

Alternative Performance Measures

Half-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, 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 Performance Measures 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.
- **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 are 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.

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

The following exceptional items are excluded from CORE results if they exceed the threshold of CHF 20 million per event¹:

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

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

Million CHF	2024	2023
IFRS Profit	330	411
CORE adjustments		
Amortization of intangible assets from acquisitions	66	67 ²
Restructuring costs	7	0
Environmental remediation expenses	25	19
(Income) / expense resulting from acquisitions and divestitures	(1)	4
Impairments	12 ⁴	28 ³
Reversal of Impairment	(1)	0
Fair value adjustment on contingent consideration expense from acquisition of businesses	20 ⁵	0
Impairment of loans to joint ventures	78 ⁶	0
Tax effect ⁷	(34)	(18) ²
CORE Profit	502	511²
CORE Profit attributable to equity holders of the parent	501	510²
CORE Earnings per share attributable to equity holders of the parent	7.03	6.89²

1 In the context of 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 (see page 2). As a result, CORE EPS was restated for 2023 (the amortization of intangible assets from acquisitions was excluded from the CORE profit and therefore CORE earnings per share)

3 Impairment related to customer specific production assets in Visp (CH)

4 Impairment related to property, plant and equipment and intangibles in Jakarta (ID)

5 Fair value adjustment in relation to the acquisition of Synaffix in 2023

6 Impairment on loans to Bacthera, see HY Report note 6

7 Group tax rate of 16.5% for 2024 and 15.4% 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)	534	540
Depreciation of property, plant and equipment	225	215
Amortization of intangible assets	86	86
Impairment and reversal of impairment on property, plant, equipment and intangibles	17 ²	58 ¹
Earnings before interest, taxes and depreciation (EBITDA)	862	899

Million CHF	2024	2023
Earnings before interest, taxes and depreciation (EBITDA)	862	899
Restructuring costs	7	0
Environmental remediation expenses	25	19
(Income) / expense resulting from acquisitions and divestitures	(1)	4
CORE EBITDA	893	922

1 Includes impairments related to customer specific production assets in Visp (CH) and customer-specific intangible assets in the US (CHF 30 million)

2 Includes impairments primarily related to property, plant and equipment and intangibles in Jakarta (ID) and other assets in Visp (CH) and Geleen (NL)

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	3'057	3'078	(0.7)
Elimination of effects from hedging instruments ¹	3	(29)	
Sales excluding hedging effects	3'060	3'049	
Retranslation at prior year rates	43		
Sales in constant currency	3'103		1.8
CORE EBITDA	893	922²	(3.1)
Elimination of effects from hedging instruments ¹	2	(15)	
CORE EBITDA excluding hedging effects	895	907	
Retranslation at prior year rates	17		
CORE EBITDA in constant currency	912		0.6
Margin in %	29.4		

Biologics			
Million CHF	2024	2023	Change in %
Sales	1'709	1'605	6.5
Retranslation at prior year rates	13		
Sales in constant currency	1'722		7.3
CORE EBITDA	594	517²	14.9
Retranslation at prior year rates	8		
CORE EBITDA in constant currency	602		16.4
Margin in %	35.0		

Small Molecules			
Million CHF	2024	2023	Change in %
Sales	402	393	2.3
Retranslation at prior year rates	1		
Sales in constant currency	403		2.5
CORE EBITDA	135	141²	(4.3)
Retranslation at prior year rates	1		
CORE EBITDA in constant currency	136		(3.5)
Margin in %	33.7		

¹ Impact from the hedging program on Sales (2024: CHF -3 million, 2023: CHF 29 million) and CORE EBITDA (2024: CHF -2 million, 2023: CHF 15 million) which 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 (see page 2). 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	331	363	(8.8)
Retranslation at prior year rates	8		
Sales in constant currency	339		(6.6)
CORE EBITDA	62	73²	(15.1)
Retranslation at prior year rates	3		
CORE EBITDA in constant currency	65		(11.0)
Margin in %	19.2		

Capsules and Health Ingredients

Million CHF	2024	2023	Change in %
Sales	540	595	(9.2)
Retranslation at prior year rates	19		
Sales in constant currency	559		(6.1)
CORE EBITDA	134	192²	(30.2)
Retranslation at prior year rates	7		
CORE EBITDA in constant currency	141		(26.6)
Margin in %	25.2		

Corporate

Million CHF	2024	2023
Sales	75	122
Elimination of effects from hedging instruments ¹	3	(29)
Sales excluding hedging effects	78	93
Retranslation at prior year rates	2	
Sales in constant currency	80	
CORE EBITDA	(32)	(1)²
Elimination of effects from hedging instruments ¹	2	(15)
CORE EBITDA excluding hedging effects	(30)	(16)
Retranslation at prior year rates	(2)	
CORE EBITDA in constant currency	(32)	

1 Impact from the hedging program on Sales (2024: CHF -3 million, 2023: CHF 29 million) and CORE EBITDA (2024: CHF -2 million, 2023: CHF 15 million) which 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 (see page 2). 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, Net 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	30 June 2024	31 December 2023	Change
Non-current debt	3'640	2'610	1'030
Current debt	155	191	(36)
Total debt	3'795	2'801	994
Non-current loans and advances	(142)	(198)	56
Current advances	0	(13)	13
Short-term investments	(620)	(200)	(420)
Cash and cash equivalents	(1'397)	(1'468)	71
Total cash & cash equivalents, short term investments and loans and advances	(2'159)	(1'879)	(280)
Net debt	1'636	922	714
	30 June 2024	31 December 2023	
Net debt / CORE EBITDA Ratio	0.8	0.5	
Net debt / Equity Ratio	0.2	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 six-month period ended 30 June			
Million CHF	2024	2023	
Result from operating activities (EBIT)	534	540	
Share of result of associates / joint ventures	0	(13)	
CORE adjustments			
Restructuring costs	7	0	
Environmental remediation expenses	25	19	
(Income) / Expense resulting from acquisition and divestitures	(1)	4	
Impairments	12 ²	28 ¹	
Reversal of Impairment	(1)	0	
Net operating profit before taxes	576	578	
Taxes ³	(95)	(89)	
Net operating profit after taxes (NOPAT)	481	489	
Net operating profit after taxes (NOPAT), annualized⁴	962	978	
Average invested capital	11'242	11'187	
ROIC in %	8.6	8.7	

1 Impairment related to customer specific production assets in Visp (CH)

2 Impairment related to property, plant and equipment and intangibles in Jakarta (ID)

3 Group tax rate of 16.5% for 2024 and 15.4% for 2023

4 NOPAT for the six-month period ended 30 June multiplied by 2 to reflect a twelve-month period

Components of average invested capital for the six-months period ended 30 June			
Million CHF	2024	2023	
Intangible assets	2'023	2'209	
Property, plant & equipment	6'935	6'370	
Goodwill	2'841	2'884	
Inventories	1'745	1'930	
Trade receivables	1'017	1'034	
Other operating receivables	327	334	
Other assets	296	225	
Trade payables	(415)	(445)	
Other operating liabilities	(2'939)	(2'739)	
Net current and deferred tax liabilities	(588)	(615)	
Average invested capital	11'242	11'187	

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	Change
Earnings before interest, taxes and depreciation (EBITDA)	862	899	(37)
Change in operating net working capital	(276)	(436)	160
Capital expenditures in tangible and intangible assets	(622)	(765)	143
Disposal of tangible and intangible assets	3	2	1
Change of other assets and liabilities	280	238	42
Change in provisions	23	11 ¹	12
Share-based payment costs	26	14 ¹	12
Operational free cash flow (before acquisitions / divestitures)	296	(37)	333
Acquisition of subsidiaries	0	(94)	94
Operational free cash flow	296	(131)	427

¹ In 2024, Lonza revised the definitions of several Performance Measures (see page 2). As a result, the Operational Free Cash Flow for 2023 was restated, incorporating non-cash items such as increases/reversals of provisions and share plan costs included in EBITDA, as well as considering the utilization of provisions

Upcoming Roadshows:

26 July 2024

ZKB, Zurich

29–30 July 2024

UBS, New York

6 August 2024

Bank of America, London

13 August 2024

Deutsche Bank, Frankfurt

14 August 2024

Stifel, Copenhagen

15 August 2024

Stifel, Stockholm

Upcoming Announcements:

Q4 2024

Q3 Qualitative Update

December 2024

Investor Update

30 January 2025

Full-Year Results 2024

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