Financial Statements

Consolidated Balance Sheet

Assets [1]

million CHF	Notes [2]	2024	2023
Non-current assets			
Property, plant and equipment	6	8,532	6,617
Intangible assets	5	2,002	1,988
Goodwill	5	3,370	2,752
Other non-current assets	7	336	574
Deferred tax assets	21	53	15
Total non-current assets		**14,293**	**11,946**
Current assets			
Inventories	9	1,727	1,585
Trade receivables	10	1,283	1,138
Current tax receivables		44	40
Other receivables, prepaid expenses and accrued income, incl. derivatives	11	675	471
Short-term investments	12	600	200
Cash and cash equivalents	12	1,111	1,468
Total current assets		**5,440**	**4,902**
Total assets		**19,733**	**16,848**

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

Equity and liabilities [1]

million CHF	Notes [2]	2024	2023
Equity			
Share capital	25	72	74
Share premium		1,813	2,452
Treasury shares		(773)	(1,058)
Retained earnings and reserves		8,216	7,984
Total equity attributable to equity holders of the parent		**9,328**	**9,452**
Non-controlling interests		60	60
Total equity		**9,388**	**9,512**
Liabilities			
Non-current provisions	13	434	384
Employee benefit liabilities	23	56	41
Other non-current liabilities	15	1,541	1,047
Non-current debt	14	4,242	2,610
Deferred tax liabilities	21	493	491
Total non-current liabilities		**6,766**	**4,573**
Current provisions	13	89	67
Other current liabilities	15	2,415	1,900
Trade payables	16	471	468
Current debt	14	468	191
Current tax payables	21	136	137
Total current liabilities		**3,579**	**2,763**
Total liabilities		**10,345**	**7,336**
Total equity and liabilities		**19,733**	**16,848**

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

Consolidated Income Statement [1]

million CHF	Notes [2]	2024	2023
Sales	1,2	**6,574**	**6,717**
Cost of goods sold [3]		(4,414)	(4,769)
Gross profit		**2,160**	**1,948**
Marketing and distribution		(259)	(237)
Research and Development	22	(118)	(105)
Administration and general overheads [4]		(821)	(732)
Other operating income	19.1	113	44
Other operating expenses	19.2	(111)	(38)
Result from operating activities (EBIT)		**964**	**880**
Financial income	20.1	42	50
Financial expenses	20.2	(251)	(127)
Net financial result		**(209)**	**(77)**
Share of profit / (loss) of associates / joint ventures	8	(1)	(13)
Profit before income taxes		**754**	**790**
Income taxes	21	(117)	(135)
Profit for the period		**637**	**655**
Attributable to:			
Equity holders of the parent		636	654
Non-controlling interest		1	1
Profit for the period		**637**	**655**
Earnings per share for profit attributable to equity holders of the parent:			
Basic earnings per share – EPS basic	26	8.93	8.88
Diluted earnings per share – EPS diluted	26	8.92	8.88

[1] For the year ended 31 December.
[2] See the accompanying notes to the consolidated financial statements.
[3] Includes net impairments of CHF 68 million (2023: CHF 405 million) and restructuring costs of CHF 40 million (2023: CHF 50 million), as well as acquisition related expenses (CHF 143 million) in 2024.
[4] Includes the amortization of acquisition related intangible assets (2024:CHF 135 million, 2023: CHF 132 million). Additionally, includes impairments of CHF 16 million (2023: CHF 30 million), acquisition related expenses of CHF 23 million and business transformation initiative expenses of CHF 14 million.

Consolidated Statement of Comprehensive Income [1]

million CHF	Notes [2]	2024		2023	
Profit for the period			**637**		**655**
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Remeasurements of net defined benefit liability	23	(34)		(35)	
Income tax on items that will not be reclassified to profit or loss	21	5	(29)	5	(30)
Items that are or may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		298		(498)	
Cash flow hedges – effective portion of changes in fair value		(105)		(23)	
Cash flow hedges – reclassified to property, plant and equipment		8		6	
Cash flow hedges – reclassified to goodwill		35		0	
Cash flow hedges – reclassified to profit or loss		32		(17)	
Cash flow hedges – costs of hedging		(29)		(11)	
Income tax on items that are or may be reclassified to profit or loss	21	(10)	229	21	(522)
Other comprehensive income for the period, net of tax			**200**		**(552)**
Total other comprehensive income for the period			**837**		**103**
Total comprehensive income attributable to:					
Equity holders of the parent			834		109
Non-controlling interests			3		(6)
Total comprehensive income for the period			**837**		**103**

[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]	2024	2023
Profit for the period		**637**	**655**
Adjustments for non-cash items:			
– Income taxes	21	117	135
– Net financial result		209	77
– Share of loss / (profit) of associates / joint ventures	8	1	13
– Depreciation of property, plant and equipment (incl. depreciation of right-of-use assets)	6	472	449
– Amortization of intangibles	5	175	172
– Impairment losses on property, plant, equipment (incl. depreciation of right-of-use assets) and intangibles	5,6	89	439
– Reversal of impairment	6	(21)	0
– Write-off of capitalized contract assets		145	22
– Goodwill impairment		16	0
– Increase / (decrease) in provisions	13	108	56
– Increase / (decrease) in employee benefit liability		(4)	(14)
– (Gain) / loss on disposal of property, plant and equipment		(80)	1
– Non-cash items related to businesses combinations		8	(16)
– Amortization of other liabilities / assets		(204)	(398)
– Share-based payments	24	41	21
Income taxes paid		(136)	(145)
Interest paid		(99)	(80)
Total before change in net working capital		1,474	1,387
Decrease / (increase) in inventories		0	143
Decrease / (increase) in trade receivables		(108)	(35)
Increase / (decrease) in trade payables		3	(6)
(Increase) / decrease other net working capital		46	(50)
Use of provisions	13	(45)	(32)
Increase / (decrease) in other payables, net		(96)	(19)
Net cash provided by / (used for) operating activities		**1,274**	**1,388**
Purchase of property, plant and equipment	6	(1,381)	(1,653)
Purchase of intangible assets	5	(36)	(29)
Acquisitions of subsidiaries, net of cash acquired	4	(1,075)	(93)
Purchase of unconsolidated investments		(4)	(23)
Lease payments received		3	10
Decrease / (increase) in capitalized contract assets	2	(55)	(20)
Net proceeds from disposals and purchases of other assets		4	12
Net proceeds from disposals and purchases of short-term investments	12	(400)	685
Net proceeds from issuance and repayments of loans		(7)	(16)
Interest received		33	30
Dividends received		2	1
Net cash provided by / (used for) investing activities		**(2,916)**	**(1,096)**

million CHF	Notes[2]	2024	2023
Repayment of straight bonds	14	(110)	(475)
Repayment of German Private Placements	14	(43)	(180)
Issuance of straight bonds	14	2,071	1,328
Increase / (decrease) in other debt	14	(41)	20
Repayment of lease liabilities		(41)	(58)
Increase in other non-current liabilities		452	486
Capital injection from owners of the non-controlling interests		0	1
Purchase of treasury shares[3]	25	(726)	(1,020)
Sale of treasury shares		9	9
Dividends paid[4]	26	(288)	(263)
Net cash provided by / (used for) financing activities		**1,283**	**(152)**
Effect of currency translation on cash		2	(11)
Net increase / (decrease) in cash and cash equivalents		**(357)**	**129**
Cash and cash equivalents at 1 January		1,468	1,339
Cash and cash equivalents at 31 December		**1,111**	**1,468**

[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 (2023: CHF 3 million) paid to non-controlling interest shareholders of a subsidiary.

Consolidated Statement of Changes in Equity

million CHF	Notes[1]	Attributable to equity holders of the parent								
		Share capital	Share premium	Retained earnings	Hedging reserve	Translation reserve	Treasury shares	Total	Non-controlling interests	Total equity
At 1 January 2023		**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**
Profit for the period		0	0	636	0	0	0	636	1	637
– Remeasurement of defined benefit liability		0	0	(29)	0	0	0	(29)	0	(29)
– Exchange differences on translating foreign operations		0	0	0	0	286	0	286	2	288
– Cash flow hedges		0	0	0	(59)	0	0	(59)	0	(59)
Other comprehensive income, net of tax		0	0	(29)	(59)	286	0	198	2	200
Total comprehensive income for the period		**0**	**0**	**607**	**(59)**	**286**	**0**	**834**	**3**	**837**
Dividends	26	0	(142)	(143)	0	0	0	(285)	(3)	(288)
Recognition of share-based payments	24	0	0	43	0	0	0	43	0	43
Movements in treasury shares		0	0	(5)	0	0	(711)	(716)	0	(716)
Capital reduction	25	(2)	(497)	(497)	0	0	996	0	0	0
At 31 December 2024		**72**	**1,813**	**9,491**	**(82)**	**(1,193)**	**(773)**	**9,328**	**60**	**9,388**

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

Hedging reserve
The hedging reserve represents the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

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

Note 1
Operating Segments

1.1
General Information

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

Biologics
The Biologics division is a leading contract development and manufacturing partner for biopharmaceuticals, serving customers for all clinical and commercial manufacturing needs throughout the product lifecycle, including drug substance and drug product manufacturing. The modalities across Biologics include mammalian and microbial expression systems, bioconjugates, and mRNA. The end-to-end service offering is complemented by granting customers access to Lonza's expression system 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, sales 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 2024

million CHF	Biologics	Small Molecules	Cell & Gene	Capsules & Health Ingredients	Total operating segments	Corporate / Eliminations	Group total
Sales third-party	3,676	983	689	1,054	6,402	172	**6,574**
Intersegment sales [1]	4	2	56	1	63	(63)	0
Total sales	**3,680**	**985**	**745**	**1,055**	**6,465**	**109**	**6,574**
CORE EBITDA [2]	**1,266**	**351**	**108**	**256**	**1,981**	**(73)**	**1,908**
– Percentage return on sales in %	34.4	35.7	15.7	24.3	30.9	n.a.	29.0
Included in CORE EBITDA:							
Research and Development [3]	(162)	(21)	(30)	(16)	(229)	(5)	(234)
Depreciation and amortization	(306)	(71)	(72)	(171)	(620)	(27)	(647)
Impairment, net of reversal of impairment [4]	(10)	(16)	(13)	(14)	(53)	(31)	(84)
Restructuring income / (expenses)	(194)	0	(2)	0	(196)	0	(196)
Capitalized contract cost write-off [5]	(145)	0	0	0	(145)	0	(145)
Environmental expenses, net of reversal	0	0	0	0	0	(80)	(80)
Other segment information:							
Additions to property, plant and equipment	825	129	183	81	1,218	163	1,381
Additions to property, plant and equipment from acquisitions	706	0	0	0	706	0	706
Additions to right-of-use assets	14	1	9	10	34	4	38
Additions to intangible assets	3	0	9	8	20	16	36
Additions to goodwill and intangible assets from acquisitions	670	0	0	0	670	0	670
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 reversal of impairment of CHF 21 million related to Singapore (refer to note 3).
[5] Refer to note 2.

The reconciliation of the CORE EBITDA to the IFRS result for the twelve months ended 31 December in 2024 and 2023 is as follows:

million CHF	2024	2023
Profit before income taxes	**754**	**763**
Net financial result	(209)	(77)
Share of profit / (loss) from associates and joint ventures	(1)	(13)
Result from operating activities (EBIT) [1]	**964**	**853**
Environmental-related measures	(80)	(15)
Acquisitions and divestitures	(163) [2]	6
Restructuring [3]	(40)	(50)
Business transformation initiatives [4]	(14)	0
Gain from sale of real estate	84	0
Depreciation and amortization of property, plant and equipment and intangibles	(647)	(648)
Impairment, net of reversal of property, plant and equipment (incl. right-of-use assets) and intangibles	(84)	(439) [2]
CORE EBITDA	**1,908**	**1,999**

[1] Result from operating activities (EBIT) excludes financial income and expenses as well as Lonza's share of profit/loss from associates and joint ventures.
[2] Costs related to the acquisition of the Vacaville site (see note 4), and the subsequent network optimization measures as a result of this acquisition.
[3] Primarily related to Biologics restructuring program initiated in 2023. Refer to note 3.
[4] Costs related to One Lonza Business Transformation, and Nexus (a global Business Process Transformation linked to a new ERP system for Lonza CDMO business based on SAP S/4 HANA).

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]	**1,316**	**291**	**68**	**332**	**2,007**	**(8)**	**1,999**
– Percentage return on sales in %	35.4	32.3	9.8	28.6	31.0	n.a.	29.8
Included in CORE EBITDA:							
Research and Development [3]	(181)	(21)	(31)	(17)	(250)	(3)	(253)
Depreciation and amortization [2]	(274)	(69)	(70)	(175)	(588)	(33)	(621)
Impairment, net of reversal of impairment [4]	(362)	0	(76)	0	(438)	(1)	(439)
Restructuring income / (expenses) [4]	(50)	0	0	0	(50)	0	(50)
Capitalized contract costs write-off	(22)	0	0	0	(22)	0	(22)
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. In 2024, Lonza has made changes to the definition of certain Performance Measures. The revised approach resulted in an improved CORE EBITDA by division for 2023, with no impact at Group level.
[3] Refer to note 22.
[4] Refer to note 3.

1.3
Measurement of Operating Segment Profit or Loss

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

1.4
Geographical Information

Year ended
31 December 2024

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	468	95	895	2,232	31	3,253
Czech Republic	8	0	0	0	0	0
Denmark	285	0	0	0	0	0
France	112	89	66	8	1	164
Germany	295	18	8	55	0	81
Ireland	457	0	0	0	0	0
Italy	60	1	0	1	0	2
Netherlands	167	134	68	82	3	287
Spain	41	114	1	0	0	115
Sweden	110	0	0	0	0	0
Switzerland	719	4,911	167	321	252	5,651
United Kingdom	239	202	2	7	0	211
Rest of Europe	183	0	0	0	0	0
Europe	**3,144**	**5,564**	**1,207**	**2,706**	**287**	**9,764**
Canada	104	8	89	20	0	117
Mexico	31	36	18	0	0	54
United States	2,309	2,481	510	642	47	3,680
Rest of North and Central America	0	4	0	0	0	4
North and Central America	**2,444**	**2,529**	**617**	**662**	**47**	**3,855**
Brazil	49	0	9	0	0	9
Rest of Latin America	80	0	0	0	0	0
Latin America	**129**	**0**	**9**	**0**	**0**	**9**
China	146	132	58	0	0	190
India	46	19	17	1	0	37
Indonesia	12	9	6	0	0	15
Japan	442	29	24	0	1	54
Singapore	32	247	34	0	1	282
South Korea	119	0	0	0	0	0
Thailand	12	0	24	0	0	24
Rest of Asia	28	3	0	0	0	3
Asia	**837**	**439**	**163**	**1**	**2**	**605**
Australia & New Zealand	**17**	**0**	**6**	**1**	**0**	**7**
Other countries	**3**	**0**	**0**	**0**	**0**	**0**
Total	**6,574**	**8,532**	**2,002**	**3,370**	**336**	**14,240**

[1] Sales 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 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	6
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] Sales 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 2024, Lonza's largest customer accounted for 8.1% and the second to fifth largest customers for 7.8%, 4.9%, 3.3%, and 3.0% in relation to total Group sales, respectively. No other customer accounted for 2.9% or more of Lonza's total sales.

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.

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. In accordance with note 1.1 each segment focuses on different modalities and markets.

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	2024	2023
Biologics	3,676	3,719
Small Molecules	983	901
Cell & Gene	689	696
Capsules & Health Ingredients	1,054	1,161
Corporate	172	240
Total	**6,574**	**6,717**

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	2024	2023
Trade receivables	10	1,283	1,138
Total trade receivables		**1,283**	**1,138**

million CHF	Notes	2024	2023
Accrued income	11	144	110
Capitalized contract cost [1]	7, 11	55	154
Total contract assets		**199**	**264**

[1] Thereof non-current CHF 44 million (2023: CHF 137 million) and current CHF 11 million (2023: 17 million).

million CHF	Notes	2024	2023
Non-current deferred income	15	1,011	658
Current deferred income	15	1,075	745
Total contract liabilities		**2,086**	**1,403**

Movement in Capitalized Costs to Fulfill a Contract

million CHF	2024	2023
At 1 January	**154**	**72**
Asset recognized from costs incurred to fulfill a contract during the period	55	114
Amortization recognized as cost of providing services during the period	(11)	(8)
Capitalized contract costs write-off	(145) [1]	(22)
Currency translation effects	2	(2)
At 31 December	**55**	**154**

[1] In 2024, network optimization measures subsequent to the Vacaville acquisition resulted in CHF 143 million capitalized contract cost write-off.

Movement in Contract Liabilities

million CHF	2024	2023
At 1 January	**1,403**	**1,388**
Revenue recognized that was included in the contract liability balance at the beginning of the period	(758)	(689)
Increases due to cash received, excluding amounts recognized as revenue during the period	1,067	720
Acquisition of subsidiaries	360	1
Currency translation effects	14	(17)
At 31 December	**2,086**	**1,403**

Note 3
Impairment Losses and Restructuring Costs

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

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

In 2024, the decommissioning of the above facilities continued, which led to additional restructuring costs of CHF 28 million.

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

Small Molecules
In 2024, Small Molecules incurred impairment losses amounting to CHF 16 million primarily in relation to a manufacturing site in Switzerland facing a low asset utilization.

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 for 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).

In 2024, the Cell & Gene division prior year impairment related to the Singapore site has been partially reversed (CHF 20 million) as a result of improved utilization rate. Conversely, the manufacturing site in Lexington (US) has been facing low asset utilization leading to an additional impairment loss of CHF 32 million.

Capsules & Health Ingredients
In 2024, Capsules & Health Ingredients started different restructuring projects in the US and in Indonesia (CHF 11 million impairment, CHF 4 million restructuring costs).

Corporate
Beside the above, Lonza recognized in 2024 an impairment of the Bacthera related manufacturing assets (see note 8.1).

The impairment losses and restructuring costs recognized in the financial years 2024 and 2023 are as follows:

						2024			2023
million CHF	Biologics	Small Molecules	Cell & Gene	Capsules & Health Ingredients	Corporate	Group total	Biologics	Cell & Gene	Group total
Impairment losses on property, plant and equipment, right of use assets and intangible assets	(11)	(16)	(33)	(14)	(31)	(105)	(363)	(76)	(439)
Reversal of impairment losses on property, plant and equipment, right of use assets and intangible assets	1	0	20	0	0	21	0	0	0
Restructuring costs	(28)	0	(2)	(10)	0	(40)	(50)	0	(50)
Total	**(38)**	**(16)**	**(15)**	**(24)**	**(31)**	**(124)**	**(413)**	**(76)**	**(489)**

Note 4
Business Combinations and Sale of Businesses

4.1
Acquisition of Large-scale Biologics site in Vacaville (US)

On October 1, 2024, the Group completed the acquisition of the Genentech large-scale biologics manufacturing facility in Vacaville, California (USA), through an asset purchase agreement from Roche. The total consideration amounted to USD 1,694 million (CHF 1,435 million), of which USD 1,269 million (CHF 1,075 million) was paid in cash and USD 425 million (CHF 360 million) arose from a liability to manufacture certain Roche drug substances under a manufacturing services agreement. This agreement defines price levels that are lower compared to what Lonza usually would charge to customers.

The manufacturing service agreement will run for a period of four years and will provide a base utilization of the facility while Lonza is going to modify the assets and to onboard new customers.

The acquired Vacaville facility is one of the largest biologics manufacturing sites globally, with a total bioreactor capacity of approximately 330,000 liters which represents a significant expansion of Lonza's manufacturing network.

The demand for capacity for commercial biologics is expected to remain high across the Custom Development and Manufacturing Organizations (CDMO) industry as innovative new therapies reach approval. In this context, the acquisition of the Vacaville (US) site will provide Lonza's customers with immediate access to significant new capacity in the United States, currently the world's largest pharmaceutical market.

From the acquisition date, the Vacaville manufacturing site has been consolidated in Lonza's Mammalian business unit within its Biologics division. The acquisition is expected to have a positive impact on the Group's revenue and earnings, as the Vacaville facility will play a significant role in commercial biologics production and clinical development projects.

The acquisition of the Vacaville site did not have any significant impact on Lonza's revenues or profit of the financial year 2024. Before the acquisition Vacaville served as manufacturing site within the Roche network with no direct sales to third party customers. Going forward Lonza, as a CDMO company, will use the facility to manufacture drug substances for its customers. Therefore, Lonza does not believe that disclosing revenue or profit information for the period 1 January – 30 September 2024 would provide any meaningful insights.

As part of the acquisition, the acquired assets and liabilities assumed were measured at their fair values in accordance with IFRS 3 on a provisional basis. The identifiable assets aquired and liabilities assumed are set out in the table below. The amounts are provisional based on preliminary information and valuations of the assets and liabilities and are subject to adjustment (during the first half of 2025):

million CHF	2024
Intangible asset (Manufacturing Services Agreement)	105
Property, plant and equipment	706
Right-of-use assets	7
Inventories	76
Deferred tax assets	33
Lease liabilities	(7)
Other liabilities	(15)
Net identifiable assets	**905**
Cash consideration	1,075
Manufacturing services in kind	360
Total consideration transferred	**1,435**
Fair value of net identifiable assets	(905)
Goodwill	**530**

The goodwill from the acquisition of the Vacaville facility amounts to CHF 530 million and is in substance the result of the acquired experienced and trained workforce and the readily available and fully qualified manufacturing capabilities. The total goodwill amounts to CHF 565 million and also includes the effective portion of losses of CHF 35 million from cash flow hedges to manage the foreign exchange rate exposure that existed from 23 March 2024 until closing on 1 October 2024. The goodwill recognized is partially expected to be deductible for income tax purposes.

The Group incurred transaction-related costs of CHF 7 million that are reported in the Biologics segment within administration and general overhead expenses.

4.2
Acquisition of Synaffix

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 60 million (CHF 56 million) is reflected as a liability within the consolidated balance sheet as of 31 December 2024.

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 has complemented Lonza's existing Bioconjugates offering and provides an additional revenue stream for the Licensing business unit. The acquired business is reported within the Biologics segment.

4.3
Cash Flow from Acquisitions of businesses

million CHF	2024	2023
Cash consideration paid [1]	(1,075)	(104)
Cash in acquired companies	0	11
Net cash outflow	**(1,075)**	**(93)**

[1] 2024 related to the Vacaville acquisition, 2023 related to Synaffix acquisition.

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 231 million as of 31 December 2024 (2023: CHF 227 million) are not systematically amortized.

Development costs as of 31 December 2024 predominantly include technologies acquired with the acquisitions of Capsugel, amounting to CHF 523 million (2023: CHF 583 million) and Octane of CHF 58 million (2023: CHF 67 million).

million CHF	Goodwill	Capsugel trade name and Cambrex trademarks	Patents, trademarks, client relationship	Computer software	Technologies / Development cost	Construction in progress	Total
Year ended 31 December 2023							
At 1 January 2023							
Costs	2,863	241	1,456	252	1,276	4	6,092
Accumulated depreciation and impairment	0	0	(340)	(186)	(472)	0	(998)
Net book value	**2,863**	**241**	**1,116**	**66**	**804**	**4**	**5,094**
Year ended 31 December 2023							
Additions	0	0	3	16	10	0	29
Disposals	0	0	0	0	0	0	0
Acquisition of subsidiaries	58	0	40	0	35	0	133
Transfers / reclassifications	0	0	0	3	0	(3)	0
Amortization	0	0	(55)	(28)	(89)	0	(172)
Impairment losses	0	0	(20)	(1)	(10)	0	(31)
Currency translation effects	(169)	(14)	(83)	(1)	(46)	0	(313)
At 31 December 2023	**2,752**	**227**	**1,001**	**55**	**704**	**1**	**4,740**
Year ended 31 December 2024							
Additions	0	0	1	27	8	0	36
Disposals	0	0	0	0	0	0	0
Acquisition of subsidiaries [1]	565	0	105	0	0	0	670
Transfers / reclassifications	0	0	0	0	0	0	0
Amortization	0	0	(59)	(28)	(88)	0	(175)
Impairment losses	(16)	0	(4)	0	0	0	(20)
Currency translation effects	69	4	36	2	10	0	121
At 31 December 2024	**3,370**	**231**	**1,080**	**56**	**634**	**1**	**5,372**
Costs	3,370	231	1,524	296	1,257	1	6,679
Accumulated depreciation and impairment	0	0	(444)	(240)	(623)	0	(1,307)
Net book value	**3,370**	**231**	**1,080**	**56**	**634**	**1**	**5,372**

[1] Related to the acquisition of Vacaville. Refer to note 4.1.

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	2024	2023
Capsules & Health Ingredients	1,323	1,301
Small Molecules	1,034	1,023
Biologics	675 [1]	88
Cell & Gene	338	340
Total carrying amounts of goodwill as at 31 December	**3,370**	**2,752**

[1] Increase in 2024 related to the acquisition of Biologics site in Vacaville. Refer to note 4.1.

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	2024	2023
Capsules & Health Ingredients	206	204
Cell & Gene	25	23
Total carrying amounts of intangible assets with indefinite useful life as at 31 December	**231**	**227**

The recoverable amount of the cash-generating units is based on the value-in-use calculation. The supporting cash flow projections for 2025 to 2029 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 cash-generating units carrying significant goodwill are based on the following:

For assessing value in use, the cash flow projections are based on the most recent long-term forecasts approved by management. Other key assumptions used in the calculations are the period of cash flow projections included in the long term forecasts, the terminal value growth rate and the discount rate.

The cash flow projections for the Biologics cash-generating unit beyond the five-year period are based on a 2.0% (2023: 2.0%) growth rate. A pre-tax discount rate of 5.5% (2023: 8.6%) has been used in discounting the projected cash flows.

The cash flow projections for the Capsules & Health Ingredients cash-generating unit beyond the five-year period are based on a 2.0% (2023: 2.0%) growth rate. A pre-tax discount rate of 5.8% (2023: 8.6%) has been used in discounting the projected cash flows.

The cash flow projections for the Small Molecules cash-generating unit beyond the five-year period are based on a 2.0% (2023: 2.0%) growth rate. A pre-tax discount rate of 5.4% (2023: 6.4%) 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 beyond the five-year period are extrapolated using a 2.0% (2023: 2.0%) growth rate. A pre-tax discount rate of 5.6% (2023: 8.6%) 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

Based on the above, 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	2024	2023
Property, plant and equipment	8,249	6,329
Right-of-use assets	283	288
Total	**8,532**	**6,617**

6.1
Property, Plant and Equipment

million CHF	Land	Buildings and structures	Production facilities	Construction in progress	Total
At 1 January 2023					
Costs	79	2,221	4,538	2,433	9,271
Accumulated depreciation and impairment	(1)	(985)	(2,552)	0	(3,538)
Net book value	**78**	**1,236**	**1,986**	**2,433**	**5,733**
Year ended 31 December 2023					
Additions	5	38	213	1,397	1,653
Disposals [1]	0	(9)	(6)	(99)	(114)
Acquisition of subsidiaries	0	0	1	0	1
Transfers / reclassifications	0	274	596	(870)	0
Depreciation charge	0	(83)	(319)	0	(402)
Impairment losses [2]	0	(112)	(215)	0	(327)
Currency translation effects	(5)	(56)	(98)	(56)	(215)
At 31 December 2023	**78**	**1,288**	**2,158**	**2,805**	**6,329**
Costs	79	2,430	5,027	2,805	10,341
Accumulated depreciation and impairment	(1)	(1,142)	(2,869)	0	(4,012)
Net book value	**78**	**1,288**	**2,158**	**2,805**	**6,329**
Year ended 31 December 2024					
Additions	0	0	5	1,376	1,381
Disposals	0	(2)	(4)	(10)	(16)
Acquisition of subsidiaries	47	439	208	12	706
Transfers / reclassification	42	275	551	(868)	0
Reclassification from other asset categories [3]	0	0	0	153	153
Depreciation charge	0	(86)	(343)	0	(429)
Impairment losses	(1)	(35)	(39)	0	(75)
Reversal of impairment losses	0	15	6	0	21
Currency translation effects	4	67	75	33	179
At 31 December 2024	**170**	**1,961**	**2,617**	**3,501**	**8,249**
Costs	172	3,214	5,951	3,501	12,838
Accumulated depreciation and impairment	(2)	(1,253)	(3,334)	0	(4,589)
Net book value	**170**	**1,961**	**2,617**	**3,501**	**8,249**

[1] Disposal in construction in progress related to transfer to lease receivables.
[2] Refer to note 3.
[3] Related to reclassification due to termination of a lessor lease contract (note 8.1) and to a financing transaction on Lonza own real estate assets.

Future commitments for capital expenditure in property, plant and equipment amounted to CHF 943 million at year-end 2024 (2023: CHF 942 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 2024 and 2023.

6.2
Right-of-use Assets

million CHF	Land	Buildings and structures	Production facilities	Others	Total
Year ended 31 December 2024					
Net carrying amount 31 December	33	238	1	11	283
Additions	0	37	0	1	38
Depreciation charge	(1)	(40)	0	(2)	(43)
Impairment losses	0	(10)	0	0	(10)
Year ended 31 December 2023					
Net carrying amount 31 December	32	252	1	3	288
Additions	0	54	0	1	55
Depreciation charge	(1)	(41)	(3)	(2)	(47)
Impairment losses [1]	0	(37)	(44)	0	(81)

[1] Refer to note 3.

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	2024	2023
Expenses related to short-term leases and low value assets [1]	(10)	(8)
Expenses related to variable lease payments not included in lease liabilities [1]	(13)	(12)
Other rent expenses (including incidental expenses) [1]	(12)	(10)
Total lease expenses not part of right-of-use assets	**(35)**	**(30)**
Depreciation of right-of-use assets [1]	(43)	(47)
Impairment of right-of-use assets [2]	(10)	(81)
Interest expense on leases liabilities [3]	(12)	(12)

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

Cash flows from operating activities include cash flows from short-term leases, leases of low-value assets, variable lease payments, incidental costs and the payment of interests on lease liabilities.

Cash flows from financing activities include the payment of the principal portion of lease liabilities as well as prepayments made before the lease commencement date.

The total cash outflows on leases for the year 2024 amounted to CHF 76 million (2023: CHF 88 million).

Note 7
Other Non-Current Assets

Non-current loans and advances at 31 December 2024 includes a CHF 140 million loan to BioAtrium AG (2023: CHF 144 million). This associated company represents a strategic partnership between Sanofi and Lonza (see note 8.2).

It also includes a CHF 64 million non-current loan (2023: CHF 52 million) to Bacthera, that was subject to a full loss allowance in 2024 (see note 8.1). In consideration of the current loan portion (CHF 13 million) the loan to Bacthera amounted to CHF 77 million.

million CHF	Notes	2024	2023
Loans and advances	8	205	198
Allowances for credit losses on loans and advances [1]	8.1	(64)	0
Investments in associates / joint ventures	8.2	31	32
Other investments		67	69
Capitalized contract costs	2	44	137
Lease receivables [2]		13	113
Derivative financial instruments	28.5	25	6
Contingent consideration related to sale of business	28.6	0	2
Other receivables		15	17
Total		**336**	**574**

[1] Fully relates to the loan between Lonza and Bacthera joint venture (see note 8.1).
[2] In 2024, the financial lease between Lonza and Bacthera was terminated (see note 8.1). The former Bacthera dedicated production facility was transferred back to Lonza's property plant and equipment and is being repurposed for other use within Lonza's manufacturing network.

Note 8
Investments in Associates and Joint Ventures

In 2024 and 2023, 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	2024	2023
Balance sheet value		
Interests in joint ventures	0	0
Interests in associates	31	32
Total	**31**	**32**
Net income statement effect		
Share of profit / (loss) of joint ventures	0	(12)
Share of profit / (loss) of associates	(1)	(1)
Total	**(1)**	**(13)**

8.1 Joint Ventures

With Bacthera AG (founded in April 2019), the Group established together with Chr. Hansen Holding A/S (part of Novonesis since 1 February 2024) a strategic partnership in developing and manufacturing live biotherapeutic products for pharma biotech and nutrition customers.

Lonza accounts for its 50% share in Bacthera AG as a joint venture in accordance with IFRS 11. Lonza continued to maintain its investment value in Bacthera AG at CHF 0 million. In addition, Lonza financed the joint venture with a shareholder loan with a carrying value of CHF 0 million (2023: CHF 64 million). The loan was subject to an impairment in 2024 of CHF 77 million.

In November 2021, Bacthera entered into a long-term manufacturing agreement (LTMA) with Seres Therapeutics for the commercial manufacturing of VOWST (a prescription medicine from Seres Therapeutics). In parallel, to support Bacthera in its commercial ambitions, Lonza constructed a dedicated Microbiome facility in Visp that was subject to a 20-year finance lease agreement (starting from 1 July 2023).

On 6 June 2024, Seres Therapeutics announced that it had agreed to a non-binding memorandum of understanding with Nestlé Health Science (NHSc), in which NHSc will acquire the VOWST activities.

On 26 June 2024, Bacthera announced a restructuring plan and the shut-down of all activities except the ramp-up of the commercial manufacturing of VOWST.

On 5 August 2024, Seres, NHSc and Bacthera signed an agreement, under which the manufacturing agreement would be terminated against a closing payment. The sale, that was completed on 30 September 2024, concomitantly terminated the finance lease agreement (between Lonza and Bacthera). The former Bacthera asset is expected to be repurposed within Lonza's manufacturing network. Therefore the asset was transferred from finance lease receivable to property plant and equipment and subsequently impaired for a value of CHF 31 million (corresponding to the investment portion that was specific to Bacthera and has no future value to Lonza).

Regarding the shareholder loan, management assesses the likelihood as low that Bacthera will generate sufficient future cashflows and be in a position to repay it to Lonza. As a result, the loan was subject to an impairment of CHF 77 million in 2024. This adjustment is reported as part of the Group's financial results.

million CHF	2024	2023
Carrying amount of interests in joint ventures	0	0
Share of profit / (loss)	0	(12)

8.2 Associates

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

BioAtrium Ltd
BioAtrium Ltd was founded in 2017 for the strategic partnership with Sanofi. This strategic partnership 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	2024	2023
Percentage of ownership	**50%**	**50%**
Current assets	77	64
Non-current assets	319	334
Current liabilities	74	38
Non-current liabilities (including non-current debt of CHF 275 million; 2023: CHF 291 million)	275	311
Net assets (100%)	**47**	**49**
Group's share of net assets (50%)	24	25
Carrying amount of interest in BioAtrium Ltd	**31**	**32**
Revenue	126	101
(Loss) / Profit and total comprehensive income (100%)	(1)	(1)
Group's share of (loss) / profit and total comprehensive income (50%)	**(1)**	**(1)**

Note 9
Inventories

million CHF	2024	2023
Inventories	1,967	1,787
Allowances for slow-moving and obsolete inventory	(240)	(202)
Total	**1,727**	**1,585**

million CHF		2024		2023
Raw materials	35%	599	36%	573
Work in progress	11%	197	12%	188
Finished goods	41%	710	37%	593
Other	13%	221	15%	231
Total	**100%**	**1,727**	**100%**	**1,585**

By Operating Segments

million CHF		2024		2023
Biologics	56%	967	48%	761
Small Molecules	19%	322	24%	376
Cell & Gene	11%	184	11%	181
Capsules & Health Ingredients	15%	260	18%	282
Corporate / Intercompany Profit Eliminations	-1%	(6)	-1%	(15)
Total	**100%**	**1,727**	**100%**	**1,585**

The cost of inventories recognized as expenses during the period and included in "Cost of goods sold" amounted to CHF 3,933 million (2023: CHF 4,019 million).

Allowances for slow-moving and obsolete inventory

million CHF	Raw materials	Work in progress and finished goods	Other	Total 2024	Total 2023
At 1 January	**81**	**89**	**32**	**202**	**174**
Increase	20	84	25	129	136
Reversal / Utilization of write-downs	(29)	(64)	(4)	(97)	(99)
Currency translation effects	3	2	1	6	(9)
At 31 December	**75**	**111**	**54**	**240**	**202**

Note 10
Trade Receivables

million CHF	2024	2023
Receivables from customers	1,354	1,168
Allowances for credit losses [1]	(71)	(30)
Total	**1,283**	**1,138**

[1] 2024 includes a CHF 16 million allowance for services rendered and invoiced, for which no revenue was realized due to one customer's financial distress. The balance was reclassified from deferred income to allowance for credit losses during the year. The balance in 2024 also includes a CHF 7 million loss allowance on a receivable related to a joint-venture (see note 8.1). The remaining variance for the year relates to few limited cases of ongoing disputes and/or customers (usually early stage companies) in financial distress.

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 2024, 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	2024	2023
Balance at the beginning of the year	**30**	**28**
Write-offs	(6)	(3)
Net increase/(decrease) in allowances for credit losses	46	6
Currency translation effects	1	(1)
Balance at the end of the year	**71**	**30**

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	2024	2023
Accrued income	2	144	110
Prepaid expenses		97	75
Collateral arrangements (Credit Support Annexes)	28.5	80	20
Capitalized contract costs	2	11	17
Loans and advances	8.1	13	13
Allowances for credit losses on loans and advances [1]	8.1	(13)	0
Lease receivables		4	5
Derivative financial instruments	28.5	99	124
Other tax receivables		93	71
Other receivables [2]		147	36
Total		**675**	**471**

1 Fully relates to the loan between Lonza and Bacthera joint venture (see note 8.1).
2 "Other receivables" includes receivables from sale of real estate (amounting to CHF 102 million, that was paid in 2025).

Note 12
Cash and Cash Equivalents and Short-Term Investments

Impairment on cash and cash equivalents is measured on a 12-month expected credit losses (`ECL`) basis with a reference to external credit ratings of the counterparties. Lonza considers that its cash and cash equivalents have low credit risk based on these external credit ratings.

Liquidity Management / Short-term Investments
In line with the Group's investment policy, Lonza parks its excess cash into short-term instruments, such as overnight deposits, bank term deposits, notice deposits and short-term money market funds.

At year-end 2024, Lonza maintained a total balance of CHF 1,111 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 600 million, all of it was invested in bank deposits with maturity between three and six months (classified as financial assets at amortized costs).

million CHF	2024	2023
Cash	426	265
Time deposits	685	1,203
Total	**1,111**	**1,468**

Short-term Investments

million CHF	2024	2023
Investments at amortized costs	600	50
Investments at fair value through profit or loss	0	150
Total short-term investments	**600**	**200**

In 2024 and 2023, all short-term investments are made in CHF (see note 28.4).

Note 13
Provisions

million CHF	Environmental	Restructuring	Other	Total
At 1 January 2024	**398**	**31**	**22**	**451**
Increase	81	15	23	119
Used	(22)	(17)	(6)	(45)
Unwinding of discount	2	0	1	3
Reversed	0	(5)	(6)	(11)
Currency translation effects	0	3	3	6
At 31 December 2024	**459**	**27**	**37**	**523**
thereof current	41	26	22	89
thereof non-current	418	1	15	434

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 459 million (2023: CHF 398 million) relates to the Visp site and is expected to be utilized within eight years.

Lonza maintains an old landfill close to its Visp (CH) site. This landfill was primarily in use from 1918 until 1978 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. As an initial measure Lonza plans an installation of an extended hydraulic barrier. This measure will support to minimize the risk of groundwater contamination as well as the improvement of the containment of the old landfill. The construction work for the hydraulic barrier is expected to commence in 2025, once all required approvals are obtained.

As of 31 December 2024 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 2024 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 partially related to the asset retirement obligations of Lonza's Singapore based operations, with the remaining portion attributed to customer settlements.

Note 14
Debt

Non-Current Debt [1]

million CHF	2024	2023
Straight bonds	3,967	1,917
Term loan	177	587
Other long-term debt	98	106
Total non-current debt	**4,242**	**2,610**

[1] Carrying amount of debt excluding accrued interests (see note 15).

Straight Bonds – Fixed Interest Rates

million CHF	2024	2023
CHF bonds		
0.7%, CHF 110 million, 2017/2024, due 12 July 2024, issued at 100.222%	0	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	300
2.10%, CHF 150 million, 2023/2029, due 12 September 2029, issued at 98.961%	148	147
2.25%, CHF 185 million, 2023/2028, due 16 May 2028, issued at 100.054%	185	185
2.6%, CHF 215 million, 2023/2028, due 16 May 2031, issued at 100.295%	215	215
EUR bonds		
1.625%, EUR 500 million, 2020/2027, due 21 April 2027, issued at 99.424%	468	462
3.875%, EUR 500 million, 2023/2033, due 25 May 2033, issued at 99.091%	465	458
3.875%, EUR 1,000 million, 2024/2036, due 24 April 2036, issued at 98.715%	924	0
3.25%, EUR 600 million, 2024/2030, due 4 September 2030, issued at 99.448%	559	0
3.5%, EUR 600 million, 2024/2034, due 4 September 2034, issued at 98.361%	553	0
Total including current portion	**3,967**	**2,027**
Less current portion of straight bonds	0	(110)
Total non-current straight bonds	**3,967**	**1,917**

Current Debt [1]

million CHF	2024	2023
Due to banks and other financial institutions (German Private Placement)	0	42
Term loan	450	0
Others	18	39
Straight bond due within one year		
– Straight bond (2017-2024)	0	110
Total current debt	**468**	**191**

[1] Carrying amount of debt excluding accrued interests (see note 15).

Debt: Movements in Carrying Value of Recognized Liabilities

million CHF	2024	2023
At 1 January	**2,801**	**2,232**
Repayment of straight bond	(110)	(475)
Issuance of straight bonds	2,071	1,328
Repayment of German Private Placements	(43)	(180)
(Decrease) / increase in other debt	(41)	20
Changes from financing cash flows	**1,877**	**693**
Amortization of financing costs and discounts	**5**	**4**
Net foreign currency transaction (gains) / losses	45	(67)
Currency translation effects	(18)	(61)
Changes in foreign exchanges rates	**27**	**(128)**
At 31 December	**4,710**	**2,801**

Breakdown of Total Debt by Currencies (pre-hedging effects)

million CHF	2024 Average Interest Rate %	2024 %	2024	2023 Average Interest Rate %	2023 %	2023
CHF	1.90	21	994	1.27	41	1,144
EUR	2.61	63	2,969	2.34	33	920
USD	5.02	16	747	5.20	26	737
Total		**100**	**4,710**		**100**	**2,801**

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 2024, Lonza repaid its scheduled debt maturities totaling CHF 153 million equivalent (thereof one Swiss bond with a nominal value of CHF 110 million and 43 million related to the German Private Placement).

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).

Eurobond
In April 2024 Lonza issued a EUR 1.0 billion straight bond with a maturity of 12 years and a coupon of 3.875%. Purpose of the bond issuance was to refinance existing debt and general corporate purposes. In August 2024, Lonza issued a 1.2 billion dual tranche straight bond with maturities of six and ten years and coupons of 3.25% and 3.5%, respectively. The proceeds of the bonds have been used for general corporate purposes, including the financing of acquisitions and refinancing of existing debt.

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 2023, Lonza issued three Swiss bonds throughout the financial year. In February, 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 by CHF 150 million with a maturity of 6.5 years (annual coupon of 2.100%). In November, 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 of the CHF bonds above were used for general corporate purposes and refinancing.

German Private Placement (Schuldschein)
Following the repayment of the scheduled debt maturities of EUR 187.5 million (CHF 180 million) in August 2023, Lonza maintained one fixed rate note of the dual-currency Schuldschein issued in August 2017. The remaining note was repaid 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.

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

Revolving Credit Facility (RCF)
The RCF provides Lonza with additional financial headroom of CHF 1 billion at floating interest rates. The 2019 facility was planned to expire in September 2026. Lonza successfully refinanced the facility in December 2024 with a new tenor of 5 years and two extension options. The maturity date is December 2029. The facility was not used during 2024 nor in 2023.

Other debt
Other current and non-current debt comprise industrial revenue bonds of USD 130 million (2023: USD 130 million) issued by governmental institutions in the United States.

Note 15
Other Non-Current and Current Liabilities

Other Non-Current Liabilities

million CHF	Notes	2024	2023
Deferred income	2	1,011	658
Lease liabilities		366	295
Contingent consideration	28.6	24	51
Derivative financial instruments	28.5	108	27
Grants and subsidies		15	1
Other liabilities		17	15
Total other non-current liabilities		**1,541**	**1,047**

Other Current Liabilities

million CHF	Notes	2024	2023
Deferred income	2	1,075	745
Accrued liabilities and other payables		637	622
Personnel related liabilities		334	292
Derivative financial instruments	28.5	125	132
Lease liabilities		44	36
Contingent consideration	28.6	56	0
Accrued interest payables on debt		65	23
Other liabilities		79	50
Total other current liabilities		**2,415**	**1,900**

Leases: movements in carrying value of recognised liabilities

million CHF	2024	2023
At 1 January	**331**	**355**
Repayment of lease liabilities	(41)	(58)
Changes from financing cash flows	**(41)**	**(58)**
Interest expense paid on lease liabilities	**12**	**12**
Net increase from new lease arrangements	87	43
Business combination [1]	7	0
Currency translation effects	14	(21)
Others non-cash items	**108**	**22**
At 31 December	**410**	**331**

[1] See note 4.

Note 16
Trade Payables

million CHF	2024	2023
Payable to third parties	471	468
Total	**471**	**468**

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	2024	2023
Material costs	1,412	1,479
Energy costs [1]	152	188
Total	**1,564**	**1,667**

[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 11 million for the year 2024 (2023: CHF 27 million) relates to energy procured on behalf of third parties, that was recharged as part of sales in Corporate.

Note 18
Personnel Expenses and Average Number of Employees

million CHF	Notes	2024	2023
Wages and salaries		1,742	1,672
Operating expenses defined benefit pension plans	23	70	57
Other social security contributions		356	334
Other personnel expenses		191	186
Total		**2,359**	**2,249**

The company employed the following average number of FTEs during the financial year 2024 and 2023:

	2024	2023
Average number of employees (Full-Time Equivalent)	18,343	17,752

Note 19
Other Operating Income and Expenses

19.1
Other Operating Income

million CHF	2024	2023
Gain from disposal of property, plant and equipment and other assets [1]	84	4
Government grants, Research and Development and other tax credits	11	6
Write back of provisions	2	1
Revenue from Transitional Service Agreements with entities that were disposed of	0	8
Sundry income	16	25
Total	**113**	**44**

[1] In 2024, includes a gain of CHF 84 million from the sale of real estate in Basel (CH).

19.2
Other Operating Expenses

million CHF	2024	2023
Increase in provisions [1]	(80)	(21)
Impairment on property，plant and equipment and other assets	(24)	0
Loss from disposal of property, plant and equipment and other assets	(4)	(5)
Sundry expense	(3)	(12)
Total	**(111)**	**(38)**

[1] Includes primarily the provision for environmental-related measures (2024: CHF 80 million, 2023: CHF 15 million).

Note 20
Net Financial Result

20.1
Financial Income

million CHF	Notes	2024	2023
Interest income		34	32
Finance income from lease receivables		1	6
Interest related to interest derivative instruments		5	8
Gains on investments measured at fair value through profit or loss		2	4
Total		**42**	**50**

20.2
Financial Expenses

million CHF	Notes	2024	2023
Interest expenses on debt and bonds		(127)	(77)
Interest expenses on lease liabilities	6.2	(12)	(12)
Amortization of debt fees and unwinding of discounts on provisions	13, 14	(7)	(8)
Unfavorable impact from fair value adjustment on contingent purchase price consideration [1]	28.6	(31)	(6)
Losses on investments measured at fair value through profit or loss		(7)	(6)
Net foreign exchange gains/(losses)		28	(110)
Net (losses) / gains on foreign exchange currency derivatives		(8)	104
Interest expenses on IAS 19 employee benefit liabilities		(1)	(1)
Impairment of loans to joint-ventures [2]		(77)	0
Other interest expenses		(1)	(3)
Other financial expenses		(8)	(8)
Total		**(251)**	**(127)**

[1] Increase in estimated earn-out liability related to the Synaffix acquisition (2024: CHF 29 million, 2023: CHF 6 million). The Purchase Price Accounting (PPA) for Synaffix was finalized as of HY2024. No material changes have been identified compared to the provisional PPA as of 31 December 2023.
[2] Impairment related to loans to Bacthera joint venture, see notes 7 and 8.1.

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% (2023: 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 2024 is 15.6% (2023: 17.1%).

Major Components of Tax Expenses

million CHF	2024	2023
Current taxes	(127)	(184)
Global minimum tax	(2)	0
Deferred tax expense relating to the origination and reversal of temporary differences	13	50
Deferred tax income resulting from tax rate changes	(1)	(1)
Total	**(117)**	**(135)**

Reconciliation of Tax Expenses

million CHF	2024	2023
Profit before income taxes	754	790
Tax at the group rate (2024: 13% / 2023: 13%)	98	103
Deviation from average group tax rate	18	(2)
Non-deductible expenses	10	16
Tax-free earnings	(32)	(37)
Deferred tax effect from tax rate changes	1	1
Changes in prior year estimates (including valuation allowances)	5	(4)
Withholding taxes	8	6
Effect of non-recognition of deferred tax assets	9	53
Other	0	(1)
Total	**117**	**135**
Current tax expenses (charged) / credited directly to equity	**0**	**16**

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	2024 Assets	2024 Liabilities	2023 Assets	2023 Liabilities
Current provisions	55	31	11	17
Non-current provisions / Employee benefit liabilities	130	10	113	25
Intangible assets	0	445	0	434
Inventories, net	83	27	68	28
Property, plant and equipment	15	284	15	221
Other assets	0	3	0	1
Tax loss / Interest carry-forwards and tax credits	77	0	43	0
Netting of deferred tax assets and deferred tax liabilities	(307)	(307)	(235)	(235)
Total	**53**	**493**	**15**	**491**

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

million CHF	2024	2023
Deferred tax assets	53	15
Deferred tax liabilities	(493)	(491)
Net deferred tax liability, at 31 December	**(440)**	**(476)**
Less deferred tax liabilities net, at 1 January	476	539
(Increase) / decrease in deferred tax liabilities, net	**36**	**63**
Currency translation effects	4	(27)
Acquisition of subsidiaries	(33)	18
Movements of deferred (tax assets) / liabilities recognized in other comprehensive income	5	(5)
(Expense) / income recognized in income statement	**12**	**49**

Unrecognized Tax Losses: Expiry

million CHF	2024	2023
Within 1 year	47	5
Between 2 to 5 years	59	72
After 5 years	139	0
Unlimited	8	121
Total	**253**	**198**

In addition to the unrecognized tax losses shown in the table above, the Group has unrecognized temporary differences in the amount of CHF 176 million (2023: CHF 190 million) and additional unrecognized tax losses for US state tax purposes in the amount of CHF 38 million at 31 December 2024 (2023: CHF 30 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 540 million at 31 December 2024 (2023: CHF 400 million).

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

million CHF	2024 Before-tax amount	2024 Tax (expense) benefit	2024 Net-of-tax amount	2023 Before-tax amount	2023 Tax (expense) benefit	2023 Net-of-tax amount
Exchange differences on translating foreign operations	298	(10)	288	(498)	15	(483)
Cash flow hedges	(59)	0	(59)	(45)	6	(39)
Remeasurement of defined-benefit liability	(34)	5	(29)	(35)	5	(30)
Other comprehensive income	**205**	**(5)**	**200**	**(578)**	**26**	**(552)**

Note 22
Research and Development Costs

Research and 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 234 million (2023: CHF 253 million) and represent the full range of R&D activity. However, the consolidated income statement discloses lower levels of Research and 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.

The Lonza base plan includes a salary cap of CHF 235'200. 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 Great Britain

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 UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation (section 37 certificates), potentially impacting on how companies estimate defined benefit obligations under IAS19. The Group and its UK pension scheme trustee have decided not to initiate an investigation into this matter at the current time. The Scheme's legal counsel has advised that, in the absence of any specific concerns or evidence suggesting non-compliance, and as the UK legal context on this matter is evolving, such an investigation may be unwarranted and a liability cannot be determined with certainty.

Risk exposure

Through its defined benefit pension plans, the Group is exposed to a number of risks, with the main ones being described below:

- **Investment risk:** The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plans have a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the plan liabilities, the trustees of the pension funds consider it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.

- **Interest risk:** A decrease in the bond interest rate will increase the plan liabilities but this will be partially offset by an increase in the return on the plans debt investments.

- **Life expectancy:** The present value of the defined benefit plan liabilities is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liabilities.

- **Inflation risk:** The present value of the defined benefit plan liabilities is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan liabilities.

The movement in the net defined benefit liability over the years 2024 and 2023 is as follows:

				2024				2023
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	**2,119**	**(2,143)**	**65**	**41**	**1,904**	**(2,023)**	**146**	**27**
Included in profit or loss								
Current service cost	70	0		70	57	0		57
Losses / (gains) on settlements	(6)	6		0	0	0		0
Interest expense / (income)	37	(37)	1	1	48	(50)	3	1
Included in other comprehensive income								
Actuarial loss / (gain) arising from:								
– Demographic assumptions	0	0			(7)	0		
– Financial assumptions	139	0			116	0		
– Experience adjustment	24	0			13	0		
Return on plan assets excluding interest income	0	(63)			0	(3)		
Change in asset ceiling	0	0	(66)		0	0	(84)	
Remeasurements loss / (gain)	163	(63)	(66)	34	122	(3)	(84)	35
Effect of movements in exchange rates	7	(6)	0	1	(8)	7	0	(1)
Other								
Contributions paid:								
– Employers	0	(91)		(91)	0	(79)		(79)
– Plan participants	51	(51)		0	48	(48)		0
Benefits paid	(78)	78		0	(52)	52		0
Plan settlements	0	0	0	0	0	1	0	1
At 31 December	**2,363**	**(2,307)**	**0**	**56**	**2,119**	**(2,143)**	**65**	**41**
– Thereof present value of funded defined-benefit obligation	2,356				2,112			
– Thereof present value of unfunded defined-benefit obligation	7				7			

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

million CHF	2024	2023
Defined benefit pension plan asset	0	0
Defined benefit pension plan liability	(56)	(41)

The Group expects to pay CHF 81 million in contributions to defined-benefit pension plans in 2025.

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

million CHF	2024 CH	2024 UK	2024 Rest of the world	2024 Total	2023 CH	2023 UK	2023 Rest of the world	2023 Total
Present value of defined-benefit obligation	2,197	99	67	2,363	1,942	109	68	2,119
Fair value of plan assets	(2,162)	(97)	(48)	(2,307)	(1,997)	(99)	(47)	(2,143)
Impact of asset ceiling	0	0	0	0	65	0	0	65
Total net defined-benefit liability	**35**	**2**	**19**	**56**	**10**	**10**	**21**	**41**

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

in %	2024 CH	2024 UK	2023 CH	2023 UK
Discount rate	1.02	5.55	1.50	4.55
Future salary increases	1.25	n.a.	1.25	n.a.
Future pension increases	n.a.	3.15	n.a.	3.05

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	2024 CH	2024 UK	2023 CH	2023 UK
Retiring at the end of the reporting period				
– Male	21.9	22.7	21.8	22.9
– Female	23.5	24.1	23.4	24.4
Retiring 20 years after the end of the reporting period				
– Male	23.6	23.9	23.5	24.2
– Female	25.1	25.5	25.0	25.8

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	31.12.2024 Increase	31.12.2024 Decrease	31.12.2023 Increase	31.12.2023 Decrease
Discount rate	0.25%	(79)	85	(67)	70
Future salary increases	0.25%	12	(11)	8	(9)
Life expectancy	1 year	82	(83)	71	(75)

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	2024	2023
Group	14.0	13.3
CH	14.0	13.1
UK	16.0	18.0

Plan assets comprise:

million CHF	2024 Quoted	2024 Unquoted	2024 Total	2024 %	2023 Quoted	2023 Unquoted	2023 Total	2023 %
Equity instruments	569	0	569	25	495	0	495	23
Debt instruments								
– Investment-grade (AAA to BBB)	613	0	613		790	0	790	
– Non-investment-grade (below BBB)	32	0	32		28	0	28	
	645	0	645	28	818	0	818	38
Real-estate	183	121	304	13	165	120	285	14
Cash and cash equivalents	208	0	208	9	66	0	66	3
Other	581	0	581	25	479	0	479	22
Total plan assets	**2,186**	**121**	**2,307**	**100**	**2,023**	**120**	**2,143**	**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 2024 the plan design included minimum, target and stretch (maximum) goals.

The 2024 LTIP budget value for the Executive Committee was approved as submitted at the AGM 2024 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 2024 LTIP the performance metrics are CORE earnings per share (EPS), return on invested capital (ROIC) and relative total shareholder return (rTSR) with 33.33% weight for each measure. With the payout value directly tied to key financial and shareholder return metrics, the first two measures emphasize Lonza's financial performance, which influences Lonza's valuation and success, while the third measure benchmarks this performance against other companies. 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 Remuneration Committee (RemCo) 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 RemCo and approved by the Board of Directors in January 2024. These financial performance targets for the 2026 year end are commercially sensitive at this time and will not be disclosed publicly until after the awards have vested. All three of the relevant KPIs are measured on the average 3-year performance.

CORE EPS Approved at AGM 2024 (LTIP 2024)
EPS (Earnings per share) is defined as CORE net income divided by the average number of outstanding shares and measures profitability and excludes financial income and expenses. The 2024 LTIP award threshold performance level remains consistent with prior years. The maximum performance level requires significantly better performance than target.

ROIC Approved at AGM 2024 (LTIP 2024)
ROIC (return on invested capital) is defined as adjusted net operating profit after tax divided by average invested capital. This measures the return the company generates on its investments for both organic, and inorganic expansion. The measure is a reflection of the effect of decisions taken by Executive Committee members and senior management over the course of the relevant LTIP performance period. The 2024 LTIP award threshold performance level remains consistent with prior years. The maximum performance level requires significantly better performance than target.

Relative Total Shareholder Return (rTSR) Approved at AGM 2024 (LTIP 2024)
Inclusion of a new metric to measure the value delivered to Lonza Shareholders. An external market measure of how Lonza's stock performance ranks against all members of the peer group. This measure aligns the interests of our executives with shareholders over a multi-year period. rTSR is measured against the SMI peer group and will be calculated by an independent third-party advisor, and subsequently approved by the Board and assured by an external auditor.

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 2022
Performance under the LTIP 2022 exceeded the target performance levels for both CORE EPS and ROIC. This generated a 136% payout against target. See page 179 from Remuneration Report for full details on targets and target achievements.

Lonza Restricted Share Unit Plan (LRSP)
Participation and Objective
The LRSP is an equity-based plan introduced in 2020. It was created as a tool to primarily support retention cases. All employees at and above a grade 10 in the organization are eligible to be considered for an award. Executive Committee members may receive awards via the Executive Committee Appointments Policy only – see page 172 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 2024 for the LTIP was CHF 430.23 (2023: CHF 532.00). The fair value at grant date for the LRSP awards was between CHF 430.23 and 537.80 (2023: CHF 527.33 and CHF 569.40) depending on the grant date of the award. The fair value at allocation date under the ShareMatch plan was CHF 557.8 (2023: CHF 567.60). 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 [3] in CHF	Granted Equity Awards	Fair Value at Grant Date in CHF	Vesting date
LTIP 2021 [1]	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
LTIP 2024	31.01.2024	430.23	57,280	24,643,574	31.01.2027
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
LRSP 2024 [2]	various	various	39,047	19,111,262	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
Share Match 2024	08.04.2024	557.80	18,277.298	10,195,077	08.04.2027

1 The plan vested with zero pay-out.
2 In 2024, 13 new LRSP awards were issued, for a total of 39,047 shares and an aggregated fair value at grant date of CHF 19,111,262. Vesting period of those plans is between 1 and 3 years.
3 Share Price at grant date is determined in the Plan Rules. For LTIP and LRSP it is the average of the closing prices at the SIX Swiss Stock Exchange over the period of three trading days prior to the grant date. For ShareMatch it is equal to the closing market price at the SIX Swiss Stock Exchange on the day the matching shares are granted to the employees.

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 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
LTIP 2024 ROIC	430.23	19,094	430.23	100%	100%	10%	85%	6,982,590
LTIP 2024 CORE EPS	430.23	19,093	430.23	100%	100%	10%	85%	6,982,224
LTIP 2024 rTSR [1]	430.23	19,093	430.23	93%	93%	10%	85%	6,982,224

[1] Relative total shareholder return.

Development within 2024 of the LTIP

	Equity awards outstanding 01.01.2024	Equity awards granted during 2024	Equity awards forfeited during 2024	Vested equity awards during 2024	Equity awards outstanding 31.12.2024
LTIP 2021	0	0	0	0	0
LTIP 2022	29,629	0	(889)	0	28,740
LTIP 2023	38,723	0	(2,650)	0	36,073
LTIP 2024	0	57,280	(4,961)	0	52,319
Total equity awards	**68,352**	**57,280**	**(8,500)**	**0**	**117,132**

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 2024 of the LRSP

	Equity awards outstanding 01.01.2024	Equity awards granted during 2024	Equity awards forfeited during 2024	Vested equity awards during 2024	Equity awards outstanding 31.12.2024
LRSP during 2021	1,179	0	0	(678)	501
LRSP during 2022	10,151	0	(693)	(1,737)	7,721
LRSP during 2023	10,158	0	(640)	0	9,518
LRSP during 2024	0	48,653	(1,890)	0	46,763
Total equity awards	**21,488**	**48,653**	**(3,223)**	**(2,415)**	**64,503**

At 31 December 2024, 29 active LRSP awards do exist. During 2024, eight LRSP awards vested.

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. During 2023, seven LRSP awards vested.

Development within 2024 of the ShareMatch

	Equity awards outstanding 01.01.2024	Equity awards granted during 2024	Equity awards forfeited during 2024	Vested equity awards during 2024	Equity awards outstanding 31.12.2024
ShareMatch 2022	11,122	0	(494)	(3)	10,625
ShareMatch 2023	18,168	0	(1,232)	0	16,936
ShareMatch 2024	18,277	0	(640)	0	17,637
Total equity awards	**47,567**	**0**	**(2,366)**	**(3)**	**45,198**

The vested equity awards during 2024 of (3) are related to deceased plan participants.

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**

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 Chair, based on a proposal by the Remuneration Committee and on advice from an independent advisor, including relevant benchmarking information.

Structure and Level of Compensation

The Chair of the Board of Directors and its Members receive their compensation as 50% in Lonza Group shares and 50% in cash. This was paid in quarterly installments during the 2024 financial year.

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

The position and associated compensation of the Chair of the Board of Directors and its members was approved by shareholders at the 2024 Annual General Meeting (AGM).

Compensation Components
For the period from the AGM 2024 to the AGM 2025, 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) 2024 to 2025 (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-Chair and Lead Independent Director[3] do not attract any additional fees		
Form of payout	50% in Lonza Group shares and 50% in cash. This is paid in quarterly installments		

[1] The compensation of the Chair of the Board of Directors is inclusive of all committee work.
[2] In the case of multiple committee memberships, the committee fees are cumulated.
[3] The roles and responsibilities of such Lead Independent Director are in line with sect. 18 para. 2 of the Swiss Code of Best Practice for Corporate Governance, requiring adequate control mechanisms, and commensurate to such position.

Development of the Compensation for Board of Directors 2024

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
31.03.2024	614	533.04	327,287	328,750	656,037	31.03.2027
30.06.2024	671	486.84	326,670	328,750	655,420	30.06.2027
30.09.2024	628	536.16	336,708	338,750	675,458	30.09.2027
31.12.2024	641	533.08	341,704	343,750	685,454	31.12.2027
Total	**2,554**	**521.68**	**1,332,369**	**1,340,000**	**2,672,369**	

[1] Excluding social security and withholding tax.

An amount of CHF 2,672,369 was recognized as an expense in the year 2024.

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.

Recognition in the Consolidated Financial Statements
All of the equity-settled share-based payments had an impact on the 2024 "Profit before income taxes" amounting to an expense of CHF 41 million (2023: CHF 21 million).

Note 25
Changes in Shares and Share Capital Movements

Effect in million CHF	31.12.2024	Change in year	31.12.2023	Change in year	31.12.2022
Total number of shares	**72,226,184**	**(2,242,568)**	**74,468,752**	**0**	**74,468,752**
Treasury shares					
Free shares	(1,589,637)	762,526	(2,352,163)	(2,165,037)	(187,126)
Total treasury shares	**(1,589,637)**	**762,526**	**(2,352,163)**	**(2,165,037)**	**(187,126)**
Total shares ranking for dividend at 31 December	**70,636,547**	**(1,480,042)**	**72,116,589**	**(2,165,037)**	**74,281,626**
Share capital movements					
Share Capital in CHF	**72,226,184**	**(2,242,568)**	**74,468,752**	**0**	**74,468,752**

On 19 June 2024, Lonza's Board of Directors approved to decrease the share capital by way of cancelation of the first tranche of shares repurchased until 31 December 2023 (totaling 2,242,568 shares). This transaction had no impact on the consolidated financial statements, the weighted-average number of shares outstanding and earnings per share.

The share capital on 31 December 2024 comprised 72,226,184 registered shares (2023: 74,468,752) with a par value of CHF 1 each, amounting to CHF 72,226,184 (2023: 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 4^{quater} of the Company's Articles of Association.

At 31 December 2024, Lonza Group Ltd had a fully paid in registered capital of CHF 72,226,184.

Reserves in the amount of CHF 37,234,376 (2023: CHF 37,234,376) included in the financial statements of the parent company cannot be distributed.

Dividend
On 8 May 2024, at the Annual General Meeting, shareholders approved the distribution of a dividend of CHF 4.00 per share in respect of the 2023 financial year (financial year 2022: CHF 3.50). The dividend distribution totaled CHF 285 million (2023: CHF 260 million), equally recorded against the retained earnings (CHF 143 million) and the reserves from capital contribution of Lonza Group Ltd (CHF 142 million).

A dividend payment per share of CHF 4.00 is proposed by the Board of Directors to be made after the 31 December 2024 balance sheet date, subject to approval by the shareholders at the Annual General Meeting on 9 May 2025.

Share buyback
On 25 January 2023, Lonza announced a program to buyback 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 under the program at 31 December 2024 (excluding the share cancelation that happened on 19 June 2024) was 3,748,735 (2023: 2,242,568) for a total value of CHF 1,721.0 million (2023: CHF 995.4 million). The second and final tranche of share cancelations and share capital reduction is expected to occur in 2025 upon completion of the program.

Note 26
Earnings Per Share

	2024	2023
Weighted average number of outstanding shares (basic)		
Weighted average number of outstanding shares	71,175,084	73,630,469
Weighted average number of outstanding shares (diluted)		
Weighted average number of outstanding shares	71,175,084	73,630,469
– Adjustments for dilutive share units and shares	118,364	53,356
Weighted average number of shares for diluted earnings per share	71,293,448	73,683,825

million CHF	2024	2023
	Total	Total
Profit for the period (equity holders of the parent)	636	654
Basic earnings per share in CHF	**8.93**	**8.88**
Diluted earnings per share in CHF	**8.92**	**8.88**
Dividend paid for the period [1]	285	260
Dividends per share for the period in CHF	**4.00**	**3.50**
Dividends declared after the balance sheet date	283	289
Dividends per share declared after the balance sheet date in CHF	**4.00**	**4.00**

[1] Excluding dividends of CHF 3 million (2023: CHF 3 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 7, 8, and 32), pension and other post-retirement plans (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 2024 payments to acting members of the Board of Directors of Lonza Group Ltd totaled CHF 2.76 million[1] (2023: CHF 2.75 million[1]), of which 48.3% (2023: 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 2024 23,958 (2023: 27,187) or <0.1% (2023: <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 2024, CHF 10.72 million[1,2] (2023: CHF 9.36 million[1,2]) in cash and additional benefits. Share based compensation includes 13,855 LTIP shares and 5,911 LRSP (Lonza Restricted Share Unit Plan) shares granted (2023: 9,654 LTIP shares and 0 LRSP shares) and the value of share based Bonus payments, equivalent to a total value of CHF 0.69 million (2023: CHF 1.02 million). In 2024 termination benefits were paid out to a departing member of the Executive Committee according to the employment agreement and plan rules equal to CHF 1.29 million (CHF 1.07 million in cash and in shares equivalent to a value of CHF 0.22 million). In 2023 termination benefits were paid out to the departing and former members of the Executive Committee according to their employment agreements equal to CHF 0.85 million (CHF 0.72 million in cash and in shares equivalent to a value of CHF 0.13 million).

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

Million CHF	2024	2023
Short-term benefits [1]	9.59	8.52
Post-employment benefits and other benefits [2]	2.55	2.29
Share-based payments [3]	10.88	7.47
Other compensation [4]	1.29	0.85
Total	24.31	19.12

[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 2024 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 one and two-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 2024 and 2024 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 market risks (e.g. 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 primarily arises from Lonza's cash and cash equivalent and receivables from customers.

Cash and cash equivalents
Cash and cash equivalents are held with banks and financial institutions, which are predominantly rated as investment grade in the A–AAA range, based on Moody's and Standard & Poor's ratings. The Group assumes that the credit risk on cash and cash equivalent is immaterial.

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 allowances for credit losses (see note 10) represents primarily the credit risk of specific customers.

Aging of Trade Receivables [1]

million CHF	2024	2023
Not past due	1,162	1,065
Past due 1-30 days	80	43
Past due 31-120 days	49	34
Past due more than 120 days	63	26
Total	**1,354**	**1,168**

[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	2024	2023
Financial assets at amortized cost			
Trade receivables, net	10	1,283	1,138
Other receivables	11	162	54
Accrued income	2	144	110
Non-current and current lease receivables	7, 11	17	118
Non-current and current loans and advances	7, 11	140	211
Collateral arrangements (Credit Support Annexes)	11	80	20
Short-term investments at amortized costs	12	600	50
Cash and cash equivalents	12	1,111	1,468
Total financial assets at amortized cost		**3,537**	**3,169**
Financial assets at fair value			
Non-current and current derivative financial instruments	28.5	124	130
Short-term investments at fair value through profit or loss	12	0	150
Contingent consideration from sale of business	28.6	0	2
Total financial assets at fair value		**124**	**282**
Total financial assets		**3,661**	**3,451**

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 2024) and uncommitted credit lines of CHF 137.2 million (CHF 0 used as of 31 December 2024).

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 2024

million CHF	Carrying amount[1]	Contractual cash flows[2]	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 (2020-2026)	150	152	0	1	151	0	0	0
Straight bond (2023-2029)	300	330	0	6	6	6	312	0
Straight bond (2023-2029)	148	163	0	3	3	3	154	0
Straight bond (2023-2028)	185	201	4	0	4	4	189	0
Straight bond (2023-2031)	215	257	6	0	6	6	12	227
Euro bond (2020-2027)	468	492	8	0	8	476	0	0
Euro bond (2023-2033)	465	627	18	0	18	18	36	537
Euro bond (2024-2036)	924	1,355	36	0	36	36	72	1,175
Euro bond (2024-2030)	559	667	18	0	18	18	36	577
Euro bond (2024-2034)	553	940	32	0	32	32	65	779
Term loan	627	677	15	466	9	187	0	0
Other debt due to others	116	165	2	20	4	4	8	127
Total debt	**4,710**	**6,027**	**139**	**496**	**295**	**790**	**884**	**3,423**
Other non-current liabilities	383	672	0	0	80	57	103	432
– of which lease liabilities	366	655	0	0	63	57	103	432
Other current liabilities	760	781	749	32	0	0	0	0
– of which lease liabilities	44	65	33	32	0	0	0	0
Trade payables	471	471	471	0	0	0	0	0
Derivative financial instruments	233	233	61	41	23	0	0	108
Contingent consideration	80	85	56	0	9	0	17	3
Total financial liabilities	**6,637**	**8,269**	**1,476**	**569**	**407**	**847**	**1,004**	**3,965**

Year ended
31 December 2023

million CHF	Carrying amount[1]	Contractual cash flows[2]	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	166	0	3	3	3	6	151
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	638	18	0	18	18	36	548
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**	**3,237**	**88**	**179**	**508**	**373**	**735**	**1,354**
Other non-current liabilities	310	435	0	0	61	46	89	239
– of which lease liabilities	295	420	0	0	46	46	89	239
Other current liabilities	708	720	696	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	**4,497**	**5,070**	**1,338**	**249**	**598**	**427**	**832**	**1,626**

[1] Carrying amount of debt and financial liabilities excluding accrued interests.
[2] 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	2024		2023	
		+	–	+	–
USD	+ / – 10%	(4.5)	4.5	(7.7)	7.7
EUR	+ / – 10%	0.3	(0.3)	(7.5)	7.5
GBP	+ / – 10%	(1.1)	1.1	(2.2)	2.2

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 2024

million CHF	USD	GBP	EUR	SGD	Other	Total
Other non-current investments	41	0	8	0	0	49
Trade receivables, net	319	73	16	0	18	426
Collateral arrangements (Credit Support Annexes)	78	0	0	0	0	78
Other receivables and prepaid expenses	0	0	3	0	0	3
Cash and cash equivalents	54	12	18	2	19	105
Non-current and current debt	(616)	0	0	0	0	(616)
Other current and non-current liabilities	(29)	(1)	(66)	(5)	7	(94)
Trade payables	(173)	(36)	(54)	(16)	(28)	(307)
Net group internal loans	319	(73)	(2,491)	43	43	(2,159)
Gross balance sheet exposure	**(7)**	**(25)**	**(2,566)**	**24**	**59**	**(2,515)**
Currency-related instruments	(46)	11	2,569	(16)	(56)	2,462
Net exposure	**(53)**	**(14)**	**3**	**8**	**3**	**(53)**

Year ended
31 December 2023

million CHF	USD	GBP	EUR	SGD	Other	Total
Other non-current investments	37	0	5	0	0	42
Trade receivables, net	236	55	53	0	17	361
Collateral arrangements (Credit Support Annexes)	20	0	0	0	0	20
Other receivables and prepaid expenses	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)**

The following exchange rates were applied during the year:

Balance Sheet Year-End Rates	2024	2023
Dollar	0.9029	0.8408
Euro	0.9402	0.9294
Pound sterling	1.1331	1.0700
Renminbi	0.1237	0.1182
Singapore dollar	0.6629	0.6368

Income Statement Year-Average Rates	2024	2023
Dollar	0.8806	0.8986
Euro	0.9526	0.9717
Pound sterling	1.1251	1.1170
Renminbi	0.1223	0.1270
Singapore dollar	0.6589	0.6692

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	2024	2023
Net Debt / (cash)[1]	2,859	922
Net Debt / (cash) at fixed interest rates[2]	(3,627)	(1,626)
Interest risk exposure	**(768)**	**(704)**

[1] Refer to section "Alternative Performance Measures" for details on the calculation methodology.
[2] Including effects from cross currency interest rate swaps.

In 2024, if the interest rates had increased / decreased by 1%, with all other variables held constant, post-tax profit would have been CHF 6.5 million higher / lower.

In 2023, if the interest rates had increased / decreased by 1%, with all other variables held constant, post-tax profit would have been CHF 5.8 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 2024 and 2023. 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

The derivatives in this category are effective economic hedges of external and intercompany monetary transactions – denominated in non-functional currencies of the different Lonza subsidiaries. Mark-to-market accounting treatment is applied as the changes in value of the derivatives are deemed to materially offset the FX revaluation of the transactions being hedged. There is no material mismatch present for these derivatives – as the terms of the derivatives materially match the terms of the exposures being hedged.

	Contract or underlying principal amount		Positive fair values		Negative fair values		Total net fair values	
million CHF	2024	2023	2024	2023	2024	2023	2024	2023
Currency-related instruments	2,540	3,479	25	74	(28)	(70)	(3)	4
Total financial instruments at fair value through profit or loss	**2,540**	**3,479**	**25**	**74**	**(28)**	**(70)**	**(3)**	**4**

Financial Instruments – Hedge accounting applied

The derivatives in this category present effective economic hedges of future cash flows primarily related to:

- Sales and costs that are denominated in non-functional currencies of the major operational subsidiaries of Lonza Group
- Coupon and principal settlements on external financing transactions undertaken by Lonza Group and its subsidiaries
- M&A transactions

Cash flow hedge accounting treatment is applied for all the derivatives – to reflect the timing mismatch between recognizing the gains / losses on the exposures being hedged and the gains / losses on the derivatives. There is no material ineffectiveness on the designated hedging relationships as the terms of the derivatives materially match the terms of the hedged items / exposures being hedged.

	Contract or underlying principal amount		Positive fair values		Negative fair values		Total net fair values	
million CHF	2024	2023	2024	2023	2024	2023	2024	2023
Currency-related instruments	4,006	2,965	74	49	(97)	(61)	(23)	(12)
Interest-related instruments	0	168	0	1	0	(1)	0	0
Cross currency interest rate swaps	1,389	250	25	6	(108)	(27)	(83)	(21)
Total financial instruments hedge accounting applied	**5,395**	**3,383**	**99**	**56**	**(205)**	**(89)**	**(106)**	**(33)**

Offsetting of Financial Assets 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	2024	2023	2024	2023
Currency related instruments	99	123	(125)	(131)
Interest related instruments	0	1	0	(1)
Cross currency interest rate swaps	25	6	(108)	(27)
Carrying value of derivative financial instruments	**124**	**130**	**(233)**	**(159)**
Derivatives subject to master netting agreements	(121)	(99)	121	99
Collateral (received) / paid under CSA (Credit Support Annexes) agreements	0	0	80	20
Net amount	**3**	**31**	**(32)**	**(40)**

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. This includes FX and interest rates provided by third party financial institutions as well as statements from investments funds.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

million CHF	2024 Level 1	2024 Level 2	2024 Level 3	2024 Total fair value	2023 Level 1	2023 Level 2	2023 Level 3	2023 Total fair value
Assets								
Short-term investments at fair value through profit or loss	0	0	0	0	150	0	0	150
Other non-current investments	0	67	0	67	0	69	0	69
Derivative financial instruments	0	124	0	124	0	130	0	130
Contingent consideration related to sale of businesses	0	0	0	0	0	0	2	2
Liabilities								
Derivative financial instruments	0	(233)	0	(233)	0	(159)	0	(159)
Contingent consideration related to acquisition of businesses	0	0	(80)	(80)	0	0	(51)	(51)
Net assets and liabilities measured at fair value	**0**	**(42)**	**(80)**	**(122)**	**150**	**40**	**(49)**	**141**

In 2024 and 2023 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	2024	2023
At 1 January	**2**	**2**
Gains and losses included in the income statement	(2)	0
At 31 December	**0**	**2**

Contingent consideration arrangements related to acquisition of businesses

million CHF	2024	2023
At 1 January	**51**	**26**
Arising from business combinations	0	22
Unfavorable impact from fair value adjustment on contingent purchase price consideration	29	6
Currency translation effects	0	(3)
At 31 December	**80**	**51**

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 2024, 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 amount to CHF 56 million (2023: CHF 27 million) for Synaffix and CHF 24 million (2023: CHF 24 million) for Octane at 31 December 2024.

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 2024

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 [2]	Fair value [2]
Other non-current investments	67	0	0	0	67	67
Trade receivables, net	0	0	1,283	0	1,283	1,283
Other receivables	0	0	162	0	162	162
Accrued income	0	0	144	0	144	144
Non-current and current lease receivables	0	0	17	0	17	17
Non-current and current loans and advances	0	0	140	0	140	140
Collateral arrangements (Credit Support Annexes)	0	0	80	0	80	80
Short-term investments	0	0	600	0	600	600
Cash and cash equivalents	0	0	1,111	0	1,111	1,111
Derivative financial instruments	0	124	0	0	124	124
Total financial assets	**67**	**124**	**3,537**	**0**	**3,728**	**3,728**
Debt						
– Straight bonds [1]	0	0	0	3,967	3,967	4,101
– Other debt	0	0	0	743	743	743
Current liabilities	0	0	0	760	760	760
Non-current liabilities	0	0	0	383	383	383
Trade payables	0	0	0	471	471	471
Contingent consideration	80	0	0	0	80	80
Derivative financial instruments	0	233	0	0	233	233
Total financial liabilities	**80**	**233**	**0**	**6,324**	**6,637**	**6,771**

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 [2]	Fair value [2]
Other non-current investments	69	0	0	0	69	69
Trade receivables, net	0	0	1,138	0	1,138	1,138
Non-current and current lease receivables	0	0	118	0	118	118
Other receivables	0	0	54	0	54	54
Accrued income	0	0	110	0	110	110
Non-current and current loans and advances	0	0	211	0	211	211
Collateral arrangements (Credit Support Annexes)	0	0	20	0	20	20
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**	**3,169**	**0**	**3,520**	**3,520**
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	708	708	708
Non-current liabilities	0	0	0	310	310	310
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**	**4,286**	**4,496**	**4,532**

[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.
[2] Carrying amount and fair value of debt exclude accrued interests.

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.

Generally, Lonza is committed to maintaining a strong investment-grade rating. Since 2019, it has held an investment-grade BBB+ rating with a stable outlook from Standard & Poor's (S&P), which has been consistently reaffirmed.

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. The program is expected to be completed in the first half of 2025 (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 2024: 23,958 (2023: 27,187)[1] registered shares of Lonza Group Ltd and controlled <0.1% (2023: <0.1%) of the share capital.

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

Board of Directors[1]	Numbers of shares 2024	Numbers of shares 2023
Jean-Marc Huet[2]	366	n/a
Albert M. Baehny[3]	n/a	5,632
Marion Helmes	633	369
Angelica Kohlmann	1,987	1,643
Christoph Mäder	4,633	4,289
Roger Nitsch	633	369
Barbara Richmond	4,471	4,171
Jürgen Steinemann	9,460	9,196
Olivier Verscheure	1,775	1,518
Total	**23,958**	**27,187**

[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] Jean-Marc Huet was appointed to the Board of Directors at the 2024 AGM.
[3] Albert Baehny did not stand for re-election to the Board of Directors at the 2024 AGM.

Executive Committee

The members of the Executive Committee and parties closely associated with them held, as of 31 December 2024: 10,292 (2023: 7,263)[1] shares and controlled <0.1% (2023: <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.

Executive Committee[1,2]	Numbers of shares 2024	Numbers of shares 2023
Wolfgang Wienand[3]	0	n/a
Gordon Bates	2,404	2,404
Nicoleta Baumgaertner[4]	0	n/a
Philippe Deecke	3,400	2,327
Jean-Christophe Hyvert	2,152	2,100
Daniel Palmacci	359	58
Christian Seufert	889	238
Maria Soler Nunez	1,088	136
Total	**10,292**	**7,263**

[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] Three active Executive Committee members are developing their shareholding in line with the shareholding guidelines.
[3] Wolfgang Wienand appointed to the Executive Committee on 1 July 2024.
[4] Nicoleta Baumgaertner appointed to the Executive Committee on 1 November 2024.

Note 30
Enterprise Risk Management

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

- **Risk Identification:** We identify risks using internal and external data analytics and resources. We have discussions with risk owners and incorporate anticipatory risks identified through climate, social and other data trends.
- **Trend analysis:** Our ERM team consolidates input, assesses the risks and maps probability and impact versus prior year.
- **Calibration and Mitigation Planning:** We conduct calibration workshops with senior leadership teams and ensure appropriate mitigation measures are in place. Mitigation measure owners report status of their measures periodically 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, which are strategic, operational, and/or macroeconomic and geopolitical risks. An increased focus on Environmental, Social, and Governance (ESG) topics, including but not limited to climate change, human rights, geopolitical and macroeconomic shifts, 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 2024 were presented to the Executive Committee, the Audit and Compliance Committee and the Board of Directors at their meetings in September, October and December 2024, respectively. Financial risk management is disclosed in note 28.

Note 31
Events After Balance Sheet Date

The Consolidated Financial Statements of the Lonza Group for the financial year 2024 were approved for issue by the Board of Directors on 31 March 2025 and are subject to approval by the Annual General Meeting on 9 May 2025.

As of the date of issuance of these Financial Statements, no 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	Town/Country	Currency [1]	Share Capital	Holding Direct	Holding Indirect
BacThera AG	Visp CH	CHF	11,000,000		50%
BioAtrium AG	Visp CH	CHF	87,700,000		50%
Capsugel Australia Pty Ltd	Sydney AUS	AUD	6,368,270		100%
Capsugel Belgium NV	Bornem BE	EUR	236,921,555 [2]	99.9% [2]	0.1% [2]
Capsugel Brasil Importação e Distribuição de Insumos Farmacêuticos e Alimentos Ltda.	Rio de Janeiro BR	BRL	60,909,897		100%
Capsugel Canada Corp.	Vancouver CA	CAD	n/a [3]		100%
Capsugel Italy Srl	Milan IT	EUR	10,000		100%
Capsugel de México, S. de R.L. de C.V.	Puebla ME	MXN	870,004,052		100%
Capsugel Distribucion, S. de R.L. de C.V.	Puebla ME	MXN	20,000,000		100%
Capsugel France SAS	Colmar FR	EUR	1,280,000		100%
Capsugel Healthcare Private Limited	Gurugram IN	INR	2,985,075,930		99.9% [2]
Komec N.V.	Wilrijk BE	EUR	62,000		100%
LLC Capsugel	Kuzminki (city of Moscow) RU	RUB	150,000		100%
Lonza AG	Visp CH	CHF	60,000,000	100%	
Lonza Bend Inc.	Portland US	USD	n/a [3]		100%
Lonza Biologics Inc	Wilmington US	USD	1,000		100%
Lonza Biologics Ltd.	Guangzhou CN	USD	87,200,000		100%
Lonza Biologics plc	Slough GB	GBP	14,500,000		100%
Lonza Biologics Porriño S.L.	Porriño ES	EUR	10,295,797 [2]		100%
Lonza Biologics Tuas Pte. Ltd.	Singapore SG	SGD USD	172,000,000 25,000,000		100%
Lonza Bioscience Singapore Pte Ltd	Singapore SG	USD	1		100%
Lonza Cologne GmbH	Cologne DE	EUR	1,502,000		100%
Lonza Costa Rica, S.A.	Heredia CR	CRC	10,000		100%
Lonza Finance International NV [4]	Bornem BE	EUR	43,061,500	100%	
Lonza Greenwood LLC	Wilmington US	USD	n/a [3]		100%
Lonza Guangzhou Pharmaceutical Ltd	Guangzhou CN	USD	133,578,892		100%
Lonza Houston Inc.	Wilmington US	USD	290		100%
Lonza Licences AG	Basel CH	CHF	100,000		100%
Lonza K.K.	Sagamihara JP	JPY	110,000,000		100%
Lonza Manufacturing LLC	Wilmington US	USD	n/a [3]		100%
Lonza Netherlands B.V.	Geleen NL	EUR	2,115,232		100%
Lonza Rockland, Inc.	Wilmington US	USD	100		100%
Lonza Sales AG	Basel CH	CHF	2,000,000	100%	
Lonza Shanghai International Trading Ltd.	Shanghai CN	USD	200,000		100%
Lonza Swiss Finanz AG [4]	Basel CH	CHF	100,000	100%	
Lonza Swiss Licences AG	Basel CH	CHF	100,000	100%	
Lonza Tampa LLC	Wilmington US	USD	n/a [3]		100%
Lonza (Thailand) Co., Ltd.	Bangkok TH	THB	170,000,000		100%
Lonza USA Inc.	Wilmington US	USD	5	100%	
Lonza Verviers SRL	Verviers BE	EUR	18,750		100%
Lonza Walkersville, Inc.	Wilmington US	USD	10		100%
Micro-Macinazione SA	Monteggio CH	CHF	1,000,000		100%
Octane Biotech, Inc.	Ontario CA	CAD	n/a [3]		80%
P.T. Capsugel Indonesia	Jakarta IN	IDR	711,835,150,525		100%
Suzhou Capsugel Limited	Suzhou CN	USD	44,700,000		75%
Synaffix B.V.	Oss NL	EUR	98,301	100%	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 supports its customers with the delivery of new and innovative medicines that help treat a wide range of diseases.

33.2
Basis of Preparation

The consolidated financial statements for 2024 and 2023 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.

On 12 December 2024, Lonza shared an overview of its strategy and new organizational structure. The new organizational structure for the CDMO business (i.e. excluding Capsules & Health Ingredients) will evolve from three divisions, to a simplified One Lonza set-up with three integrated business platforms (Integrated Biologics, Advanced Synthesis and Specialized Modalities). This new structure will become operational on 1 April 2025. Lonza will evaluate the impact on its segment reporting in 2025 and will adjust disclosures for the Half-Year 2025 reporting accordingly.

At the same time, Lonza announced its intention to exit the Capsules & Health Ingredients (CHI) business at an appropriate time. As of 31 December 2024, the CHI division was not available for immediate sale in its present condition, and criteria for a highly probable sale had not yet been fully met as defined by IFRS 5. As a result, Lonza did not classify CHI as held-for-sale and discontinued operations for the year-end 2024.

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:

- Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants – Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Supplier finance arrangements – Amendments to IAS 7 and IFRS 7

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.

Standard/Interpretation	Effective date
Amendments to IAS 21 – Lack of Exchangeability	1 January 2025
Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	1 January 2026
The amendments in annual improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 Subsidiaries without Public Accountability	1 January 2027

The forthcoming IFRS 18 standard will replace IAS 1 Presentation of financial statements by introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements. Management is currently assessing the detailed implications of applying the new standard on the group's consolidated financial statements.

The Group will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with IFRS 18.

Aside from IFRS 18, the Group still evaluates the amendments of the above standards but does not expect any material impacts on the consolidated financial statements.

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 and Development

Research and 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 and 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 the sale of financial assets. Foreign exchange gains and losses have been presented on a net basis, as presenting the gross gains and losses would not provide meaningful information. 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. Construction in Progress (CIP) is related to production facilities, buildings and machinery which are not yet completed. CIP is not depreciated until the assets are available for use. Land is not depreciated as it has an indefinite useful life. 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. Lonza applies a single recognition and measurement approach for all leases and recognizes right-of-use assets (representing the right to use the underlying assets) and lease liabilities (to make lease payments), except for short-term leases (with a duration shorter than 12 months) and leases of low-value assets, where lease payments are recognized on a straight-line basis over the lease term.

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). 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.

In rare 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 three to six years for software, five to 35 years for patents, trademarks and similar rights and four 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. Inventory allowances (write-downs) are made for inventories with a lower market value or which are obsolete or slow moving. Conversely, inventory allowances are reversed when the circumstances that previously caused inventories written down no longer exist or when there is clear evidence of an increase in net realizable value (e.g. because of changed economic circumstances). 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 for credit losses, rebates and similar allowances. A receivable represents a right to consideration that is unconditional and excludes contract assets. An allowance for credit losses 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 credit loss allowances 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 credit losses 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 and Loss – Hedging Instruments
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 fair value (which is the proceeds received net of transaction costs). They are subsequently measured 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 the 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 2024. 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.

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 2024. There was no impact on the statement of financial position 2023 and no impact on the opening retained earnings as at 1 January 2023 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 employee and employer 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 8,532 million (2023: CHF 6,617 million), goodwill of CHF 3,370 million (2023: CHF 2,752 million) and intangible assets of CHF 2,002 million (2023: CHF 1,988 million) (see notes 5 and 6). The intangible assets include trademarks acquired through business combinations with a carrying value of CHF 231 million (2023: CHF 227 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 2024, the present value of the Group's defined-benefit obligation was CHF 2,363 million (2023: CHF 2,119 million). The plan assets at fair value amounted to CHF 2,307 million (2023: CHF 2,143 million), resulting, compared with the present value of the pension obligation, in a funded status deficit of CHF 56 million (2023: CHF 41 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 2024 amounted to CHF 459 million (2023: CHF 398 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 several 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 2024, deferred tax assets of CHF 53 million (2023: CHF 15 million), current tax receivables of CHF 44 million (2023: CHF 40 million), deferred tax liabilities of CHF 493 million (2023: CHF 491 million) and current tax payables of CHF 136 million (2023: CHF 137 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, that is used by individual jurisdictions to amend their local tax laws. On 31 December 2024, some jurisdictions had enacted legislation which will enter into force in 2025. For Lonza, this mainly applies to the Income Inclusion Rule in Switzerland and the Qualifying Domestic Minimum Top-Up Tax in Singapore. While Lonza is not expecting any material impact from the Income Inclusion Rule in Switzerland, Management is closely monitoring the progress of the guidance and working on estimating the future impact in Singapore.

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.

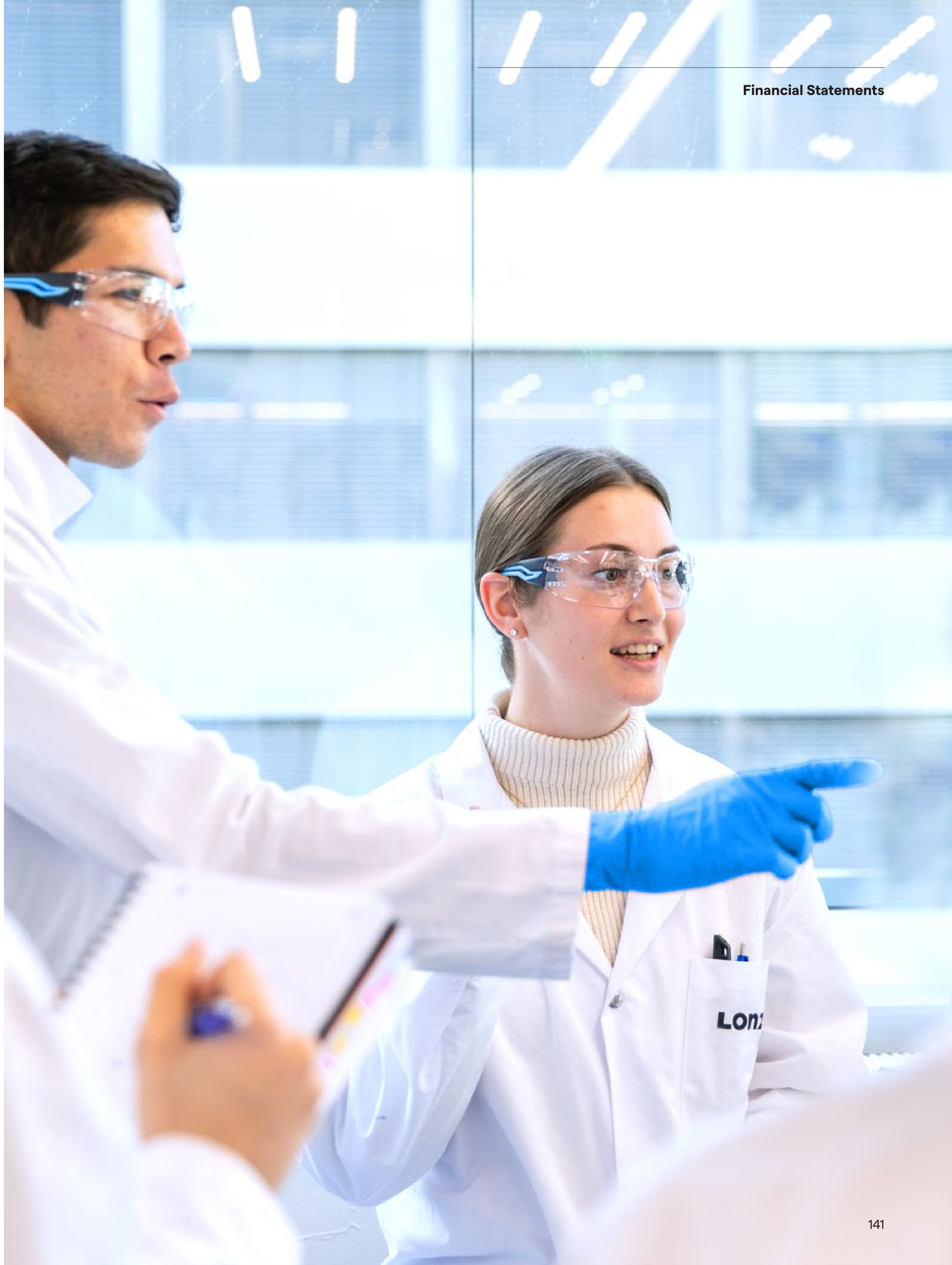
Revenues are recognized only when, according to management's judgment, performance obligations are satisfied, control over the assets have been transferred to the customer and no future performance obligation exists. For certain transactions, recognition of revenues is based on the performance of the 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).



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Report of the Statutory Auditor

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 (the Company) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2024, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements on pages 64 to 140 give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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

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 – for Contract Manufacturing (Make-to-Order)

Key Audit Matter	How the scope of our audit responded to the key audit matter
The Group's recognition of make-to-order revenue is a significant area of focus due to its complexity and exposure to risks of misstatement. The Group is engaged in long-term contracts with customers involving custom manufacturing and service arrangements. These agreements often span multiple periods and include upfront fees, milestone payments, and various performance obligations. Management is required to identify distinct performance obligations within these agreements, allocate the transaction price appropriately, and determine the timing of revenue recognition. This involves significant judgment, particularly in contracts that require tailored solutions or where multiple services are delivered over time. Additionally, the Group management's incentives are tied to revenue-related targets, further increasing the risk of misstatement. There is a heightened risk that revenue may be recognized prematurely or inaccurately due to the potential for bias in management's estimates and judgments. Given the financial significance of the group's make-to-order revenue stream, this area is considered a key audit matter. For further information on revenue recognition, refer to the following: • Note 2: Revenues • Note 33.5: Material Accounting Policies • Note 33.6: Significant Accounting Estimates and Judgments	We performed a process walkthrough to gain an understanding of the controls in place. We tested design and implementation of the relevant controls. We assessed a sample of significant contracts, including new, amended and ongoing agreements, to evaluate the appropriateness of management's identification and separation of performance obligations. We performed an independent analysis of the allocation of transaction prices to the identified performance obligations and assessed the timing of revenue recognition, challenging management's assumptions, where necessary, on a sample basis. We selected revenue transactions recorded throughout the financial year, focusing on transactions recognized around the year-end. We assessed deferred revenue on a sample basis to ensure accurate cut-off and appropriate period recognition. We also performed specific procedures on a sample of revenue transactions occurring near year-end to assess the timing of revenue recognition and challenging management's assumptions, where necessary. We evaluated the accuracy and completeness of the Group's disclosures related to revenue recognition in the consolidated financial statements, ensuring compliance with relevant standards. Based on the procedures performed above, we obtained sufficient audit evidence to address the risk of material misstatement of fraud in revenue recognition for the make-to-order revenue.

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Uncertain Income Tax Positions (UTP) and Related Tax Expenses

Key Audit Matter	How the scope of our audit responded to the key audit matter
The Group operates across multiple jurisdictions with diverse and complex tax regulations. As a result, it engages in cross-border transactions, financing arrangements, and transfer-pricing structures that are subject to scrutiny by local tax authorities. Specific areas of risk include the pricing of intercompany transactions, ownership of intellectual property, and cross-border supply chain arrangements. The Group's provisions for uncertain tax positions require management to make significant judgments and estimates. This includes assessing the likelihood of additional liabilities, penalties, and interest, based on existing tax regulations and historical outcomes of tax disputes. These provisions are inherently uncertain and complex due to variations in tax laws across jurisdictions and the evolving interpretations by tax authorities. Given the judgment involved and the financial significance of the Group's tax positions, this area is considered a key audit matter. For further information on uncertain income tax positions, refer to the following: • Note 21: Taxes • Note 33.5: Material Accounting Policies • Note 33.6: Significant Accounting Estimates and Judgments	We performed a process walkthrough to gain an understanding of the controls in place for income taxes and transfer pricing. We tested design and implementation of the relevant controls. We involved tax specialists from key jurisdictions and at Group Level (Switzerland) to analyse the Group's tax positions and evaluate provisions for uncertain tax liabilities. This included an assessment of the adequacy of provisions and the likelihood of potential exposures as of 31 December 2024. Local tax specialists reviewed correspondence with tax authorities to identify potential disputes or areas of judgement. We assessed the assumptions and methodologies used by management to estimate tax provisions. This included evaluating the likelihood of outcomes based on historical trends and recent developments in tax legislation. We critically reviewed management's judgments in relation to transfer-pricing risks, cross-border financing arrangements, and the potential for penalties. We also considered historical trends and case outcomes to assess the adequacy of recorded provisions. We evaluated the accuracy and completeness of the Group's disclosures relating to uncertain tax positions and related expenses in the financial statements, ensuring compliance with relevant standards and regulations. Based on the procedures performed above, we obtained sufficient audit evidence to address the risk of material misstatement related to the uncertain income tax positions and the related tax expenses.

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Acquisition of the Vacaville Manufacturing Facility

Key Audit Matter	How the scope of our audit responded to the key audit matter
During the year, the Group acquired the Vacaville manufacturing plant, as disclosed in the consolidated financial statements. This acquisition involved significant financial considerations, and complexity in the recognition and valuation of assets, liabilities, goodwill, and the operational integration of the plant. The acquisition required management to exercise considerable judgment in several key areas, such as determining the purchase price allocation, valuing tangible and intangible assets, identifying contingent liabilities, and determining the plant's fair value. Given the scale of the transaction and the high level of judgment and complexity of the estimations involved, there is a risk that the financial reporting of the acquisition of the Vacaville manufacturing facility may not fully comply with applicable accounting standards. For further information on the acquisition, refer to the following: • Note 4.1: Acquisition of Large-scale Biologics site in Vacaville (US) • Note 33.5: Material Accounting Policies	We inspected the purchase agreement and related documentation to understand the terms and financial implications of the acquisition. Management's allocation of the purchase price to tangible and intangible assets, liabilities and goodwill was evaluated, with reference to third-party valuations, where applicable. We involved valuation specialists to assess the assumptions and methodologies used for fair value calculations, including discount rates, projected cash flows, and useful lives of acquired assets. The recognition of goodwill and intangible assets was reviewed, and we performed impairment testing by assessing future cash flow forecasts and assumptions used in the valuation models. We reviewed the integration of the manufacturing plant's operations into the Group's systems, ensuring financial adjustments were appropriate. We evaluated the accuracy and completeness of the Group's disclosures relating to the acquisition of the Vacaville manufacturing facility in the financial statements, ensuring compliance with relevant standards. Based on the procedures performed above, we obtained sufficient audit evidence to address the risk related to the purchase price allocation of the acquisition of the Vacaville manufacturing facility.

Other Matter

The consolidated financial statements of Lonza Group Ltd for the year ended 31 December 2023 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 2 April 2024.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report 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.

Deloitte.

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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, which give a true and fair view in accordance with IFRS Accounting Standards 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

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.

Deloitte AG

Fabien Lussu Licensed Audit Expert Auditor in Charge	Jan Meyer Licensed Audit Expert

Zurich, 31 March 2025

Financial Statements of Lonza Group Ltd, Basel

Balance Sheet – Lonza Group Ltd

Assets [1]

million CHF	Notes	2024	2023
Current assets			
Cash and cash equivalents	2.3	881	1,231
Short term financial assets:			
– from third parties	2.3	779	345
– from subsidiaries and associates		1,810	647
Other short-term receivables:			
– from third parties		3	1
– from subsidiaries and associates		25	42
Prepaid expenses and accrued income:			
– from third parties		12	13
– from subsidiaries and associates		21	16
Total current assets		**3,531**	**2,295**
Non-current assets			
Long-term financial assets:			
– from third parties		25	6
– from subsidiaries and associates	2.2	3,892	4,748
Investments	2.1	6,011	4,881
Property, plant and equipment		0	0
Prepaid expenses and accrued income:			
– from third parties		4	4
Total non-current assets		**9,932**	**9,639**
Total assets		**13,463**	**11,934**

[1] At 31 December.

Liabilities and Shareholders' Equity [1]

million CHF	Notes	2024	2023
Current liabilities			
Trade accounts payables:			
– to third parties	2.4	16	20
– to subsidiaries and associates		7	8
Short-term interest-bearing liabilities:			
– to third parties	2.5	451	42
– to subsidiaries and associates		1,347	792
Short-term provisions:			
– to third parties		8	8
Short-term financial liabilities:			
– to third parties		125	132
– to subsidiaries and associates		201	411
Accrued expenses and deferred income:			
– to third parties	2.4	357	184
– to subsidiaries and associates		267	434
Total current liabilities		**2,453**	**1,488**
Non-current liabilities			
Long-term interest-bearing liabilities:			
– to third parties	2.5	180	588
– to subsidiaries and associates		4,005	1,956
Long-term provisions:			
– to third parties		2	34
Long-term financial liabilities:			
– to third parties		107	27
Total non-current liabilities		**4,294**	**2,605**
Total liabilities		**6,747**	**4,093**
Shareholders' equity			
Share capital	2.6	72	74
Legal capital reserves:			
– Reserves from capital contributions	2.7a	1,584	2,223
Legal retained earnings reserves:			
– General legal retained earnings in the narrower sense	2.6	37	37
Voluntary retained earnings:			
– Available earnings:	2.7b		
– Profit brought forward		6,565	6,230
– Dividend paid		(143)	(130)
– Share cancelation		(496)	0
– Profit / (Loss) for the year		(131)	465
Treasury shares	2.8		
– Against reserves from capital contributions		(362)	(497)
– Against voluntary retained earnings or for share plans		(410)	(561)
Total shareholders' equity		**6,716**	**7,841**
Total liabilities and shareholders' equity		**13,463**	**11,934**

[1] At 31 December.

Income Statement – Lonza Group Ltd

million CHF	Notes	2024	2023
Income			
Dividend income	2.9	0	474
Royalty income		33	35
Other financial income	2.10	223	237
Other operating income		4	49
Total income		**260**	**795**
Expenses			
Other financial expenses	2.11	232	245
Personnel expenses		49	51
Other operating expenses	2.12	31	32
Impairment losses on loans [1]		77	0
Depreciation on equipment		0	0
Direct taxes		2	2
Total expenses		**391**	**330**
(Loss) / Profit for the year		**(131)**	**465**

[1] Full impairment of loans to the Bacthera AG JV.

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 in the following notes. The financial statements have been prepared on a going-concern basis and are presented in million CHF.

The presentation of the balance sheet has been revised for the year 2024 to provide clarity for the reader of the financial statement and prior year balances were adjusted accordingly for comparability reasons.

Gains and losses on foreign exchange and financial instruments have been presented on a net basis, as presenting them gross would not provide meaningful information to the users of the financial statements.

On 12 December 2024, Lonza announced its intention to exit the Capsules & Health Ingredients (CHI) division at an appropriate time. Any potential impact on the valuation of investments in direct subsidiaries cannot be quantified yet.

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 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 over the principal's maturity period. Premiums are recognized as accrued expenses and amortized over the principal's maturity period.

1.6
Currency- and Interest-Related Instruments

Currency- and interest-related derivative financial 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, as issued by the IASB), 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 otherwise 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 2024. 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]	
		31.12.2024	31.12.2023	31.12.2024	31.12.2023
Capsugel Belgium NV	Bornem, BE	EUR 236,922	EUR 236,922	99.9%	99.9%
Capsugel Middle East Sàrl	Beirut, LB	LPB 5,000	LPB 5,000	1.0%	1.0%
International School of Basel AG	Reinach, CH	CHF 20,900	CHF 20,900	1.5%	1.5%
Lonza AG	Visp, CH	CHF 60,000	CHF 60,000	100.0%	100.0%
Lonza Finance International NV	Bornem, BE	EUR 43,062	EUR 43,062	100.0%	100.0%
Lonza Group GmbH	Waldshut-Tiengen, DE	EUR 25	EUR 25	0.4%	0.4%
Lonza Holding Singapore Pte Ltd	Singapore, SG	USD 100,000	USD 100,000	100.0%	100.0%
Lonza (China) Investments Co. Ltd	Guangzhou, CN	USD 84,000	USD 84,000	100.0%	100.0%
Lonza Licences AG	Basel, CH	CHF 100	CHF 100	100.0%	100.0%
Lonza Sales AG	Basel, CH	CHF 2,000	CHF 2,000	100.0%	100.0%
Lonza Swiss Finanz AG	Basel, CH	CHF 100	CHF 100	100.0%	100.0%
Lonza Swiss Licences AG	Basel, CH	CHF 100	CHF 100	100.0%	100.0%
Lonza USA Inc.	Wilmington, US	USD [2]	USD [2]	100.0%	100.0%
Seed Fund Cycle-C3E (A), L.P.	Montreal, CA	CAD 1,000	CAD 1,000	100.0%	100.0%
Synaffix B.V.	Oss, NL	EUR 98	EUR 98	100.0%	100.0%

[1] Rounded amounts. Represents ownership as well as voting rights.
[2] Share Capital USD 5.00. Capital contribution of CHF 1.1 billion in 2024 to fund the Vacaville (US) acquisition.

2.2 Long-Term Financial Assets

Lonza Group Ltd issued subordination agreements totaling CHF 400 million (2023: CHF 385 million) on loans to subsidiaries and associates, including accrued interest.

2.3 Cash, Cash Equivalents and Short-Term Financial Assets

In-line with Lonza's investment policy, Lonza Group Ltd parked its excess cash into short-term plain vanilla instruments, such as overnight deposits, bank term deposits, notice deposits and short-term money market funds.

At year-end 2024, Lonza Group Ltd maintained a total balance of CHF 1,660 million (2023: CHF 1,576 million), thereof CHF 881 million (2023: CHF 1,231 million) was classified as cash & cash equivalents (cash at banks and bank deposits with maturities less than 3 months). Furthermore, the company held short-term investments amounting to CHF 779 million (2023: CHF 345 million), thereof bank deposits with maturity between three and six months totaling CHF 600 million (2023: CHF 50 million, and short-term money market funds CHF 150 million).

2.4 Trade Accounts Payables, Accrued Expenses

Trade accounts payables include liabilities to personnel welfare institutions of CHF 0.6 million at 31 December 2024 (2023: CHF 0.1 million).

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

million CHF	2024	2023
German Private Placement, USD 50 mio	0	42
Term loan Facility B1, USD 500 mio	451	0
Total short-term interest-bearing liabilities	**451**	**42**

million CHF	2024	2023
Term loan Facility B2, USD 200 mio (2023: B1/B2, USD 700 mio)	180	588
Total long-term interest-bearing liabilities	**180**	**588**

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 2024, Lonza repaid its scheduled debt maturities totaling CHF 43 million (USD 50 million) related to the German Private Placement. Lonza Group Ltd did not issue any new bonds or other debt securities neither in 2024 nor in 2023.

German Private Placement (Schuldschein)
Following the repayment of the final scheduled debt maturity of USD 50 million (equivalent to CHF 43 million) in August 2024, Lonza Group Ltd does not hold any Schuldscheine anymore.

Syndicated Loan Facilities
In 2019, Lonza Group Ltd 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 at floating interest rates. The 2019 facility was planned to expire in September 2026. Lonza successfully refinanced the facility in December 2024 with a new tenor of five years and two extension options. The maturity date is in December 2029. The facility was not used during 2024 nor in 2023.

2.6 Share Capital and Authorized Capital

On 19 June 2024, Lonza Group Ltd's Board of Directors approved to decrease the share capital by way of cancelation of the first tranche of shares repurchased through the share buyback program until 31 December 2023 (totaling 2,242,568 shares). No increase or decrease of share capital was executed in the financial year 2023.

The share capital on 31 December 2024 comprised 72,226,184 registered shares (2023: 74,468,752) with a par value of CHF 1 each, amounting to CHF 72,226,184 (2023: 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 4^{quater} of the Company's Articles of Association.

The only transaction within this capital band that the Board of Directors executed was the capital reduction of 2,242,568 shares (CHF 2,242,568) on 19 June 2024 related to the share cancelation repurchased through the share buyback program as disclosed in the 1st paragraph of this note.

At 31 December 2024, Lonza Group Ltd had a fully paid in registered capital of CHF 72,226,184 (2023: CHF 74,468,752) and a contingent capital of CHF 7,500,000 (2023: CHF 7,500,000).

Reserves in the amount of CHF 37,234,376 (2023: CHF 37,234,376) included in the financial statements can partially not be distributed.

2.7a
Reserves from Capital Contributions

CHF	2024
Reserves from Capital Contributions at 1.1.2023	**2,352,462,436**
Dividend payout May 2023	(129,796,657)
Reserves from Capital Contributions at 31.12.2023	**2,222,665,779**
Dividend payout May 2024	(142,502,996)
Share cancelation June 2024	(496,095,158)
Reserves from Capital Contributions at 31.12.2024	**1,584,067,625**

The Swiss Federal Tax Administration has confirmed the capital reserves as of 31 December 2023, less the dividend payment in May 2024, in total CHF 2,080,162,783. The reduction in capital reserves due to the capital reduction in June 2024 in the amount of CHF 496,095,158 is still subject to confirmation by the Swiss Federal Tax Administration.

2.7b
Voluntary Retained Earnings

CHF	2024
Voluntary Retained Earnings at 1.1.2023	**6,230,424,202**
Dividend payout May 2023	(129,796,657)
Profit for the year 2023	464,587,354
Voluntary Retained Earnings at 31.12.2023	**6,565,214,899**
Dividend payout May 2024	(142,502,996)
Share cancelation June 2024	(496,095,158)
Loss for the year 2024	(130,933,402)
Voluntary Retained Earnings at 31.12.2024	**5,795,683,343**

2.8
Treasury Shares

Regular Treasury Shares	Total Shares	Average Rate in CHF	Number of Transactions
Treasury shares at 1.1.2023, weighted average price	**187,126**	**583.04**	
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	(97,872)	604.70	8
Sale of shares	(18,899)	583.27	1
Treasury shares at 31.12.2023, weighted average price	**109,595**	**583.04**	
Acquisitions 2024	0	0.00	0
Distribution to Board members	(2,844)	468.47	5
Distribution to Executive Committee members	(3,697)	524.39	4
Distribution to LRSP/ShareMatch share plan members	(1,306)	434.41	6
Sale of shares	(18,278)	546.60	1
Treasury shares at 31.12.2024, weighted average price	**83,470**	**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 at the repurchase price, excluding transaction cost. The total number of shares repurchased at 31 December 2024 was 3,748,735 (excluding the share cancelation that happened on 19 June 2024) for a total value of CHF 1,719.3 million (2023: CHF 994.4 million).

The second and final tranche of share cancelations and share capital reduction is expected to occur in 2025 upon completion of the program.

	Total Shares	Average Rate in CHF	Number of Transaction Days
Treasury shares at 1.1.2024, weighted average price	**2,242,568**	**443.43**	
Acquisitions 2024	1,506,167		240
Cancelations 2024	(2,242,568)		1
Treasury shares at 31.12.2024, weighted average price	**1,506,167**	**481.27**	

2.9
Dividend Income

No dividends were received in 2024. Dividend income in 2023 includes distributions from Lonza Sales AG of CHF 429 million, and Lonza Swiss Licences AG of CHF 40.3 million.

2.10
Other Financial Income

million CHF	Notes	2024	2023
Interest on loans to subsidiaries and associates		193	200
Gain on share plans	1.4	1	7
Bank interest		27	28
Other		3	2
Total financial income		**223**	**237**

2.11
Other Financial Expenses

million CHF	Notes	2024	2023
Interest on deposits subsidiaries		117	54
Bank interest and fees		45	42
Amortization of discounts and issue costs		2	2
Loss on share plans	1.4	2	0
Net loss on financial instruments		49	8
Net exchange rate loss		18	138
Total other financial expenses		**232**	**245**

2.12
Other Operating Expenses

million CHF	2024	2023
Consulting expenses	22	23
Administrative expenses	8	9
Other operating expenses	1	0
Total other operating expenses	**31**	**32**

Note 3
Other Information

3.1
Full-time Equivalents

The average number of full-time employees for 2024 and 2023 exceeded 50 but were less than 250 people.

3.2
Contingent Liabilities, Guarantees and Pledges

At 31 December 2024, indemnity liabilities, guarantees and pledges in favor of third parties totaled CHF 4.3 billion (2023: CHF 2.4 billion). 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 for the legal entities that form part of the value-added-tax group. (Entities that form part of the value-added-tax group are all Swiss direct and indirect investments – refer to note 2.1).

For certain financial instrument positions, Credit Support Annex (CSA) contracts are attached to the framework agreements, in which cash is exchanged as collateral (by means of agreed regular reciprocal margin payments). The amount paid by Lonza Group Ltd under the CSA agreements at 31 December 2024 is CHF 80 million (2023: CHF 20 million).

The acquisition of Synaffix B.V. in 2023 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 the full EUR 60 million (equivalent to CHF 56 million) is reflected as a liability at 31 December 2024 and is due in 2025.

3.3
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.

3.4
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:

	2024		2023	
	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	2,844	1,332,316	2,710	1,312,722
Granted equity awards allocated to members of the Executive Committee	19,882	9,042,661	8,763	4,731,690
Granted equity awards allocated to other employees	7,744	3,521,842	3,561	1,902,284
Total	**30,470**	**13,896,819**	**15,034**	**7,946,696**

In 2024, Lonza Group Ltd employed 9 members (2023: 7) of the Executive Committee. Some of the members were not in office for the entire year.

3.5
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.

Proposal of the Board of Directors

Concerning the Appropriation of Available Earnings and Reserves from Capital Contributions.

CHF	2024
Available earnings brought forward	6,422,711,903
Share cancelation	(496,095,158)
Loss for the year	(130,933,402)
Available earnings at the disposal of the Annual General Meeting	**5,795,683,343**
Payment of a dividend (out of available earnings brought forward) for 2024 of CHF 2.00 (2023: CHF 2.00) per share on the share capital eligible for dividend of CHF 70,636,547 [1] (2023: CHF 71,251,498)	(141,273,094)
Available earnings carry-forward	**5,654,410,249**

[1] At 31 Dec 2024. Actual payout is depending on the amount of share capital eligible for dividend on the record date of 14 May 2025. No dividend will be paid out on shares held by the company.

CHF	2024
Legal capital reserves qualified as reserves from capital contributions	1,584,067,625
Reserves from capital contributions	**1,584,067,625**
Payment of a dividend (out of reserves from capital contributions) for 2024 of CHF 2.00 (2023: CHF 2.00) per share on the share capital eligible for dividend of CHF 70,636,547 [1] (2023: CHF 71,251,498)	(141,273,094)
Available reserves from capital contributions carry-forward	**1,442,794,531**

[1] At 31 Dec 2024. Actual payout is depending on the amount of share capital eligible for dividend on the record date of 14 May 2025. No dividend will be paid out on shares held by the company.

CHF	2024
Proposed payment of a dividend out of available earnings	141,273,094
Proposed payment of a dividend out of reserves from capital contributions	141,273,094
Total proposed payment of a dividend	**282,546,188**

If the Annual General 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. 1bis of the Federal Law on Withholding Tax. The other 50% of such dividend will be paid from available earnings. The last trading day with entitlement to receive the dividend is 12 May 2025. As from 13 May 2025 (ex-date), the shares will be traded ex-dividend. The dividend will be payable from 15 May 2025.

Deloitte.

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Report of the Statutory Auditor

To the General Meeting of
Lonza Group Ltd, Basel

Report on the audit of the statutory Financial Statements

Opinion

We have audited the financial statements of Lonza Group Ltd (the Company), which comprise the balance sheet as at 31 December 2024, 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, presented on 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 and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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 Matter

The financial statements of Lonza Group Ltd for the year ended 31 December 2023 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 2 April 2024.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the renumeration 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.

Deloitte.

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.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

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 financial statements according to the instructions of the Board of Directors.

Based on our audit in accordance with Art. 728a para. 1 item 2 CO, we confirm that the proposals of the Board of Directors comply with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Deloitte AG

Fabien Lussu Licensed Audit Expert Auditor in Charge	Jan Meyer Licensed Audit Expert

Zurich, 31 March 2025

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.

In 2024, Lonza made changes to the definition of its Performance Measures – CORE EPS, Free Cash Flow and Divisional CORE EBITDA. Financials for the year 2023 were restated accordingly.

These changes have been implemented to enhance external comparability to peer companies and do not have any impact on Lonza's results in accordance with IFRS.

The changes are as follows:

- **CORE EPS**

Amortization of intangible assets from acquisitions are excluded from the CORE profit and therefore CORE Earnings Per Share (EPS).

- **Free Cash Flow**

The non-cash items change in provisions and share plan costs included in EBITDA are added back for the Free Cash Flow calculation. In addition, the utilization of provisions is considered too.

- **Divisional CORE EBITDA**

Group-wide investments (e.g. Group IT infrastructure) are reported within Corporate, and related depreciation and amortization were allocated to the divisions. With the revised approach, the divisions will add back the depreciation and amortization previously included in the general cost allocation. This results in an improved Divisional CORE EBITDA with no impact at Group level.

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		•
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.

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.

Below non-exhaustive list provides examples of exceptional items that may be considered as CORE adjustments[1]:

- Restructuring and reorganizations,
- Environmental-related measures or events (related to historical environmental issues only),
- Acquisition and divestitures,
- Business transformation initiatives,
- Impairments and reversal of related impairments (excluding impairments following contract termination, that are compensated by termination-related revenues),
- Litigations,
- Changes to pension plans

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

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 CORE adjustments.

The reconciliation of the IFRS result to the CORE result for the Full-Year 2024 and 2023 is as follows:

million CHF	2024	2023 [2]
IFRS Profit	**637**	**655**
CORE adjustments		
Amortization of intangible assets from acquisitions	135	132
Environmental-related measures	80	15
Acquisitions and divestitures	163 [3]	(6)
Impairment	81 [4]	254 [5]
Reversal of impairment	(21) [4]	0
Restructuring [5]	40	50
Business transformation initiatives [6]	14	0
Gain from sale of real estate	(84)	0
Fair value adjustment expense on contingent consideration from acquisition of businesses	29	0
Impairment of loans to joint ventures	77 [7]	0
Tax effect [8]	(80)	(76)
CORE Profit	**1,071**	**1,024**
CORE Profit attributable to equity holders of the parent	**1,070**	**1,023**
CORE Earnings per share attributable to equity holders of the parent	**15.03**	**13.89**

[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] In 2024, Lonza has made changes to the definition of several Performance Measures. As a result, comparative information for Full-Year 2023 have been restated accordingly.
[3] Costs related to the acquisition of the Vacaville site (see note 4 of the Lonza Annual Report 2024), and the subsequent network optimization measures as a result of this acquisition.
[4] Impairment primarily includes Bacthera related assets (CHF 31 million, refer to note 8 of the Lonza Annual Report 2024) and various production assets in the US and Indonesia. Reversal of impairment related to property, plant and equipment and intangibles in Singapore.
[5] Primarily related to Biologics restructuring programs initiated in 2023. Also refer to note 3 of the Lonza Annual Report 2024.
[6] Costs related to "One Lonza" Business Transformation, and Nexus (a global Business Process Transformation linked to a new ERP system for Lonza CDMO business based on SAP S/4 HANA).
[7] Refer to note 8 of the Lonza Annual Report 2024.
[8] Group tax rate of 15.6% for 2024 and 17.1% for 2023.

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	2024	2023
Result from operating activities (EBIT)	**964**	**880**
Depreciation of property, plant and equipment	472	449
Amortization of intangible assets	175	172
Impairment and reversal of impairment on property, plant, equipment and intangibles [1]	84	439
Earnings before interest, taxes and depreciation (EBITDA)	**1,695**	**1,940**

million CHF	2024	2023
Earnings before interest, taxes and depreciation (EBITDA)	**1,695**	**1,940**
Environmental-related measures	80	15
Acquisitions and divestitures	163 [2]	(6)
Restructuring [1]	40	50
Business transformation initiatives [3]	14	0
Gain from sale of real estate	(84)	0
CORE EBITDA	**1,908**	**1,999**

[1] Primarily related to Biologics restructuring programs initiated in 2023. Also refer to note 5 of the Full-Year Report 2024.
[2] Costs related to the acquisition of the Vacaville site (see note 4 of the Full-Year report 2024), and the subsequent network optimization measures as a result of this acquisition.
[3] Costs related to "One Lonza" Business Transformation, and Nexus (a global Business Process Transformation linked to a new ERP system for Lonza CDMO business based on SAP S/4 HANA).

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 2024 financial results based on constant exchange rates (i.e. 2023 exchange rates) with the actual 2023 financial results.

Lonza Group

million CHF	2024	2023	Change in %
Sales	**6,574**	**6,717**	**(2.1)**
Elimination of effects from hedging instruments [1]	(6)	(65)	
Sales excluding hedging effects	**6,568**	**6,652**	
Retranslation at prior year rates	72		
Sales in constant currency	**6,640**		**(0.2)**
CORE EBITDA	**1,908**	**1,999** [2]	**(4.6)**
Elimination of effects from hedging instruments [1]	5	(12)	
CORE EBITDA excluding hedging effects	**1,913**	**1,987**	
Retranslation at prior year rates	26		
CORE EBITDA in constant currency	**1,939**		**(2.4)**
Margin in %	29.2		

Biologics

million CHF	2024	2023	Change in %
Sales	**3,676**	**3,719**	**(1.2)**
Retranslation at prior year rates	24		
Sales in constant currency	**3,700**		**(0.5)**
CORE EBITDA	**1,266**	**1,316** [2]	**(3.8)**
Retranslation at prior year rates	12		
CORE EBITDA in constant currency	**1,278**		**(2.9)**
Margin in %	34.5		

Small Molecules

million CHF	2024	2023	Change in %
Sales	**983**	**901**	**9.1**
Retranslation at prior year rates	2		
Sales in constant currency	**985**		**9.3**
CORE EBITDA	**351**	**291** [2]	**20.6**
Retranslation at prior year rates	1		
CORE EBITDA in constant currency	**352**		**21.0**
Margin in %	35.7		

[1] The hedging program is managed centrally by Corporate Treasury and therefore reported as part of Corporate.
[2] In 2024, Lonza has made changes to the definition of several Performance Measures . The revised approach resulted in an improved CORE EBITDA by division for 2023, with no impact at Group level.

Cell & Gene

million CHF	2024	2023	Change in %
Sales	**689**	**696**	**(1.0)**
Retranslation at prior year rates	15		
Sales in constant currency	**704**		**1.1**
CORE EBITDA	**108**	**68** [2]	**58.8**
Retranslation at prior year rates	7		
CORE EBITDA in constant currency	**115**		**69.1**
Margin in %	16.3		

Capsules and Health Ingredients

million CHF	2024	2023	Change in %
Sales	**1,054**	**1,161**	**(9.2)**
Retranslation at prior year rates	30		
Sales in constant currency	**1,084**		**(6.6)**
CORE EBITDA	**256**	**332** [2]	**(22.9)**
Retranslation at prior year rates	9		
CORE EBITDA in constant currency	**265**		**(20.2)**
Margin in %	24.4		

Corporate

million CHF	2024	2023
Sales	**172**	**240**
Elimination of effects from hedging instruments [1]	(6)	(65)
Sales excluding hedging effects	**166**	**175**
Retranslation at prior year rates	1	
Sales in constant currency	**167**	
CORE EBITDA	**(73)**	**(8)** [2]
Elimination of effects from hedging instruments [1]	5	(12)
CORE EBITDA excluding hedging effects	**(68)**	**(20)**
Retranslation at prior year rates	(3)	
CORE EBITDA in constant currency	**(71)**	

[1] The hedging program is managed centrally by Corporate Treasury and therefore reported as part of Corporate.
[2] In 2024, Lonza has made changes to the definition of several Performance Measures . The revised approach resulted in an improved CORE EBITDA by division for 2023, with no impact at Group level.

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 2024	31 December 2023	Change
Non-current debt	4,242	2,610	1,632
Current debt	468	191	278
Total debt	**4,710**	**2,801**	**1,910**
Non-current loans and advances	(140)	(198)	58
Current loans and advances	0	(13)	13
Short-term investments	(600)	(200)	(400)
Cash and cash equivalents	(1,111)	(1,468)	357
Total cash and cash equivalents, short term investments and loans and advances	**(1,851)**	**(1,879)**	**28**
Net debt / (net cash)	**2,859**	**922**	**1,938**

	31 December 2024	31 December 2023
Net debt / CORE EBITDA ratio	1.5	0.5
Net Debt / Equity ratio	0.3	0.1

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 2024 and 2023, 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	2024	2023
Result from operating activities (EBIT)	**964**	**880**
Share of gain / (loss) of associates / joint ventures	(1)	(13)
CORE adjustments		
Environmental-related measures	80	15
Acquisitions and divestitures	163 [1]	(6)
Impairments	81 [2]	254 [3]
Reversal of Impairment	(21) [2]	0
Restructuring [3]	40	50
Business transformation initiatives [4]	14	0
Gains from sale of real estate	(84)	0
Net operating profit before taxes	**1,236**	**1,180**
Taxes [5]	(193)	(202)
Net operating profit after taxes (NOPAT)	**1,043**	**978**
Average invested capital	**12,434**	**11,243**
ROIC in %	**8.4**	**8.7**

1 Costs related to the acquisition of the Vacaville site (see note 4 of the Lonza Annual Report 2024), and the subsequent network optimization measures as a result of this acquisition.
2 Impairment primarily includes Bacthera related assets (CHF 31 million, refer to note 8 of the Lonza Annual Report 2024) and various production assets in the US and Indonesia. Reversal of impairment related to property, plant and equipment and intangibles in Singapore.
3 Primarily related to Biologics restructuring programs initiated in 2023. Also refer to note 3 of the Lonza Annual Report 2024.
4 Costs related to "One Lonza" Business Transformation, and Nexus (a global Business Process Transformation linked to a new ERP system for Lonza CDMO business based on SAP S/4 HANA).
5 Group tax rate of 15.6% for 2024 and 17.1% for 2023.

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	2024	2023
Intangible assets	2,075	2,151
Property, plant and equipment	7,870	6,543
Goodwill	3,371	2,858
Inventories	1,859	1,896
Trade receivables	1,046	1,046
Other operating receivables	374	337
Other assets	304	233
Trade payables	(438)	(432)
Other operating liabilities	(3,456)	(2,782)
Net current and deferred tax liabilities	(571)	(607)
Average invested capital	**12,434**	**11,243**

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 2024 and 2023, the development of operational free cash flow by component was as follows:

Components of operational free cash flow

million CHF	2024	2023 [1]
Earnings before interests, taxes and depreciation (EBITDA)	**1,695**	**1,940**
Change of operating net working capital [2]	(265)	(310)
Capital expenditures in tangible and intangible assets	(1,417)	(1,682)
Disposal of tangible and intangible assets	9	16
Change of other assets and liabilities	347	365
Change in provisions and utilization of provisions	63	24
Shared-based payment	41	21
Operational free cash flow (before acquisitions / divestitures)	**473**	**374**
Acquisitions of subsidiaries [3]	(1,075)	(93)
Operational free cash flow	**(602)**	**281**

1 In 2024, Lonza revised the definitions of several Performance Measures (see page 2). As a result, comparative information for Full-Year 2023 have been restated accordingly.
2 Includes non-cash amortization of current deferred income of CHF 221 million (2023: CHF 406 million), recognized in the income statement through EBITDA.
3 In 2024, acquisition of Vacaville site (refer to the Lonza Annual Report 2024, note 4). In 2023, acquisition of Synaffix (refer to Annual Report 2023, note 4).

Legal Disclaimer

Forward-Looking Statements

This Annual Report includes statements that are, or may be deemed to be “forward-looking statements”. Forward-looking statements are qualified in their entirety as there are certain factors that could cause results to differ materially from those anticipated. Forward-looking statements are not statements of historical fact and may be identified by forward-looking terminology, including the words “outlook,” "guidance," “believes,” “plans,” “anticipates,” “expects,” “estimates”, “may”, “will”, “should”, or in each case, their negative or other variations, or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Investors are cautioned that all forward-looking statements involve risks and uncertainty because they relate to future events and circumstances.

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