Corporate Finance, Mergers & Acquisitions; Vice Director, Diagnostics Division, Business Development for F. Hoffman-La Roche AG (2003–2007)
- Founder, Owner Manager and Board Member of CoCap AG (1998–2003)
- Consultant of McKinsey & Company (1997–1998)
- Managing Director of K. Deuring & Co (1993–1997)

[1] Information tracked until the end of the term of employment with Lonza

Executive Committee

The Board of Directors appoints the members of the Executive Committee. 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
Pierre-Alain Ruffieux	Swiss	1969	Chief Executive Officer
Philippe Deecke	Swiss / German / French	1972	Chief Financial Officer
Caroline Barth	British / Swiss	1972	Chief Human Resources Officer
Stefan Stoffel	Swiss	1966	Head, Group Operations (until August 2022)
Maria Soler Nunez	Spanish	1969	Head, Group Operations (since August 2022)
Claude Dartiguelongue	French	1959	President, Capsules & Health Ingredients (until July 2022)
Christian Seufert	German	1975	President, Capsules & Health Ingredients (since July 2022)
Gordon Bates	British	1965	President, Small Molecules
Jean-Christophe Hyvert	Swiss / French	1972	President, Biologics
Daniel Palmacci	German / Italian / US	1969	President, Cell & Gene (since November 2022)

[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, charitable foundations, trusts and employee welfare foundations.

Mandates are mandates in the supreme governing body of a legal entity that is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control or in the same beneficial ownership are deemed to be a single 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.

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 2022

Pierre-Alain Ruffieux, PhD

Nationality: Swiss
Year of birth: 1969

Chief Executive Officer (CEO) and Member of the Executive Committee (since November 2020).

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 Serono (*now Merck Serono*) (1998–2003)

Philippe Deecke

Nationality: Swiss / German / French
Year of birth: 1972

Chief Financial Officer (CFO) and Member of the Executive Committee (since December 2021).

Philippe Deecke holds a Master's Degree in Industrial Management and Manufacturing from ETH Zurich (CH) and an MBA from Cornell University Johnson School (US).

Former Activities and Functions

- Chief Financial Officer, Novartis Oncology (2021)
- Chief Financial Officer, Sandoz, division of Novartis (2017-2021)
- Chief Financial Officer, Alcon EMEA, division of Novartis (2015-2021)
- Head Group Business Planning and Analysis, Novartis International AG (2012-2015)
- 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 & Company (1998-2005)

Caroline Barth

Nationality: British / Swiss
Year of birth: 1972

Chief Human Resources Officer (CHRO) and Member of the Executive Committee (since April 2020).

Caroline Barth holds a degree in European Business Studies from the University of Sunderland (UK) and an MBA from The Open University (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)

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)

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)

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)

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).

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 Schaftenau, 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)

Former Members of the Executive Committee in 2022[1]

Stefan Stoffel

Nationality: Swiss
Year of birth: 1966

Head, Group Operations and Member of the Executive Committee (March 2019 until August 2022).

Stefan Stoffel holds a Bachelor's degree in engineering from Lucerne University of Applied Sciences and Arts (CH).

Former Activities and Functions
- Head of Lonza Pharma & Biotech Strategic Growth Investments and Ibex® Solutions (2016–2019)
- Head of Lonza Pharma & Biotech Operations (2013–2016)
- General Manager of Lonza Chemical Operations Business Unit (2010–2013)
- Head of Lonza's Small Molecules Exclusive Synthesis Business Unit (2009–2010)
- Head of Operations for Lonza's Small Molecules Exclusive Synthesis Business Unit (2007–2009)
- Various positions at Lonza in Engineering & Maintenance, Technical Management, Production and Operations Management for Lonza AG and Lonza Inc. (1991–2007)

Claude Dartiguelongue

Nationality: French
Year of birth: 1959

President, Capsules & Health Ingredients Division (January 2020 until July 2022) and Member of the Executive Committee (April 2021 until July 2022).

Claude Dartiguelongue holds a master's degree in Medical Management from the École Superieure de Commerce de Paris, ESCP (FR), as well as in Biotechnology from the University of Grenoble (FR).

Former Activities and Functions
- President, Microbiology, Thermo Fisher Scientific (2016 – 2019)
- President, BioSciences, Becton, Dickinson and Company (BD) (2013 – 2016)
- President, Pharmaceutical Systems, BD (2009 – 2012)
- Regional and global leadership positions (primarily in Sales and Marketing), BD (2002 – 2009)

[1] Information tracked until the end of the term of employment with Lonza

Compensation, Shareholdings and Loans

Details of Board and Executive Committee compensation are contained in the Remuneration Report, respectively on page 198 and 190.

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 shares with a par value of CHF 100,000 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 209. 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 Thursday, 20 April 2023 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 190).

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. The criteria for selection of external auditors include independence, quality, reputation and cost of services. Florin Krapp from KPMG AG has been nominated as lead auditor in charge for the financial year 2022. She first held the mandate as lead auditor in the financial year 2021. Lonza's Audit and Compliance Committee, together with KPMG AG ensure that the auditor in charge is rotated at least every seven years.

The Board of Directors proposes that KPMG AG be re-elected as auditor for the financial year 2023. The proposal is subject to shareholder approval at Lonza's 2023 Annual General Meeting on 5 May 2023.

Audit Tender

In 2022, the Board of Directors decided to initiate a tender for the audit and related services of Lonza Group Ltd and its subsidiaries starting from the financial year 2024. The overall objective of the audit tender was to select the best auditor in terms of quality within a competitive price range through a non-discriminatory, transparent and robust selection process, in line with good governance practices. The tender was open to any audit firm having sufficient expertise, experience, IT capabilities and geographical footprint to audit a listed company with a global scale and high complexity of operations.

On 25 January 2023, Lonza announced that its Board of Directors intends to propose to Lonza's shareholders Deloitte AG as its external auditor effective from the financial year 2024. The proposal is subject to shareholder approval at Lonza's 2023 Annual General Meeting on 5 May 2023.

Auditing Fees and Additional Fees

The fees for professional services paid to KPMG AG for the years under audit ended 31 December 2022 and 2021 are as follows:

Million CHF	2022	2021
Audit services	4,469	4,179
Audit-related services		
- Assurance – transaction related		0.865
- Assurance – other	0.396	
- Non-statutory audits		
Tax services	0.013	0.008
Other services	0.453	1.483
Total	**5,331**	**6.635**

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 historical carve-out audits of the Specialty Ingredients business. Tax services represent tax compliance, assistance with historical tax matters, and other related services. Other services in 2022 and 2021 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 2022 audit strategy and their 2022 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 annual approved budget, there is an amount permissible for non-audit services that the external auditors may perform. 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 2022 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 2022, 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 79 154 95 22) 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 21 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 year end 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). Such special trading ban is upheld 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 such special trading ban and are not allowed to trade Lonza securities during such period.

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 2023 and Mid-Term Guidance 2024 herein may not prove to be correct. The statements in the section on Outlook 2023 and Mid-Term Guidance 2024 constitute forward-looking statements and are not guarantees of future financial performance.

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Production Details:
Corporate Communications, Lonza Group Ltd, Basel (CH)
Design and Illustration: SevenThree Creative, Edinburgh (UK) and Lonza Design Team
Lonza Online Annual Report: Sears Davies Ltd, London (UK)
Pictures: iStock, Getty Images, Lonza
Board of Directors, Executive Committee Members and Leadership Portraits: Lonza

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