Full-Year Report 2018

Pro-Forma Results[2] (Continuing Business) million CHF		2018	Change in %	2017 (Restated)[1]
Sales		5,542	9.0	5,083
CORE EBITDA		1,511	12.0	1,349
Margin in %		27.3		26.5
Result from operating activities (CORE EBIT)		1,165	14.1	1,021
Margin in %		21.0		20.1

CORE Earnings[3] (Continuing Business) million CHF		2018	Change in %	2017 (Restated)[1]
CORE EBITDA		1,511	26.3	1,196
Margin in %		27.3		26.3
Result from operating activities (CORE EBIT)		1,165	28.9	904
Margin in %		21.0		19.9
CORE Profit for the period		899	21.5	740[4]
CORE EPS basic	CHF	12.03	10.7	10.87[4]
CORE EPS diluted	CHF	11.98	11.1	10.78[4]
CORE RONOA in %		31.4	4.7	30.0

Lonza Achieved Another Excellent Full-Year Result in 2018 with 9% Organic Sales Growth and Strong Profitability Driven by Healthcare Businesses

- Lonza delivered its Full-Year 2018 results with sales of CHF 5.5 billion at a record 27.3% CORE EBITDA margin for Lonza's continuing operations
- Outperformance in Pharma & Biotech with 14% sales growth and margins up 260 bps was combined with positive momentum in the Consumer Health division
- Lonza continued to benefit from the performance and synergies of the successfully integrated Capsugel businesses, having completed the first full year as a combined company
- The challenging environment for cyclical parts of the Consumer & Resources Protection portfolio continued to have a negative impact on the business throughout the year; countermeasures are being implemented to improve profitability
- Lonza launched further growth initiatives to expand its global and technological footprint, especially in biologics, including the expansion of Ibex™ Solutions in Visp (CH)
- Mid-Term 2022 Guidance confirmed and 2019 Outlook announced
- Review of the business portfolio to be accelerated to further strengthen company's position along the Healthcare Continuum®
- At the Annual General Meeting, the Board of Directors will propose a stable dividend for shareholders of CHF 2.75 per share for 2018

IFRS Results (Continuing Business) million CHF		2018	Change in %	2017 (Restated)[1]
Sales		5,542	21.9	4,548
EBITDA		1,429	31.8	1,084
Margin in %		25.8		23.8
Result from operating activities (EBIT)		842	25.1	673
Margin in %		15.2		14.8
Profit for the period		659	(1.1)	666[4]
EPS basic	CHF	8.80	(10.0)	9.78[4]
EPS diluted	CHF	8.77	(9.6)	9.70[4]

Other Performance Measures (Continuing Business) million CHF	2018	Change in %	2017 (Restated)[1]
Operational free cash flow (before acquisitions)	884	34.3	658
ROIC in %	8.0	(4.8)	8.4
RONOA in %	12.1	23.5	9.8

Other Performance Measures (Lonza Group incl. Discontinued Operations) million CHF	2018	Change in %	2017 (Restated)[1]
Operational free cash flow (before acquisitions)	848	37.0	619
Operational free cash flow	820	(130.5)	(2,691)
Net debt	3,534	(6.1)	3,762
Debt-equity ratio	0.56	(8.2)	0.61
Net debt / CORE EBITDA ratio	2.28	(15.6)	2.70
Number of employees	15,375	5.2	14,618

1 Restated to reflect adoption of IFRS 15 (see note 2) and classification of Water Care business as discontinued operations (see note 4)
2 Reported Pro-Forma Full-Year 2017 financial results (restated for IFRS 15) include Capsugel Full-Year 2017 financial results. This explanation applies to the terms "pro-forma," "like-for-like" and "organic," which are used as synonyms throughout this report
3 In the CORE results for the items "EBITDA," "Result from operating activities (EBIT)," "Profit for the period" and "Earnings per share," the impact of amortization of acquisition-related intangible assets, impairment and reversal of impairment of assets, results from associates and other special charges / income from restructuring are eliminated. "CORE RONOA" does not include acquisition-related intangible assets (see note 2 "Supplementary Financial Information" of this report on page 26)
4 Includes the favorable impact of CHF 187 million resulting from the tax reforms in the United States and Belgium

Dear Stakeholders,

Albert M. Baehny, Chairperson of the Board of Directors **Richard Ridinger**, Chief Executive Officer

Lonza is looking back at another successful year and is continuing on our trajectory of profitable organic growth. We reported a 9% organic (like-for-like) sales, 12% organic CORE EBITDA and 14% organic CORE EBIT growth. Having completed the first full year with Capsugel as a combined company, sales amounted to CHF 5.5 billion for 2018; and margins for Lonza further improved, resulting in a CORE EBITDA margin of 27.3% and a CORE EBIT margin of 21.0%.

All figures are for Lonza continuing operations (excluding the Water Care business unit) in reported currency and are compared with the same period in 2017 on a like-for-like basis (reported Lonza Full-Year 2017 financial results including Capsugel 2017 financial results from 1 January 2017, restated to reflect adoption of IFRS 15).

On a segment level, Lonza Pharma & Biotech contributed significantly to Lonza's 2018 performance with 14% organic sales growth and a 32.8% CORE EBITDA margin, especially driven by Clinical Development and Manufacturing and by Commercial Manufacturing in our biological business.

Lonza's Specialty Ingredients segment achieved 3.4% organic sales growth and a 22.1% CORE EBITDA margin, despite headwinds due to raw-material price increases, supply-chain challenges and negative cyclical impacts throughout 2018 as already communicated.

The Consumer Health division performed strongly with continued momentum, particularly in Consumer Health and Nutrition, benefiting from synergies across nutritional ingredients, formulation capabilities, and dosage form offerings. The specialty portfolios in Consumer & Resources Protection also performed robustly. Cyclical and commoditized parts especially in the agricultural ingredients and wood protection businesses were negatively impacted by market developments in 2018; countermeasures have been initiated for operational and commercial improvements.

As a result of our strategic focus on the Healthcare Continuum® and thorough execution of our strategy, Lonza has become more resilient and independent from cyclical parts of the portfolio. The strong results for the Full-Year 2018 show that growth and profitability in the healthcare businesses and in the specialty chemical portfolios balance the exposure to cyclicality in other more mature parts of our business.

Ongoing Investment Initiatives

To further accelerate growth along the Healthcare Continuum®, Lonza is continuing to invest in our healthcare businesses. In 2018 Lonza announced the expansion of our Ibex™ Solutions facility in Visp (CH), with two new, innovative packages – Ibex™ Design and Ibex™ Develop. The two new offerings are designed to meet the evolving needs of biotech companies with antibody therapies, from preclinical stage through to commercialization, including fill and finish. During 2018 another key focus at Lonza was on the development of our cell- and gene-therapy capabilities with targeted investments in innovative technologies and our global footprint.

All major investments that have previously been announced are progressing as planned, including those expansions in biological manufacturing in Ibex® Solutions in Visp (CH) and in cell- and gene-technologies in Portsmouth, NH and in Houston, TX (USA). In addition, hybrid mid-scale technologies in Portsmouth, small-scale single-use biologics technologies for clinical and commercial offerings in Guangzhou (CN), dosage form and ingredient production in Greenwood, SC (USA) and encapsulation capabilities in Tampa, FL (USA) are also on schedule.

Divesture of Water Care

After a comprehensive analysis of options, Lonza decided to divest our Water Care business to Platinum Equity to further strengthen Lonza's strategic focus on the Healthcare Continuum®. The divestment and ownership transfer process are expected to be seamless to customers; the transaction is expected to close in Q1 2019.

Throughout the reporting year, the Water Care business continued to implement commercial excellence initiatives and innovative new offerings but faced headwinds in 2018 due to a late seasonal start in North America and Europe and higher transportation costs. However, new customer contracts were secured for the recreational and industrial water businesses; and the outlook for 2019 is positive while restructuring and business model redesign are ongoing.

Mid-Term Guidance 2022

The Water Care transaction is expected to close in Q1 2019; to account for the Water Care disposal, we will provide an adjusted Mid-Term Guidance after transaction closing. Lonza plans to re-invest parts of the proceeds of the Water Care disposal into the Healthcare Continuum® with expected higher returns to deliver more shareholder value.

Until closing of the transaction and subsequent adjustments, the Mid-Term Guidance for Lonza Group including the Water Care business unit is confirmed:

- Sales CHF 7.5 billion
- CORE EBITDA margin 30%
- CORE RONOA 35%
- Double-digit ROIC

At Lonza's Capital Markets Day in September 2018, the growth trajectory by business was outlined. Lonza confirms our Mid-Term Guidance by segment and division:

- **Pharma & Biotech:**
  High-single-digit sales growth with a sustained >30+% CORE EBITDA margin

- **Specialty Ingredients' Consumer Health division:**
  Mid-to-high-single digit sales growth with a margin progression from high twenties to >30%

- **Specialty Ingredients' Consumer & Resources Protection division:**
  Low-to-mid-single digit sales growth with a margin progression from high teens to ~25%

The Mid-Term Guidance 2022 is based on the present business composition for Lonza and macro-economic environment, current visibility and constant exchange rates.

Outlook 2019

In 2019 Lonza will focus on the thorough execution of our growth investments in what is expected to be a year of significant investments. Lonza is also factoring into our outlook the continued macro-economic uncertainty and some potential ongoing headwinds in the cyclical parts of our Specialty Ingredients businesses.

Based on these assumptions, Lonza is providing the following outlook for Full-Year 2019:

- **Mid-to-high-single digit sales growth**

- **Sustained high CORE EBITDA margin level**

In addition, Lonza will accelerate the review of its current portfolio to further strengthen the company's position along the Healthcare Continuum®. At the same time, Lonza will continue to focus on operational and commercial excellence while investing in innovation and growth, especially in the biologics businesses. Lonza will also be continuing to implement measures to counter the cyclical-exposed businesses. An update on profitability measures and outlook will be provided with the Q1 Qualitative Business Update 2019.

The Outlook 2019 is based on the present business composition for Lonza continuing operations (excluding the Water Care business unit), the present macro-economic environment, current visibility and constant exchange rates. The Outlook 2019 is a next step toward achieving our Mid-Term Guidance 2022. After becoming fully operational, all investments previously announced are expected to accelerate top-line growth and profitability from 2021 and to contribute to our mid-term targets.

Initiation of S&P Credit Rating

Lonza recently announced the initiation of a public credit rating with Standard & Poor's (S&P), which resulted in a BBB+ rating with stable outlook. Lonza is committed to maintaining an investment-grade rating going forward.

Dividend Announced

Lonza's Board of Directors is proposing a stable dividend for shareholders of CHF 2.75 per share for 2018. Subject to approval at the upcoming Annual General Meeting (AGM) on 18 April 2019, the dividend of CHF 2.75 per share for 2018 will be paid out of the reserve capital contribution and will be free from Swiss withholding tax.

Changes in Board of Directors

The following change in Lonza's Board of Directors was announced: Antonio Trius (member of the Audit and Compliance Committee), has decided not to stand for re-election at the upcoming AGM. The Board would like to thank him for his contribution during his years of service on the Board.

Termination of Quarterly Reporting

In accordance with Lonza shareholders' preferences, Lonza is announcing the decision to terminate our Q1 and Q3 Qualitative Business Updates; the last Qualitative Business Update will be published on 18 April 2019 for Q1 2019, as previously communicated.

Continuing on Our Growth Trajectory

Lonza is committed to continue on our growth trajectory along the Healthcare Continuum® by continuing to focus on commercial and operational excellence while making dedicated investments in our biologics businesses and further shaping our business portfolio.

The Healthcare Continuum® strategy has been setting the path, and Lonza is well prepared to benefit from a breadth of opportunities in the pharma and healthcare markets based on our global footprint, technological capabilities, customer- and market-focused offerings, constant innovation and, most importantly, the expertise and dedication of our people.

Lonza's excellent results in 2018 have been reached because of the dedication, commitment and integrity of our approximately 15,500 employees globally. With their continued support, along with all stakeholders, Lonza is confident to continue on our growth trajectory.

Albert M. Baehny
Chairperson of the Board of Directors

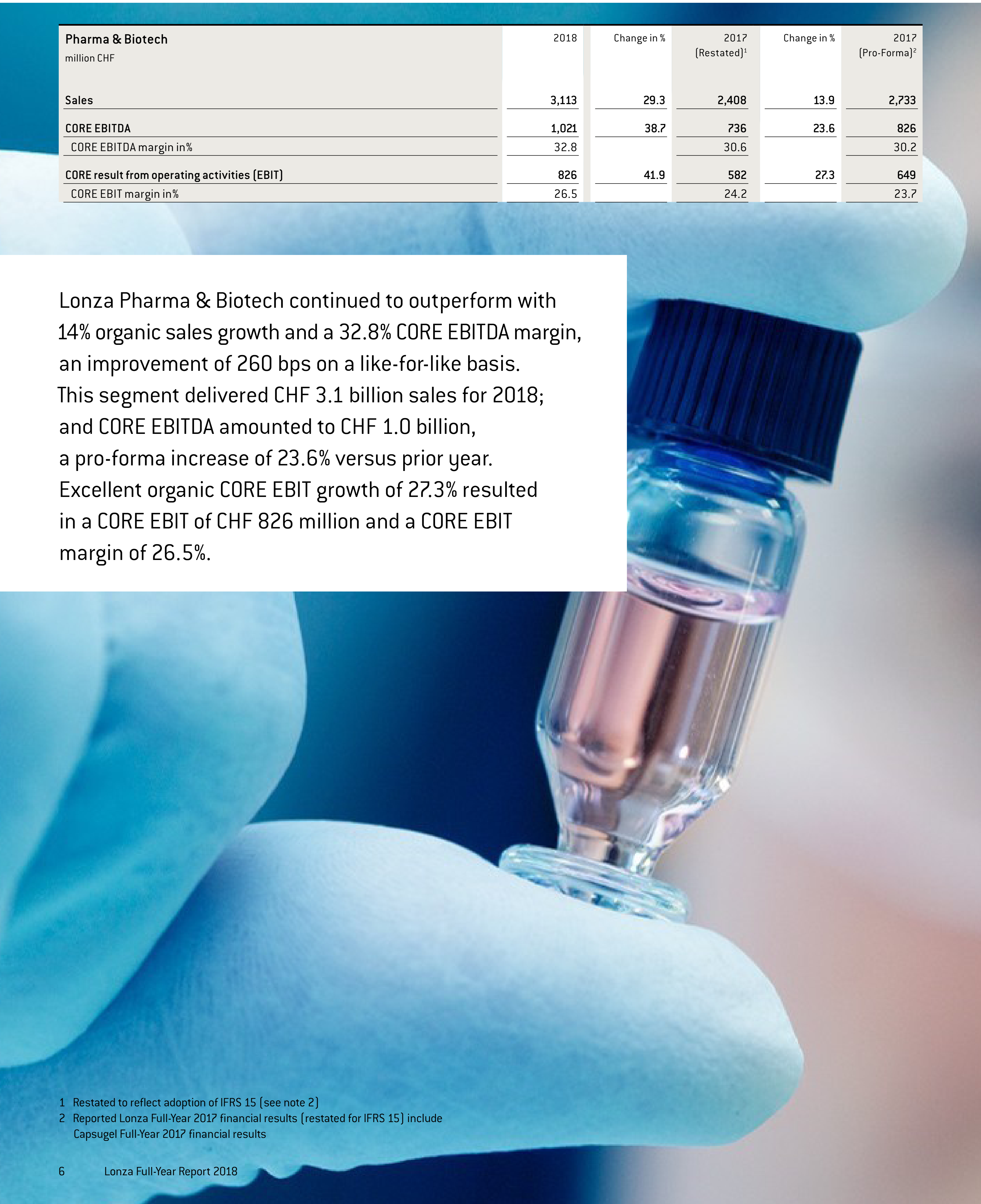
Richard Ridinger
Chief Executive Officer

Pharma & Biotech

Segment

Pharma & Biotech million CHF	2018	Change in %	2017 (Restated)[1]	Change in %	2017 (Pro-Forma)[2]
Sales	**3,113**	**29.3**	**2,408**	**13.9**	**2,733**
CORE EBITDA	**1,021**	**38.7**	**736**	**23.6**	**826**
CORE EBITDA margin in %	32.8		30.6		30.2
CORE result from operating activities (EBIT)	**826**	**41.9**	**582**	**27.3**	**649**
CORE EBIT margin in %	26.5		24.2		23.7

Lonza Pharma & Biotech continued to outperform with 14% organic sales growth and a 32.8% CORE EBITDA margin, an improvement of 260 bps on a like-for-like basis. This segment delivered CHF 3.1 billion sales for 2018; and CORE EBITDA amounted to CHF 1.0 billion, a pro-forma increase of 23.6% versus prior year. Excellent organic CORE EBIT growth of 27.3% resulted in a CORE EBIT of CHF 826 million and a CORE EBIT margin of 26.5%.



1 Restated to reflect adoption of IFRS 15 (see note 2)
2 Reported Lonza Full-Year 2017 financial results (restated for IFRS 15) include Capsugel Full-Year 2017 financial results

Biologics Businesses

Commercial Manufacturing

Lonza's biological businesses performed strongly. The Commercial Mammalian and Microbial Manufacturing activities continued to benefit from a solid customer base and strong demand, enabling the business to secure additional contracts for the mid- and long-term.

The year 2018 saw substantial investment in the Portsmouth, NH (USA) site, including mid-scale biologics. We introduced new mid-scale assets for commercial mammalian manufacturing to meet strong demand and complement existing small- and large-scale assets within the Lonza network. The operation of our Tuas, Singapore (SG) single-use bioreactor facility developed as planned. The first Singapore 2,000 L batch was successfully released in November.

Clinical Development and Manufacturing

Demand for Lonza's development services and clinical manufacturing in all technologies remained strong, further fueled by increasing pressure to shorten time to the clinic and to the market, which reflects new fast-track approval pathways initiated by regulatory authorities. Due to customer demand, we are expanding our clinical development services and manufacturing capacity in Slough (UK).

Earlier than expected, our Clinical Development and Manufacturing team saw full changeover to Lonza platforms, processes and technologies at our Hayward, CA (USA) facility. The first customer batches were released already in the third quarter of 2018, and the transfer of new and existing customers to the Hayward site is progressing well.

Shaping the Future of Biomanufacturing with Ibex™ Solutions

In September Lonza expanded our Ibex™ Solutions facility in Visp (CH), with two new, innovative packages – Ibex™ Design and Ibex™ Develop. The two new offerings are designed to meet the evolving needs of biotech companies with antibody therapies, from the preclinical stage through to commercialization. The expansion includes drug substance development and drug substance and drug product manufacturing. Together with the existing Ibex™ Dedicate offering that targets companies in later stages, the new investment allows Lonza's customers to benefit from a complete product lifecycle management in one site.

Construction at the Visp site is well underway, and the Lonza-Sanofi joint venture (the first Ibex™ Dedicate) and the Ibex™ Design and Ibex™ Develop (one wing of one building) will become operational from 2020. The full Ibex™ Solutions is a generational project.

Cell and Gene Technology

During 2018 a key focus at Lonza was on the development of our cell- and gene-therapy capabilities, an area of high potential for the future of medical treatment.

The opening of the world's largest dedicated manufacturing facility in Pearland, Greater Houston, TX (USA) in April 2018 was a major step forward for Lonza. At that time we also reviewed our existing sites and announced that we would focus on centers of excellence for cell- and gene-technology in Pearland, Geleen/Maastricht (NL), Portsmouth and Singapore to support and accelerate the growth of this priority area for the company.

Lonza is actively investing in key innovation technologies in viral vector manufacturing, allogeneic manufacturing in 3D bioreactors and autologous manufacturing in the Cocoon™ system. In 2018 we further strengthened our commitment to drive the next generation of manufacturing patient-specific and personalized therapies with the acquisition of a controlling stake in Octane Biotech for the Cocoon™ technology.

Small-Molecule Businesses

Throughout the year our small-molecule businesses – including capsule and combined ingredient and dosage form offerings – continued to perform strongly. Lonza Pharma & Biotech's small-molecule businesses reported continued operational and commercial improvements. Demand for Lonza's offerings in active pharmaceutical ingredient (API) development and clinical and commercial manufacturing held firm. Pharma hard capsules and dosage form and delivery systems continued to experience buoyant customer interest and the capture of cross-selling synergies.

Drug Substance Development and Manufacturing

Lonza expanded high potent active pharmaceutical ingredient (HPAPI) manufacturing at our Visp plant when Lonza and Clovis Oncology celebrated the opening of a new, dedicated production train for Rubraca® (rucaparib), Clovis' U.S. and EU-approved drug for several ovarian cancer indications.

Lonza also added two new manufacturing suites at the Visp site for the manufacture of antibody drug conjugate (ADC) payloads, based on a tailored business agreement with a major biopharmaceutical partner. Lonza announced the launch of our pharmaceutical early-intermediates supply initiative. The initiative leverages chemical production facilities at the Visp site to address increasing global early-intermediates supply security and quality concerns. Lonza now offers customers an integrated supply chain from non-GMP early intermediates to current Good Manufacturing Practice (cGMP) advanced intermediates and APIs.

Drug Product Development and Manufacturing

During 2018 Lonza completed the integration of the Capsugel businesses, and further strengthened the depth and breadth of Lonza's offerings for small molecules. It expanded the reach of Lonza's contract development and manufacturing organization (CDMO) from drug substance, to formulation and drug product, accelerating growth not least through the synergies the Capsugel acquisition has unleashed.

Our oral drug product services added to the positive year 2018 by securing several projects with new and existing customers and by strengthening the overall portfolio. Firm demand continued for dosage forms and for delivery solutions and services to enhance bioavailability and efficacy of drugs.

In February 2018 we announced the expansion of our late-stage clinical and commercial encapsulation capabilities for solid oral and inhaled dosage forms in North America, with the installation of a new encapsulation unit at our integrated product development and manufacturing facility in Tampa, FL (USA).

Pharma Hard Capsules

The hard capsule business reported a robust 2018 and saw increasing demand for Lonza's specialty polymer capsules by pharmaceutical companies to enhance bioavailability and to provide a wider choice for customers. From early-stage development to commercial solutions, the hard capsule business continues to offer the broadest portfolio of gelatin and hydroxypropylmethylcellulose (HPMC) capsules.

As an example Capsugel® Colorista™ capsules – a high-quality capsule based on an "all-colorants" formulation – was launched in 2018. It is a new single R&D solution for pharmaceutical formulation development that cuts development time and allows for flexibility with testing. This new capsule further expands the Lonza Capsugel® clinical offering.

Consumables and Research Tools

Market demand for Lonza's Consumables and Research Tools technologies and products was sustained in the reporting year, notably for our cell-culture modeling, transfection, genome editing and endotoxin product portfolio. Demand for Lonza's research media and testing products continued in 2018. New research products were launched to further respond to customer demand. Improvements in production availability continue to be implemented to increase supply to meet demands of existing and new customers.

Specialty Ingredients
Segment

Specialty Ingredients million CHF	2018	Change in %	2017 (Restated)[1]	Change in %	2017 (Pro-Forma)[2]
Sales	**2,391**	**13.7**	**2,102**	**3.4**	**2,312**
CORE EBITDA	**528**	**6.7**	**495**	**(5.4)**	**558**
CORE EBITDA margin in%	22.1		23.5		24.1
CORE result from operating activities (EBIT)	**421**	**5.8**	**398**	**(6.0)**	**448**
CORE EBIT margin in%	17.6		18.9		19.4

As of 1 January 2018, the Specialty Ingredients segment began operating in three distinctive units: a Consumer Health Division, a Consumer & Resources Protection Division and a Water Care Business Unit. Following Lonza's decision to dispose of the Water Care business, these operations have been treated as discontinued operation.

Specialty Ingredients delivered 3.4% organic sales growth and a 22.1% CORE EBITDA margin despite a challenging environment for cyclicals and some raw material pricing and supply-chain related headwinds in parts of the portfolio. The segment reported CHF 2.4 billion sales for 2018, and CORE EBITDA amounted to CHF 528 million (pro-forma -5.4% versus prior year). CORE EBIT was CHF 421 million (pro-forma -6% versus prior year) and resulted in a CORE EBIT margin of 17.6%.

1 Restated to reflect classification of Water Care business as discontinued operations (see note 4)
2 Reported Lonza Full-Year 2017 financial results include Capsugel Full-Year 2017 financial results

Consumer Health

Consumer Health million CHF	2018	Change in %	2017	Change in %	2017 (Pro-Forma)[1]
Sales	1,071	34.2	798	6.3	1,008
CORE EBITDA	292	49.7	195	13.2	258
CORE EBITDA margin in%	27.3		24.4		25.6

Specialty Ingredients' Consumer Health division grew organic sales by 6.3% to CHF 1.1 billion in 2018. CORE EBITDA amounted to CHF 292 million, a 13.2% like-for-like increase with a 27.3% CORE EBITDA margin, which is an improvement of 170 bps on a like-for-like basis.

This division's performance was driven by Lonza's proprietary nutritional ingredients, innovative dosage forms and increasing demand for specialty polymers hard capsules, e.g. all-natural and clean-label products, as well as Lonza's household and professional hygiene solutions. New, combined Lonza-Capsugel offerings experienced strong demand, and 2018 saw a series of product launches that brought together innovative nutritional ingredients, optimized formulations and tailored capsule-delivery technologies.

Additional growth momentum resulted from geographic expansion across all businesses and from further expanded offerings for health and well-being as well as microbial- and hygiene-control solutions.

Health and Well-Being Solutions

The Consumer Health & Nutrition businesses continued to build a robust launch pipeline of new consumer insight driven offerings, which have been successfully introduced into markets. Our combined offerings continued to attract interest, fueled by more than 30 new dietary supplement launches that join Lonza's specialty ingredients and former Capsugel's innovative dosage forms.

On the ingredients side, the two leading actives – UC-II® ingredient for joint health and Carnipure® ingredient in sports – were benefiting from high demand. In 2018 published research further validated Lonza's UC-II® brand as a leader in the joint-health ingredient space. The expansion of production capacity in Lonza's Greenwood, SC (USA) site – to combine capsule production, ingredient production and finished dosage form development – is progressing as planned. Lonza broke ground for the expanded capabilities in September as part of an ongoing program to enhance production of our nutritional ingredients and dosage-form technologies. The facilities, due to open in mid-2019, will add approximately 50,000 ft^2 (4650 m^2) of new manufacturing space.

With the launch of new bioactive functional ingredients, the Personal Care business demonstrated our commitment to investing in innovative solutions that meet our customers' current and future needs. ScreenLight™ Block, for example, provides a proven, powerful defensive shield against the visible skin-aging effects of blue light and of environmental stressors, such as UV light and pollution.

In 2018 we established a venture capital (VC) fund to further strengthen innovation and targeted R&D. The Prolog Lonza Consumer Fund focuses on products, technologies and innovative business models related to fast-moving consumer goods markets, such as personal care, functional food and beverages, medical food, dietary supplements and home care with emphasis on products that maintain, protect or preserve health and well-being.

Microbial- and Hygiene-Control Solutions

The businesses in professional and consumer hygiene performed well, boosted by the tighter regulatory landscape and demand across all regions for modern hygiene solutions and effective prevention against pathogenic micro-organisms.

Leveraging our global expertise in microbial control, Lonza is developing the next generation of preservative solutions in consumer products, anticipating the latest and upcoming regulatory challenges. As a trusted supplier to homecare formulators, Lonza offers a portfolio of biocides, many intended to be supported through the Authorization Process of the European Biocidal Products Regulation (BPR).

1 Reported Lonza Full-Year 2017 financial results include Capsugel Full-Year 2017 financial results

Consumer & Resources Protection

Consumer & Resources Protection million CHF	2018	Change in %	2017
Sales	1,320	1.2	1,304
CORE EBITDA	236	(21.3)	300
CORE EBITDA margin in%	17.9		23.0

The specialty portfolios within Consumer & Resources Protection, especially in composites and material protection, reported ongoing positive demand and performed strongly as expected. We continued to leverage our leading position and expertise in microbial-control solutions to attain greater market penetration in various industrial applications.

A challenging environment for cyclical businesses in mature parts of the portfolio, like basic materials and intermediates, as well as raw-material price increases and supply-chain constraints, had a negative impact in 2018 as previously communicated.

Results were also influenced by the ongoing downward cycle for basic feed ingredients, especially for vitamin B3. Our marine antifouling business remained soft, as expected, in line with lower demand in global shipbuilding and maintenance.

Despite these headwinds the division delivered CHF 1.3 billion sales for 2018 (1.2% organic growth versus prior year). CORE EBITDA was CHF 236 million (-21.3% versus prior year) with a CORE EBITDA margin of 17.9%.

Operational and commercial excellence initiatives are ongoing. We also launched an initiative to supply a certain set of raw materials out of our multi-purpose plants in Visp (CH) that meets the highest levels of environmental standards. Customers have now started to switch to Lonza for certain raw materials as we offer proven reliability.

Growth initiatives in the innovative and highly specialized solutions portfolios of engineered wood and mold control further helped balance soft demand for and the effects of discontinuations within the basic materials and intermediates portfolio.

The restructuring of the basic materials portfolio was ongoing in 2018, with discontinuation of non-core activities, such as the fertilizer business, while the emphasis on innovative offerings increased. Newly launched solutions to address regulatory changes resonated well with all major customers. Our solutions to replace methylisothiazolinone (MIT), a widely used preservative for water-based paint systems, generated strong customer interest.

As a leader in the molluscicide market, we offer a number of solutions to help farmers protect their crops. In 2018 we expanded our product offering through geographical and portfolio expansion in New Zealand, South Korea, Taiwan, Turkey, Germany and France.

Discontinued Operations

Water Care million CHF	2018	Change in %	2017
Sales	516	(1.3)	523
CORE EBITDA	36	(23.4)	47
CORE EBITDA margin in%	7.0		9.0

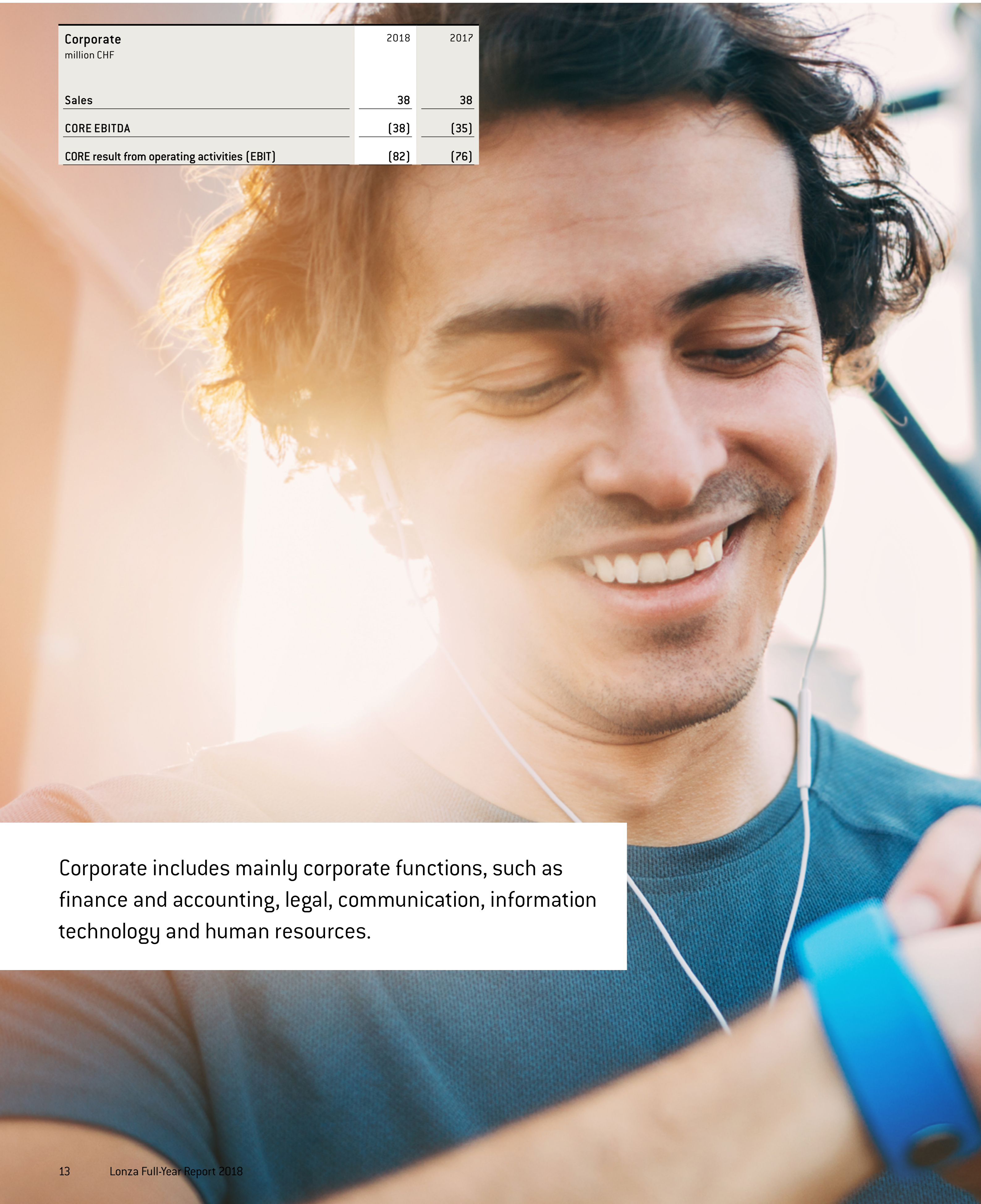
After a comprehensive analysis of options, Lonza announced on 1 November that it would divest our Water Care business to Platinum Equity to further strengthen Lonza's strategic focus on the Healthcare Continuum®. The divestment and ownership transfer process are expected to be seamless to customers; the divestment transaction is expected to close in Q1 2019.

Throughout the year, the Water Care business continued to implement commercial excellence initiatives and innovative new offerings but faced headwinds due to a late seasonal start in North America and Europe and higher transportation costs. However, new customer contracts were secured for the recreational and industrial water businesses; and the outlook for 2019 is positive while restructuring and business model redesign are ongoing.

Significant investments in innovative new offerings and related brand restaging, supported by sales initiatives and expected new business in recreational water, are strengthening the mid-term outlook.

In 2018 our Industrial, Commercial, Municipal and Surface Water (ICMS) business also continued to invest in innovative technologies and offerings, e.g. in technologies to convert chlorides naturally present in water into effective disinfection agents. In addition, new business development efforts within the e-commerce space are fully on track and are expected to show accelerating growth momentum.

Corporate



Corporate million CHF	2018	2017
Sales	38	38
CORE EBITDA	(38)	(35)
CORE result from operating activities (EBIT)	(82)	(76)

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

CORE Results as Defined by Lonza

Lonza believes that disclosing CORE results of the Group's performance enhances the financial markets' understanding of the company because the CORE results enable better comparison across years. CORE results exclude exceptional expenses and income related to e.g. restructuring, environmental-remediation, acquisitions and divestitures, impairments and amortization of acquisition-related intangible assets, which can differ significantly from year to year. For this same reason, Lonza uses these CORE results in addition to IFRS as important factors in internally assessing the Group's performance.

Condensed Financial Reports

Condensed consolidated balance sheet at 31 December million CHF	2018	2017 (restated)[1]
Total non-current assets	**10,398**	**11,098**
Current assets	2,233	2,254
Cash and cash equivalents	461	479
Assets held for sale	824[2]	0
Total current assets	**3,518**	**2,733**
Total assets	**13,916**	**13,831**
Equity attributable to equity holders of the parent	6,218	6,133
Non-controlling interest	72	48
Total equity	**6,290**	**6,181**
Non-current liabilities	1,625	1,747
Non-current debt	3,621	3,730
Total non-current liabilities	**5,246**	**5,477**
Current liabilities	1,746	1,657
Current debt	441	516
Liabilities held for sale	193	0
Total current liabilities	**2,380**	**2,173**
Total equity and liabilities	**13,916**	**13,831**
Net debt	**3,534[3]**	**3,762**

Condensed consolidated income statement million CHF		2018	2017 (restated)[4]
Sales		**5,542**	**4,548**
Cost of goods sold		(3,449)	(2,893)
Gross profit		**2,093**	**1,655**
Operating expenses		(1,251)	(982)
Result from operating activities (EBIT)[5]		**842**	**673**
Net financing costs		(34)	(139)
Share of profit / (loss) of associates / joint ventures		(1)	1
Profit before income taxes		**807**	**535**
Income taxes		(148)	131[6]
Profit from continuing operations		**659**	**666**
Profit / (loss) from discontinued operations, net of tax		(96)	43
Profit for the period		**563**	**709**
Profit attributable to:			
Equity holders of the parent		559	707
Non-controlling interest		4	2
Profit for the period		**563**	**709**
Earnings per share for profit from continuing operations attributable to equity holders of the parent:			
Basic earnings per share – EPS basic	CHF	8.80	9.78
Diluted earnings per share – EPS diluted	CHF	8.77	9.70
Earnings per share for profit attributable to equity holders of the parent:			
Basic earnings per share – EPS basic	CHF	7.51	10.42
Diluted earnings per share – EPS diluted	CHF	7.48	10.33

1 Restated to reflect adoption of IFRS 15 (see note 2)
2 Thereof CHF 790 million related to discontinued operations (see note 4) and CHF 34 million related to land in Guangzhou held for sale
3 Includes cash classified as assets held for sale
4 Restated to reflect adoption of IFRS 15 (see note 2) and classification of Water Care business as discontinued operations (see note 4)
5 Result from operating activities (EBIT) excludes interest income and expenses as well as financial income and expenses that are not interest related and Lonza's share of profit/loss from associates and joint ventures
6 Favorable impacts from tax reforms in the United States and Belgium of CHF 187 million

Condensed consolidated statement of comprehensive income million CHF	2018	2017 (restated)[1]
Profit for the period	**563**	**709**
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Re-measurements of net defined benefit liability	7	119
Income tax on items that will not be reclassified to profit or loss	(1)	(50)
	6	**69**
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(222)	227
Cash flow hedges	(16)	9
Income tax on items that are or may be reclassified to profit or loss	3	(5)
	(235)	**231**
Other comprehensive income for the period, net of tax	**(229)**	**300**
Total comprehensive income for the period	**334**	**1,009**
Total comprehensive income attributable to:		
Equity holders of the parent	333	1,005
Non-controlling interest	1	4
Total comprehensive income for the period	**334**	**1,009**

1 Restated to reflect the adoption of IFRS 15 (see note 2)

Condensed consolidated cash flow statement million CHF	2018	2017 (Restated)[1]
Profit for the period	**563**	**709**
Adjustment for non-cash items	941	472
Income tax and interest paid	(225)	(164)
Increase of net working capital	(29)	(41)
Use of provisions	(45)	(28)
Decrease of other payables, net	(123)	(107)
Net cash provided by operating activities	**1,082**	**841**
Purchase of property, plant & equipment and intangible assets	(575)	(451)
Acquisition of subsidiaries, net of cash acquired	(28)	(3,310)
Disposal of subsidiary, net of cash disposed of	(1)	0
Sale of assets held for sale	0	20
Net purchase of other assets and disposals	(9)	(21)
Increase in loans and advances	(41)	0
Interest and dividend received	2	14
Net cash used for investing activities	**(652)**	**(3,748)**
Increase of capital	0	3,024
Issue of straight bond	0	235
Proceeds from German private placements	0	1,085
Repayment of straight bond	(340)	0
Repayment of acquired Capsugel debt	0	(1,952)
Issue of syndicated loan	29	225
Issue of term loans	0	955
Repayment of syndicated loan	0	(100)
Repayment of US private placement	0	(156)
Proceeds from acquisition bridge financing	0	1,380
Repayment of acquisition bridge financing	0	(1,399)
Increase in debt	152	73
Increase in other non-current liabilities	29	57
Purchase of treasury shares	(77)	(71)
Sale of treasury shares	0	3
Dividends paid[2]	(206)	(160)
Net cash provided by/(used for) financing activities	**(413)**	**3,199**
Effect of currency translation on cash	(14)	(87)[3]
Net increase in cash and cash equivalents	**3**	**205**
Cash and cash equivalents at 1 January	479	274
Cash and cash equivalents at 31 December	**482**	**479**
Cash and cash equivalents at 31 December classified as held for sale	(21)	0
Cash and cash equivalents at 31 December (as reported)	**461**	**479**

1 Restated to reflect adoption of IFRS 15 (see note 2)
2 Includes dividends of CHF 1 million (2017: CHF 1 million) paid to minority shareholders of a subsidiary
3 Includes exchange rate impact on USD cash balances to finance the Capsugel acquisition (resulting from the CHF proceeds from the captial increases, subsequently converted to USD)

Condensed consolidated statement of changes in equity

million CHF

	Attributable to equity holders of the parent							Non–controlling interest	Total equity
	Share capital	Share premium	Retained earnings	Hedging reserve	Translation reserve	Treasury shares	Total		
Balance at 1 January 2017, as previously reported	**53**	**311**	**2,565**	**(5)**	**(559)**	**(10)**	**2,355**	**0**	**2,355**
Impact of change in accounting policies[1]	0	0	(53)	0	0	0	(53)	0	(53)
Restated balance at 1 January 2017	**53**	**311**	**2,512**	**(5)**	**(559)**	**(10)**	**2,302**	**0**	**2,302**
Profit for the period (restated)	0	0	707	0	0	0	707	2	709
Other comprehensive income, net of tax (restated)	0	0	69	8	221	0	298	2	300
Total comprehensive income for the period (restated)	0	0	**776**	**8**	**221**	0	**1,005**	**4**	**1,009**
Dividends	0	0	(159)	0	0	0	(159)	(1)	(160)
Recognition of share-based payments	0	0	26	0	0	0	26	0	26
Movements in treasury shares	0	0	(16)	0	0	(49)	(65)	0	(65)
Capital injection from owners of the parent	21	3,003	0	0	0	0	3,024	0	3,024
Acquisition of subsidiary with non-controlling interest	0	0	0	0	0	0	0	45	45
Restated balance at 31 December 2017	**74**	**3,314**	**3,139**	**3**	**(338)**	**(59)**	**6,133**	**48**	**6,181**
Profit for the period	0	0	559	0	0	0	559	4	563
Other comprehensive income, net of tax	0	0	6	(14)	(218)	0	(226)	(3)	(229)
Total comprehensive income for the period	**0**	**0**	**565**	**(14)**	**(218)**	**0**	**333**	**1**	**334**
Dividends	0	0	(205)	0	0	0	(205)	(1)	(206)
Recognition of share-based payments	0	0	34	0	0	0	34	0	34
Movements in treasury shares	0	0	(65)	0	0	(12)	(77)	0	(77)
Acquisition of subsidiary with non-controlling interest	0	0	0	0	0	0	0	24	24
Balance at 31 December 2018	**74**	**3'314**	**3'468**	**(11)**	**(556)**	**(71)**	**6'218**	**72**	**6'290**

1 Restated to reflect adoption of IFRS 15 (see note 2)

Selected Explanatory Notes

1 Basis of Preparation of Financial Statements

These unaudited condensed financial statements are based on the consolidated financial statements for the twelve-month period ended 31 December 2018 that will be prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

As a result of the acquisition of Capsugel S.A. in July 2017, the comparability of the consolidated income statement 2018 and 2017 is limited.

New Standards, Interpretations and Amendments

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make certain retrospective adjustments as a result of adopting the following standards:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The impact of the adoption of IFRS 15 Revenue from Contracts with Customers is disclosed in note 2 below. The adoption of the other standards did not have significant impact on the group's financial statements.

2 Changes in Accounting Policies

The Group has adopted IFRS 15 effective 1 January 2018, which resulted in changes of accounting policies.

Revenue Recognition

In accordance with IFRS 15 revenue is 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. The adoption of the new standard primarily affected Lonza's long-term contracts in the custom manufacturing business.

In the custom manufacturing business, customer agreements may foresee payments at or near inception of contracts, which typically relate to set-up efforts for new customer dedicated production facilities. Previously in certain cases, and in alignment with IFRS, Lonza recognized such up-front or one-time payments immediately.

Under IFRS 15, set-up 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.

Accounting for Cost to Fulfill a Customer Contract

Contractual costs in relation to activities for commissioning, qualification and startup, as well as for activities relating to process development and technology transfer for customer dedicated production facilities were expensed as incurred. In prior years, these type of costs did not qualify for recognition as an asset prior to the adoption of IFRS 15.

Following the adoption of IFRS 15, the costs that relate directly to a contract, generate resources used in satisfying the contract and are expected to be recovered, are capitalized as costs to fulfill a contract.

IFRS 15 has been implemented retrospectively and comparatives for the 2017 financial year have been restated. In summary, the following adjustments were made to the amounts recognized in the balance sheet at the date of initial application (1 January 2018):

million CHF	31 December 2017 as originally published	Restatements impacts	31 December 2017 restated
Total non-current assets	**11,057**	**41**	**11,098**
Current assets	2,254	0	2,254
Cash and cash equivalents	479	0	479
Total current assets	**2,733**	**0**	**2,733**
Total assets	**13,790**	**41**	**13,831**
Equity attributable to equity holders of the parent	6,205	(72)	6,133
Non-controlling interest	48	0	48
Total equity	**6,253**	**(72)**	**6,181**
Non-current debt	3,730	0	3,730
Other non-current liabilities	1,634	113	1,747
Total non-current liabilities	**5,364**	**113**	**5,477**
Current liabilities	1,657	0	1,657
Current debt	516	0	516
Total current liabilities	**2,173**	**0**	**2,173**
Total equity and liabilities	**13,790**	**41**	**13,831**

The following IFRS 15 restatement adjustments were made to the consolidated income statement for 2017:

million CHF		31 December 2017 as originally published	Restatements impacts	31 December 2017 restated
Sales		**5,105**	**(34)**	**5,071**
Cost of goods sold		(3,277)	12	(3,265)
Gross profit		**1,828**	**(22)**	**1,806**
Operating expenses		(1,105)	0	(1,105)
Result from operating activities (EBIT)		**723**	**(22)**	**701**
Net financing cost		(142)	0	(142)
Profit before income taxes		**581**	**(22)**	**559**
Income taxes		147	3	150
Profit for the period		**728**	**(19)**	**709**
Profit attributable to:				
Equity holders of the parent		726	(19)	707
Non-controlling interest		2	0	2
Profit for the period		**728**	**(19)**	**709**
Earnings per share for profit attributable to equity holders of the parent:				
Basic earnings per share – EPS basic	CHF	10.70	(0.28)	10.42
Diluted earnings per share – EPS diluted	CHF	10.60	(0.27)	10.33

The impact of IFRS 15 adoption on the Group's retained earnings as of 1 January 2018 and 1 January 2017 is as follows:

million CHF	2018	2017
Retained earnings as reported	**3,211**	**2,565**
Recognition of capitalized contract cost	31	20
Recognition of deferred contractual revenues	(113)	(80)
Increase of deferred tax assets	10	7
Adjustment to retained earnings from changes in accounting policies	**(72)**	**(53)**
Restated retained earnings	**3,139**	**2,512**

3 Exchange Rates

Balance sheet period-end rate CHF	31 12 2018	31 12 2017
U.S. dollar	0.99	0.98
Pound sterling	1.25	1.32
Euro	1.13	1.17

Income statement average rate CHF	2018	2017
U.S. dollar	0.98	0.98
Pound sterling	1.31	1.27
Euro	1.15	1.11

4 Acquisitions and Disposal of Businesses

Acquisition of Octane Biotech

Effective 28 October 2018, Lonza increased its equity interest in Octane BIOTECH INC. ("OCTANE") to 80%, obtaining control of Octane. The total consideration transferred amounts to USD 58 million (CHF 58 million), of which USD 28 million was paid in cash and USD 30 million is related to a contingent consideration arrangement.

The Octane business is reported within the Pharma & Biotech segment and did not have significant impact on the consolidated financial statements for the twelve-month period ended 31 December 2018, with the exception of the acquired goodwill and intangible assets, and the related deferred tax liabilities.

Water Care – Assets Held for Sale and Discontinued Operations

On 1 November 2018 Lonza announced that it had entered into a definitive agreement with Platinum Equity to sell Lonza's Water Care business and operations for USD 630 million in cash.

With headquarters in Alpharetta, GA (USA), Water Care has six manufacturing facilities in key regions, including North America, South America, EMEA and South Africa, with sales locations in all regions globally and with approximately 1,200 employees. The business is a provider of innovative water treatment solutions and a global consumer brand in residential pool care and key positions in high-growth industrial and municipal water care markets. The divestment transaction is expected to close in the first quarter of 2019, subject to customary closing conditions.

As IFRS 5 held for sale criteria were met in 2018, the Water Care-related assets and liabilities were classified as a disposal group in assets held for sale and liabilities held for sale in the 2018 consolidated balance sheet. Furthermore, the Water Care operations are disclosed as discontinued operations in the condensed financial statements. The results of Water Care business discontinued operations are disclosed separately in the condensed income statement.

An impairment loss of CHF 85 million has been included in "Operating expenses" of the discontinued operations for the write-down of the Water Care disposal group to its estimated fair value less cost to sell. The impairment loss was recorded to partially impair the Water Care-related goodwill of CHF 185 million.

The results from the Water Care business, which is presented as discontinued operations, are as follows:

million CHF		2018	2017
Sales		**516**	**523**
Cost of goods sold		(370)	(372)
Gross profit		**146**	**151**
Operating expenses		(127)	(123)
Impairment loss recognised on the remeasurement to fair value less costs to sell		(85)	0
Divestiture related expenses		(22)	0
Result from operating activities (EBIT)		**(88)**	**28**
Net financing costs		(9)	(3)
Share of loss of associates / joint ventures		(1)	(1)
Profit before income taxes from discontinued operations		**(98)**	**24**
Income taxes		2	19
Profit / (loss) from discontinued operations, net of tax		**(96)**	**43**
Basic earnings per share	CHF	(1.29)	0.64
Diluted earnings per share	CHF	(1.29)	0.63

At 31 December 2018, the assets held for sale and liabilities directly associated with assets held for sale related to the Water Care business are the following:

million CHF	2018
Non-current assets	511
Current assets	258
Cash and cash equivalents	21
Assets held for sale	**790**
Non-current liabilities	102
Current liabilities	91
Liabilities directly associated with assets held for sale	**193**

5 Dividends Paid

On 4 May 2018, the Annual General Meeting approved the distribution of a dividend of CHF 2.75 (financial year 2016: CHF 2.75) per share in respect of the 2017 financial year. The distribution to holders of outstanding shares totaled CHF 205 million (2017: CHF 159 million) and has been recorded against reserves from capital contribution of Lonza Group Ltd.

6 Net financing costs from continuing operations

The net financing costs from continuing operations are as follows:

million CHF	2018	2017
Net interest expenses	(84)	(65)
Amortization of debt fees and discounts	(7)	(43)
Fair value adjustment on Lonza's pre-acquisition investment in Octane	32	0
Foreign exchange rate differences, including impact from currency-related financial derivative instruments	39	(25)
Other net financial expenses	(14)	(6)
Net financing costs	**(34)**	**(139)**

Supplementary Financial Information

1 Results at Constant Exchange Rates (CER)

The tables below compare the 2018 financial results based on constant exchange rates (i.e. 2017 exchange rates) with the actual 2017 financial results.

Lonza Group

Lonza Group million CHF	2018	Change in %	2017 (Restated)[1]	Change in %	2017 (Pro-Forma)[2]
Sales	5,522	21.4	4,548	8.6	5,083
CORE EBITDA	1,502	25.6	1,196	11.3	1,349
CORE EBITDA margin in%	27.2		26.3		26.5
CORE result from operating activities (EBIT)	1,157	28.0	904	13.3	1,021
CORE EBIT margin in%	21.0		19.9		20.1

1 Restated to reflect adoption of IFRS 15 (see note 2) and classification of Water Care business as discontinued operations (see note 4)
2 Reported Lonza Full-Year 2017 financial results (restated for IFRS 15) include Capsugel Full-Year 2017 financial results

Pharma & Biotech Segment

Pharma & Biotech million CHF	2018	Change in %	2017 (Restated)[1]	Change in %	2017 (Pro-Forma)[2]
Sales	3,093	28.4	2,408	13.2	2,733
CORE EBITDA	1,010	37.2	736	22.3	826
CORE EBITDA margin in%	32.7		30.6		30.2
CORE result from operating activities (EBIT)	817	40.4	582	25.9	649
CORE EBIT margin in%	26.4		24.2		23.7

1 Restated to reflect adoption of IFRS 15 (see note 2)
2 Reported Lonza Full-Year 2017 financial results (restated for IFRS 15) include Capsugel Full-Year 2017 financial results

Specialty Ingredients Segment

Specialty Ingredients million CHF	2018	Change in %	2017 (Restated)[1]	Change in %	2017 (Pro-Forma)[2]
Sales	**2,391**	**13.7**	**2,102**	**3.4**	**2,312**
CORE EBITDA	**528**	**6.7**	**495**	**(5.4)**	**558**
CORE EBITDA margin in%	22.1		23.5		24.1
CORE result from operating activities (EBIT)	**421**	**5.8**	**398**	**(6.0)**	**448**
CORE EBIT margin in%	17.6		18.9		19.4

1 Restated to reflect classification of Water Care business as discontinued operations (see note 4)
2 Reported Lonza Full-Year 2017 financial results include Capsugel Full-Year 2017 financial results

Consumer Health million CHF	2018	Change in %	2017	Change in %	2017 (Pro-Forma)[1]
Sales	**1,073**	**34.5**	**798**	**6.4**	**1,008**
CORE EBITDA	**291**	**49.2**	**195**	**12.8**	**258**
CORE EBITDA margin in%	27.1		24.4		25.6

1 Reported Lonza Full-Year 2017 financial results include Capsugel Full-Year 2017 financial results

Consumer & Resources Protection million CHF	2018	Change in %	2017
Sales	**1,318**	**1.1**	**1,304**
CORE EBITDA	**237**	**(21.0)**	**300**
CORE EBITDA margin in%	18.0		23.0

2 CORE Results

Lonza believes that disclosing CORE results of the Group's performance enhances the financial markets' understanding of the company because the CORE results enable better comparison across years.

CORE results exclude exceptional expenses and income related to e.g. restructuring, environmental-remediation, acquisitions and divestitures, impairments and amortization of acquisition-related intangible assets, which can differ significantly from year to year. For this same reason, Lonza uses these CORE results in addition to IFRS as important factors in internally assessing the Group's performance.

Reconciliation of IFRS results to CORE Results 2018

million CHF	IFRS results	Amortization of intangible assets from acquisitions	Impairments[1]	Reversal of impairments	Restructuring costs/income	Income/expense resulting from acquisition and divestitures[2]	Environmental-related expenses	Other	CORE result
Result from operating activities (EBIT)	**842**	**164**	**77**	**0**	**11**	**30**	**41**	**0**	**1,165**
Net financing costs	(34)	0	0	0	0	(32)	0	0	(66)
Share of profit / (loss) of associates/joint ventures	(1)	0	0	0	0	0	0	2	1
Profit before income taxes	**807**	**164**	**77**	**0**	**11**	**(2)**	**41**	**2**	**1,100**
Income taxes[3]	(148)	(30)	(14)	0	(2)	0	(7)	0	(201)
Profit from continuing operations	**659**	**134**	**63**	**0**	**9**	**(2)**	**34**	**2**	**899**
Profit / (loss) from discontinued operations, net of tax	(96)	3	69	0	1	18	0	1	(4)
Profit for the period	**563**	**137**	**132**	**0**	**10**	**16**	**34**	**3**	**895**
Non-controlling interest	(4)	0	0	0	0	0	0	0	(4)
Profit for the period, attributable to the equity holders of the parent	**559**	**137**	**132**	**0**	**10**	**16**	**34**	**3**	**891**
Number of Shares Basic	74'408'243								74'408'243
Number of Shares Diluted	74'723'145								74'723'145
Earnings per share for profit from continuing operations attributable to equity holders of the parent:									
Basic earnings per share – EPS basic (CHF)	**8.80**								**12.03**
Diluted earnings per share – EPS diluted (CHF)	**8.77**								**11.98**
Earnings per share for profit attributable to equity holders of the parent:									
Basic earnings per share – EPS basic (CHF)	**7.51**								**11.97**
Diluted earnings per share – EPS diluted (CHF)	**7.48**								**11.92**

1 Impairment charges relate to the market revaluation of land in Guangzhou (CHF 35 million), the production facilities in Walkersville subsequent to the transfer of the cell-therapy activities to Portsmouth and Houston (CHF 29 million) as well as other production assets in Nansha and Visp

2 Income / expense resulting from acquisition and divestitures.
Result from operating activities (EBIT):
– Integration cost resulting from the acquisition of Capsugel (CHF 28 million) and other acquisitions
Net financing costs:
– Fair value adjustment on Lonza's pre-acquisition investment in Octane
Discontinued operations:
– Water Care related divestiture expenses

3 Tax impact calculated based on the estimated average Group tax rate of: 18.3%

Reconciliation of IFRS results to CORE Results 2017

million CHF	IFRS results (restated)[1]	Impact from tax reform in US/ Belgium	Results after US / Belgium tax reforms	Amortization of intangible assets from acquisitions	Impairments	Reversal of impairments	Restructuring costs/income	Income/ expense resulting from acquisition and divestitures[2]	Environ-mental-related expenses	Gain from Guangzhou (CN) land trans-action[3]	CORE result
Result from operating activities (EBIT)	**673**	**0**	**673**	**100**	**21**	**(2)**	**13**	**141**	**32**	**(74)**	**904**
Net financing costs	(139)	0	(139)	0	0	0	0	49	0	0	(90)
Share of profit of associates	1	0	1	0	0	0	0	0	0	0	1
Profit before income taxes	**535**	**0**	**535**	**100**	**21**	**(2)**	**13**	**190**	**32**	**(74)**	**815**
Income taxes[4]	131	(187)	(56)	(7)	(1)	0	(1)	(13)	(2)	5	(75)
Profit from continuing operations	**666**	**(187)**	**479**	**93**	**20**	**(2)**	**12**	**177**	**30**	**(69)**	**740**
Profit from discontinued operations, net of tax	43	0	43	4	0	0	0	0	0	0	47
Profit for the period	**709**	**(187)**	**522**	**97**	**20**	**(2)**	**12**	**177**	**30**	**(69)**	**787**
Non-controlling interest	(2)	0	(2)	0	0	0	0	0	0	0	(2)
Profit for the period, attributable to the equity holders of the parent	**707**	**(187)**	**520**	**97**	**20**	**(2)**	**12**	**177**	**30**	**(69)**	**785**
Number of Shares Basic	67,878,060										67,878,060
Number of Shares Diluted	68,460,234										68,460,234
Earnings per share for profit from continuing operations attributable to equity holders of the parent:											
Basic earnings per share – EPS basic (CHF)	**9.78**										**10.87**
Diluted earnings per share – EPS diluted (CHF)	**9.70**										**10.78**
Earnings per share for profit attributable to equity holders of the parent:											
Basic earnings per share - EPS basic (CHF)	**10.42**										**11.56**
Diluted earnings per share - EPS diluted (CHF)	**10.33**										**11.47**

1 Restated to reflect adoption of IFRS 15 (see note 2) and classification of Water Care business as discontinued operations (see note 4)

2 Income / expense resulting from acquisition and divestitures

Result from operating activities (EBIT):

- Capsugel: CHF 77 Million related to the fair value step-up of acquired Capsugel inventories as well as CHF 26 million for acquisition and integration-related costs
- Peptides business: accumulated exchange rate translation reserve losses of CHF 35 million
- Other acquisitions: acquisition and integration costs of CHF 3 million

Net financing costs:

- Capsugel: Amortization of fees on bridge financing of CHF 37 million as well as option premium paid of CHF 19 million for derivative financial instrument to manage foreign currency exposure
- InterHealth: Favorable impact from fair value adjustment on contingent purchase price consideration of CHF 7 million

3 See Operational Free Cash Flow

4 Excluding the impact from tax reform in USA and Belgium, an average Group tax rate of 6.6% results, which is used for the calculation of income taxes on CORE reconciliation items

Reconciliation of EBITDA to CORE EBITDA million CHF	2018	2017 (restated)[5]
Earnings before interests, taxes and depreciation (EBITDA)	**1,429**	**1,084**
Restructuring costs / income	11	13
Income / expense resulting from acquisition and divestitures	30	141
Environmental-related expenses	41	32
Gain from Guangzhou (CN) land transaction	0	(74)
CORE EBITDA	**1,511**	**1,196**

1 Restated to reflect adoption of IFRS 15 (see note 2) and classification of Water Care business as discontinued operations (see note 4)

3 Operational Free Cash Flow

In 2018 and 2017, the development of operational free cash flow by component was as follows:

Components of operational free cash flow million CHF	2018	Change	2017 (restated)[1]
Earnings before interests, taxes and depreciation (EBITDA)	**1,442**	**311**	**1,131**
Change of operating net working capital	(29)	12	(41)
Capital expenditures in tangible and intangible assets	(575)	(124)	(451)
Disposal of tangible and intangible assets	8	0	8
Change of other assets and liabilities	2	(44)	46
Gain from Guangzhou (CN) land transaction[2]	0	74	(74)
Operational free cash flow (before acquisitions / disposals)	**848**	**229**	**619**
Acquisition of subsidiaries	(28)	3,282	(3,310)
Operational free cash flow	**820**	**3,511**	**(2,691)**

1 Restated to reflect adoption of IFRS 15 (see note 2) and classification of Water Care business as discontinued operations (see note 4)

2 Gain from Guangzhou, CN land transaction: The local government requested Lonza to close its Guangzhou (CN) manufacturing site several years ago. In response, Lonza entered into an agreement with a third-party property development company to jointly develop the original land into commercial properties. According to the agreement, Lonza provided the land and the property development company offered the funds and assumed construction responsibilities. In 2017 Lonza obtained its entitled portion of commercial properties based on the agreement. A non-cash income of the property's estimated fair value was recognized in 2017 based on a valuation performed by an independent external property valuation specialist. In 2018, Lonza made the decision to dispose of this property. In connection with this disposal efforts, Lonza has classified this property as held for sale, and recorded an impairment in 2018 based on estimated fair value less cost to sell. The impairment loss has been included in "Operating expense"

4 Return on Invested Capital from Continuing Operations

Lonza's return on invested capital (ROIC) is defined as net operating profit after taxes (NOPAT) divided by the average invested capital of Lonza Group.

The acquisition of Capsugel had a significant impact on Lonza's consolidated financial statements. Therefore, comparative ROIC information for 2017 is provided below for the Full-Year 2017 only.

In 2018 and 2017, the development of ROIC by component was as follows:

Components of average invested capital for the twelve months ended 31 December million CHF	2018	2017 (restated)[1]
CORE result from operating activities (CORE EBIT)	**1,165**	**904**
Amortization of acquisition-related intangibles assets	(164)	(100)
Share of result of associates / joint ventures and interest on operating leases	(1)	1
Debt impact of operating leases (ROIC)	4	3
Net operating profit before taxes	**1,004**	**808**
Taxes[2]	(184)	(53)
Net operating profit after taxes (NOPAT)	**820**	**755**
Net operating profit after taxes (NOPAT), pro-forma[3]	**820**	**824**
Average invested capital	**10,254**	**9,849**
ROIC (in %)	**8.0**	**8.4**

1 Restated to reflect adoption of IFRS 15 (see note 2) and classification of Water Care business as discontinued operations (see note 4)

2 Group tax rate of 18.3% for 2018 and 6.6% for 2017 (restated for IFRS 15 adoption and exluding the favorable impacts from the estimated US and Belgian tax reforms)

3 Pro-forma reflects Capsugel Full-Year 2017 financial results

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

Components of average invested capital for the twelve months ended 31 December million CHF	2018	2017
CORE net operating assets	**3,713**	**3,448**
Goodwill	3,786	3,756
Acquisition-related intangible assets	3,244	3,356
Other assets[1]	320	265
Net current and deferred tax liabilities	(809)	(976)
Average invested capital	**10,254**	**9,849**

1 Investments in associates / joint ventures, operating cash, present value of operating leases

5 Results from Discontinued Operations

Income Statement million CHF		2018			2017[1]		
		Continuing operations	Discontinued Operations	Total	Continuing operations	Discontinued Operations	Total
Sales		5,542	516	6,058	4,548	523	5,071
Cost of goods sold		(3,449)	(370)	(3,819)	(2,893)	(372)	(3,265)
Gross profit		**2,093**	**146**	**2,239**	**1,655**	**151**	**1,806**
Operating expenses		(1,251)	(234)	(1,485)	(982)	(123)	(1,105)
Result from operating activities (EBIT)		**842**	**(88)**	**754**	**673**	**28**	**701**
Net financing costs		(34)	(9)	(43)	(139)	(3)	(142)
Share of profit / (loss) of associates / joint ventures		(1)	(1)	(2)	1	(1)	0
Profit before income taxes		**807**	**(98)**	**709**	**535**	**24**	**559**
Income taxes		(148)	2	(146)	131	19	150
Profit for the period		**659**	**(96)**	**563**	**666**	**43**	**709**
Attributable to:							
Equity holders of the parent		655	(96)	559	664	43	707
Non-controlling interest		4	0	4	2	0	2
Profit for the period		**659**	**(96)**	**563**	**666**	**43**	**709**
Basic earnings per share	CHF	8.80	(1.29)	7.51	9.78	0.64	10.42
Diluted earnings per share	CHF	8.77	(1.29)	7.48	9.70	0.63	10.33

1 Restated to reflect adoption of IFRS 15 (see note 2)

Forward-Looking Statements

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

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

In particular, the assumptions underlying the Outlook 2019 and Mid-Term Guidance 2022 herein may not prove to be correct. The statements in the section on Outlook 2019 and Mid-Term Guidance 2022 constitute forward-looking statements and are not guarantees of future financial performance. Lonza’s actual results of operations could deviate materially from those set forth in the section on Outlook 2019 and Mid-Term Guidance 2022 as a result of the factors described above or other factors. Investors should not place undue reliance on the statements in the section on Outlook 2019 and Mid-Term Guidance 2022. Except as otherwise required by law, Lonza disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after this report was published.

www.lonza.com

Annual Report 2018
7 March 2019 (tentative)

Annual General Meeting
for the 2018 Financial Year
18 April 2019
Congress Center Basel, Switzerland

Q1 2019 Business Update
18 April 2019

Ex-Dividend Date
24 April 2019

Record-Dividend Date
25 April 2019

Dividend-Payment Date
26 April 2019

Half-Year Report 2019
24 July 2019

For publications and further information please contact:

Lonza Group Ltd
Muenchensteinerstrasse 38
4002 Basel, Switzerland
Tel +41 61 316 81 11
www.lonza.com

Investor Relations
Tel +41 61 316 85 40
investor.relations@lonza.com

Media / Corporate Communications
Tel +41 61 316 87 98
media@lonza.com

Share Register
c/o Computershare Schweiz AG
P.O. Box
4601 Olten, Switzerland
Tel +41 62 205 77 00
Fax +41 62 205 77 90
share.register@computershare.ch