Making the Medicines of Tomorrow

Alternative Performance Measures

Full-Year 2024

Introduction

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, the 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.

Performance Measures	Division	Group
Sales and sales growth at constant exchange rate	●	●
CORE EBITDA / CORE EBITDA margin	●	●
EBITDA	○	●
CORE EPS	○	●
CapEx	●	●

Liquidity and Capital Measures	Division	Group
Net Debt	○	●
Net Debt / CORE EBITDA ratio	○	●
Net Debt / Equity ratio	○	●
Return On Invested Capital (ROIC)	○	●
Operational Free Cash Flow (before and after acquisition)	○	●

Performance Measures

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),
- Acquisitions and divestitures,
- Business transformation initiatives,
- Impairments and reversals of related impairments (excluding impairments following contract termination, that are compensated by termination-related revenues),
- Litigations,
- Changes to pension plans

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 Full-Year 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 6 of the Full-Year 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 5 of the Full-Year 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 6 of the Full-Year 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

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 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.

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.

Liquidity and Capital Measures

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.

Million CHF	31 December 2024	31 December 2023	Change
Non-current debt	4’242	2’610	1’632
Current debt	468	191	277
Total debt	**4’710**	**2’801**	**1’909**
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 & cash equivalents, short term investments and loans and advances	**(1’851)**	**(1’879)**	**28**
Net debt	**2’859**	**922**	**1’937**

	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 (ROIC)

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.

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

Million CHF	2024	2023
Result from operating activities (EBIT)	**964**	**880**
Share of result of associates / joint ventures	(1)	(13)
CORE adjustments		
Environmental-related measures	80	15
Acquisitions and divestitures	163[1]	(6)
Litigations	0	0
Impairments	81[2]	254[3]
Reversal of Impairment	(21)[2]	0
Restructuring[3]	40	50
Business transformation initiatives[4]	14	0
Gain 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 Full-Year 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 6 of the Full-Year report 2023) 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 5 of the Full-Year 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.

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 & 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 (before and after acquisitions)

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.

Components of Operational Free Cash Flow

Million CHF	2024	2023[1]	Change
Earnings before interest, taxes and depreciation (EBITDA)	**1'695**	**1'940**	**(245)**
Change in operating net working capital[2]	(265)	(310)	45
Capital expenditures in tangible and intangible assets	(1'417)	(1'682)	265
Disposal of tangible and intangible assets	9	16	(7)
Change of other assets and liabilities	347	365	(18)
Change in provisions and utilization of provisions	63	24	39
Share-based payment costs	41	21	20
Operational free cash flow (before acquisitions / divestitures)	**473**	**374**	**99**
Acquisition of subsidiaries[3]	(1'075)	(93)	(982)
Operational free cash flow	**(602)**	**281**	**(883)**

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 Full-Year Report 2024, note 4). In 2023, acquisition of Synaffix (refer to Annual Report 2023, note 4).

Upcoming Roadshows/Conferences

- **3 February 2025**
  RBC, London (UK)
- **4 February 2025**
  Barclays, Edinburgh (UK)
- **11–12 February 2025**
  Jeffries, Chicago and Boston (US)
- **13–14 February 2025**
  Goldman Sachs, New York (US)
- **4 March 2025**
  Morgan Stanley, London (UK)
- **25 March 2025**
  Bank of America, Singapore (SG)
- **26 March 2025**
  UBS, Seoul (KR)
- **27 March 2025**
  JP Morgan, Tokyo (JP)

Upcoming Announcements

- **3 April 2025**
  Publication of Annual and Sustainability Reports
- **9 May 2025**
  Q1 Qualitative Update
- **9 May 2025**
  Annual General Meeting
- **15 May 2025**
  Dividend Payment Date
- **23 July 2025**
  Half-Year Results 2025

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