



# Financial Statements

# Consolidated Balance Sheet

## Assets[1]

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

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

## Equity and liabilities[1]

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

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

# Consolidated Income Statement [1]

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

[1] For the year ended 31 December
[2] See the accompanying notes to the consolidated financial statements
[3] Includes impairments of CHF 405 million and restructuring costs of CHF 50 million (see note 3)
[4] Includes the amortization of acquisition-related intangible assets (2023: CHF 132 million, 2022: CHF 138 million)
[5] Operating income includes a CHF 199 million gain from disposal of several businesses in Bioscience and Small Molecules (see note 4)
[6] Result from operating activities (EBIT) excludes interest income and expenses as well as financial income and expenses that are not interest related and Lonza's share of profit / loss from associates and joint ventures





# Consolidated Statement of Comprehensive Income [1]

| million CHF | Notes [2] | 2023 | | 2022 | |
|---|---|---|---|---|---|
| **Profit for the period** | | | **655** | | **1,218** |
| **Other comprehensive income** | | | | | |
| **Items that will not be reclassified to profit or loss:** | | | | | |
| Remeasurements of net defined benefit liability | 23 | (35) | | 49 | |
| Income tax on items that will not be reclassified to profit or loss | 21 | 5 | (30) | (8) | 41 |
| **Items that are or may be reclassified subsequently to profit or loss:** | | | | | |
| Exchange differences on translating foreign operations | | (498) | | (205) | |
| Reclassification of foreign currency differences related to divested businesses | | 0 | | 8 | |
| Cash flow hedges – effective portion of changes in fair value | | (34) | | 10 | |
| Cash flow hedges – reclassified to property, plant and equipment | | 6 | | 4 | |
| Cash flow hedges – reclassified to profit or loss | | (17) | | 9 | |
| Income tax on items that are or may be reclassified to profit or loss | 21 | 21 | (522) | (3) | (177) |
| **Other comprehensive income for the period, net of tax** | | | **(552)** | | **(136)** |
| **Total other comprehensive income for the period** | | | **103** | | **1,082** |
| **Total comprehensive income attributable to:** | | | | | |
| Equity holders of the parent | | | 109 | | 1,084 |
| Non-controlling interests | | | (6) | | (2) |
| **Total comprehensive income for the period** | | | 103 | | 1,082 |

[1] For the year ended 31 December
[2] See the accompanying notes to the consolidated financial statements

# Consolidated Cash Flow Statement [1]

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

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

[1] For the year ended 31 December
[2] See the accompanying notes to the consolidated financial statements
[3] Includes the effects from the Share Buyback Program that was initiated in 2023
[4] Includes dividends of CHF 3 million (2022: CHF 5 million) paid to non-controlling interest shareholders of a subsidiary

# Consolidated Statement of Changes in Equity

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

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

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

## Note 1
### Operating Segments

### 1.1
### General Information

Following the requirements of IFRS 8 "Operating Segments", the Group's reportable segments/divisions are described below:

**Biologics**
The Biologics division is a leading contract development and manufacturing partner for biopharmaceuticals, serving customers for all clinical and commercial manufacturing needs throughout the product lifecycle, including drug substance and drug product manufacturing. The modalities across Biologics include mammalian and microbial expression systems, bioconjugates, and mRNA. The end-to-end service offering is complemented by granting customers access to Lonza's expression system and bioconjugates technologies as well as manufacturing related know-how and Drug Product Services capabilities.

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

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

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

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

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

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

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

## 1.2
## Information About Reportable Segment Profit or Loss, Assets and Liabilities including Reconciliations

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

Year ended
### 31 December 2023

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

[1] Intersegment sales were based on prevailing market prices
[2] Refer to section "Alternative Performance Measures" for details on the calculation methodology
[3] Refer to note 22
[4] Includes impairment of capitalized contract costs of CHF 22 million
[5] Refer to note 3

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

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

[1] Result from operating activities (EBIT) excludes interest income and expenses as well as financial income and expenses that are not interest related and Lonza's share of profit / loss from associates and joint ventures
[2] Includes gains related to the divestiture of several businesses in Bioscience and Small Molecules
[3] Litigation related to a Lonza legacy site / business
[4] See note 3



Year ended
### 31 December 2022

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

[1] Intersegment sales were based on prevailing market prices
[2] Refer to section "Alternative Performance Measures" for details on the calculation methodology
[3] Refer to note 22

## 1.3
## Measurement of Operating Segment Profit or Loss

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

## 1.4
## Geographical Information

Year ended
### 31 December 2023

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

[1] Revenue from external customers (sales) allocated to geographical areas by destination according to the location of the customer
[2] Total non-current assets excludes deferred tax assets

Year ended
### 31 December 2022

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

[1] Revenue from external customers (sales) allocated to geographical areas by destination according to the location of the customer
[2] Total non-current assets excludes deferred tax assets

## 1.5
## Information About Major Customers

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

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

# Note 2
## Revenues

### 2.1
### Disaggregation of Third-Party Revenues

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

These business models and the markets Lonza operates in are the basis to disaggregate revenue into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Lonza concluded that the revenues of the operating segments shall not be further disaggregated. Each segment focuses on different modalities and markets:

- **Biologics** is the leading contract development and manufacturing partner for biopharmaceuticals, serving customers for all clinical and commercial manufacturing needs throughout the product lifecycle, including drug substance and drug product manufacturing. The modalities across Biologics include mammalian and microbial expression systems, bioconjugates, and mRNA. The end-to-end service offering is complemented by granting customers access to Lonza's expression system and bioconjugates technologies as well as manufacturing related know-how and Drug Product Services capabilities.

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

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

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

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

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

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

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

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

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

### 2.2
### Contract Assets and Liabilities

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

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

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

| million CHF | Notes | 2023 | 2022 |
|---|---|---|---|
| Trade receivables | 10 | 1,138 | 1,164 |
| **Total trade receivables** | | **1,138** | **1,164** |

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

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

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

**Movement in Capitalized Costs to Fulfill a Contract**

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

**Movement in Contract Liabilities**

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

# Note 3
## Impairment Losses and Restructuring Costs

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

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

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

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

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

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

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

# Note 4
## Business Combinations and Sale of Businesses

### 4.1
### Acquisition of businesses (2023)

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

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

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

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

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

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

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

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

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

### 4.2
### Divestment of businesses (2022)

Lonza completed the divestiture of several businesses in 2022 (Bioscience and Small Molecule).

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

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

### 4.3
### Cash Flow from Acquisitions of Subsidiaries

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

[1] Related to Synaffix acquisition. See note 4.1
[2] See note 28.6

# Note 5
## Intangible Assets and Goodwill

### 5.1
### Cost and Accumulated Amortization and Impairment

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

The Capsugel trade name acquired through the business combination in 2017 as well as the trademarks acquired through the acquisition of Cambrex (2007) are considered to have indefinite useful lives. As a result, these intangible assets with a carrying amount of CHF 227 million as of 31 December 2023 (2022: CHF 241 million) are not systematically amortized.

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

Year ended
#### 31 December 2023

| million CHF | Goodwill | Capsugel trade name and Cambrex Trademarks | Patents, trademarks, client relationship | Computer software | Technologies / Development cost | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| **At 1 January** | **2,863** | **241** | **1,456** | **252** | **1,276** | **4** | **6,092** |
| Additions | 0 | 0 | 3 | 16 | 10 | 0 | 29 |
| Disposals | 0 | 0 | (23) | (1) | (11) | 0 | (35) |
| Acquisition of subsidiaries (see note 4) | 58 | 0 | 40 | 0 | 35 | 0 | 133 |
| Transfers / reclassification | 0 | 0 | 0 | 3 | 0 | (3) | 0 |
| Currency translation differences | (169) | (14) | (109) | (5) | (78) | 0 | (375) |
| **At 31 December** | **2,752** | **227** | **1,367** | **265** | **1,232** | **1** | **5,844** |
| **Accumulated amortization and impairment** | | | | | | | |
| **At 1 January** | **0** | **0** | **(340)** | **(186)** | **(472)** | **0** | **(998)** |
| Amortization | 0 | 0 | (55) | (28) | (89) | 0 | (172) |
| Disposals | 0 | 0 | 23 | 1 | 11 | 0 | 35 |
| Impairment losses [1] | 0 | 0 | (20) | (1) | (10) | 0 | (31) |
| Currency translation differences | 0 | 0 | 26 | 4 | 32 | 0 | 62 |
| **At 31 December** | **0** | **0** | **(366)** | **(210)** | **(528)** | **0** | **(1,104)** |
| **Net carrying amount 31 December** | **2,752** | **227** | **1,001** | **55** | **704** | **1** | **4,740** |

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

Year ended
#### 31 December 2022

| million CHF | Goodwill | Capsugel trade name and Cambrex Trademarks | Patents, trademarks, client relationship | Computer software | Technologies / Development cost | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| **At 1 January** | **2,986** | **252** | **1,547** | **226** | **1,324** | **1** | **6,336** |
| Additions | 0 | 0 | 3 | 28 | 8 | 3 | 42 |
| Disposals | 0 | 0 | (60) | (1) | 0 | 0 | (61) |
| Disposal of subsidiary | (9) | 0 | (12) | 0 | 0 | 0 | (21) |
| Currency translation differences | (114) | (11) | (22) | (1) | (56) | 0 | (204) |
| **At 31 December** | **2,863** | **241** | **1,456** | **252** | **1,276** | **4** | **6,092** |
| **Accumulated amortization and impairment** | | | | | | | |
| **At 1 January** | **0** | **0** | **(347)** | **(149)** | **(400)** | **0** | **(896)** |
| Amortization | 0 | 0 | (57) | (39) | (91) | 0 | (187) |
| Disposals | 0 | 0 | 60 | 1 | 0 | 0 | 61 |
| Disposal of subsidiary | 0 | 0 | 2 | 0 | 0 | 0 | 2 |
| Currency translation differences | 0 | 0 | 2 | 1 | 19 | 0 | 22 |
| **At 31 December** | **0** | **0** | **(340)** | **(186)** | **(472)** | **0** | **(998)** |
| **Net carrying amount 31 December** | **2,863** | **241** | **1,116** | **66** | **804** | **4** | **5,094** |

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

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

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

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

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

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

The reported goodwill and intangible assets with indefinite useful lives are monitored on operational division level.

The following cash-generating units maintain carrying amounts of goodwill as presented below (at year-end exchange rates):

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

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

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

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

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

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

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

The Cell & Gene division consists of three cash-generating units Bioscience / Cell & Gene Technologies / Personalized Medicine businesses. The businesses are characterized by strong dynamic growth across the majority of its markets, driven by the aging population and improved access to healthcare. The cash flow projections for 2024–2028 are based on a 12.3% (2022: 22.0%) average sales growth. The cash flow projections beyond the five-year period are extrapolated using a 2.0% (2022: 2.0%) growth rate. A pre-tax discount rate of 8.6% (2022: 7.7%) has been used in discounting the projected cash flows.

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

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

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

# Note 6
## Property, Plant and Equipment and Right-of-use Assets

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

## 6.1
## Property, Plant and Equipment

Year ended
### 31 December 2023

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

[1] Disposal in construction in progress related to transfer to lease receivables
[2] Refer to note 3

Year ended
### 31 December 2022

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

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

## 6.2
## Right-of-use Assets

Year ended
### 31 December 2023

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

Year ended
### 31 December 2022

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

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

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

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

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

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

# Note 7
## Other Non-Current Assets

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

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

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

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

The maturities on lease receivables are as follows:

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

# Note 8
## Investments in Associates and Joint Ventures

In 2023 and 2022, the Group did not receive any dividends from associates and joint ventures.

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

| million CHF | 2023 | 2022 |
|---|---|---|
| **Balance sheet value** | | |
| Interests in associates | 32 | 33 |
| **Total** | **32** | **33** |
| **Net income statement effect** | 2023 | 2022 |
| Share of profit / (loss) of joint ventures | (12) | 0 |
| Share of profit / (loss) of associates | (1) | 2 |
| **Total** | **(13)** | **2** |

### 8.1
### Joint Ventures

With Bacthera AG (founded in April 2019), the Group established together with Chr. Hansen Holding A/S (part of Novonesis effective 1 February 2024) a strategic partnership in developing and manufacturing live biotherapeutic products for Pharma Biotech & Nutrition customers. This partnership brings together Chr. Hansen's extensive know-how in developing, upscaling and manufacturing bacteria strains and Lonza's strong capabilities in pharma contract manufacturing and outstanding formulation and drug delivery technologies. The phased investment of approximately EUR 90 million is shared equally between the parties to build a cGMP-compliant pharma production capability.

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

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

### 8.2
### Associates

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

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

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

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

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

# Note 9
## Inventories

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

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

### By Operating Segments

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

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

### Inventory Value Adjustments

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






# Note 10
## Trade Receivables

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

The Group's credit risk is diversified due to the large number of entities comprising the Lonza customer base and the dispersion across many different industries and regions. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. At 31 December 2023, there were no significant concentrations of credit risk. The maximum exposure to credit risk is equal to the carrying amounts.

### Reconciliation of Changes in Allowance Accounts for Credit Losses

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

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

# Note 11
## Other Receivables, Prepaid Expenses and Accrued Income

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

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

# Note 12
## Cash and Cash Equivalents

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

# Note 13
## Provisions

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

**Environmental**
The environmental provision comprises the estimated probable future expenses for environmental remediation and protection for existing as well as divested plants. The vast majority of the provision of CHF 398 million (2022: CHF 399 million) relates to the Visp site and is expected to be utilized within ten years.

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

Lonza and the environmental authorities of the canton of Valais aligned on the base principles of a remediation strategy during 2020. During the year 2021 Lonza submitted a risk assessment of the old landfill to the environmental authorities of the canton of Valais which identified the most critical area regarding the groundwater protection and related remediation measures.

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

However, for remaining areas of the landfill, it is not possible as of 31 December 2023 to make an informed judgment on, or reasonably predict, potential additional required remediation measures. With the current available information, it is not possible for Management to estimate further potential liabilities other than the provision which was recognized. Lonza continues to closely monitor the development of the situation and will adjust the provision going forward accordingly.

**Restructuring**
The restructuring provision primarily reflects the expected employee termination costs related to ongoing restructuring programs (see note 3).

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

# Note 14
## Net Debt

The net debt comprises:

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

## Non-Current Debt

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

## Straight Bonds – Fixed Interest Rates

| million CHF | 2023 | 2022 |
|---|---|---|
| CHF bonds | | |
| 1.25%, CHF 175 million, 2015/2023, due 22 September 2023, issued at 100.133% | 0 | 175 |
| 1%, CHF 300 million, 2020/2023, due 28 April 2023, issued at 100.015% | 0 | 300 |
| 0.7%, CHF 110 million, 2017/2024, due 12 July 2024, issued at 100.222% | 110 | 110 |
| 0.35%, CHF 150 million, 2020/2026, due 22 September 2026, issued at 100.148% | 150 | 150 |
| 2.10%, CHF 300 million, 2023/2029, due 12 September 2029, issued at 100.241% | 300 | 0 |
| 2.10%, CHF 150 million, 2023/2029, due 12 September 2029, issued at 98.961% | 147 | 0 |
| 2.25%, CHF 185 million, 2023/2028, due 16 May 2028, issued at 100.054% | 185 | 0 |
| 2.6%, CHF 215 million, 2023/2028, due 16 May 2031, issued at 100.295% | 215 | 0 |
| EUR bonds | | |
| 1.625%, EUR 500 million, 2020/2027, due 21 April 2027, issued at 99.424% | 462 | 489 |
| 3.875%, EUR 500 million, 2023/2033, due 25 May 2033, issued at 99.091% | 458 | 0 |
| **Total including current portion** | **2,027** | **1,224** |
| Less current portion of straight bonds | (110) | (475) |
| **Total non-current straight bonds** | **1,917** | **749** |

## Current Debt

| million CHF | | 2023 | | 2022 |
|---|---|---|---|---|
| Due to banks and other financial institutions (German Private Placement) | | 42 | | 185 |
| Others | | 39 | | 18 |
| Non-current debt due within one year | | | | |
| – Straight bond (2015-2023) | 0 | | 175 | |
| – Straight bond (2020-2023) | 0 | | 300 | |
| – Straight bond (2017-2024) | 110 | 110 | 0 | 475 |
| **Total current debt** | | **191** | | **678** |

## Debt: Movements in Carrying Value of Recognized Liabilities

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

## Breakdown of Total Debt by Currencies

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

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

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

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

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

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

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

**German Private Placement (Schuldschein)**
Following the repayment of the scheduled debt maturities of EUR 187.5 million (CHF 180 million) in August 2023, Lonza maintains one fixed rate note of the dual-currency Schuldschein issued in August 2017. The remaining note is repayable in 2024 (USD 50 million).

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

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

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

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

**Liquidity Management / Short-term Investments**
Following the sale of the Lonza Specialty Ingredients business in 2021, Lonza parked the excess cash into short-term plain vanilla instruments, such as overnight deposits, bank term deposits, notice deposits and short-term money market funds in line with the Group's investment policy.

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





## Short-term Investments

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

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

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

### Other Non-Current Liabilities

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

### Other Current Liabilities

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

# Note 16
## Trade Payables

| million CHF | 2023 | 2022 |
|---|---|---|
| Payable to third parties | 468 | 477 |
| **Total** | **468** | **477** |

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

# Note 17
## Material and Energy Costs

| million CHF | 2023 | 2022 |
|---|---|---|
| Material costs | 1,479 | 1,349 |
| Energy costs [1] | 188 | 154 |
| **Total** | **1,667** | **1,503** |

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

# Note 18
## Personnel Expenses

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





# Note 19
## Other Operating Income and Expenses

### 19.1
### Other Operating Income

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

[1] Income related to transitional services with Specialty Ingredients business (that was sold effective on 1 July 2021)
[2] Gains related the divestiture of several businesses in Bioscience and Small Molecule

### 19.2
### Other Operating Expenses

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

[1] Increase in both years predominantly related to environmental remediation provisions (see note 13)
[2] Litigation related to a Lonza legacy site / business

# Note 20
## Net Financial Result

### 20.1
### Interest and Other Financial Income

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

### 20.2
### Interest and Other Financial Expenses

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





# Note 21
## Taxes

### 21.1
### Income Taxes

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

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

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

### Major Components of Tax Expenses

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

### Reconciliation of Tax Expenses

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

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

### Components of Deferred Income Tax Balances

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

[1] Prior year presentation adjusted for IAS 12 amendments

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

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

### Unrecognized Tax Losses: Expiry

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

In addition to the unrecognized tax losses shown in the table above, the Group has unrecognized temporary differences in the amount of CHF 190 million (2022: CHF 18 million) and additional unrecognized tax losses for US state tax purposes in the amount of CHF 30 million at 31 December 2023 (2022: CHF 276 million). These losses expire in more than 5 years.

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

Deferred tax liabilities have not been established for withholding and other taxes that would be payable on the remittance of earnings of foreign subsidiaries, where such amounts are currently regarded as permanently reinvested. The total unremitted earnings of the Group that would be subject to withholding tax or other taxes upon remittance, but which are regarded as permanently reinvested, were CHF 400 million at 31 December 2023 (2022: CHF 584 million).

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

| million CHF | 2023 Before-tax amount | 2023 Tax (expense) benefit | 2023 Net-of-tax amount | 2022 Before-tax amount | 2022 Tax (expense) benefit | 2022 Net-of-tax amount |
|---|---|---|---|---|---|---|
| Exchange differences on translating foreign operations | (498) | 15 | (483) | (197) | 0 | (197) |
| Cash flow hedges | (45) | 6 | (39) | 23 | (3) | 20 |
| Remeasurement of defined-benefit liability | (35) | 5 | (30) | 49 | (8) | 41 |
| **Other comprehensive income** | **(578)** | **26** | **(552)** | **(125)** | **(11)** | **(136)** |

## Note 22
### Research & Development Costs

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

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

The R&D costs amounted to CHF 253 million (2022: CHF 194 million) and represent the full range of R&D activity. However, the consolidated income statement discloses lower levels of research & development costs, as the remainder of such costs are absorbed in cost of goods sold for R&D products and services sold.

# Note 23
## Employee Benefit Liabilities

### Defined-Benefit Pension Plans

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

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

The plan contains a cash balance benefit formula, accounted for as a defined-benefit plan. Employer and employee contributions are defined in the pension fund rules in terms of an age-related sliding scale of percentages of pay. Under Swiss law, the company guarantees the vested benefit amount as confirmed annually to members. Interest may be added to member balances at the discretion of the Board of Trustees. The risks linked to retirement benefits (disability and death) have been reinsured until 31 December 2025. The investment risk is not reinsured.

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

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

**Pension Plan in the UK**
The Group operates one major plan in the UK which is closed to new entrants and future accruals. The scheme is registered under UK legislation, is contracted out of the State Second Pension and is subject to the scheme funding requirements outlined in UK legislation. The plan is managed by a Corporate Trustee, which is legally separate from the sponsoring employer of the plan. The Trustee Directors are comprised of representatives appointed by both the employer and employees and include an independent professional Trustee Director. The Trustee Directors act in the interest of the relevant beneficiaries and oversee investment strategy and administration of the benefits and general regulatory compliance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[1] For the Pension Plan in Switzerland BVG 2020 mortality tables were applied

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

| effect in million CHF | Change in assumption | 31.12.2023 Increase | 31.12.2023 Decrease | 31.12.2022 Increase | 31.12.2022 Decrease |
|---|---|---|---|---|---|
| Discount rate | 0.25% | (66) | 71 | (56) | 60 |
| Future salary increases | 0.25% | 9 | (8) | 5 | (5) |
| Life expectancy | 1 year | 72 | (74) | 60 | (62) |

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

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

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

| in years | 2023 | 2022 |
|---|---|---|
| Group | 13.3 | 12.4 |
| CH | 13.1 | 12.2 |
| UK | 18.0 | 17.7 |

Plan assets comprise:

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

# Note 24
## Share-Based Payments

### Long-Term Incentive Plan (LTIP)
**History and Participation**
The LTIP is an equity-based plan introduced in 2006 for the Executive Committee and senior managers.

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

**Equity Awards**
Under the LTIP, participants are awarded the right to receive a number of Lonza registered shares in the future. Depending on the job grade of the participant, the target equity award grant is between 25% and 150% of the annual base salary. The grant is awarded at target and the payout level ranges from 0% and 200% of target. The CEO and Executive Committee members have a target of 150% and 125% of base salary respectively with payout levels also ranging from 0% and 200% of target.

For any pro-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 2023 the plan design included minimum, target and stretch (maximum) goals.

The 2023 LTIP budget value for the Executive Committee was approved as submitted at the AGM 2023 and administered in accordance with this approval. Vesting is dependent on the achievement of the performance conditions and cannot exceed the 200% of target equity awards granted (the maximum level of award).

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

**Vesting Performance Metrics**
For the 2023 LTIP the performance metrics were CORE earnings per share (EPS) and return on invested capital (ROIC) with 50% weight for each measure. With the payout value directly linked to these key financial metrics, these two measures focus on Lonza's financial performance that will drive the valuation and performance of Lonza. The overall value of the LTIP is ultimately driven by the share price at the time of vesting, further linking the LTIP to the interests of the shareholders.

**Overview of Vesting Conditions for LTIP**
The Nomination and Compensation Committee (NCC) deems these long-term performance measures appropriate to align the interests of the Executive Committee with Lonza's financial performance and in turn the interests of our Shareholders. The respective performance targets at the threshold (50%), target (100%) and maximum (200%) payout levels were recommended by the NCC and approved by the Board of Directors in January 2023. These financial performance targets for the 2025 year end are commercially sensitive at this time and will not be disclosed publicly until after the awards have vested.

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

**ROIC Approved at AGM 2023 (LTIP 2023)**
This measure is a reflection of the effect of decisions taken by Executive Committee members and senior management over the course of the relevant LTIP performance period. The 2023 LTIP award threshold performance level was determined to be aligned with the ROIC threshold performance level set for the 2022 LTIP award. The maximum performance level was determined to be above the 2028 Mid-Term Guidance and is a double-digit percentage figure above threshold performance levels.

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

**Actual Performance and Payout for the LTIP 2021**
Performance under the LTIP 2021 did not meet threshold performance levels for either CORE EPS or ROIC. This generated a 0% payout against each of these measures. With a 50% weighting applied to the two performance measures, the total 2021 LTIP payout equaled 0%. See page 183 from Remuneration Report for full details on targets and target achievements.

### Lonza Restricted Share Unit Plan (LRSP)
**Participation and Objective**
The LRSP is an equity-based plan introduced in 2020. It was created as a tool to primarily support retention cases. All employees at and above grade 10 in the organization are eligible to be considered for an award. Executive Committee members may receive awards via the Executive Committee Appointments Policy only – see page 176 from the Remuneration Report for full details.

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

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

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

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

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

The fair value at grant date of the equity awards granted in 2023 for the LTIP was CHF 532.00 (2022: CHF 615.87). The fair value at grant date for the LRSP awards was between CHF 527.33 and 569.40 (2022: CHF 492.23 and CHF 625.27) depending on the grant date of the award. The fair value at allocation date under the ShareMatch plan was CHF 567.60 (2022: CHF 672.20). The costs were calculated using the market price at grant or allocation date, including probabilities as per conditions of vesting. The amounts for equity awards are expensed on a straight-line basis over the vesting period, based on estimates of equity awards that will eventually vest. The discount applied on the purchase of shares under the ShareMatch program was expensed immediately.

### Details of Long-Term Incentive Plans

| | Grant Date | Share Price in CHF | Granted Equity Awards | Fair Value at Grant Date in CHF | Vesting date |
|---|---|---|---|---|---|
| LTIP 2020 | 01.02.2020 | 396.20 | 70,985 | 28,124,257 | 31.01.2023 |
| LTIP 2021 | 29.01.2021 | 570.00 | 52,133 | 29,715,810 | 31.01.2024 |
| LTIP 2022 | 31.01.2022 | 615.87 | 38,411 | 23,656,183 | 31.01.2025 |
| LTIP 2023 | 31.01.2023 | 532.00 | 44,145 | 23,485,140 | 31.01.2026 |
| LRSP 2020 | 02.11.2020 | 554.80 | 4,124 | 2,287,995 | various |
| LRSP 2021 | various | various | 4,523 | 2,974,916 | various |
| LRSP 2022 | various | various | 11,643 | 6,905,071 | various |
| LRSP 2023 | various | various | 11,013 | 5,839,984 | various |
| Share Match 2022 | 06.04.2022 | 672.20 | 12,461.441 | 8,376,581 | 06.04.2025 |
| Share Match 2023 | 06.04.2023 | 567.60 | 18,897.185 | 10,726,042 | 06.04.2026 |

In 2023, 5 new LRSP awards were issued, for a total of 11,013 shares and an aggregated fair value at grant date of CHF 5,839,984. Vesting period of those plans is between 2 and 3 years.

## Vesting Conditions at Grant Date

| | Market Price in CHF | Granted Equity Awards | Fair Value of Equity Awards in CHF | Expected EPS / RONOA / ROIC at Grant Date | Probability Minimum Targets | Volatility Employees | Total Probability | Total Cost at Grant Date in CHF |
|---|---|---|---|---|---|---|---|---|
| LTIP 2020 ROIC | 396.20 | 35,492 | 396.20 | 100% | 100% | 10% | 90% | 12,655,737 |
| LTIP 2020 CORE EPS | 396.20 | 35,493 | 396.20 | 100% | 100% | 10% | 90% | 12,655,916 |
| LTIP 2021 ROIC | 570.00 | 25,932 | 570.00 | 100% | 100% | 10% | 90% | 13,303,116 |
| LTIP 2021 CORE EPS | 570.00 | 25,931 | 570.00 | 100% | 100% | 10% | 90% | 13,302,603 |
| LTIP 2022 ROIC | 615.87 | 19,206 | 615.87 | 100% | 100% | 10% | 90% | 10,645,559 |
| LTIP 2022 CORE EPS | 615.87 | 19,205 | 615.87 | 100% | 100% | 10% | 90% | 10,645,005 |
| LTIP 2023 ROIC | 532.00 | 22,073 | 532.00 | 100% | 100% | 10% | 90% | 10,568,552 |
| LTIP 2023 CORE EPS | 532.00 | 22,072 | 532.00 | 100% | 100% | 10% | 90% | 10,568,074 |

## Development within 2023 of the LTIP

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

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

## Development within 2022 of the LTIP

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

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

## Development within 2023 of the LRSP

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

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

## Development within 2022 of the LRSP

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

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

## Development within 2023 of the ShareMatch

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

## Development within 2022 of the ShareMatch

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

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

## Compensation of the Board of Directors

### Objective and Market Benchmarking

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

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

### Structure and Level of Compensation

The Chairperson of the Board of Directors and its Members receive their compensation as 50% in Lonza Group shares and 50% in cash. This was paid in quarterly installments during the 2023 financial year.

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

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

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

| In CHF (gross) | Base annual fee | Committee membership fee per committee | Committee Chair fee |
|---|---|---|---|
| **Chair of the Board of 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 (with 3-year blocking period) and 50% in cash and paid in arrears in quarterly installments | | |

[1] The compensation of the Chair of the Board of Directors includes compensation as a member of the Innovation and Technology Committee of the Board of Directors
[2] In the case of multiple committee memberships, the committee fees are cumulated
[3] The roles and responsibilities of the Lead Independent Director are in line with sect. 19 para. 2 of the Swiss Code of Best Practice for Corporate Governance, requiring adequate control mechanisms, and commensurate to such position

## Development of the Compensation for Board of Directors 2023

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

[1] Excluding social security and withholding tax

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

## Development of the Compensation for Board of Directors 2022

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

[1] Excluding social security and withholding tax

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

## Development of the Compensation for Board of Directors 2021

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

[1] Excluding social security and withholding tax

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

## Development of the Compensation for Board of Directors 2020

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

[1] Excluding social security and withholding tax

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

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

# Note 25
## Changes in Shares and Share Capital Movements

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

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

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

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

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

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

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

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

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

# Note 26
## Earnings Per Share

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

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

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

# Note 27
## Related Parties

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

### Transactions with Key Management Personnel Board of Directors
In 2023, payments to acting members of the Board of Directors of Lonza Group Ltd totaled CHF 2.75 million[1] (2022: CHF 2.68 million[1]), of which 47.5% (2022: 47.5%) was received in the form of shares. The Director fees are paid 50% in cash and 50% in shares; the value of the employer's social security contributions is added to the cash payments. The value of the share-based fees is determined based on the average closing share price of the last five business days of each quarter. Shares are restricted for a period of three years from each award date and are eligible for a dividend from date of award.

Members of the Board of Directors and their immediate relatives control in 2023 27,187 (2022: 23,077) or <0.1% (2022: <0.1%) of the voting shares of Lonza Group Ltd. None of the Directors owns shares in the Group's subsidiaries or associates.

### Executive Committee Compensation
The acting members of the Executive Committee received, for their contributions and time served in 2023, CHF 9.36 million[1,2] (2022: CHF 8.46 million[1,2]) in cash and additional benefits. Share based compensation includes 9,654 LTIP shares and 0 LRSP (Lonza Restricted Share Unit Plan) shares granted (2022: 8,800 LTIP shares and 1,903 LRSP shares) and the value of share based Bonus payments, equivalent to a total value of CHF 1.02 million (2022: CHF 0.78 million). In 2023, termination benefits were paid out to a departing member of the Executive Committee according to the employment agreement and plan rules equal to CHF 0.85 million (CHF 0.72 million in cash and in shares equivalent to a value of CHF 0.13 million). In 2022, termination benefits were paid out to the departing and former members of the Executive Committee according to their employment agreements equal to CHF 0.78 million (CHF 0.42 million in cash and in shares equivalent to a value of CHF 0.36 million).

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

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

[1] Including short-term incentive payout in March of the following year
[2] Including employer contribution for social security and pension funds
[3] Share based Bonus and LTIP awards. Also, in line with the Executive Committee Appointments Policy, awards were made to Executive Committee members in 2022 under the Lonza Restricted Share Unit Plan (LRSP), to compensate for equity awards which were forfeited when leaving the previous employer. The awards were made in accordance with Article 23 (Supplementary Amount in the Event of Changes in the Executive Committee) of Lonza's Articles of Association. The awards will vest after two and three-year periods, subject to continued employment, sustained performance and clawback, under the Clawback Policy
[4] Cash payment (including base salary, other benefits, bonus and social security) and shares (LTIP) received by departed members of the Executive Committee during 2023 and 2022 as well as a cash payment to an Executive Committee member in lieu of forfeited annual bonus at their previous employer

# Note 28
## Financial Risk Management

### 28.1
### Overall Risk Management Policy

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

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

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

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

### 28.2
### Credit Risk

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

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

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

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

Consequently, the bad debt allowance (see note 10) represents primarily the credit risk of specific customers.





### Aging of Trade Receivables [1]

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

[1] Excluding allowances for credit losses (see note 10)

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

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

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

### 28.3
### Liquidity Risk

Liquidity risk is the risk that Lonza will not be able to meet its financial obligations as they fall due. Lonza's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Lonza's reputation. Group Treasury maintains flexibility in funding also using bilateral and syndicated credit lines. Lonza has concluded the following lines of credit: Committed credit lines of CHF 1,000 million (CHF 0 million used as of 31 December 2023) and uncommitted credit lines of CHF 134.5 million (CHF 0 used as of 31 December 2023).

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

Year ended
## 31 December 2023

| million CHF | Carrying amount | Contractual cash flows [1] | Between 0 and 6 months | Between 7 and 12 months | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|
| Straight bond (2017-2024) | 110 | 111 | 0 | 111 | 0 | 0 | 0 | 0 |
| Straight bond (2020-2026) | 150 | 153 | 0 | 1 | 1 | 151 | 0 | 0 |
| Straight bond (2023-2029) | 300 | 336 | 0 | 6 | 6 | 6 | 12 | 306 |
| Straight bond (2023-2029) | 147 | 165 | 0 | 3 | 3 | 3 | 6 | 150 |
| Straight bond (2023-2028) | 185 | 205 | 4 | 0 | 4 | 4 | 193 | 0 |
| Straight bond (2023-2031) | 215 | 263 | 6 | 0 | 6 | 6 | 12 | 233 |
| Euro bond (2020-2027) | 462 | 494 | 8 | 0 | 8 | 8 | 470 | 0 |
| Euro bond (2023-2033) | 458 | 637 | 18 | 0 | 18 | 18 | 36 | 547 |
| German Private Placement | 42 | 43 | 0 | 43 | 0 | 0 | 0 | 0 |
| Term loan | 587 | 642 | 13 | 13 | 442 | 174 | 0 | 0 |
| Other debt due to others | 144 | 186 | 39 | 2 | 20 | 3 | 6 | 116 |
| **Total debt** | **2,801** | **3,235** | **88** | **179** | **508** | **373** | **735** | **1,352** |
| Other non-current liabilities | 311 | 436 | 0 | 0 | 62 | 46 | 89 | 239 |
| – of which lease liabilities | 295 | 420 | 0 | 0 | 46 | 46 | 89 | 239 |
| Other current liabilities | 731 | 743 | 719 | 24 | 0 | 0 | 0 | 0 |
| – of which lease liabilities | 36 | 48 | 24 | 24 | 0 | 0 | 0 | 0 |
| Trade payables | 468 | 468 | 468 | 0 | 0 | 0 | 0 | 0 |
| Derivative financial instruments | 159 | 159 | 86 | 46 | 0 | 0 | 0 | 27 |
| Contingent consideration | 51 | 51 | 0 | 0 | 29 | 8 | 8 | 6 |
| **Total financial liabilities** | **4,521** | **5,092** | **1,361** | **249** | **599** | **427** | **832** | **1,624** |

Year ended
## 31 December 2022

| million CHF | Carrying amount | Contractual cash flows [1] | Between 0 and 6 months | Between 7 and 12 months | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|
| Straight bond (2015-2023) | 175 | 177 | 0 | 177 | 0 | 0 | 0 | 0 |
| Straight bond (2020-2023) | 300 | 303 | 303 | 0 | 0 | 0 | 0 | 0 |
| Straight bond (2017-2024) | 110 | 112 | 0 | 1 | 111 | 0 | 0 | 0 |
| Straight bond (2020-2026) | 150 | 155 | 0 | 1 | 1 | 1 | 152 | 0 |
| Euro bond (2020-2027) | 489 | 537 | 8 | 0 | 8 | 8 | 513 | 0 |
| German Private Placement | 231 | 236 | 1 | 188 | 47 | 0 | 0 | 0 |
| Term loan | 644 | 742 | 16 | 16 | 32 | 487 | 191 | 0 |
| Other debt due to others | 133 | 204 | 17 | 2 | 5 | 5 | 34 | 141 |
| **Total debt** | **2,232** | **2,466** | **345** | **385** | **204** | **501** | **890** | **141** |
| Other non-current liabilities | 328 | 415 | 0 | 0 | 66 | 35 | 66 | 248 |
| – of which lease liabilities | 301 | 388 | 0 | 0 | 39 | 35 | 66 | 248 |
| Other current liabilities | 792 | 801 | 779 | 22 | 0 | 0 | 0 | 0 |
| – of which lease liabilities | 54 | 63 | 41 | 22 | 0 | 0 | 0 | 0 |
| Trade payables | 477 | 477 | 477 | 0 | 0 | 0 | 0 | 0 |
| Derivative financial instruments | 63 | 63 | 46 | 12 | 5 | 0 | 0 | 0 |
| Contingent consideration | 26 | 30 | 0 | 0 | 0 | 12 | 3 | 15 |
| **Total financial liabilities** | **3,918** | **4,252** | **1,647** | **419** | **275** | **548** | **959** | **404** |

[1] Including interest payments



## 28.4 Market Risk

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

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

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

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

| | | Post-tax profit | | | |
|---|---|---|---|---|---|
| million CHF | Sensitivity | 2023 | | 2022 | |
| | | + | - | + | - |
| USD | + / – 10% | (7.7) | 7.7 | (1.4) | 1.4 |
| EUR | + / – 10% | (7.5) | 7.5 | (1.2) | 1.2 |
| GBP | + / – 10% | (2.2) | 2.2 | (1.3) | 1.3 |

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

Year ended
## 31 December 2023

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

Year ended
## 31 December 2022

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

The following exchange rates were applied during the year:

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

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

**Interest Rate**

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

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

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

| million CHF | Notes | 2023 | 2022 |
|---|---|---|---|
| Net Debt / (cash) | 14 | 922 | (186) |
| Net Debt / (cash) at fixed interest rates [1] | | (1,876) | (1,050) |
| **Interest risk exposure** | | **(954)** | **(1,236)** |

[1] Including effects from cross currency interest rate swaps

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

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

## 28.5
## Overview of Derivative Financial Instruments

The following table shows the contract or underlying principal amounts and fair values of derivative financial instruments by type of contract at 31 December 2023 and 2022. Contract or underlying principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair values are determined by using the difference of the prices fixed in the outstanding derivative contracts from the actual market conditions which would have been applied at the year-end if we had to recover these trades.

### Financial Instruments at Fair Value Through Profit or Loss

| | Contract or underlying principal amount | | Positive fair values | | Negative fair values | | Total net fair values | |
|---|---|---|---|---|---|---|---|---|
| million CHF | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Currency-related instruments | 3,479 | 3,266 | 74 | 45 | (70) | (33) | 4 | 12 |
| **Total financial instruments at fair value through profit or loss** | **3,479** | **3,266** | **74** | **45** | **(70)** | **(33)** | **4** | **12** |

### Financial Instruments Effective for Hedge-Accounting Purposes

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

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

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

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

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

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

## 28.6
## Financial Instruments Carried at Fair Value

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

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

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

In 2023 and 2022 there were no transfers between Level 1 and Level 2 fair value measurements.

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

### Contingent consideration arrangements related to sale of businesses

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

### Contingent consideration arrangements related to acquisition of businesses

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

Lonza is party to certain contingent consideration arrangements arising from business combinations. The fair values are determined considering the expected payments. The expected payments are determined by considering the possible scenarios of regulatory approvals and forecast sales, which are the most significant unobservable inputs. The estimated fair value would increase if the forecast sales were higher or if the likelihood of obtaining regulatory approval was higher. At 31 December 2023, the total potential payments under contingent consideration arrangements could be up to EUR 60 million for the Synaffix acquisition and USD 62 million for Octane acquisition. The estimated payments amounted to CHF 27 million for Synaffix and CHF 24 million (2022: CHF 26 million) for Octane at 31 December 2023.

## 28.7
## Carrying Amounts and Fair Values of Financial Instruments by Category

The carrying values less impairment provision of trade receivables are assumed to approximate to their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. The table below shows the carrying amounts and fair values of financial instruments by category.

Year ended
### 31 December 2023

| million CHF | Financial instruments mandatorily at fair value through profit or loss | Fair value – hedging instruments | Financial assets at amortized cost | Financial liabilities at amortized cost | Carrying amount | Fair value |
|---|---|---|---|---|---|---|
| Other investments | 69 | 0 | 0 | 0 | 69 | 69 |
| Trade receivables, net | 0 | 0 | 1,138 | 0 | 1,138 | 1,138 |
| Other receivables | 0 | 0 | 107 | 0 | 107 | 107 |
| Accrued income | 0 | 0 | 110 | 0 | 110 | 110 |
| Non-current and current lease receivables | 0 | 0 | 118 | 0 | 118 | 118 |
| Non-current and current loans and advances | 0 | 0 | 211 | 0 | 211 | 211 |
| Collateral arrangements (Credit Support Annexes) | 0 | 0 | 20 | 0 | 0 | 0 |
| Short-term investments | 150 | 0 | 50 | 0 | 200 | 200 |
| Cash and cash equivalents | 0 | 0 | 1,468 | 0 | 1,468 | 1,468 |
| Contingent consideration from sale of business | 2 | 0 | 0 | 0 | 2 | 2 |
| Derivative financial instruments | 0 | 130 | 0 | 0 | 130 | 130 |
| **Total financial assets** | **221** | **130** | **3,222** | **0** | **3,553** | **3,553** |
| Debt | | | | | | |
| – Straight bonds [1] | 0 | 0 | 0 | 2,027 | 2,027 | 2,063 |
| – Other debt | 0 | 0 | 0 | 773 | 773 | 773 |
| Current liabilities | 0 | 0 | 0 | 731 | 731 | 731 |
| Non-current liabilities | 0 | 0 | 0 | 311 | 311 | 311 |
| Trade payables | 0 | 0 | 0 | 468 | 468 | 468 |
| Contingent consideration | 51 | 0 | 0 | 0 | 51 | 51 |
| Derivative financial instruments | 0 | 159 | 0 | 0 | 159 | 159 |
| **Total financial liabilities** | **51** | **159** | **0** | **4,311** | **4,521** | **4,556** |

Year ended
### 31 December 2022

| million CHF | Financial instruments mandatorily at fair value through profit or loss | Fair value – hedging instruments | Financial assets at amortized cost | Financial liabilities at amortized cost | Carrying amount | Fair value |
|---|---|---|---|---|---|---|
| Other investments | 66 | 0 | 0 | 0 | 66 | 66 |
| Trade receivables, net | 0 | 0 | 1,164 | 0 | 1,164 | 1,164 |
| Other receivables | 0 | 0 | 108 | 0 | 108 | 108 |
| Accrued income | 0 | 0 | 188 | 0 | 188 | 188 |
| Non-current and current lease receivables | 0 | 0 | 24 | | 24 | 24 |
| Non-current and current loans and advances | 0 | 0 | 194 | 0 | 194 | 194 |
| Collateral arrangements (Credit Support Annexes) | 0 | 0 | 0 | 0 | 0 | 0 |
| Short-term investments | 235 | 0 | 650 | 0 | 885 | 885 |
| Cash and cash equivalents | 0 | 0 | 1,339 | 0 | 1,339 | 1,339 |
| Contingent consideration from sale of business | 2 | 0 | 0 | 0 | 2 | 2 |
| Derivative financial instruments | 0 | 98 | 0 | 0 | 98 | 98 |
| **Total financial assets** | **303** | **98** | **3,667** | **0** | **4,068** | **4,068** |
| Debt | | | | | | |
| – Straight bonds [1] | 0 | 0 | 0 | 1,224 | 1,224 | 1,172 |
| – Other debt | 0 | 0 | 0 | 1,008 | 1,008 | 1,007 |
| Current liabilities | 0 | 0 | 0 | 792 | 792 | 792 |
| Non-current liabilities | 0 | 0 | 0 | 328 | 328 | 328 |
| Trade payables | 0 | 0 | 0 | 477 | 477 | 477 |
| Contingent consideration | 26 | 0 | 0 | 0 | 26 | 26 |
| Derivative financial instruments | 0 | 63 | 0 | 0 | 63 | 63 |
| **Total financial liabilities** | **26** | **63** | **0** | **3,829** | **3,918** | **3,865** |

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

### 28.8
### Capital Management

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

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. In 2023, the return was 8.7% (2022: 11.4%, see further details in section Alternative Performance Measures). In comparison, the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 2.66% (2022: 1.84%).

From time to time, Lonza purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily, the shares are intended to be used for issuing shares under Lonza's share programs. Furthermore, on January 2023 Lonza initiated a program to buy back its own registered shares of up to CHF 2 billion (see note 25). Neither Lonza Group Ltd nor any of its subsidiaries is subject to externally imposed capital requirements.

## Note 29
### Share Ownership of the Members of the Board of Directors and the Executive Committee

### Board of Directors

Based on information available to Lonza, the members of the Board of Directors and parties closely associated with them[1] held, as of 31 December 2023: 27,187 (2022: 23,077)[1] registered shares of Lonza Group Ltd and controlled <0.1% (2022: <0.1%) of the share capital.

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

Numbers of shares

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

[1] Board of Director members, spouse, children below 18, any legal entities that they own or otherwise control, or any legal or natural person who is acting as their fiduciary
[2] Marion Helmes and Roger Nitsch were appointed to the Board of Directors at the 2022 AGM

### Executive Committee

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

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

Numbers of shares

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

[1] Executive Committee member, spouse, children below 18, any legal entities that they own or otherwise control, or any legal or natural person who is acting as their fiduciary
[2] All active Executive Committee members, with the exception of one member (who has met the requirement), are developing their shareholding in line with the shareholding guidelines
[3] Pierre-Alain Ruffieux stepped down from the Executive Committee on 18 September 2023
[4] Caroline Barth stepped down from the Executive Committee on 30 April 2023
[5] Claude Dartiguelongue stepped down from the Executive Committee on 31 July 2022
[6] Daniel Palmacci appointed to the Executive Committee on 1 November 2022
[7] Christian Seufert appointed to the Executive Committee on 1 July 2022
[8] Maria Soler Nunez appointed to the Executive Committee on 1 August 2022

## Note 30
### Enterprise Risk Management

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

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

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

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

## Note 31
### Events After Balance Sheet Date

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

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

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

# Note 32
## Principal Subsidiaries and Joint Ventures

Selection criteria: CHF 10 million net sales 3rd Parties, CHF 10 million total assets 3rd parties or more than 30 FTEs.

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

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





# Note 33
## Accounting Principles

### 33.1
### Lonza Group

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

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

### 33.2
### Basis of Preparation

The consolidated financial statements for 2023 and 2022 are reported in Swiss francs (CHF), rounded to millions, and based on the annual accounts of Lonza Group Ltd (Company) and its subsidiaries at 31 December, which have been drawn up according to uniform Group accounting principles. The consolidated accounts are prepared in accordance with IFRS Accounting Standards, issued by the International Accounting Standards Board (IASB) and comply with Swiss law.

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

### 33.3
### Changes in Accounting Standards

The following new or amended standards became applicable for the current reporting period and did not have any material effect on the Group's financial statements:

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

## 33.4
## Accounting Standards Issued, but Not Yet Effective

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

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

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

## 33.5
## Material Accounting Policies

**Principles of Consolidation**
The consolidated financial statements represent the accounts for the year ended 31 December of Lonza Group Ltd and its subsidiaries. Subsidiaries are those entities controlled, directly or indirectly, by Lonza Group Ltd. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and if they do not result in a loss of control. The material subsidiaries included in the consolidated financial statements are shown in note 32.

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

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures, as disclosed in note 8. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Associates and interests in joint ventures are accounted for in the consolidated financial statements using the equity method of accounting. They are recognized initially at cost, which includes transaction costs.

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

**Segment Reporting**
For the purpose of segment reporting, the Group's Executive Committee (EC) is considered to be the Group's Chief Operating Decision Maker. The determination of the Group's operating segments is based on the organizational units for which financial information including dedicated performance measures are reported to the EC on a regular basis. The information provided is used as the basis of the segment revenue and profit disclosures reported in note 1.

Lonza derives revenue in its business models of Contract Development and Manufacturing (including related services and licenses) and sale of products. These business models and the markets Lonza operates in are the basis to disaggregate revenue into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Residual operating activities from certain global activities are reported as «Corporate.» These include the EC and global group functions for communications, human resources, finance (including treasury and tax), legal, environmental and safety services. Transfer prices between operating segments are set on an arm's-length basis.

**Revenue Recognition**
Revenue is measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. Revenues are recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

In the custom manufacturing business, customer agreements may foresee payments at or near inception of contracts, which typically relate to setup efforts (e.g. system preparation, facility modification) for new customer-dedicated production facilities. Such setup efforts typically do not represent separate performance obligations, as no good or service is transferred to the customer. The payments for these setup efforts comprise part of the expected transaction price and are deferred as contract liabilities (non-current deferred income) until performance obligations are satisfied. The custom manufacturing business also provides various services, including development services and manufacturing know-how sharing, that are recognized in the accounting period in which these services are rendered, respectively the know-how has been transferred. For most services revenue recognition over time is appropriate. This is primarily done with reference to output (i.e. analysis delivered) to measure the amount of revenue to be recognized. Revenue recognition over time is not applied for customer service contracts where the consideration depends on a defined outcome or result and its achievement cannot be estimated. In this case, revenues are only recognized at the point in time when the service has been completed and accepted by the customer.

Product sales are recognized when control of the products has been transferred, i.e. when the products are delivered to the customer, the customer has full discretion over the sales channel and pricing of the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Inventories**

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

**Receivables**

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

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

**Financial Instruments**

The Group has classified its financial assets in the following measurement categories, which are disclosed in note 28: amortized cost or fair value through profit or loss (including hedging instruments). At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

**Amortized Cost**

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

**Equity Investments at Fair Value Through Profit or Loss**

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

**Fair Value Through Profit or Loss**

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

**Fair Value Through Profit or Loss – Hedging Instruments**

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

**Debt Instruments**

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

**Cash and Cash Equivalents**

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

**Impairment**

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

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

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

**Income Taxes**

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

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

**Deferred Taxes**

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

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

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

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

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

**Employee Benefits**

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

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

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

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

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

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

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

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

## 33.6
## Significant Accounting Estimates and Judgments

### Key Assumptions and Sources of Estimation Uncertainty

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

**Impairment Test of Property, Plant and Equipment, Intangible Assets and Goodwill**
The Group has carrying values with regard to property, plant and equipment (including Right-of-use assets) of CHF 6,617 million (2022: CHF 6,120 million), goodwill of CHF 2,752 million (2022: CHF 2,863 million) and intangible assets of CHF 1,988 million (2022: CHF 2,231 million) (see notes 5 and 6). The intangible assets include trademarks acquired through business combinations with a carrying value of CHF 227 million (2022: CHF 241 million), which have an indefinite useful life and are not systematically amortized. Goodwill and intangible assets with indefinite useful lives are reviewed annually for impairment. To assess if any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its possible disposal. Actual outcomes could vary significantly from such estimates of discounted future cash flows. Factors such as changes in the planned use of buildings, machinery or equipment, or closure of facilities, the presence or absence of competition, technical obsolescence or lower-than-anticipated sales of products with capitalized rights could result in shortened useful lives or impairment. The impairment analysis as explained in note 5 is sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash-inflows and the growth rate used for calculation purposes. The key assumptions used to determine the recoverable amount for the different cash-generating units are further explained in note 5.2.

**Pensions**
Many of the Group's employees participate in post-employment plans. The calculations of the recognized assets and liabilities from such plans are based upon statistical and actuarial calculations. In particular, the present value of the defined-benefit obligation is influenced by assumptions on discount rates used to arrive at the present value of future pension liabilities and assumptions on future increases in salaries and benefits. Furthermore, the Group's independent external actuaries use statistically based assumptions, covering areas such as future withdrawals of participants from the plan and estimates of life expectancy. At 31 December 2023, the present value of the Group's defined-benefit obligation was CHF 2,119 million (2022: CHF 1,904 million). The plan assets at fair value amounted to CHF 2,143 million (2022: CHF 2,023 million), resulting, compared with the present value of the pension obligation, in a funded status deficit of CHF 41 million (2022: CHF 27 million) (note 23). The actuarial assumptions used may differ materially from actual results due to changes in market and economic conditions, higher or lower withdrawal rates or longer or shorter lifespans of participants and other changes in the factors being assessed. These differences could affect the fair value of assets or liabilities recognized in the balance sheet in future periods.

**Environmental Provisions**
Lonza is exposed to environmental liabilities and risks relating to its operations, principally in respect of provisions for remediation costs, which at 31 December 2023 amounted to CHF 398 million (2022: CHF 399 million), as disclosed in note 13. Provisions for non-recurring remediation costs are made when there is a legal or constructive obligation and the cost can be reliably estimated. It is difficult to estimate any future action required by Lonza to correct the effects on the environment of prior disposal or release of chemical substances by Lonza or other parties, and the associated costs, pursuant to environmental laws and regulations. The material components of the environmental provisions consist of costs to clean and refurbish contaminated sites and to treat and contain contamination at sites. The Group's future remediation expenses are affected by a number of uncertainties that include, but are not limited to, the method and extent of remediation and the responsibility attributable to Lonza at the remediation sites, relative to that attributable to other parties. The Group permanently monitors the various sites identified as at risk for environmental exposures. Lonza believes that its provisions are adequate, based upon currently available information; however, given the inherent difficulties in estimating liabilities in this area, there is no guarantee that additional costs will not be incurred beyond the amounts provided. Due to the uncertainty of both the amount and timing of future expenses, the provisions provided for environmental remediation costs could be affected in future periods.

**Income Taxes**
At 31 December 2023, deferred tax assets of CHF 15 million (2022: CHF 17 million), current tax receivables of CHF 40 million (2022: CHF 30 million), deferred tax liabilities of CHF 491 million (2022: CHF 556 million) and current tax payables of CHF 137 million (2022: CHF 103 million) are included in the consolidated balance sheet. Significant estimates are required in determining the current and deferred assets and liabilities for income taxes. Certain of these estimates are based on interpretations of existing tax laws or regulations.

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

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

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

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

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

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

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

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

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

The Group intends, and has the ability, to maintain these trademarks for the foreseeable future. The assumption of an indefinite useful life is reassessed whenever there is an indication that a trademark may have a definite useful life. In addition, intangible assets with indefinite useful lives are tested for impairment on an annual basis (see note 5).





# Statutory Auditor's Report

**To the General Meeting of Lonza Group Ltd, Basel**

## Report on the Audit of the Consolidated Financial Statements

**Opinion**
We have audited the consolidated financial statements of Lonza Group Ltd and its subsidiaries (the Group), which comprise the consolidated statement of balance sheet as at 31 December 2023, the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements (pages 62 to 140) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

**Key Audit Matters**

**REVENUE RECOGNITION**

**UNCERTAIN INCOME TAX POSITIONS AND RELATED TAX EXPENSES**

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





### REVENUE RECOGNITION

**Key Audit Matter**

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

— custom manufacturing and service agreements, and

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

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

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

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

**Our response**

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

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

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

For further information on revenue recognition refer to the following:

— Note 33.5 Accounting Principles

— Note 33.6 Significant Accounting Estimates and Judgments

— Note 2 Revenues

### UNCERTAIN INCOME TAX POSITIONS AND RELATED TAX EXPENSES

**Key Audit Matter**

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

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

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

**Our response**

Our audit approach included the use of local tax specialists in all key jurisdictions to evaluate tax provisions and potential exposures as of 31 December 2023.

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

Furthermore, we evaluated whether uncertain income tax items were appropriately disclosed

For further information on income taxes refer to the following:

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





**Other Information**

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Board of Directors' Responsibilities for the Consolidated Financial Statements**

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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







## Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

| | |
|---|---|
| Florin Janine Krapp<br>Licensed Audit Expert<br>Auditor in Charge | Noemi Maibach<br>Licensed Audit Expert |

Zurich, 2 April 2024

KPMG AG, Badenerstrasse 172, CH-8036 Zurich

# Financial Statements of Lonza Group Ltd, Basel

## Balance Sheet – Lonza Group Ltd

### Assets [1]

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

[1] At 31 December

### Liabilities and Shareholders' Equity [1]

| CHF | Notes | 2023 | 2022 |
|---|---|---|---|
| **Shareholders' equity** | | | |
| Share capital | 2.6 | 74,468,752 | 74,468,752 |
| Legal capital reserves: | | | |
| – Reserves from capital contributions | 2.7 | 2,222,665,779 | 2,352,462,436 |
| Legal retained earnings reserves: | | | |
| – General legal retained earnings in the narrower sense | | 37,234,376 | 37,234,376 |
| Treasury shares: | 2.8 | | |
| – Against reserves from capital contributions | | (497,216,442) | 0 |
| – Other | | (561,114,246) | (114,131,744) |
| Available earnings: | | | |
| – Profit brought forward | | 6,100,627,545 | 5,623,539,280 |
| – Profit for the year | | 464,587,354 | 606,884,922 |
| **Total shareholders' equity** | | **7,841,253,118** | **8,580,458,022** |
| **Non-current liabilities** | | | |
| Long-term interest-bearing liabilities: | | | |
| – to third parties | 2.5 | 588,560,000 | 692,850,000 |
| – to subsidiaries and associates | | 1,956,215,178 | 787,247,850 |
| Long-term provisions: | | | |
| – to third parties | | 33,626,634 | 18,162,429 |
| Derivatives financial liabilities: | | | |
| – to third parties | | 27,073,095 | 1,505,339 |
| – to subsidiaries and associates | | 0 | 5,030,846 |
| **Total non-current liabilities** | | **2,605,474,907** | **1,504,796,464** |
| **Current liabilities** | | | |
| Trade accounts payables: | | | |
| – to third parties | 2.4 | 20,120,068 | 3,112,005 |
| – to subsidiaries and associates | | 7,943,582 | 2,322,501 |
| Short-term interest-bearing liabilities: | | | |
| – to third parties | 2.5 | 42,040,000 | 184,783,125 |
| – to subsidiaries and associates | | 791,458,716 | 1,319,950,345 |
| Short-term provisions: | | | |
| – to third parties | | 7,793,590 | 23,496,553 |
| Accrued expenses and deferred income: | | | |
| – to third parties | | 183,510,894 | 236,877,611 |
| – to subsidiaries and associates | | 434,028,607 | 64,900,786 |
| **Total current liabilities** | | **1,486,895,457** | **1,835,442,926** |
| **Total liabilities** | | **4,092,370,364** | **3,340,239,390** |
| **Total liabilities and shareholders' equity** | | **11,933,623,482** | **11,920,697,412** |

[1] At 31 December

## Income Statement – Lonza Group Ltd

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

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

## Notes to the Financial Statements – Lonza Group Ltd

# Note 1
## Principles

### 1.1
### General Aspects

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

### 1.2
### Financial Assets

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





### 1.3
### Treasury Shares

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

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

No dividend distributions are made on treasury shares.

### 1.4
### Share-Based Payments

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

### 1.5
### Short-/Long-Term Interest-Bearing Liabilities

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

### 1.6
### Currency- and Interest-Related Instruments

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

### 1.7
### Translation of foreign currencies

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

### 1.8
### Presentation of a Cash Flow Statement and Additional Disclosures in the Notes

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

# Note 2
## Information on Balance Sheet and Income Statement Items

### 2.1 Investments

Lonza Group Ltd holds the following direct subsidiaries as of 31 December 2023. For indirect principal subsidiaries, please see the list in note 32 to the Group's consolidated financial statements.

| | | Share Capital in 1,000 [1] | | Direct Holding in % [1] | |
|---|---|---|---|---|---|
| | | 31.12.2023 | 31.12.2022 | 31.12.2023 | 31.12.2022 |
| Capsugel Belgium NV | Bornem, BE | EUR 236,922 | EUR 236,922 | 99.9% | 99.9% |
| Capsugel Middle East Sàrl | Beirut, LB | LPB 5,000 | LPB 5,000 | 1.0% | 1.0% |
| International School of Basel AG | Reinach, CH | CHF 20,900 | CHF 20,900 | 1.5% | 1.5% |
| Lonza AG | 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 0 [2] | USD 0 [2] | 100.0% | 100.0% |
| Seed Fund Cycle-C3E (A), L.P. | Montreal, CA | CAD 1,000 | CAD 1,000 | 100.0% | 100.0% |
| Synaffix B.V.[3] | Nijmegen, NL | EUR 98 | n/a | 100.0% | 0.0% |

[1] Rounded amounts
[2] Share Capital USD 5.00
[3] Acquired on 31 May 2023

### 2.2 Long-Term Financial Assets

Lonza Group Ltd issued subordination agreements totaling CHF 384 million (2022: CHF 384 million) on loans to subsidiaries and associates.

### 2.3 Cash, Cash Equivalents and Short-Term Financial Assets

Following the sale of the Lonza Specialty Ingredients business in 2021, Lonza parked the excess cash into short-term plain vanilla instruments, such as overnight deposits, bank term deposits, notice deposits and short-term money market funds in line with the Group's investment policy.

At year-end 2023, Lonza Group Ltd maintained a total balance of CHF 1,554 million, thereof CHF 1,231 million was classified as cash & cash equivalents (cash at banks and bank deposits with maturities less than 3 months). Furthermore, Lonza held short-term investments amounting to CHF 323 million, thereof bank deposits with maturity between three and six months totaling CHF 50 million (classified as financial assets at amortized costs) and investments into short-term money market funds of CHF 150 million (classified financial assets at fair value through profit or loss).

### 2.4 Trade Accounts Payables

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

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

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

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

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

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

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

**German Private Placement (Schuldschein)**
Following the repayment of the scheduled debt maturities of EUR 187.5 million (CHF 180 million) in August 2023, Lonza maintains one fixed rate note of the dual-currency Schuldschein issued in August 2017. The remaining note is repayable in 2024 (USD 50 million).

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

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

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

### 2.6 Share Capital and Authorized Capital

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

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

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

At 31 December 2023, Lonza Group Ltd had a fully paid in registered capital of CHF 74,468,752 and a contingent capital of CHF 7,500,000.

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

## 2.7
## Reserves from Capital Contributions

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

## 2.8
## Treasury Shares

### Regular Treasury Shares

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

[1] LTIP distribution includes Executive Committee members

### Treasury Shares – Share buyback program

On 25 January 2023, Lonza announced a program to buy back its own registered shares of up to CHF 2 billion over a maximum period of two years for the purpose of subsequent capital reductions. The buyback program started on 3 April 2023. The repurchased shares are reported as treasury shares. The total number of shares repurchased at 31 December 2023 was 2,242,568 for a total value of CHF 994.4 million.

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

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

## 2.9
## Dividend Income

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

## 2.10
## Other Financial Income

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

## 2.11
## Other Financial Expenses

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

## 2.12
## Other Operating Expenses

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

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

# Note 3
## Other Information

### 3.1 Full-time Equivalents

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

### 3.2 Contingent Liabilities, Guarantees and Pledges

At 31 December 2023, indemnity liabilities, guarantees and pledges in favor of third parties totaled CHF 2,374,745,010 (2022: CHF 1,537,737,781). The company is a member of the Lonza Group value-added-tax group in Switzerland and is thereby jointly and severally liable to the federal tax authorities for value-added-tax debts of the group.

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

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

### 3.3 Major Shareholders

See **Significant Shareholders** section in the Corporate Governance Report.

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

In accordance with Art. 959c para 2 of the Swiss Code of Obligations: See Note 29 in the Group's consolidated financial statements and the Remuneration Report.

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

According to the share-based payments (see note 24 in the Group's consolidated financial statements), Lonza Group Ltd allocates treasury shares and equity awards as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Number of Shares/Granted Equity Awards | Value in CHF 1 | Number of Shares/Granted Equity Awards | Value in CHF 1 |
| Shares allocated to members of the Board of Directors | 2,710 | 1,312,722 | 2,184 | 1,213,347 |
| Granted equity awards allocated to members of the Executive Committee | 8,763 | 4,731,690 | 12,316 | 7,483,677 |
| Granted equity awards allocated to other employees | 3,561 | 1,902,284 | 3,256 | 2,014,397 |
| **Total** | **15,034** | **7,946,696** | **17,756** | **10,711,421** |

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

### 3.6 Significant Events after the Balance Sheet Date

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

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

## Proposal of the Board of Directors

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

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

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

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

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

If the General Annual Meeting approves the above proposal for appropriation of available earnings and distribution of reserves from capital contribution, a dividend of total CHF 4.00 per share will be paid. 50% of such dividend will be paid out as repayment from reserves from capital contributions without deduction of Swiss withholding tax in accordance with Art. 5 para. 1$^{bis}$ of the Federal Law on Withholding Tax. The other 50% of such dividend will be paid from available earnings. The last trading day with entitlement to receive the dividend is 10 May 2024. As from 13 May 2024 (ex-date), the shares will be traded ex-dividend. The dividend will be payable from 15 May 2024.

# Statutory Auditor's Report

**To the General Meeting of Lonza Group Ltd, Basel**

## Report on the Audit of the Financial Statements

**Opinion**
We have audited the financial statements of Lonza Group Ltd (the Company), which comprise the balance sheet as at 31 December 2023, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements pages 148 to 157 comply with Swiss law and the Company's articles of incorporation.

**Basis for Opinion**
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.





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

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

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

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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

| | |
|---|---|
| Florin Janine Krapp<br>Licensed Audit<br>Expert Auditor in<br>Charge | Noemi Maibach<br>Licensed Audit Expert |

Zurich, 2 April 2024

KPMG AG, Badenerstrasse 172, CH-8036 Zurich







# Alternative Performance Measures

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

The APMs are structured in operational Performance Measures as well as Liquidity and Capital Measures.

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

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

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

**CORE Results**

As exceptional items can differ significantly from year to year, Lonza excludes these exceptional effects from the reported IFRS results to determine the CORE results.

We believe that disclosing CORE results of the Group's performance enhances the financial markets' understanding because the CORE results enable better year-on-year comparisons. Furthermore, the Group uses CORE results in addition to IFRS as important factors when internally assessing the Group's performance.

The following exceptional items are considered as CORE adjustments that exceeds the threshold of CHF 20 million per 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 (excluding impairments following contract termination, that are compensated by termination-related revenues),
- Litigations,
- One-time effects arising from changes to pension plans (curtailments and settlements).

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

[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 the Full-Year 2023 and 2022 is as follows:

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

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

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

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

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

[1] In the context on the CORE definition, an "event" represents an individual business case that might involve income/expenses across several fiscal years
[2] Gains related to the divestiture of several businesses in Bioscience and Small Molecules
[3] Litigation related to a Lonza legacy site / business
[4] Total impairment costs of CHF 439 million (see note 3 of the Lonza Annual Report 2023), include impairments of CHF 185 million that are compensated by termination-related revenues or do not exceed the threshold CHF 20 million for core adjustments. Therefore, these impairment costs of CHF 185 million are not adjusted for Core Profit measurement
[5] See note 3 of the Lonza Annual Report 2023
[6] Group tax rate of 17.1% for 2023 and 15.9% for 2022

**Growth at constant exchange rates (CER)**

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

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

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

## Lonza Group

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

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

## Biologics

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

## Small Molecules

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

## Cell & Gene

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

## Capsules and Health Ingredients

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

## Corporate

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

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

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

Net debt represents the net level of financial debt contracted by the Group with external parties (e.g. bonds, term loans, private placements) after considering cash and investments readily convertible into cash. It is composed of the current and non-current financial debt, derivatives hedging financial debt and liquid assets, less cash and cash equivalent and short-term investments. Based on the determined total debt and net debt, Lonza uses further performance measures to demonstrate the relation between debt and profitability, as well as the ratio between debt and equity, to illustrate the gearing of the Group.

## Components of net debt / (net cash)

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

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Net debt / CORE EBITDA ratio | 0.5 | (0.1) |
| Net Debt / Equity ratio | 0.1 | (0.0) |

**Return on Invested Capital**

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

In 2023 and 2022, the development of ROIC by component was as follows:

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

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

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

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

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

[1] Gains related to the divestiture of several businesses in Bioscience and Small Molecules
[2] Litigation related to a Lonza legacy site / business
[3] Total impairment costs of CHF 439 million (see note 3 of the Lonza Annual Report 2023), include impairments of CHF 185 million that are compensated by termination-related revenues or do not exceed the threshold CHF 20 million for core adjustments. Therefore, these impairment costs of CHF 185 million are not adjusted for NOPAT measurement
[4] See note 3 of the Lonza Annual Report 2023
[5] Group tax rate of 17.1% for 2023 and 15.9% for 2022

**Operational Free Cash Flow**

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

Lonza's definition of operational free cash flow does not consider adjustments for non-cash items, as these are usually not significant and year-over-year fluctuations are limited.

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

## Components of operational free cash flow

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

[1] Includes in 2023 non-cash amortization of current deferred income of CHF 406 million (2022: CHF 170 million), recognized in the income statement through EBITDA
[2] Gains /cash inflows related to the divestiture of several businesses in Bioscience and Small Molecules
[3] Related to the acquisition of Synaffix in 2023, see note 4 of the Annual Report 2023

# Legal Disclaimer

## Forward-Looking Statements

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

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

In particular, the assumptions underlying the Outlook 2024 and Mid-Term Guidance 2024-2028 herein may not prove to be correct. The statements in the section on Outlook 2024 and Mid-Term Guidance 2024-2028 constitute forward-looking statements and are not guarantees of future financial performance.

Lonza Group's actual results of operations could deviate materially from those set forth in the section on Outlook 2024 and Mid-Term Guidance 2024-2028 as a result of the factors described above or other factors. Investors should not place undue reliance on the statements in the section on Outlook 2024 and Mid-Term Guidance 2024-2028. Except as otherwise required by law, Lonza Group disclaims any intention or obligation to update any forward looking statements as a result of developments occurring after this publication was published.

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