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Being one of the world’s leading and most-trusted integrated solutions provider to the pharmaceutical, biotech, consumer health and specialty chemicals markets, Lonza is creating value along the Healthcare Continuum® with a strong focus on patient healthcare, consumer preventive healthcare and consumer’s healthy environment.
Dear Stakeholders,

Looking back at another successful year at Lonza, we demonstrated that we have continued on our growth trajectory along the Healthcare Continuum® with 9% organic sales growth and strong profitability. At the same time, we have been investing in Lonza’s future and continuing to create value for all of Lonza’s stakeholders, including our shareholders.

Healthcare Businesses at Our Core

The drivers of our success were our healthcare businesses in Pharma & Biotech and in the Consumer Health part of Specialty Ingredients. In the Pharma & Biotech segment, Lonza benefited from our broad expertise and innovative offerings as a contract development and manufacturing organization (CDMO) that provides integrated solutions with various technologies that span the whole pharma value chain – from molecule to patient. Our consumer health and nutrition business complements our pharma offerings with effective nutritional ingredients combined with optimized dosage forms and delivery systems solutions.

Prescriptive and preventive healthcare are at the heart of what Lonza does for consumers and patients. We see continued high demand for our CDMO services and integrated offerings in both areas and are capitalizing on global needs generated by a growing, aging and more affluent population.
Successful Capsugel Integration Achieved

Our Healthcare Continuum® strategy was further reinforced in 2018 with the successful Capsugel acquisition and integration. Capsugel has become an integral part of the Lonza family and is now – within the first full year after closing – completely integrated within the Lonza businesses and functions.

First synergies could be realized in 2018, and during the year we began launching combined products in consumer health and nutrition. In our small-molecule businesses, we have also started to introduce joint offerings in early clinical phases; and we have participated in cross-selling opportunities and extended our value chain already. The highly compatible cultures, thoroughly planned and executed integration process and most importantly dedication of the combined teams made it possible for the transformative acquisition to add value.

Next-Generation Biologics Manufacturing

Another highlight of the business year 2018 was clearly the expansion of our Ibex® offerings in Visp, Switzerland – now also providing clinical development and manufacturing services from drug substance to drug product, including fill and finish. We have a highly competitive offering with our biopark, a generational project fully based on concrete customer demand and focused on technological advances.

In 2018 we also opened our Houston, TX (USA) facility, the world’s largest cell- and gene-therapy facility in the world. With the technological Cocoon™ innovation, an automated «autologous-cell-therapy-in-a-box» device, we are at the forefront of supporting our customers to provide next-generation medicines to treat or even cure severe diseases. All of our growth investments in our healthcare businesses are progressing as planned.

Creating a Resilient Business

The Healthcare Continuum® spans from the patient to the consumer and therefore also includes specialty solutions for a safe and sustainable environment. Within our Consumer Health and Consumer & Resources Protection businesses of the Specialty Ingredients segment, we offer efficient and at the same time health-related and environmentally friendly formulations against harmful microbes for household applications and industrial markets. Whereas demand for our microbial-control solutions remained high in 2018, we faced headwinds in the more mature, basic chemical parts of our business.
Therefore, we have to prudently work on becoming more resilient. Targeted measures in Consumer & Resources Protection regarding raw-material supply and pricing are being taken while we backward-integrate certain raw materials, re-purpose assets for our core healthcare businesses and even discontinue the manufacturing of some products.

Further Strengthening the Healthcare Continuum®

In 2018 we have announced the divestment of our Water Care business unit to Platinum Equity, an experienced owner who will develop Water Care as a stand-alone business and will give new perspectives to the global sites and its employees. The divestment further strengthens our strategic healthcare focus. We plan 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.

In this regard 2019 will be a challenging year in which we take the opportunity to further accelerate our growth with targeted investments, especially in the biologics space, and with ongoing innovation and R&D projects. We will invest in new pharma technologies and in ingredients and delivery solutions for nutritional supplements, as well as in innovative solutions for microbial control.

As a result of these investments, we expect to participate fully in the anticipated market growth toward and beyond our Mid-Term Guidance 2022. In addition, in 2019 Lonza will accelerate the review of our current portfolio to further strengthen the company’s position along the Healthcare Continuum®.

The year 2019 will also be a year of leadership transition with Marc Funk, formerly COO of Lonza Pharma & Biotech, as the new incoming CEO of Lonza from 1 March 2019. Marc is committed to building on the company’s strong foundation and to driving forward our strategy across all our businesses along the Healthcare Continuum®.

Strong Commitment to Sustainability

Today sustainability is a critical part of Lonza’s economic success; and we take our social, environmental and governance-related responsibilities seriously. We believe we can create value for society by innovating science-based solutions along the Healthcare Continuum® to develop the medicines and consumer products of tomorrow.
As a baseline for whatever we do, we ensure that regulatory compliance, integrity and ethical conduct are the foundations in every place we operate. While working toward achieving our Vision Zero – the aspiration to work without incidents and reduce emissions, water consumption and waste – we also take responsibility for our industrial heritage, as demonstrated by our continued progress in Visp on remediating the mercury situation.

**Continuing on Our Growth Trajectory**

We would like to thank all our stakeholders for their continued support, especially our shareholders, customers, suppliers and the local communities where we operate. Lonza is committed to continuing to grow by focusing on commercial and operational excellence. At the same time, we will make dedicated investments in our biologics businesses and further shape our business portfolio within an accelerated timeframe. 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. We believe we can succeed 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 this dedication and the integrity of our approximately 15,500 employees globally. We are committed to attracting and retaining the best talent globally, and we have the ambition to become a place where our employees professionally and personally grow. With the ongoing support of our employees, along with all other stakeholders, Lonza is confident we can continue on our growth trajectory.

**Albert M. Baehny**  
Chairperson of the Board of Directors

**Richard Ridinger**  
Chief Executive Officer
January
Lonza started 2018 by announcing record-breaking full-year 2017 results in a major transformational year.

February
Lonza inaugurated a new research & development center for South America in Salto (BR)
Lonza established a venture capital (VC) fund to invest in consumer health and wellness startups

April
Lonza opened the world’s largest dedicated cell and gene therapy manufacturing facility in Pearland, Greater Houston, TX (USA)

May
Lonza invested in expansion of its Portsmouth, NH (USA) site, including mid-scale biologics

July
Lonza reported strong momentum with organic growth of 8% sales and 11% CORE EBITDA in H1 2018
1-year anniversary of successful closing of Capsugel acquisition, now fully integrated into Lonza
December
Lonza announced it was establishing a strategic biomanufacturing base in Guangzhou (CN) utilizing GE Healthcare’s KUBio™

October
Clovis Oncology and Lonza celebrated the grand opening of new monoplant for Rubraca®

Lonza acquired a controlling stake in Octane Biotech to further develop Cocoon™ autologous technology

November
Lonza released the first commercial 2,000 L single-use bioreactor (SUB) batch from Singapore

Lonza further strengthened focus on its Healthcare Continuum® strategy by signing agreement to divest Water Care business to Platinum Equity

September
Lonza broke ground on an expanded manufacturing facility for nutritional offerings in Greenwood, SC (USA)

Lonza expanded Ibex™ Solutions to offer complete product lifecycle management in one location

Lonza’s Capital Markets Day 2018 outlined sustainable growth plans through focus and investment
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 biologics 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 categories 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.

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.

Key Figures Lonza

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>Change in %</th>
<th>2017 restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>5,542</td>
<td>9.0</td>
<td>5,083</td>
</tr>
<tr>
<td>CORE EBITDA</td>
<td>1,511</td>
<td>12.0</td>
<td>1,349</td>
</tr>
<tr>
<td>Margin in %</td>
<td>27.3</td>
<td></td>
<td>26.5</td>
</tr>
<tr>
<td>Result from operating activities (CORE EBIT)</td>
<td>1,165</td>
<td>14.1</td>
<td>1,021</td>
</tr>
<tr>
<td>Margin in %</td>
<td>21.0</td>
<td></td>
<td>20.1</td>
</tr>
</tbody>
</table>

1 Restated to reflect adoption of IFRS 15 and classification of Water Care business as discontinued operations
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.
## CORE Earnings\(^1\) Continuing Business

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>Change in %</th>
<th>2017 Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CORE EBITDA</strong></td>
<td>1,511</td>
<td>26.3</td>
<td>1,196</td>
</tr>
<tr>
<td>Margin in %</td>
<td>27.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Result from operating activities (CORE EBIT)</strong></td>
<td>1,165</td>
<td>28.9</td>
<td>904</td>
</tr>
<tr>
<td>Margin in %</td>
<td>21.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CORE profit for the period</strong></td>
<td>899</td>
<td>21.5</td>
<td>740</td>
</tr>
<tr>
<td><strong>CORE EPS basic</strong></td>
<td>CHF 12.03</td>
<td>10.7</td>
<td>10.87</td>
</tr>
<tr>
<td><strong>CORE EPS diluted</strong></td>
<td>CHF 11.98</td>
<td>11.1</td>
<td>10.78</td>
</tr>
<tr>
<td><strong>CORE RONOA in %</strong></td>
<td>31.4</td>
<td>4.7</td>
<td>30.0</td>
</tr>
</tbody>
</table>

1. 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.

## IFRS Results Continuing Business

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>Change in %</th>
<th>2017 Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>5,542</td>
<td>21.9</td>
<td>4,548</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>1,429</td>
<td>31.8</td>
<td>1,084</td>
</tr>
<tr>
<td>Margin in %</td>
<td>25.8</td>
<td></td>
<td>23.8</td>
</tr>
<tr>
<td><strong>Result from operating activities (EBIT)</strong></td>
<td>842</td>
<td>25.1</td>
<td>673</td>
</tr>
<tr>
<td>Margin in %</td>
<td>15.2</td>
<td></td>
<td>14.8</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>659</td>
<td>(1.1)</td>
<td>666</td>
</tr>
<tr>
<td><strong>EPS basic</strong></td>
<td>CHF 8.80</td>
<td>(10.0)</td>
<td>9.78</td>
</tr>
<tr>
<td><strong>EPS diluted</strong></td>
<td>CHF 8.77</td>
<td>(9.6)</td>
<td>9.70</td>
</tr>
</tbody>
</table>

2. Restated to reflect adoption of IFRS 15 and classification of Water Care.

3. Includes the favorable impact of CHF 187 million resulting from the tax reforms in the United States and Belgium.

## Other Performance Measures Continuing Business

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>Change in %</th>
<th>2017 Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operational free cash flow (before acquisitions)</strong></td>
<td>884</td>
<td>34.3</td>
<td>658</td>
</tr>
<tr>
<td><strong>ROIC in %</strong></td>
<td>8.0</td>
<td>(4.8)</td>
<td>8.4</td>
</tr>
<tr>
<td><strong>RONOA in %</strong></td>
<td>12.1</td>
<td>23.5</td>
<td>9.8</td>
</tr>
</tbody>
</table>

## Other Performance Measures Lonza Group incl. Discontinued Operations

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>Change in %</th>
<th>2017 Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operational free cash flow (before acquisitions)</strong></td>
<td>848</td>
<td>37.0</td>
<td>619</td>
</tr>
<tr>
<td><strong>Operational free cash flow</strong></td>
<td>820</td>
<td>(130.5)</td>
<td>(2,691)</td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td>3,534</td>
<td>(6.1)</td>
<td>3,762</td>
</tr>
<tr>
<td><strong>Debt – equity ratio</strong></td>
<td>0.56</td>
<td>(8.2)</td>
<td>0.61</td>
</tr>
<tr>
<td><strong>Net debt / CORE EBITDA ratio</strong></td>
<td>2.28</td>
<td>(15.6)</td>
<td>2.70</td>
</tr>
<tr>
<td><strong>Number of employees</strong></td>
<td>15,375</td>
<td>5.2</td>
<td>14,618</td>
</tr>
</tbody>
</table>
Historical Progression

Sales million CHF

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>3,640</td>
</tr>
<tr>
<td>2015</td>
<td>3,803</td>
</tr>
<tr>
<td>2016</td>
<td>4,132</td>
</tr>
<tr>
<td>2017</td>
<td>5,083¹</td>
</tr>
<tr>
<td>2018</td>
<td>6,058²</td>
</tr>
</tbody>
</table>

CORE EBITDA million CHF CORE EBITDA Margin in %

<table>
<thead>
<tr>
<th>Year</th>
<th>CORE EBITDA</th>
<th>CORE EBITDA Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>743</td>
<td>20.4%</td>
</tr>
<tr>
<td>2015</td>
<td>793</td>
<td>20.9%</td>
</tr>
<tr>
<td>2016</td>
<td>918</td>
<td>22.2%</td>
</tr>
<tr>
<td>2017</td>
<td>1,349¹</td>
<td>26.5%¹</td>
</tr>
<tr>
<td>2018</td>
<td>1,511³</td>
<td>27.3%³</td>
</tr>
</tbody>
</table>

CORE EBIT million CHF CORE EBIT Margin in %

<table>
<thead>
<tr>
<th>Year</th>
<th>CORE EBIT</th>
<th>CORE EBIT Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>475</td>
<td>13.0%</td>
</tr>
<tr>
<td>2015</td>
<td>524</td>
<td>13.8%</td>
</tr>
<tr>
<td>2016</td>
<td>651</td>
<td>15.8%</td>
</tr>
<tr>
<td>2017</td>
<td>1,021¹</td>
<td>20.1%¹</td>
</tr>
<tr>
<td>2018</td>
<td>1,165³</td>
<td>21.0%¹</td>
</tr>
</tbody>
</table>

1 Reported pro-forma full-year 2017 financial results (restated for IFRS15) include Capsugel full-year 2017 financial results
2 Lonza including Water Care business
3 Lonza Continuing Operations excluding Water Care business as discontinued operations
### CORE RONOA in %

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>14.3%</td>
</tr>
<tr>
<td>2015</td>
<td>16.4%</td>
</tr>
<tr>
<td>2016</td>
<td>21.5%</td>
</tr>
<tr>
<td>2017</td>
<td>30.0%</td>
</tr>
<tr>
<td>2018</td>
<td>31.4%</td>
</tr>
</tbody>
</table>

1. Reported to reflect adoption of IFRS15 and classification of Water Care business as discontinued operations
2. Lonza Continuing Operations excluding Water Care business as discontinued operations
3. Lonza including Water Care business

### Capital Expenditures (million CHF) CAPEX / Sales in %

<table>
<thead>
<tr>
<th>Year</th>
<th>CAPEX</th>
<th>CAPEX / Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>180</td>
<td>4.9%</td>
</tr>
<tr>
<td>2015</td>
<td>264</td>
<td>6.9%</td>
</tr>
<tr>
<td>2016</td>
<td>366</td>
<td>8.9%</td>
</tr>
<tr>
<td>2017</td>
<td>451</td>
<td>8.9%</td>
</tr>
<tr>
<td>2018</td>
<td>575</td>
<td>9.5%</td>
</tr>
</tbody>
</table>

### Net Debt / CORE EBITDA ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2.70x</td>
</tr>
<tr>
<td>2015</td>
<td>2.09x</td>
</tr>
<tr>
<td>2016</td>
<td>1.73x</td>
</tr>
<tr>
<td>2017</td>
<td>2.70x</td>
</tr>
<tr>
<td>2018</td>
<td>2.28x</td>
</tr>
</tbody>
</table>
Divestment of Water Care Business

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

Lonza decided to divest the Water Care business as part of our long-term strategy to grow sustainably along the Healthcare Continuum® and to focus all growth initiatives and investments on its core businesses.

Consequently, Water Care is being classified as an asset held for sale according to IFRS 5 «Non-Current Assets Held for Sale and Discontinued Operations»; and it is reported accordingly in the full-year 2018 results. The divestment of the Water Care business has an impact on Lonza Group and on our Specialty Ingredients segment only. The Pharma & Biotech segment is not affected. Further information can be found in the Financial Report.

« The divestment further strengthens our strategic focus on our three core pillars – Pharma & Biotech, Consumer Health and Consumer & Resources Protection – within the Healthcare Continuum®. »

Richard Ridinger, CEO of Lonza
# Mid-Term Guidance 2022

To reflect the divestment of its former Water Care business unit and to emphasize Lonza’s focus on growth along the Healthcare Continuum®, Lonza provided an adjusted Mid-Term Guidance 2022 in March 2019. The adjustment consists of excluding the Water Care Mid-Term Guidance from the Lonza Group financial projections prepared in 2017. The Water Care Mid-Term Guidance was disclosed at Lonza’s Capital Markets Day 2018.

In addition, Lonza is reflecting not only the Water Care divestment but also the latest strategy development. The Mid-Term Guidance 2022 was first issued in 2017. The adjusted Mid-Term Guidance demonstrates our focus on growing our businesses along the Healthcare Continuum® while continuing to aim for operational excellence, productivity improvements and attractive margins.

The adjusted Mid-Term Guidance for Lonza’s continuing operations (excluding the Water Care business unit) is the following:

- Sales of CHF 7.1 billion
- CORE EBITDA margin of 30.5%
- CORE RONOA 35%
- Double-digit ROIC

At Lonza’s Capital Markets Day in September 2018, the growth trajectory by business was outlined:

<table>
<thead>
<tr>
<th>Pharma &amp; Biotech</th>
<th>Specialty Ingredients</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pharma &amp; Biotech</strong></td>
<td><strong>Consumer Health</strong></td>
</tr>
<tr>
<td>High-single digits</td>
<td>Mid- to high-single digits</td>
</tr>
<tr>
<td>Sustain &gt; 30+%</td>
<td>From high twenties to &gt; 30%</td>
</tr>
<tr>
<td>• Growth projects</td>
<td>• Capsugel synergies</td>
</tr>
<tr>
<td>• Capsugel synergies</td>
<td>• Leveraging pharma technologies</td>
</tr>
<tr>
<td>• Manufacturing excellence</td>
<td>• Innovation</td>
</tr>
<tr>
<td>• Capex investments and throughput optimization</td>
<td></td>
</tr>
</tbody>
</table>

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. Lonza will continue to focus on deleveraging as has already been communicated.
A highlight of 2018 was clearly our Capital Markets Day in September, where we had the chance to discuss our growth trajectory toward and beyond 2022. We emphasized that we are focusing our investments and initiatives on our core markets along the Healthcare Continuum®.

Richard Ridinger, CEO of Lonza

**Outlook 2019**

In 2019 Lonza will focus on the thorough execution of our growth initiatives 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 categories 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 outlook will be provided with the Q1 Qualitative Business Update 2019.

The Outlook for 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. It 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 to contribute to our mid-term targets.
Lonza’s strategy is to be the leading integrated, value-adding solutions provider for the Healthcare Continuum®. Through our Pharma & Biotech segment and our Specialty Ingredients segment businesses, we harness science and technology to serve markets along this continuum – from creating a healthy environment, promoting a healthier lifestyle, preventing illness to improving patient healthcare.

We have a unique capability to connect our expertise in biotech, fine chemistry, formulation and application technology, delivery systems, microbial control, and regulatory and quality requirements across all pillars of our company, which allows Lonza to provide the best solutions for our customers to meet some of the world’s greatest challenges. Patients and consumers are benefiting from transferring our know-how from pharma to the healthcare, hygiene and fast-moving consumer goods markets all the way to the preservation and protection of our environment.

The closure of the Capsugel acquisition in July 2017 represented a major leap forward in our strategic quest to become the world’s leading integrated solutions provider along the Healthcare Continuum®. Now that the former Capsugel business is fully integrated within Lonza, we have further shaped our Healthcare Continuum® offerings in 2018.

**Discover More**  
Spanning the Healthcare Continuum® /  
Being a Leading Integrated Service Provider
Spanning the Healthcare Continuum®

The Healthcare Continuum® spans all of Lonza’s Pharma & Biotech and Specialty Ingredients businesses and translates into Lonza’s three-pillar strategy to serve customers through our Pharma & Biotech, Consumer Health and Consumer & Resources Protection offerings.

Lonza creates solutions that contribute to healthier living by developing and manufacturing preventive and curative medicine for pharma and biotech companies and their patients, nutritional ingredients and personal-care products for consumer health and anti-microbial solutions for safe environment. We have introduced the four «Ps» to define the scope of our Healthcare Continuum® and translate it into concrete markets and offerings for our customers – prescription, prevention, protection and preservation.
The four «Ps» demonstrate our capabilities to provide full-service offerings to our customers in the pharma, healthcare and industrial markets – from the molecule to the patient, from nutritional ingredients to value-added consumer solutions and from microbial-control ingredients to safe surroundings. More information on our businesses is available in the segment reporting:

- Pharma & Biotech
- Specialty Ingredients – Consumer Health
- Specialty Ingredients – Consumer & Resources Protection

The Healthcare Continuum® Spans All of Lonza’s Businesses

- Patient Healthcare
- Consumer Preventive Healthcare
- Consumer’s Healthy Environment

- Clinical development and manufacturing
- Commercial manufacturing
- Consumables and research tools
- Consumer health & well-being solutions in nutritional ingredients, functional food, delivery forms and personal care
- Microbial-control and hygiene solutions for professional and consumer markets
- Coatings and composites solutions
- Agricultural products and services including basic chemicals
Being a Leading Integrated Service Provider

All of our initiatives are focused on further strengthening and broadening our Healthcare Continuum® for integrated solutions across technologies and along the entire pharma and consumer health value chain to leverage synergies in technologies and know-how and provide customers a «one-stop-shop» offering.

Accordingly, the integration of Capsugel has further strengthened the depth and breadth of Lonza’s integrated solutions. We now provide parallel offerings from a value-chain perspective for prescriptive and curative patient healthcare and for consumer preventive healthcare. Bringing together Lonza’s drug substance services in small molecules with a regulatory track record of developing and manufacturing highly potent active ingredients and Capsugel’s world-leading position in advanced oral dosage delivery technologies and hard capsule manufacturing, we now have a complete small-molecule-to-patient offering along an integrated value chain in Pharma & Biotech.

« We look back at a successful first year after acquiring Capsugel and see that integration is progressing better than planned, operational and commercial synergies are starting to materialize and our Healthcare Continuum® offerings are becoming even stronger. »

Richard Ridinger, CEO of Lonza

The same synergistic dynamic applies to Consumer Health, where tailored dosage forms can optimize the value of nutritional, dietary and other health supplements and ingredients manufactured by Lonza. We are also leveraging synergies between pharma and consumer health by bringing pharma technologies into the consumer markets. Lonza is uniquely positioned to benefit from new growth opportunities in both markets due to these synergistic offerings. Our aim is to get closer to the patient and consumer and to fully serve their needs by helping our clients get to market faster with a reliable and agile partner – one who is dedicated to highest quality, constant innovation, technological advances, and has a strong regulatory track-record and scientific expertise.
Lonza’s Integrated Offerings In Pharma & Biotech and Consumer Health

**Integrating Capsugel Successfully**

Having completed the first full year as a combined company, we now have a strong organization; and we are positive about our joint forces and synergistic potential.

« The successful integration was made possible by our strong shared values and cultural fit. The determination and commitment of both Lonza and Capsugel teams have created a high-performing working environment. »

Fridtjof Helemann, CHRO of Lonza
Operations and functions are fully integrated, both company’s cultures are closely aligned and the new teams are dedicated to becoming one integrated service provider to deliver the most value for our customers. Throughout 2018 «Delivering Together» has been our theme, supported by all managerial levels and put into action by our people. We are finding that the cultural fit we anticipated – such as our joint commitment to constant innovation, strong customer focus, nurturing high-performance teams and championing entrepreneurial projects – is coming to fruition. With proven scientific expertise and innovation in engineering, Capsugel is also a real powerhouse in research & development and adds to Lonza’s innovation activities.

« As expected we are benefiting from operational and supply chain synergies and cost savings, as well as from growing commercial opportunities. New, combined offerings complement our value proposition along the Healthcare Continuum®. »

Rodolfo Savitzky, CFO of Lonza

Commercial synergies are coming through in all of the businesses where the former Capsugel has been integrated. Capsugel adds to Lonza’s offerings from molecule to patient in Pharma & Biotech and from ingredient-to-consumer in Consumer Health. We are leveraging formulation technologies and delivery systems throughout all these businesses. For example, we are seeing strong customer interest among consumer health and nutrition for clean label, animal-free capsules. This interest in high quality capsules is echoed on the Pharma & Biotech side along with demand for specialty polymer capsules for enhanced bio-availability. The Capsugel integration is fulfilling its strategic promise to help make Lonza the most comprehensive supplier of integrated solutions along the Healthcare Continuum®.
Capsugel-Enabled Solutions in Consumer Health

Lonza’s consumer health and nutrition business is proving to be a marketplace leader in the realm of nutraceuticals and other innovative nutritional ingredients and functional foods. Our two leading actives – UC-II® undenatured type II collagen ingredient for joint health and our Carnipure® L-Carnitine ingredient for sports nutrition – are experiencing high demand. And both of these market-leading products are benefiting from tailored capsule delivery technologies brought to us by the former Capsugel businesses.

Utilizing the synergies of our combined offering, we introduced the pairing of our Carnipure® ingredient – proven to be beneficial for sports recovery and helping to reduce tissue damage and muscle soreness – with Capsugel® Licaps® cutting-edge liquid-filled capsules.

Also more than 30 new dietary supplement product concepts were launched, combining Lonza’s specialty ingredients with Capsugel’s innovative dosage forms. Plantcaps® capsules are a vegetarian capsule, for instance, made from pullulan, which is naturally fermented from tapioca. Underscoring the value of our approved ingredients and regulatory expertise, these capsules may be used with organic ingredients so that the finished product can be labeled in the United States as «made with all-organic ingredients». We also are drawing on Capsugel technologies to optimize the use of our industry-leading UC-II® ingredient, a patented, clinically proven undenatured type II collagen. For example, customers have the option to combine our ingredient with further joint-health ingredients, such as krill oil and fish oil, and to package them in our DUOCAP® «capsule-in-capsule» patented technology. This technology allows for incompatible ingredients to be combined into a single capsule. Customers can also encapsulate the UC-II® product with curcumin to provide yet another proposition to support joint health and mobility.

To satisfy customer demand for our existing and future products and to simplify the supply chain, in September 2018 we broke ground to expand production capacity at the former Capsugel Greenwood, SC (USA) site. The expansion will combine capsule production, ingredient production and finished dosage form development. This investment highlights the value of the Capsugel acquisition and its successful integration in propelling Lonza’s growth strategy.
Tailored Solutions and Cross-Selling in Pharma & Biotech

We are experiencing high interest from our customers and are already working on small-molecule offerings from active pharmaceutical ingredient (API) manufacturing to formulation and encapsulation. Clinical trial and regulatory approval processes in the pharma area have to be taken into consideration when comparing timelines for launching combined products with the consumer health area.

In 2018 synergies have been noted from cross-selling and better commercial terms. The pharma hard capsules and dosage form and delivery systems performed above expectations due to buoyant demand and capturing of these cross-selling synergies. In addition, new pharma hard capsule products have been launched and are further supporting the ongoing momentum.

For example, one of the newest vegan-family capsules Lonza offers is our Capsugel® Vcaps® Gen C, a product based on a carrageenan gelling-agent formulation. It meets the demand of pharmaceutical manufacturers for a fast-dissolving, non-animal capsule that is robust and offers high-performance machinability.

A common issue drug product developers face is that the color composition choice for the commercial drug product is often made after initial stability studies. If new colors are introduced, it may require additional studies, which can result in costly delays. To address this issue, we are drawing upon Colorista™ capsules from the Capsugel® Color Lab. This fast and flexible technology enables customers to cut down on development time while giving them the choice to progress with technical development before making the final commercial color decision.
Leveraging Significant Overlaps Among Lonza’s Businesses

Lonza’s quest to be the leading integrated service provider for the pharma and consumer health markets not only applies to the Capsugel integration but also to the leveraging of overlaps and synergies across our businesses. Lonza’s growth trajectory is based on a global asset strategy and on leveraging of assets, as well as technological and know-how overlaps along the Healthcare Continuum®.

One area to point out is the attractiveness of applying pharma technologies to the consumer health markets. We will continue to capitalize on the growth momentum in Consumer Health with our pharma-related offerings by further strengthening the synergies between the pillars – in addition to taking advantage of the synergies between Lonza and Capsugel.

At the same time, Consumer & Resources Protection is continuing to strengthen its innovative offerings and make use of Group-wide regulatory expertise and chemical know-how to address an evolving regulatory landscape. For example, feeding into an increasing global market demand for biocide formulations free of methylisothiazolinone (MIT)-free, the Consumer & Resources Protection business announced the launch of a new MIT-free preservative in 2018.

Leveraging Significant Overlaps Among Lonza’s Strategic Businesses
Our focus is on growth investments along the Healthcare Continuum®. In 2019 we expect to see stronger capital expenditures (CAPEX) investments into biologics to allow us to participate fully in the anticipated market growth toward and beyond our Mid-Term Guidance 2022. Consumer Health and Consumer & Resources Protection are less CAPEX-intensive but we will continue to invest in innovation and technological advances including potential bolt on acquisitions.

It is Lonza's objective to make our market-oriented pillars more independent, but we are at the start of the journey so we are continuing to thoroughly review the portfolio on an ongoing basis.

Within the Consumer & Resources Protection division of our Specialty Ingredients segment, we are focusing on high-value specialty product and service offerings in coatings and composites and agricultural markets while reviewing more mature, basic chemical parts of the portfolio.

Part of this review is the discontinuation of certain commodity products or the re-purposing of Specialty Ingredients assets within the Healthcare Continuum®. We have already started in 2018 with the re-purposing of some assets in our Visp (CH) site that were formerly used for basic offerings in our agricultural business. They are now used to produce intermediates for our pharma business.

Also in 2018 we have discontinued the fertilizer business, part of Consumer & Resources Protection. On 1 November 2018, we also announced the divestment of the Water Care business unit to Platinum Equity.

More information on our businesses and 2018 initiatives is available in the segment reporting:

- Pharma & Biotech
- Specialty Ingredients – Consumer Health
- Specialty Ingredients – Consumer & Resources Protection
Showing How We Create Value

Drawing upon more than 120 years of experience in satisfying both fundamental and emerging human needs, we are providing solutions to the most-urgent issues being generated by our current era’s growing, aging and more affluent population.

We believe our pharma, biotech and preventive healthcare expertise, combined with our specialty chemicals’ know-how, will enable us to continue to satisfy demands arising from global megatrends needs along the entire Healthcare Continuum® – for curative and preventive healthcare, as well as for resources protection and preservation.

Lonza’s Value Creation Worldwide

**Total**
- **5,542 million** Sales in 2018 in CHF
- **15,375** Number of Employees End of 2018

**Americas**
- **2,690 million** 48.5% of Total Sales in CHF
- **5,526** 35.9% of Total Employees

**APAC**
- **824 million** 14.9% of Total Sales in CHF
- **2,879** 18.7% of Total Employees

**EMEA**
- **2,028 million** 36.6% of Total Sales in CHF
- **6,970** 45.3% of Total Employees

**Discover More**
- Addressing Global Megatrends
- Structuring Our Businesses
- Highlighting Our Initiatives in 2018
- Demonstrating a Spirit of Innovation
- Investing in Our People
Addressing Global Megatrends

Lonza’s businesses are satisfying vital global needs along the Healthcare Continuum® and beyond that often span the intersecting effects of several global megatrends:

- Growing of World Population
- Aging of World Population
- Rapid Growth of Megacities
- Growth of Middle Classes in BRIC\(^1\) and VISTA\(^1\) Countries

In response to paradigm shifts in growing health-risk awareness and consumer demands for safe and sustainable solutions, we focus on creating a healthy environment, promoting a healthier lifestyle and preventing illness, as well as improving patient healthcare. Lonza places highest importance on environmental, social and governance priorities and reflects this mindset in all of our business practices and operations. For more information please see the Environment, Health and Safety (EHS) report.

Addressing the Growth in World Population

In a world where the population exceeds 7 billion people and will reach an estimated 10 billion by 2050, according to United Nations research, prescriptive and preventive healthcare, as well as resources protection and preservation, have become overarching topics.

Medicine has made undisputable progress within the last century, and we are benefitting from a high standard of living as never before. However, a growing world population adds to the high demand for successful medical treatments and even curative medicines to address major illnesses of our time – like oncology, diabetes, arthritis, thrombosis, dementia, HIV and cardiovascular diseases. At the same time, savvy consumers want to take actions to prevent their health from deteriorating and are looking for preventive healthcare offerings for immune health, mobility (e.g. joint health), anti-aging, digestive health and active living, among others.

The real threat of communicable diseases in an ever-more-crowded world drives demand for clean-label hygiene and anti-microbial solutions for homes, hospitals and other medical care settings, restaurants, transportation systems and more. Lonza is focused on aiding in the fight against hospital-acquired infections, for example.
Lonza’s consumer health and nutrition and Agro Ingredients businesses are at the forefront of helping address a growing world population that is looking for safe, healthy and abundant foods, including nutritional supplements. We are also innovative leaders in addressing the sustainability of natural resources.

Our Coatings and Composites products, for instance, help conserve energy by making aircraft, automobiles and satellites lighter and stronger, by reducing fouling on ocean-going ships to improve fuel efficiency and to lower maintenance costs, and by improving yields in the production of shale oil and gas.

**Addressing Aging World Population**

Populations in the developed world are aging rapidly. Lonza is well-positioned to support healthy aging through everything from active pharmaceutical ingredients and nutraceuticals to anti-aging skin creams and other cosmetic products that make the elderly look and feel their best.

Our technologies support our pharma and biotech customers to deliver advanced medical treatments for fighting the prevalence of many age-related illnesses, and to develop innovative medicines that help treat or even cure severe diseases.

The rapid growth of elderly populations in the West is also driving ever-rising demand for healthy foods and nutritional supplements, anti-aging cosmetics and other personal-care products. Our consumer health and nutrition business’s strategy of providing «Active Ingredients for Living Actively™» is benefiting from our expanding nutritional offerings in combination with optimal dosage forms and delivery systems. Patients are transitioning from passive healthcare recipients to active healthcare consumers; and people have a greater sense of individual autonomy and increased interest in well-being, self-education and self-care.

Whereas populations in most developed societies are getting older rapidly, other societies are young and growing, which will create ever-larger consumer markets (e.g. in South East Asia). Lonza is well positioned to serve these markets and is taking a sustainable approach to supporting the increasing needs of consumers. Health for growing populations may be improved by the use of Lonza’s targeted nutraceuticals, food bioactives or herbal products; healthy foods; and infection control for safe and healthy living environments.
Addressing the Rapid Growth of Megacities

Movement of populations from rural areas to megacities is generating a need for many Lonza products and services. For example, we are addressing consumer demand for simple yet effective hygiene products to combat a broad range of pathogens, including often difficult-to-treat bacteria and viruses that challenge healthcare and other public facilities. Around the world our clean-label sanitizers and disinfectants – many with global regulatory approvals – are used in hospitals and other medical settings, industrial cleanrooms, homes, restaurants and institutional food-preparation facilities, schools, offices, gyms and cruise ships. Wood is one of the world’s most-renewable natural resources – and it is facilitating the growth of megacities. Our technologies enable the use of wood products for critical construction and infrastructure needs and for the added beauty and luster of wood products. Lonza offers fire-protection and mold-control technologies for the treatment of wood materials used in commercial construction, including nursing / retirement homes, high-rise apartments and condominiums, schools, hospitals, etc.

Addressing the Growth of Middle Classes in BRIC and VISTA Countries

The growing middle classes in BRIC and VISTA countries are generating increasing demand for medication, healthy food and nutrition, hygiene, personal care, and efficient yet sustainable solutions for housing and living. Serving all these markets provides Lonza with positive, long-term opportunities, as highlighted by the fact that in 2030 Asia is expected to represent 66% of the global middle class and 59% of total middle-class consumption worldwide.¹

With modern facilities around the globe, Lonza’s Pharma & Biotech and Specialty Ingredients segments are capitalizing on rising demand in Asia Pacific and elsewhere. Lonza is poised to meet the growing middle classes’ demands for new patient treatments and for more active approaches to preventive health.

Additionally, many of the BRIC and VISTA nations are in hot, humid areas of the planet. This fact underscores the value of our Coatings and Composites business, which helps more and more customers fight mold that contributes to the so-called «sick-building syndrome» by providing protective biocides and fungicides for paints, wallboard, ceiling tiles, adhesives and other building products.

Growth of these emerging middle classes is creating needs for improved hygienic and personal care standards that can be met by Lonza’s products, too.

¹ PwC report «The World in 2050»
Lonza Annual Report 2018 – Company

- Pet Food Supplements
- Nutritional Delivery Technologies
- Hydrazine Propellant
- Abraision Resistant
- Functional Foods
- Fungal Decay Protection
- Food Preservatives
- Crop Protection
- Slug Control
- Animal Nutrition
- Temperature-Resistant Resins
- Corrosion Inhibitors
- Anti-Fouling Coatings
- Anti-Mold Components
- Abrasion Resistants
Structuring Our Businesses

Lonza is organized as a market-oriented, innovation-driven solution provider pre-dominantly operating a customer-centric «business-to-business» model. We serve a number of highly attractive and growing markets related to our strategic focus on patient and consumer needs in prescription, prevention, protection and preservation.

Lonza’s organizational structure enables a dedicated approach to our target markets and allows us to serve our customers’ needs in the most efficient way possible. In 2018 Lonza operated with two segments – Pharma & Biotech and Specialty Ingredients.

As of 1 January 2018, following the integration of Capsugel, the Specialty Ingredients segment began to operate in: a Consumer Health division, a Consumer & Resources Protection division and a Water Care business unit.

Capsugel has been fully integrated in 2018 into both segments with former Capsugel’s pharma capsules business and dosage forms and delivery systems services being part of Pharma & Biotech’s small-molecules businesses and former Capsugel’s consumer health and nutrition businesses being part of Lonza’s Consumer Health & Nutrition business unit within the Consumer Health division.

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**Former Capsugel Integration into Lonza Businesses**

- **~1/3**
  - Pharma & Biotech Segment
- **~2/3**
  - Consumer Health & Nutrition Business Unit
Highlighting Our Initiatives in 2018

In 2018 we have introduced several new initiatives and offerings to meet challenges in our markets. Internal initiatives across all pillars enable sustainable growth as an underlying foundation:

- Excelling in quality, environmental, health and safety management and fulfilling our Vision Zero
- Improving efficiency and productivity through automation and digitalization with a strong impact on operations
- Consolidating our global network of assets and expanding our footprint outside North America and Europe for further enhancement of our global footprint
- Constantly investing in targeted research & development initiatives and internal and external innovations

Highlighting Initiatives in Pharma & Biotech

In the last two years, we launched a series of expansion projects that would allow Lonza to continuously innovate and be prepared to enable our Pharma & Biotech customers to support patients. These projects included not only acquisitions, but also investment in cutting-edge technologies and conceptualization and realization of new business models.

The following major programs were initiated in 2018 to strengthen Lonza as the go-to partner for the pharma and biotech industry:

Expansion of Ibex™ Solutions with new, innovative offerings Ibex™ Design and Ibex™ Develop: They are designed to meet the evolving needs of biotech companies with antibody therapies, from the preclinical stage through to commercialization.

Expansion of mid-scale biologics manufacturing and state-of-the-art technological advances at Lonza’s Portsmouth, NH (USA) site: The expansion includes 6,000 L mammalian capacity with a strong focus on automation and the use of state-of-the-art, single-use technologies for optimized processing.

Expansion of Singapore (SG) single-use commercial mammalian manufacturing, which began in 2016: The first 2,000 L batches were successfully released from Lonza Pharma & Biotech’s new single-use facility in Tuas (SG) in Q4 2018. With the expansion, Lonza commissioned a hub for single-use commercial manufacturing in Asia to complement our existing mammalian network.

Opening of the world’s largest dedicated cell-and-gene-technology facility in Pearland, Greater Houston, TX (USA): It is the first-of-its-kind, state-of-the-art manufacturing facility with capacity to produce treatment for thousands of patients suffering from rare genetic disorders or life-threatening diseases. Houston is one of Lonza's four global centers of excellence in cell and gene technology.
Acquisition of a controlling stake in Octane Biotech to further develop Cocoon™ autologous technology, a patient-scale, closed and automated cell therapy manufacturing system: This Cocoon™ system is part of Lonza’s array of cell and gene therapy offerings. The company is currently working with a number of customers who have therapies in various clinical stages to integrate the Cocoon™ manufacturing equipment as a key part of their clinical and commercial manufacturing strategy.

Establishment of a strategic biomanufacturing base in Guangzhou (CN) using a GE Healthcare Solution: The new biologics facility, scheduled to be operational in 2020, will provide development and manufacturing facilities from early- to late-clinical and early-commercial stages. The facility will be based on Lonza’s proprietary platforms for development and GE healthcare’s KUBio™ off-the-shelf biologics factory for current good manufacturing practice (cGMP) manufacturing.

Full changeover to Lonza operations, earlier than expected, in our Clinical Development and Manufacturing facility in Hayward, CA (USA): The facility was acquired in September 2017 from Shire – with first customer-batches having been released already in Q3 2018.

Expansion of operations in Lonza’s Slough (UK) site for clinical development and manufacturing: The site will run 24/7 to account for increased demand in Lonza’s clinical services. The expansion also includes new offerings for development and manufacturing of complex proteins.

Increase of capacity and expansion of capabilities in Parenteral Dosage Form development with a further build-out of our Drug Product Services (DPS) offerings in Basel (CH): Together with former Capsugel’s expertise in oral solids, Lonza provides high-end solutions for both oral and parenteral dosage forms.

Grand opening of a dedicated highly potent active pharmaceutical ingredients (HPAPI) production train for Clovis Oncology Inc. at Lonza’s Visp (CH) site to exclusively produce Rubraca® (rucaparib) and an expansion of HPAPI development and manufacturing capacity for antibody drug conjugate (ADC) payloads, based on a tailored business agreement with a major biopharmaceutical partner.

Opening of Lonza’s Collaborative Innovation Center in the Haifa Life Science Park in Israel: The new center will be a hub to identify and accelerate fresh solutions to rethink drug development and manufacturing.
**Highlighting Initiatives in Specialty Ingredients**

Addressing evolving regulatory landscapes and identifying unmet needs in the marketplace, Lonza Specialty Ingredients in 2018 focused on converting those customer needs into solutions.

In the consumer space, we are capitalizing on the «whole health to whole life» trend as consumers are now directing their own way to take care of their health. Self-care methods such as nutritional supplements are addressing health concerns. Individuals increasingly try to prevent or manage health through self-directed solutions. We have a broad portfolio of products and services; and, like Pharma & Biotech, Specialty Ingredients has demonstrated that we are continuously driven by investment in new technologies and complementary offerings to our current portfolio.

Capsugel, of course, is a big driver here; but also our InterHealth acquisition in 2016 added branded proprietary nutritional ingredients for dietary supplements and functional foods and beverages. Our brands include UC-II®, Super CitriMax®, Meratrim®, 7-Keto®, LOWAT®, ZMA®, Zychrome® and ChromeMate®.

The following major programs were initiated in 2018 to strengthen Lonza as the go-to partner for the fast-moving consumer goods, coatings and composites and agricultural industries – all serving consumer health and the consumer’s healthy environment:

- Establishment of a venture capital (VC) fund to strengthen innovation and targeted research & technology.
- Expansion of production capacity at our Greenwood, SC (USA) site to combine capsule production, ingredient production and finished dosage form development: This expansion is part of an ongoing program to enhance production of Lonza’s nutritional ingredients and dosage-form technologies.
- Continued launch of modern hygiene solutions and products offering effective prevention against pathogenic micro-organisms to meet increasing demand across all regions. Growth is driven by tighter regulatory landscape developments in the professional and consumer hygiene markets.
- Ongoing innovation initiatives to strengthen the personal-care portfolio, such as a recently launched bioactive functional ingredient that helps to protect skin against environmental stressors such as blue light.
- Opening of a new Research & Development Center for South America in Salto (BR), which allows the development of customized solutions for Bioscience Solutions, Consumer Health and Nutrition, Hygiene, Coatings & Composites and Agro Ingredients customers.
The Consumer & Resources Protection division is focusing on further applying and innovating our microbial-control expertise in the specialty parts of our business like composites, material protection or agricultural crop protection.

As discussed at Lonza’s Capital Market’s Day in September 2018, initiatives for re-purposing of assets within the cyclical parts of the product portfolio, like basic materials or intermediates, are underway. For example, in 2018 Lonza launched a pharmaceutical early-intermediates supply initiative to leverage chemical production facilities at the Visp (CH) site. By vertically integrating early-intermediate production, Lonza addresses increasing global supply security and quality concerns. Lonza now offers our customers an integrated supply chain from non-GMP early intermediates to current good manufacturing practices (cGMP) advanced intermediates and active pharmaceutical ingredients (APIs). Lonza replaces current sources of non-GMP material, forward processes basic or specialty chemicals, and back integrates current API supply. The seven ISO-certified plants within the Visp complex provide more than 600m³ of reactor volume and a full range of capabilities across an array of chemical technologies to service customer requirements.

Furthermore, in 2018 Lonza featured a wide range of offerings for chemical supplies, including key raw materials that address the needs of customers affected by the China Blue Sky initiatives. These environmental initiatives were introduced for The People’s Republic of China by the Ministry of Environmental Protection and significantly reduced supply of raw materials manufactured in facilities not meeting minimum environmental requirements. Lonza could step up supply of these chemicals like Hydrogen Cyanide (HCN), Cyanogen Chloride (CICN), Ketene and Diketene, Acetylene, Ethylene, Carbon monoxide (CO), Hydrogene (H₂). Due to backwards integration, the supply comes out of Lonza’s multi-purpose production plants in Visp that offer customers highly flexible production concepts: 15 multi-purpose plants in 1 site, reactor volumes of 1–16 m³, total reactor volume of 750 m³ and access to the key raw materials listed above.

The fertilizer business, which had been part of Lonza for more than 90 years, was discontinued in 2018. In addition, we actively pursued an ongoing optimization of our Specialty Ingredients portfolio. As part of this process, Lonza decided to divest the Water Care business as part of our long-term strategy to grow sustainably along the Healthcare Continuum® and to focus growth initiatives and investments on our core businesses.

Additional information about our Specialty Ingredients initiatives is available here.
Demonstrating a Spirit of Innovation

At Lonza we understand that innovation is the lifeblood of our businesses and a major reason why customers are attracted to us. Our innovative spirit is alive all throughout Lonza. We celebrate and reward employees and teams who excel at innovation, whether these efforts involve new product developments, operational excellence breakthroughs or error prevention tools and methods in the realms of quality and safety.

We recognize that keeping our pipelines full with innovative products and services that meet customers’ emerging and unmet needs requires a disciplined «Innovation Project Management» (IPM) approach. As part of this process, we begin with a vigorous evaluation of innovation projects through an integrated approach that involves business and marketing leaders, technology reviews and a financial overview to determine whether the project is worthy of investment.

The first principle of our IPM philosophy is that a project must be customer focused and satisfy must-have needs. And to ensure that the project remains on target, we require frequent contacts with customers, other marketplace and our own research & development (R&D) experts so that we can fine-tune the project to respond to any new customer concerns or ideas.

Once innovation projects are selected for further investment, dedicated cross-functional teams work to execute the projects, to track their progress against critical milestones and to otherwise manage and optimize the innovation portfolio in order to deliver the expected results and strategic goals. This vital teamwork is overseen on a regular basis by segment and business unit innovation leadership councils, which include key business portfolio managers and process owners, as well as technical subject matter experts from R&D, Operations and IT, following our Go-to-Market Excellence (G2ME) Innovation Management processes.

Discover More  Pharma & Biotech Innovations / Specialty Ingredients Innovations
Pharma & Biotech Innovations

Our Pharma & Biotech segment is recognized as an innovative leader among contract development and manufacturing organizations (CDMOs) worldwide. We continue to pioneer advanced technologies that are enabling our customers to develop breakthrough treatments and cures for challenging diseases.

Modern medicines are becoming increasingly complex – from their molecular structure and the handling they require, to their formulation and delivery systems. In addition, a dynamic regulatory environment means that customers choose to work with Lonza to gain access to expertise across technologies and to de-risk their path to market.

Research & development (R&D) and innovation projects are ongoing to increase efficiencies across all modalities, with a sharp focus on accelerating cell-line construction and offerings in drug product services, as well as digitalizing biological upstream and downstream manufacturing. Automation is a clear priority across all our operations, with the in-house experience in more-established areas of the business, such as small molecules and mammalian manufacturing, serving as a solid base for industrializing cell and gene technology.

Toward the end of 2018, Lonza Pharma & Biotech officially opened the Collaborative Innovation Center in the Haifa Life Science Park in Israel – a nation that has established itself as a point of convergence for digital technologies, engineering and life sciences. The collaborative Innovation Center labs, together with Lonza funding and in-house expertise, will enable biologics development and manufacturing projects in collaboration with Israeli talents in academia, medical institutions and early-stage innovative companies.

Innovating Breakthrough Therapies

Lonza Pharma & Biotech’s R&D work is one of the key pillars to position the segment as a partner of choice for the pharma and biotech industries. Our innovative spirit is captured in the brand description of Lonza Pharma & Biotech – Delivering the Medicines of Tomorrow, Today®.

Throughout 2018 we applied our inventive mindset to address the development and manufacturing needs of the increasing number of medicines that are obtaining breakthrough-therapy designation and other accelerated-approval pathways.

Due to the fast timelines, these molecules require innovative regulatory, development and project-planning solutions. These requirements were key drivers for launching our Ibex™ Design offering for antibody
therapies that will deliver drug product based on at least 1 kg drug substance within 12 months. Another trend in many accelerated-pathway therapies is their increasing complexity, and this diversity throws up challenges for manufacturing – proteins become harder to express and small molecules more potent. In 2018 we launched new solutions for manufacturing these innovative formats, including for the expression of bispecific antibodies and increased capacity for antibody drug conjugate (ADC) payloads.

**Innovating Along the Integrated Value Chain**

One valuable offering for our biopharma customers is our ability to provide them comprehensive, one-stop technologies and services that cover development through scale-up testing, clinical trials and commercial manufacturing. We further strengthened this competitive advantage in 2018 when we announced a CHF 400 million investment into our Visp (CH) biopark to expand our Ibex™ Solutions offerings. The expansion includes drug substance development, drug substance and drug product manufacturing, including fill and finish, which allows customers to manage the complete product lifecycle through one site.

Capitalizing on the drug delivery and dosage technologies brought to us by our 2017 acquisition of Capsugel, we can now offer customers tailored formulation and delivery solutions for every stage of the drug-development process. Our offerings have evolved to provide an integrated approach from active pharmaceutical ingredient (API) to finished dosage form and from point of concept to commercialization, which results in a significant reduction in the complexity of drug programs.

For further information, visit one of the following pages:

- Ibex™
- Lonza Pharma & Biotech small-molecule businesses

**Innovating to Increase Potency and Efficacy**

Several key approvals in highly potent active pharmaceutical ingredients (HPAPIs) in 2018 reflect the trend of increasing numbers of low-dose / highly potent applications. With our expertise and investments in capacity for HPAPIs, as well as with the isolation capabilities we have available across all of our drug delivery technologies, we are strongly aligned to support this trend. In our collaboration with Clovis Oncology, we are moving toward real-time release testing of APIs, a first in the pharmaceutical contract development manufacturing organization (CDMO) industry. This process requires close collaboration with customers and regulators.
Increasing complexity in biologics not only requires fresh solutions for expressing new formats of antibodies, including bispecifics and antibody drug conjugates (ADCs), but also a flexible asset network as volumes decrease for some products. In 2018 we announced expansion in single-use, small-scale capacity, and the launch of mid-scale assets with 6,000 L bioreactors.

As this new generation of highly potent, more-effective therapies move to commercialization, Lonza is able to offer customized solutions based on the best expertise, technology and assets.

**Innovating Autologous Technologies**

Innovation in the field of cell and gene technologies is transforming the way that patients with cancers and genetic disorders are treated – or possibly even cured. At the forefront of this revolution are autologous therapies, in which cells from a specific patient are extracted, processed *ex vivo* and then returned to the patient as therapeutic medicines. Given the small-batch, patient-specific nature of this approach, large-scale production with its cost efficiencies does not apply.

For this reason it is critical to challenge the paradigm for manufacturing autologous cell therapies. Lonza is a leader in research & development (R&D) in this field through an extensive internal program and the 2018 acquisition of a controlling stake in Octane Biotech, with which we have been developing the Cocoon™ system.

« The acquisition of a controlling stake in Octane Biotech is a clear message to the market that we are committed to making commercially viable and scalable personalized therapies a reality. »

Marc Funk, COO of Lonza Pharma & Biotech

This disruptive and innovative technology is based on an automated cGMP-in-a-box concept for autologous cell and gene therapy manufacturing. Following the intensive joint-development program that has been running since 2015 with Octane Biotech, the Cocoon™ system now incorporates the majority of unit operations needed for scalable end-to-end manufacturing of cell therapies including Mesenchymal Stem Cells (MSC) and Chimeric Antigen Receptor T cells (CAR-T cells). For further information visit our cell and gene technology [webpage](#).
**Specialty Ingredients Innovations**

Lonza’s research & technology teams in Specialty Ingredients focus on innovation in anticipation of evolving needs and changes in the marketplace. The focus is clearly on our health and well-being solutions in nutritional supplements, functional food and personal care and on our microbial-control solutions in consumer product preservation, household and institutional hygiene and coatings for different surfaces. Research & technology (R&T) – as we call our colleagues in Specialty Ingredients due to a strong focus on technological advances including formulation & application technologies, automation and digitalization – is working on upscaling and manufacturing of proprietary innovative technology to best serve our customers in health & well-being and microbial control while further optimizing our manufacturing capabilities and processes.

**Innovating in Nutritional Ingredients and Functional Food**

Innovation in the nutritional ingredients and functional food markets needs to address consumers’ demands for active living, anti-aging, clean-label and preventive health products with indications for immune, digestive or joint health.

Lonza’s consumer health and nutrition businesses are a market leader in the field of nutraceuticals and other innovative nutritional ingredients and functional foods. Our two leading actives – UC-II® ingredient for joint health and Carnipure® ingredient for sports nutrition – are benefiting from high demand.

With the addition of the Capsugel® tailored dosage-delivery systems, we are capitalizing by offering customers a pipeline of innovative, synergistic solutions – such as the introduction of more than 30 dietary supplement product concepts that combine Lonza’s specialty ingredients and innovative dosage forms. Our innovations include clean label, animal-free Vcaps® Plus capsules or Vcaps® Plus natural colored capsules.

Utilizing various international conference and exhibition platforms, Lonza featured our latest ingredients, delivery systems and finished product formulations for the nutraceuticals industry. This approach included the launch of consumer health and nutrition’s patented UC-II® joint-health ingredient to the European market. Backed by clinical studies, our high-quality undenatured type II collagen product has been shown to support optimal joint health at low dosages by improving comfort, mobility and flexibility.
New formulations introduced during the year paired Lonza’s Carnipure® ingredient – proven to be beneficial for sports recovery by helping to reduce tissue damage and muscle soreness – with the Capsugel® Licaps® cutting-edge liquid-filled capsules. Also featured were new products that include probiotics combinations, for exercise and weight-management benefits, as well as a concept with vitamin B12 and choline to aid exercise recovery and treat fatigue. To meet increasing customer demand, we broke ground in late 2018 to expand manufacturing operations in Lonza’s Greenwood, SC (USA) site to enhance production of our specialty ingredients and dosage form technologies. This investment demonstrates Lonza’s continued commitment to be an integrated, end-to-end solutions provider and at the forefront of innovation in technologies and offerings.

Innovating in Personal Care

Our innovation in personal care addresses active living and anti-aging. Lonza has long been a pioneer of innovative cosmetic and personal-care products that help people look and feel their best. We added to this track record with the recent launch of a bioactive functional ingredient that helps protect skin against the visible effects of environmental stressors such as blue light from cell phones and other devices, UV light and pollution. In fact, our ScreenLight™ Block received the ITEHPEC Innovation Award Finalist Recognition for the best bioactive functional at the in-Cosmetics Latin America trade show in 2018.

At the in-Cosmetics Tradeshow in Asia, Lonza launched our XPressEV™ bioactive functional ingredient for the appearance of firmer, fitter skin. This product helps combat the effects of chronological aging. Called an evolution for personal care in skin-surface architecture because it works within the skin layers targeting the dermis and the dermal-epidermal junction, XPressEV™ bioactive is especially relevant for Asian consumers.

Innovating in Microbial Control Solutions

A growing health-risk awareness increases demand for innovative safe and sustainable hygiene and microbial-control solutions for infection control, clean-label preservation, a safe and healthy living environment and a sustainable use of resources.

In the areas of hygiene and disinfection, Lonza offers industry-leading innovative blends of anti-microbial ingredients that provide safe and effective protection against bacteria, molds and other contaminants while at the same time, our compounds satisfy increasingly strict global regulations. In fact, Lonza’s extensive portfolio of approved actives is a major competitive advantage when traditional biocides such as methylisothiazolinone (MIT)-free are being more strictly regulated due to health and environmental concerns.
To satisfy this increasing global market demand for biocide formulations free of MIT, Lonza recently expanded the Proxel® range of preservatives into the North American market. Proxel Spektra™ Preservative is a dual-active, broad-spectrum preservative that offers effective preservation of industrial products against spoilage caused by bacteria, yeast and mold. This formulation benefits customers as it uses two complementary active ingredients, providing enhanced anti-microbial efficacy and long-term protection.

**Modern Paths to Innovation: Collaboration and Start-up Funding**

To accelerate the development of innovative new products in the consumer health and well-being marketplace in 2018, Lonza launched a venture capital fund to back emerging consumer-health companies in North America. In partnership with Prolog Ventures, the Prolog Lonza Consumer Fund will focus on products, technologies and innovative business models related to fast-moving consumer goods markets, such as personal care, functional foods and beverages, medical food, dietary supplements and home care.

The emphasis is on products that maintain, protect or preserve the health and well-being of people and companion animals around the world through proprietary ingredients, formulations and delivery technologies.

The newly created fund offers value beyond financial support by leveraging Lonza’s global resources and expertise to accelerate the growth of the fund’s portfolio companies – many of which are located on America’s West Coast, which is a locus of disruptive companies in everything from information technology to medicines and consumer health.

« The establishment of a Venture Capital fund demonstrates Lonza’s commitment to innovating along the value chain and to creating additional value for our customers with new technologies and integrated solution. »

Sven Abend, COO of Lonza Specialty Ingredients
Investing in Our People

Our Human Resources (HR) strategy consists of two simple – highly important – goals. First, we aim to support all Lonza colleagues in their personal and professional growth. In addition, we want to attract and retain the best talent globally that fits our corporate culture, values and objectives.

We addressed both of these goals in 2018 by focusing on several initiatives to assure that Lonza remains both an employer of choice and a destination of choice. Lonza’s HR professionals conducted focused interviews with employees and leaders about what they valued most in terms of both their personal career and their work for Lonza. We also conducted benchmark assessments of our key talent competitors and target candidate pools to understand their awareness of Lonza’s reputation and career opportunities. From all of this research, we gained understanding of current talent attractors, including our organizational culture and characteristics.

Recruiting the Right Talent

In 2018 we completed implementation of a new recruitment delivery model throughout the global organization. This model involves state-of-the-art platforms to attract, assess and engage the talents we need to deliver against our growth agenda.

We are also taking steps to redesign our careers’ web portal for prospective employees. The new site, which will be launched in 2019, will reflect the key values and principles of Lonza as an employer. We also are focusing more and more on building proactive relationships with talent in the market in advance of our needs – building talent pipelines that enable organizational readiness. Our motto is Our Future, Today. We have an internal and external Talent Scouting organization that is constantly present in the market.

Supporting a Diverse Global Workforce

At Lonza we recognize the business value and ethical value of having a diverse global workforce. We are proud of the progress we are making in creating a vibrant, healthful balance in our workforce in terms of age, gender, nationality and many other personal factors.

While we are proud that approximately 50% of our business unit leaders are women, we know we have to do more to ensure that women get equal opportunities to excel, grow and lead. At a 2018 meeting with our Board of Directors, we shared new projects and current initiatives within the realm of gender equality. For instance, in order to broaden the diversity of our Swiss workforce, Lonza is an active member of
Lonza’s Workforce

- more than 100 nationalities
- highly engaged according to our Life@Lonza employee survey:
  - 80% response rate
  - 2000+ follow-up actions

Lonza’s Workforce is diverse and balanced across all age groups.

- 31% female
- 30% female Board members
- 50% female business unit heads

Lonza’s Workforce is mainly from Switzerland and the United States, with a balanced representation from all regions:
- EMEA
- North Americas
- APAC
- South Americas
- Central Americas

Lonza’s Workforce has increased in APAC and the Americas due to recent acquisitions.
the Advance Women in Swiss Business network of approximately 100 companies, a group that aims to actively increase the share of women in leading positions in Swiss firms. Reflecting the global breadth of Lonza's businesses, HR leaders and business partners have been creating a best-in-class approach to managing and serving Lonza's growing expatriate population. Among other services and support, we offer a wide range of domestic relocation and global mobility services and technology-enabled practices. This exchange of talents across the globe is one of the keys to Lonza's present and future success.

«Lonza’s focus is on our people – attracting, developing and retaining the talented and engaged individuals who share our commitment to create value for patients, customers and stakeholders.»

Fridtjof Helemann, CHRO of Lonza

Developing Along a Career Path

Employees have the opportunity to develop through site-based, centrally organized learning programs. We introduced several online interactive tools for Lonza employees, including «Pathfinder – Planning Your Career at Lonza,» which provides proactive and personal career planning and development. In addition, targeted leaders, managers and employees have access to an online micro-learning platform. This portfolio of curated videos, worksheets and tools is aligned with Lonza’s core competencies to provide just-in-time learning. The resource also offers structured certificate programs in 18 topic areas. Employees who complete the entire course receive a certificate. Leaders can also use the content to drive change, execute strategy or motivate their teams.
Building Stronger Leaders and High-Performing Teams

Building high-performing teams is at the heart of our culture and people strategy. More than 100 leaders have focused on leading from the «inside out» through the self-managing leadership journeys for key executives and their teams.

We recently piloted an online Self-Managing Leadership program to spread this unique program further into the organization. We coach teams and provide a team diagnostic tool to improve their productivity and positivity. In December 2018 we piloted «Strategic Intuition» to help leaders build competence and master how to design strategies for the future.

In October 2018 about 20 leaders graduated from our third Leadership Acceleration Program in partnership with Duke Corporate Education. This nine-month leadership program builds leadership and business skills. Participants work in small groups to apply their learnings to real Lonza business projects; they develop defensive and offensive strategies for those projects, such as the integration of recently acquired companies and their technologies.

Lonza is now 15,375 employees strong. We are proud to be working together to create the world’s leading, integrated solutions provider to the Healthcare Continuum®. Our corporate HR team, working closely with our HR business partners, will continue in 2019 to position Lonza as a preferred employer and destination of choice for the best and brightest global talent.
Management and Company Structure

Segments

In 2018 Lonza’s activities were organized in the following segments1:

The Pharma & Biotech2 market-focused segment comprised the following offerings:

- Clinical development services and manufacturing in biologics and small-molecule businesses
- Commercial manufacturing in biologics and small-molecule businesses
- Consumables and research tools

The Specialty Ingredients3 consumer-focused segment operated in:

- a Consumer Health division
- a Consumer & Resources Protection division
- a Water Care business unit4

Overview of Lonza’s Segments Including Capsugel

1 As of 1 January 2018, Capsugel operating segment was fully integrated into Lonza’s Pharma & Biotech and Specialty Ingredients segments
2 As of 1 January 2018, the former Capsugel’s pharma capsules business, as well as dosage forms and delivery systems services, were integrated into Pharma & Biotech’s small-molecule businesses
3 As of 1 January 2018, the Specialty Ingredients segment is operating in three distinct units: a Consumer Health division, a Consumer & Resources Protection division and a Water Care business unit. The former consumer health and nutrition business of Capsugel has been integrated within the Consumer Health division of Lonza’s Specialty Ingredients segment. Coatings & Composites and Agro Ingredients are continuing to operate in their current structures under the new umbrella of a Consumer & Resources Protection division. As of 1 November 2018, the Water Care business unit has been classified as discontinuing operations
4 On 1 November 2018, Lonza announced that it had entered into a definitive agreement with Platinum Equity to sell Lonza’s Water Care business

* Capsugel integration in Lonza Segments
Corporate Functions

The Corporate Functions include Human Resources, Finance & Controlling, Tax, Treasury, Corporate Development, Procurement, Quality, Environment, Health and Safety, Corporate Communications, Investor Relations, Legal / Ethics & Compliance/ IP, Engineering and IT.

Global Business Services Organization

Our Global Business Services Organization (GBSO) supports our segments, operational units and corporate functions with transactional services in financial, customer service, HR and IT. The GBSO focuses on standardization and automation of processes to drive productivity and higher quality services.

Service delivery through the GBSO is being centralized in Manchester (UK) to support EMEA markets and in San Jose (CR) for the Americas.

Holding Company and Listed Companies

Lonza Group Ltd, with our registered office in Basel (CH), is the ultimate parent company of the Lonza Group. Except for Lonza Group Ltd, no company belonging to the Lonza Group is listed. Please refer to the Shares and Participation Certificates section for information on the listed shares, the stock exchanges on which Lonza Group Ltd is listed and the market capitalization.

Principal Subsidiaries and Joint Ventures

The principal subsidiaries and joint ventures of the Lonza Group are shown in note 33: Principal Subsidiaries and Joint Ventures in our Consolidated Financial Statements.
Corporate Governance and Remuneration Policy

Operational Group Structure

Board of Directors

Audit and Compliance Committee
Nomination and Compensation Committee
Innovation and Technology Committee

Executive Committee

Segments¹  Pharma & Biotech, Specialty Ingredients
Corporate Functions
Global Business Services Organization

Richard Ridinger  CEO
Rodolfo Savitzky  CFO
Marc Funk  COO LPB
Sven Abend  COO LSI
Fridtjof Helemann  CHRO

¹ As of 1 January 2018, Capsugel was fully integrated into Lonza's Pharma & Biotech and Specialty Ingredients segments

Board of Directors

The Board of Directors (BoD) is Lonza’s supreme governance body, consisting of the Chairperson, the Vice Chairperson and the other members. All Board members are elected by shareholders during the Annual General Meeting. Lonza’s Board defines the strategic direction and is responsible for the ultimate management of Lonza. It monitors the business and financial performance against agreed goals and objectives, ensures that appropriate controls and systems are in place to manage risks and is committed to maintaining the highest standards of integrity and transparency in its governance of Lonza.
Executive Committee

The Executive Committee is responsible for managing Lonza worldwide and for implementing policies and strategies as defined by the Board of Directors. It supports and coordinates the activities of the segments, corporate functions and the Global Business Services Organization. Appointed by the Board of Directors, the Executive Committee performs the duties delegated to it by the Board. Lonza’s Executive Committee consists of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the two Chief Operating Officers (COO) and the Chief Human Resources Officer (CHRO).

Committees

Standing Board Committees in the following areas provide corporate governance guidance and support for the Board of Directors:

Audit and Compliance Committee

Lonza’s Audit and Compliance Committee meets and consults regularly with the Executive Committee, the Lonza Audit Services (Internal Audit) and the independent external auditors to review the scope and results of their work and performance, according to the Audit and Compliance Committee Charter. This committee reviews the systems of internal control and financial reporting, as well as the company’s compliance with laws and regulations.

Nomination and Compensation Committee

The Nomination and Compensation Committee is entrusted with the review and recommendation of compensation policies and programs, as well as the compensation of the members of the Executive Committee and key executives. Furthermore, this committee evaluates potential members of the Board of Directors.

Innovation and Technology Committee

The Innovation and Technology Committee supports innovation and technology by monitoring potential technology breakthroughs, by supporting management in driving innovation projects and by providing and facilitating contacts with academia and research institutions, for example.

More information is available in the 2018 Corporate Governance Report and the 2018 Remuneration Report.
Antonio Trius, BoD
Andreas Bohrer, Company Secretary
Angelica Kohlmann BoD
Jürgen Steinemann, BoD
Werner Bauer, BoD
Christoph Mäder, BoD
Margot Scheltema, BoD
Richard Ridinger, CEO
Albert M. Baehny, Chairperson BoD
Barbara Richmond, BoD
Olivier Verscheure, BoD
Marc Funk, COO LPB
Fridtjof Helemann, CHRO
Sven Abend, COO LSI
Patrick Aebischer, Vice-Chairperson BoD
Rodolfo Savitzky, CFO

Margot Scheltema, BoD
Richard Ridinger, CEO
Albert M. Baehny, Chairperson BoD
Barbara Richmond, BoD
Olivier Verscheure, BoD
Marc Funk, COO LPB
Fridtjof Helemann, CHRO
Sven Abend, COO LSI
Patrick Aebischer, Vice-Chairperson BoD
Rodolfo Savitzky, CFO
Corporate Responsibility Insights

Lonza is committed to sustainable development as a long-term business approach. This approach includes our supply chain, our operations, our products and our business model.

We approach sustainability from three perspectives: environmental, social and economic.

Learn more about our activities and achievements in the last business year in our Sustainability Report 2018.

Discover more about our sustainability insights:

- Sustainability in the Healthcare Continuum®
- Creating Value by Driving Sourcing Under Tightening Conditions
- Excelling in Quality Management to Create Value
- Investing in Our Communities
Sustainability in the Healthcare Continuum®

Commitment to Safety and Sustainability

Lonza is dedicated to providing the highest-quality products and services to our customers while minimizing our impact on the environment, striving for energy and resources efficiency and helping to improve the quality of life.

As part of this commitment, Lonza fosters transparency and reporting in line with the Global Reporting Initiative (GRI) Standards, which represent the industry practice for reporting on economic, environmental and social indicators. The Lonza Sustainability Report 2018 focuses on the topics most relevant to Lonza’s business, as identified in the 2018 materiality assessment.

In 2018, a Sustainability Council was established by Lonza’s Executive Committee. The cross-functional Council is headed by the Lonza Group General Counsel and includes members from Legal, Environment, Health & Safety, Human Resources, Investor Relations and Corporate Communications and it directly interacts with the Executive Committee and the Board of Directors. The ultimate responsibility for all sustainability-related matters lies with the Chairperson of the Board.
Material Topics and Sustainable Development Goals

In 2018 Lonza performed a materiality assessment with the involvement of more than 100 stakeholders to prioritize the themes, initiatives and focus areas that best support sustainable development. A total of 16 topics were identified as the most relevant for Lonza globally, reflecting the sustainability benefits and impacts of Lonza’s operations, products and services along the entire value chain. The topics are depicted in the graphic below, following the report’s structure.

In addition to the materiality topics, Lonza also recognizes the importance and relevance of the UN Sustainable Development Goals (SDGs). The goals contain a broad range of sustainable development themes, including alleviating poverty and hunger, improving health and education, reducing inequalities, promoting responsible consumption, combatting climate change and protecting natural resources. These goals interconnect; and in order to leave no one behind, each goal and target should be achieved by 2030 worldwide.

Lonza is committed to contributing to the realization of these goals. From the 17 SDGs, Lonza has identified 9 that we consider to be most relevant for our industry, operations and sustainability focus areas.
Examples of Lonza’s contributions to the SDGs are our portfolio of agro ingredients to improve crop yields and food quality and to provide nutritional supplements. Lonza’s Pharma & Biotech segment contributes to saving lives, extending lives and enhancing lives. Our company is an equal opportunity employer who empowers our employees and continuously invests in innovation and resource efficiency. We also have established partnerships and sponsoring for research, education and basic healthcare.

To align our reporting with the contribution to the SDGs, we have tied each material topic from the materiality assessment to a relevant SDG. The Sustainability Report 2018 goes deeper into each topic and outlines Lonza’s management approach and performance results.

<table>
<thead>
<tr>
<th>Lonza’s Material Topics</th>
<th>SDG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Range, Quality and Reliability</td>
<td>2, 12</td>
</tr>
<tr>
<td>Economic Performance</td>
<td>8</td>
</tr>
<tr>
<td>Environmental Compliance</td>
<td>12</td>
</tr>
<tr>
<td>Socioeconomic Compliance</td>
<td>12</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>3</td>
</tr>
<tr>
<td>Anti-Corruption</td>
<td>8</td>
</tr>
<tr>
<td>Protection of Human Rights</td>
<td>5, 8</td>
</tr>
<tr>
<td>Occupational Health &amp; Safety</td>
<td>3, 8</td>
</tr>
<tr>
<td>Employee Engagement</td>
<td>5, 8</td>
</tr>
<tr>
<td>Innovation</td>
<td>9</td>
</tr>
<tr>
<td>Waste and Recycling</td>
<td>3, 6, 12</td>
</tr>
<tr>
<td>Greenhouse Gas Management</td>
<td>3, 12, 13</td>
</tr>
<tr>
<td>Non-Discrimination</td>
<td>5, 8</td>
</tr>
<tr>
<td>Customer Health and Safety</td>
<td>3, 12</td>
</tr>
<tr>
<td>Energy Conservation and Efficiency</td>
<td>9, 12, 13</td>
</tr>
<tr>
<td>Talent Management</td>
<td>4, 8</td>
</tr>
</tbody>
</table>
Safety and Sustainability Targets

Lonza’s long-term goal is to improve our sustainability performance and reduce our environmental footprint. From a medium-term perspective, Lonza set specific safety and environmental targets until 2020 based on the reported values for 2015.

<table>
<thead>
<tr>
<th>Safety and Sustainability¹</th>
<th>Unit</th>
<th>Target 2020</th>
<th>2018</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTIFR² (frequency)</td>
<td>LTI/million hrs</td>
<td>0.6</td>
<td>1.29</td>
<td>not achieved</td>
</tr>
<tr>
<td>CO₂-eq (scope 1+2)³</td>
<td>t/million CHF</td>
<td>173</td>
<td>152</td>
<td>achieved</td>
</tr>
<tr>
<td>Air impurities⁴</td>
<td>kg/million CHF</td>
<td>173</td>
<td>130</td>
<td>achieved</td>
</tr>
<tr>
<td>Energy (total)</td>
<td>GJ/million CHF</td>
<td>2,300</td>
<td>2,173</td>
<td>achieved</td>
</tr>
<tr>
<td>Industrial water</td>
<td>m³/million CHF</td>
<td>1,720</td>
<td>1,424</td>
<td>achieved</td>
</tr>
<tr>
<td>Waste (total)</td>
<td>t/million CHF</td>
<td>n.a.</td>
<td>24</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

These goals included a 60% reduction of the 2015 safety indicator lost-time injury frequency rate (LTIFR) and a 10% reduction of environmental and resource rates: direct (scope 1) and indirect (scope 2) greenhouse gas emissions (GHG), as well as other established lead parameters for air emissions and energy and water consumption.

We applied targets based on million CHF sales on the basis of Lonza’s diverse product portfolio, which ranges from manufacturing of chemical bulk products to pharmaceutical ingredients, from medical capsules to food supplements, from gene technology to cell-media production. This diversity could only be integrated with a value-related denominator.

To account for the significant change in composition of our business through the integration of Capsugel and the divestiture of the Water Care business unit, we have reviewed the safety and sustainability targets. We will base the goals for the next decade on the year 2018 for continuing operations. Moreover, we would like to achieve a greenhouse gas reduction of more than 50% compared with our 2010 carbon footprint intensity, in line with the Paris Agreement timeline. Therefore, we have defined the goals for 2019–2030 that are depicted in the following table.

In addition to the global goals, sites will set local targets for material topics for their locations, e.g. emissions, water quantity and parameters. Sites will develop a three-year roadmap to include their action plans around global and local targets.

¹ Includes all active production and R&D sites, as well as headquarters in the referenced years. Rates are expressed as units (per 1 million) per hours worked for safety and as units (per million sales) in CHF for sustainability metrics
² Lost-time injury frequency rate: number of accidents per 1 million hours worked
³ Carbon dioxide equivalent, contains all climate-relevant gases standardized to the warming potential of CO₂
⁴ Air impurities comprise VOC (volatile organic compounds), nitrogen oxides (NOₓ), sulphur dioxide (SO₂) and particulate matter
⁵ Lonza's commitment and measures to prevent and mitigate safety incidents can be found in the Occupational Health and Safety section of the Sustainability Report 2018
⁶ The GHG emissions intensity values for 2015–2017 and the 2020 goal have been restated due to data entry inaccuracies
### A Systematic Approach to Safety and Sustainability

Our approach to safety and sustainability in Lonza is systematic. We have policies in place, including our aspirational Vision Zero, for the reduction of accidents, incidents and emissions. In all our sites, we collect data for accidents and incidents, energy, water and waste and analyze deviations from expected goals. We regularly visit and audit our sites for compliance risks and performance against Lonza standards.

Also we perform risk management analyses from high-level business effects to workplace risks and then find ways to mitigate these potential risks. In this context we see safety and sustainability as opportunities rather than a burden as they allow us to maximize our value creation for society, our customers and our people while reducing environmental footprint at the same time.

Our product ranges respond to several SDGs, e.g. agro products to SDG 2-Zero Hunger, and pharma and consumer health products to SDG 3-Good Health and Well-Being.

At the end of the reporting year, approximately 200 people worked in the core EHS field. EHS operating costs amounted to CHF 64.4 million in 2018, 8.6% up on the previous year. Capital expenditure on EHS was CHF 43 million in 2018.

### Chemicals Registration, Labeling, Packaging

Lonza's product formulation expertise, product-regulatory assurance and global regulatory support provide us distinct competitive advantages in a world of increasing requirements for chemicals registration, labeling and packaging. At Lonza a team of more than 60 regulatory experts in Europe, the Americas and Asia Pacific serve and support Lonza businesses globally ensuring compliance with existing regulatory requirements and to stay abreast of future requirements.

Their expertise is also a great value to customers who incorporate our regulated ingredients in their end-use applications.

---

<table>
<thead>
<tr>
<th>Unit</th>
<th>FY 2018</th>
<th>FY 2018 cont. ops.</th>
<th>Targets 2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTIFR(^1) LTI/million hrs</td>
<td>1.29</td>
<td>1.19</td>
<td>2(^2) new 2019</td>
</tr>
<tr>
<td>CO(_2)-eq (scope 1+2)</td>
<td>152</td>
<td>151</td>
<td>97</td>
</tr>
<tr>
<td>Air impurities(^3) kg/million CHF</td>
<td>130</td>
<td>128</td>
<td>local</td>
</tr>
<tr>
<td>Energy GJ/million CHF</td>
<td>2,173</td>
<td>2,231</td>
<td>1,695</td>
</tr>
<tr>
<td>Industrial Water m(^3)/million CHF</td>
<td>1,424</td>
<td>1,364</td>
<td>local</td>
</tr>
<tr>
<td>Waste(^4) mt/million CHF</td>
<td>24</td>
<td>25</td>
<td>19.0</td>
</tr>
</tbody>
</table>

1. Lost-time injury frequency rate: number of accidents per 1 million hours worked
2. For accidents we will establish a new target combining a pre-accident with an outcome metric
3. Carbon dioxide equivalent, contains all climate-relevant gases standardized to the warming potential of CO\(_2\)
4. Lonza's commitment and measures to prevent and mitigate safety incidents can be found in the Occupational Health and Safety section of the Sustainability Report 2018
One challenging program is the European Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) initiative. In the year 2018, Lonza Specialty Ingredients has successfully registered all substances imported, manufactured and marketed in the European Union under REACH by the deadline in May. REACH is an ongoing effort, and Lonza will continue to comply with the requirements.

Lonza focuses on the health and safety of its employees. Significant improvements were made with respect to the risk-based exposure control of chemicals in the work environment with formation of a corporate function for toxicological assessments of substances. Previously this assessment was done locally in the sites or by consultants. During 2018 nearly 700 substances were re-assessed for their safe handling limits, which puts Lonza in the top of the industry with respect to the efficiency and the results of the process.

Remediation – Responsibility for Our History

Lonza’s largest site in Visp (CH) continues to make progress to address legacy mercury contamination along a former wastewater discharge canal, on surrounding soils and other areas where contaminated sediments were deposited many decades ago. This industrial legacy can be traced back to when Lonza used large amounts of mercury as a catalyst in chemical processes, and the site discharged industrial mercury-contaminated wastewater into the canal in the 1930–1970s before the construction of the wastewater treatment plant.

Since 2013 Lonza has worked closely with the local communities in carrying out and financing all required technical investigations in residential areas and agricultural zones between Visp and Niedergesteln (CH). During 2018 vast advancements were made: by the end of the year 63 parcels of land in Visp and Raron (CH) were remediated. In 2019 the remediation of parcels in the residential area will be pursued and further investigations will be conducted on the agricultural area and the canal area.

Lonza, the Swiss Canton of Valais, the municipalities and other parties involved are working closely to efficiently resolve the mercury-related industrial heritage in the perimeters of concern. Additionally, Lonza maintains a public website (in German) on the remediation activities and progress.
Creating Value by Driving Sourcing Under Tightening Conditions

Drawing on a broad global base, the Procurement team played a vital role in cost-effectively providing to more than 70 manufacturing and research & development sites worldwide the raw materials, services and other support they needed to grow.

Strengthening Competitiveness

Close internal collaboration across all disciplines, as well as new and tailored go-to-market approaches, yielded a strong savings performance for Procurement, which added to Lonza’s competitive position and profitability. Together with stakeholders from the different businesses and functions, Procurement developed solid strategies for spend categories across a diverse range of strategic raw materials and services. The team enhanced data quality, analytics and dashboards to track and communicate progress. This approach allows our different businesses to make their choices in a more timely manner. In tight alignment with our business leadership and value-chain management professionals, Procurement continued our progress on our breakthrough initiative known as DIVER – Drive and Improve Vendor Results. During the last 18 months, this initiative reassessed almost CHF 1 billion of Lonza’s external spend and ensured a highly competitive sourcing process to secure inputs with positive results.

“ Our Procurement team drove business performance by establishing best-in-class processes and procedures that could provide cost benefits for the whole group and be tracked with concrete metrics. »

Rodolfo Savitzky, CFO of Lonza
Ensuring Seamless Supplies

At any particular time, the Procurement team must be ready to respond to everything from unexpected disruptions to rising costs for vital raw materials in order to assure reliable, competitive external supplies. The Procurement team faced various and significant challenges in 2018. Newly established trade barriers started to have an impact on global supply chains. In addition, extremely tightened environmental policies in China created strong knock-on effects on global commodity markets. Demand and supply imbalances resulted in unfavorable price effects on raw materials. However, Lonza responded to such challenges appropriately and effectively; and we managed to step up our level of excellence in Procurement even further during the year. In addition, the team successfully navigated several unexpected force majeure events at some major suppliers. Those events and the geopolitical challenges around us encouraged us to sharpen our risk management and mitigation processes and tools.

Supporting Business Growth

The Procurement team helped facilitate Lonza’s growth in serving the strategic Healthcare Continuum® markets by directing growing demand to the right sourcing market segments, by identifying new supply sources and by scaling-up existing sources. For example, the team stepped-up support in Lonza’s main growth areas in the Pharma & Biotech segment, as well as in the Consumer Health division. In 2019 the Procurement team is set to continue realizing the vision of a One Purchasing Community that features greater coordination with local sites through regional hubs. We plan to capitalize on Lonza’s Global Business Service Centers in Manchester (UK) and San José (CR) as we drive effective business support at all levels while capturing efficiency gains.

Sourcing Responsibly

Suppliers to Lonza must adhere to the requirements defined in Lonza’s Supplier Code of Conduct. This code defines standards of business ethics, as well as labor, health, environmental and safety practices. We routinely conduct visits of suppliers to monitor adherence to this code. These strict ethical requirements are of utmost value when sourcing compliant materials for medicines and therapies, as well as natural and organic ingredients for consumer health and nutrition products. One highlight of 2018 was when Lonza became a full member of the Pharmaceutical Supply Chain Initiative (PSCI). PSCI is an association of pharmaceutical / biotech / medical devices industries. Its aim is to establish and promote responsible practices that will continuously improve ethics, labor, health, safety and environmentally sustainable outcomes, as well as to improve supplier capability for the members’ supply chains.
Excelling in Quality Management to Create Value

We at Lonza recognize that the very nature of our offerings – from life-saving medicines to nutritional supplements, from hospital and home disinfectants to biocides that prevent the growth of harmful mold on painted surfaces – requires that we must reliably provide our customers with products and services that not only satisfy their own demanding expectations, but also meet strict regulatory quality requirements. That’s why our advanced manufacturing, operational excellence, quality-control and quality-assurance systems are some of Lonza’s core competitive advantages. Lonza’s quality management priorities are the following:

- Delivering high-quality, safe and effective products and services that meet or exceed customer expectations
- Complying with current regulatory requirements and applicable standards
- Continuously improving our quality management system, products and services

To achieve these goals, Lonza operates a quality management system that complies with internal policies, as well as with national and international standards (e.g. ISO) and regulations – e.g. current good manufacturing practices (cGMP), Pharmaceutical Inspection Convention (PIC) and Hazard Analysis Critical Control Point (HACCP). The fundamental elements of the quality management system are continuously undergoing improvement.

Implementing a Global Quality Organization

In 2018 Lonza implemented a new global Quality organization covering all aspects of quality control and quality assurance. Having such a centralized Quality organization is fundamental to assuring a consistent approach to quality for the entire company. In a next step, we are also enhancing our quality management system in a way that core processes are standardized at the Corporate level and are applicable for all sites and businesses. This process started in 2018 and will continue in the coming years.

In parallel to the standardization of processes, we are further optimizing our training approach through harmonization of training curricula throughout the entire company, as well as through the systematic implementation of tailored qualification modules. Newly hired employees will get structured trainings focused on the specific tasks they have to perform at a certain point of time. Through a modular, stepwise approach, new hires are operational much more quickly while ensuring they are at all times properly qualified for all tasks they are asked to
perform. Flawless execution and strong customer focus remain high priorities for Lonza. We strive to perfectly understand the expectations of our customers and act accordingly.

Launched in 2014 Lonza's Error Prevention System and other operational excellence initiatives have helped us reduce the number of deviations while production output increased. These continuous improvement efforts, which extensively engage shop-floor employees in the quest for superior quality, also have had a positive impact on the batch success rate.

**Being Constantly Audited by Regulators and Customers**

In 2018 Lonza Pharma & Biotech sites underwent 37 regulatory cGMP inspections, which represents the highest number ever in Lonza’s history (2017: 26 inspections). In parallel, the number of customer audits is also increasing in line with the increasing number of commercial and developmental products in Lonza’s Pharma and Biotech business. Lonza strives for continuous improvements.

For example, we implemented corrective measures after the U.S. Food and Drug Administration (FDA) issued a warning letter in April 2017 regarding quality issues involving the production of certain biotherapeutic liquid media products at one area of our Bioscience Solutions site in Walkersville, MD (USA). The FDA completed a follow-up inspection of the site in July 2018 to verify that needed remedial steps were undertaken at that production unit, which resumed delivering products to customers in January 2018.

To be well prepared for future audits and inspections, Lonza is carefully monitoring the quality and regulatory trends in the industry in an ongoing manner and triggering proactive initiatives if needed. Lonza’s internal quality audit program verifies that any such actions are consistently implemented at the relevant sites. Those internal audits are also a great opportunity to identify and share best practices throughout the network, including the newly acquired sites.

Thanks to our proactive quality initiatives, Lonza is sustaining a reputation as a high-quality, reliable supplier throughout the Healthcare Continuum®.
Investing in Our Communities

Caring About Communities Around the Globe

By cultivating relationships and contributing our knowledge, expertise, logistics and financial support, Lonza is creating sustainable value for our communities around the world. With our commitment to ethical, social and environmental responsibility and sustainability, Lonza supports events, projects and programs directly linked to Lonza's employees and sites. Our sponsoring activities focus on the following priority giving areas:

- Social
  - Humanitarian
  - Education and Science
  - Health and Sports
  - Arts and Culture
- Environmental

The Global Megatrends and the Environment, Health and Safety (EHS) sections of this Annual Report give further details about Lonza's efforts toward a responsible use of natural resources and our ambitions to reduce our footprint.

Our Sponsoring Approach: Linked to Our Businesses

In the communities where we operate, Lonza is committed to having a positive impact. We are neighbors, a vital source of jobs, a charitable sponsor of local civic and cultural projects and often a significant contributor to local economies. While our financial donations are important, our employees also play a critical role by volunteering in programs and projects in our priority areas.

We want to be a reliable, long-term and active partner and to engage at the earliest possible stage of any community project we sponsor. Accordingly, we focus our resources on a limited number of selected projects where our engagement can make a distinctive difference and which are linked to our businesses.
Social

Humanitarian

Improving Sanitation in Uganda

Uganda, as one of the poorest countries in the world, is in dire need of sanitary improvements. Many people in rural areas and even in the outskirts of major cities rely on pit latrines or outhouses as their bathrooms. If untreated, pit latrines can become a breeding ground for mosquitoes, germs and viruses, which contaminate the environment and spread diseases.

To address this vital issue, Lonza is teaming up with the non-governmental organization Clean Habitat Uganda to provide Water Care’s HTH Scientific® sanitizer tablets for use in treating pit latrines. Clean Habitat Uganda distributes our sanitizing tablets to communities serving 5,000 homes. Since the kick-off in 2015, the project has evolved and expanded its reach into more local communities.

Education and Science

Committing to Support School for Underprivileged Children in India

Education is the backbone of every society in the world, but a quality education is still a dream for many. In India, for example, only a few students receive a quality education with good teachers and teaching aids.

In 2015 Lonza India decided to focus our local corporate social responsibility (CSR) efforts to establish a direct, close and continuing interaction with the Marathi Medium School Vidya Vikas Mandal for underprivileged children in Mumbai (IN). The school, established in 1957, is currently home to around 600 students and facilitates education from primary school to secondary school. As part of our CSR, Lonza India has supported the school by constructing and renovating school buildings and by setting up e-learning facilities, a computer lab and a science lab.

In June 2018 Lonza Group General Counsel Andreas Bohrer visited the school to meet the students and to see how the project had developed with our aid since 2015. Our support has made a positive change in students’ lives and has encouraged management to work toward their mission of improving education for these deprived students.

Partnering with Swiss Youth in Science

Another continuing project in 2018 was Lonza’s partnership with Swiss Youth in Science, which began in July 2014. Founded in 1967 the foundation Schweizer Jugend forscht (Swiss Youth in Science) supports inquisitive and motivated children and young people with the aim of awakening joy and fascination for scientific work.

With the foundation’s series of courses, children and young people become more interested in subjects such as mathematics, computer science, natural sciences and technology; and they learn about options for their future studies or professional careers. Through this intense engagement, Lonza contributes to the promotion of science and helps in the development of the next generation of scientific professionals.

Sponsoring a Swiss Think Tank

As a corporate citizen interested in the future development of society and its interdependencies with politics and economics, Lonza has been a partner of Avenir Suisse, an independent think tank for economic and social issues, for many years. In 2018 Lonza continued to support Avenir Suisse, which aims to demonstrate a need for political action and to help solve problems by means of initiatives and proposals.

To this end Avenir Suisse performs analyses based on scientific principles, organizes conferences and participates in public debates. Founded in 1999 it is supported by more than 100 companies and private individuals from all economic branches and regions of Switzerland.

Health and Sports

Continuing the Successful «Lonza Makes You Fit» Program

In cooperation with the organizers of the Gornergrat Zermatt Marathon, the project «Lonza Makes You Fit» was initiated in Visp (CH) and Basel (CH) in 2016. The goal of the program was to make Lonza employees fit for the Gornergrat Zermatt Half-Marathon. Lonza developed a comprehensive health program and successfully prepared participants to complete the most beautiful mountain race in the world.

Then in 2017, in addition to the Gornergrat Zermatt Marathon, the project in Visp was extended to cycling and the «Energy for Every Day» concept,
supporting a healthy work-life balance. For almost three years now, the number of people taking part in one or more programs has been around 500 employees, which is about 20% of the workforce at Lonza Visp, and the trend is upward.

For 2019 more than 200 employees from Basel (CH) and Visp (CH) have registered just for the running project. As in previous years, most of them will run the half-marathon course; and some experienced runners will dare to take part in the marathon, the relay or the «ultra».

Organizing an Annual Charity Golf Event
The Lonza Harvest Open is an annual charity golf tournament organized by volunteers from the Lonza site in Portsmouth, NH (USA). A fun event for organizers and attendees, it raises awareness and funding for specialized projects for local non-profit organizations in the Seacoast region of Maine, Massachusetts and New Hampshire. During the last 17 years, Lonza has raised more than $1.7 million for 36 New Hampshire charities.

Cycling for Children
Cycling for Children is a unique public cycling event organized in Switzerland in collaboration with Crans-Montana Tourism & Congress. The aim is to show commitment through sporting performance and creative fundraising to help children in need. In 2018 Lonza signed up as part of the «Lonza Makes You Fit Program», and employees from Visp and Basel participated in the fundraising event.

Giving Back by Going Pink in Singapore
The Pink Ribbon Walk & Run is Singapore's largest signature event dedicated to raising awareness and showing support for those affected by breast cancer. In 2018 Lonza Singapore participated for the first time and ran a donation campaign during the month of October, which is known worldwide as breast cancer awareness month. The site collected a total of SGD 10,000 (CHF 7,000) donations for this cause.

Completing the Virgin Pulse 100-Day Global Challenge in the UK
During the summer more than 300 colleagues at Lonza Slough and Cambridge (UK) took part in a virtual «Walk around the World» with 35,000 other teams as part of the Virgin Pulse Global Challenge. Our 43 teams of 7 took part in exercise activities, as well as improved healthy habits regarding nutrition, mental wellbeing and sleep – all during a virtual travel tour covering destinations such as Peru or Norway. They then earned points and «trophies» along the way. Lonza Slough and Cambridge employees walked more
than 410 million steps, which equates to a distance of 263,331 km. Among the Lonza participants, the number of employees who now meet the recommendation of 10,000 steps per day is 81% vs. 18% pre-Global Challenge.

Sponsoring the Lonza Arena in Visp
Lonza will be contributing CHF 3 million to the new ice and sports center in Visp (CH), which will officially be named the Lonza Arena for the next 20 years. The new sports center will be the home of the EHC Visp (a Swiss professional ice-hockey team) and have a capacity of 5,000 spectators.

Arts and Culture
Bringing Classical Music Closer to Kids and Teens
In September 2015 Lonza initiated a new sponsoring partnership with the Basel Chamber Orchestra to support the group’s project «Classroom Piece». The project was produced in cooperation with a theater pedagogue and four musicians from the orchestra with the goal of giving children and teens the necessary impetus to develop their musical personality, independent of social and cultural backgrounds. Lonza is proud to be continuing actively to support the development of this novel project with the goal of bringing classical music closer to the community.

Environmental
Building Opportunities for Action
Our employees in Porriño (ES) contribute time to demonstrate our concern for corporate social responsibility in many ways. One successful project in place is run by the site’s donations team. Employees from different departments donated reusable and recyclable goods such as crystal bottles or test tubes; equipment like weighting scales or PH-meters; reagents and gels; or used office material that is perfectly usable for educational purposes.

Receiving Wildlife and Industry Together (W.A.I.T.) Certification
Lonza Greenwood, SC (USA) has been certified by the South Carolina Wildlife Federation (SCWF) for the W.A.I.T. program. The SCWF advocates for the preservation and recreation of wildlife habitats across South Carolina. The W.A.I.T. program is designed to encourage corporate landowners to integrate wildlife habitat needs into corporate land management decisions. The outcome is enhanced environmental awareness, a positive environmental impact, and a pleasing work environment for colleagues.

As part of the program, Lonza Greenwood has dedicated a corner plot by the east gate to the creation of a Carolina Fence Garden. This garden serves as a habitat for the Carolina Wren and the South Carolina official state butterfly, the Eastern Tiger Swallowtail. It also integrates several cultural symbols of South Carolina such as the Yellow Jessamine, the state flower; South Carolina Blue Granite; and a split rail fence, which is representative of what South Carolina farmers typically used between the 1800s and early 1900s.

In addition, Lonza Greenwood established a partnership with the Horticulture Team at Piedmont Technical College to promote community involvement and to incorporate the garden into horticulture curriculum for plant identification.

For an overview of our environmental initiatives, please see the Sustainability Report.
Investor Information

Shares of Lonza Group Ltd are listed on the SIX Swiss Exchange and were included in the Swiss Market Index (SMI) in 2018. Lonza also maintains a secondary listing on the SGX Singapore Exchange. The nominal value of the Lonza Group Ltd share is CHF 1. Lonza's share price closed at the end of 2018 at CHF 254.7, which represents a decrease of 2.3% in 2018.

The free float in Lonza Group Ltd registered shares reached 99.7% at year-end, and the average daily trade volume was 335,189 shares in 2018.

Listing and Security Information

Stock Exchange Listing / Trading: SIX Swiss Exchange
SGX Singapore Exchange

Common Stock Symbols:
Bloomberg LONN SW
Reuters LONN.S
SIX Financial Information
LONN SGX O6Z

Security Number:
Valor 001384101
ISIN CH0013841017

Upcoming Financial Events

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 April 2019, 5:00 pm CEST</td>
<td>Closing of the Share Register</td>
</tr>
<tr>
<td>18 April 2019, 10:00 am CEST</td>
<td>Annual General Meeting for the Financial Year 2018</td>
</tr>
<tr>
<td></td>
<td>Congress Center Basel, Switzerland</td>
</tr>
<tr>
<td>18 April 2019</td>
<td>Q1 2019 Qualitative Business Update</td>
</tr>
<tr>
<td>24 April 2019</td>
<td>Ex-Dividend Date</td>
</tr>
<tr>
<td>25 April 2019</td>
<td>Record-Dividend Date</td>
</tr>
<tr>
<td>26 April 2019</td>
<td>Dividend-Payment Date</td>
</tr>
<tr>
<td>24 July 2019</td>
<td>Half-Year Results 2019</td>
</tr>
<tr>
<td>28 April 2020, 10:00 am CEST</td>
<td>Annual General Meeting for the Financial Year 2019</td>
</tr>
<tr>
<td></td>
<td>Congress Center Basel, Switzerland</td>
</tr>
</tbody>
</table>
Shareholdings

According to disclosure notifications filed with Lonza, the following shareholders held more than 3% of Lonza’s share capital as of 31 December 2018:

Principal Shareholders
• BlackRock, Inc., New York, NY (USA): 9.67%
• Artisan Partners: 3.02%

Lonza knows of no other shareholder(s) that owned more than 3% of our share capital as of 31 December 2018. To the best of Lonza’s knowledge, the above-mentioned shareholders are not linked by any shareholders’ agreement or similar arrangement with respect to their shareholdings in Lonza or the exercise of shareholders’ rights. For a full review of the individual disclosure notifications made during 2018, please refer to the SIX Swiss Exchange disclosure platform. More information is available on Lonza’s Investor Relations webpage.

Lonza Share Price Development 2018

[Graph showing share price development from January to December 2018 with key events labeled A to H and corresponding dates and share prices.]

<table>
<thead>
<tr>
<th>Event Description</th>
<th>Date</th>
<th>Share Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Full-Year 2017 Results</td>
<td>31 January</td>
<td>339.1</td>
</tr>
<tr>
<td>B Lonza Annual General Meeting</td>
<td>4 May</td>
<td>217.5</td>
</tr>
<tr>
<td>C Q1 Qualitative Business Update</td>
<td>4 May</td>
<td>217.5</td>
</tr>
<tr>
<td>D Dividend Payment</td>
<td>11 May</td>
<td>254.7</td>
</tr>
<tr>
<td>E Half-Year 2018 Results</td>
<td>25 July</td>
<td></td>
</tr>
<tr>
<td>F Announcement of Ibex™ Solutions Investment</td>
<td>20 September</td>
<td></td>
</tr>
<tr>
<td>G Capital Markets Day</td>
<td>25 September</td>
<td></td>
</tr>
<tr>
<td>H Q3 Qualitative Business Update</td>
<td>25 October</td>
<td></td>
</tr>
<tr>
<td>I Announcement of Water Care Divestment</td>
<td>1 November</td>
<td></td>
</tr>
</tbody>
</table>
Lonza Share Price Development vs. Swiss Market Index (SMI), MSCI Chemicals Index and MSCI Healthcare Index rebased
## Dividend Payment History

in CHF / share

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1.75</td>
</tr>
<tr>
<td>2009</td>
<td>2.15</td>
</tr>
<tr>
<td>2010</td>
<td>2.50</td>
</tr>
<tr>
<td>2011</td>
<td>2.50</td>
</tr>
<tr>
<td>2012</td>
<td>2.50</td>
</tr>
<tr>
<td>2013</td>
<td>2.50</td>
</tr>
<tr>
<td>2014</td>
<td>2.50</td>
</tr>
<tr>
<td>2015</td>
<td>2.50</td>
</tr>
<tr>
<td>2016</td>
<td>2.50</td>
</tr>
<tr>
<td>2017</td>
<td>2.75</td>
</tr>
<tr>
<td>2018</td>
<td>2.75</td>
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</tbody>
</table>

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.
### Ten-Year Overview of Major Highlights

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2,690</td>
<td>2,680</td>
<td>2,692</td>
<td>3,741</td>
<td>3,584</td>
<td>3,640</td>
<td>3,803</td>
<td>4,132</td>
<td>4,548</td>
<td>5,542</td>
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<tr>
<td>CORE EBITDA</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>657</td>
<td>711</td>
<td>743</td>
<td>793</td>
<td>918</td>
<td>1,196</td>
<td>1,511</td>
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<tr>
<td>Margin in %</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>17.6</td>
<td>19.8</td>
<td>20.4</td>
<td>20.9</td>
<td>22.2</td>
<td>26.5</td>
<td>27.3</td>
</tr>
<tr>
<td>EBITDA</td>
<td>601</td>
<td>643</td>
<td>537</td>
<td>620</td>
<td>647</td>
<td>737</td>
<td>780</td>
<td>848</td>
<td>1,084</td>
<td>1,429</td>
</tr>
<tr>
<td>Margin in %</td>
<td>22.3</td>
<td>24.0</td>
<td>19.9</td>
<td>16.6</td>
<td>18.1</td>
<td>20.2</td>
<td>20.5</td>
<td>20.5</td>
<td>23.8</td>
<td>25.8</td>
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<td>Result from operating activities (CORE EBIT)</td>
<td>397</td>
<td>387</td>
<td>326</td>
<td>392</td>
<td>436</td>
<td>475</td>
<td>524</td>
<td>651</td>
<td>904</td>
<td>1,165</td>
</tr>
<tr>
<td>Margin in %</td>
<td>14.8</td>
<td>14.4</td>
<td>12.1</td>
<td>10.5</td>
<td>12.2</td>
<td>13.0</td>
<td>13.8</td>
<td>15.8</td>
<td>20.1</td>
<td>21.0</td>
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<tr>
<td>Result from operating activities (EBIT)</td>
<td>239</td>
<td>374</td>
<td>261</td>
<td>316</td>
<td>253</td>
<td>423</td>
<td>428</td>
<td>486</td>
<td>673</td>
<td>842</td>
</tr>
<tr>
<td>Margin in %</td>
<td>8.9</td>
<td>14.0</td>
<td>9.7</td>
<td>8.4</td>
<td>7.1</td>
<td>11.6</td>
<td>11.3</td>
<td>11.8</td>
<td>14.8</td>
<td>15.2</td>
</tr>
<tr>
<td>CORE RONOA in %</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>11.0</td>
<td>12.3</td>
<td>14.3</td>
<td>16.4</td>
<td>21.5</td>
<td>30.0</td>
<td>31.4</td>
</tr>
<tr>
<td>RONOA in %</td>
<td>6.7</td>
<td>10.8</td>
<td>6.9</td>
<td>7.0</td>
<td>5.9</td>
<td>10.3</td>
<td>10.8</td>
<td>12.7</td>
<td>9.8</td>
<td>12.1</td>
</tr>
<tr>
<td>ROIC3</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>8.4</td>
<td>8.0</td>
<td></td>
</tr>
<tr>
<td>CORE EPS (diluted) in CHF</td>
<td>5.83</td>
<td>5.81</td>
<td>4.34</td>
<td>4.48</td>
<td>4.97</td>
<td>6.76</td>
<td>6.76</td>
<td>8.38</td>
<td>10.78</td>
<td>11.98</td>
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<tr>
<td>EPS (diluted) in CHF</td>
<td>3.17</td>
<td>5.53</td>
<td>2.97</td>
<td>3.00</td>
<td>1.67</td>
<td>4.54</td>
<td>5.26</td>
<td>5.69</td>
<td>9.70</td>
<td>8.77</td>
</tr>
<tr>
<td>Operating free cash flow</td>
<td>51</td>
<td>362</td>
<td>127</td>
<td>465</td>
<td>519</td>
<td>476</td>
<td>693</td>
<td>638</td>
<td>658</td>
<td>884</td>
</tr>
<tr>
<td>Net debt</td>
<td>1,166</td>
<td>1,108</td>
<td>2,647</td>
<td>2,301</td>
<td>2,103</td>
<td>2,011</td>
<td>1,660</td>
<td>1,584</td>
<td>3,762</td>
<td>3,534</td>
</tr>
<tr>
<td>Net debt / CORE EBITDA</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>3.50</td>
<td>2.96</td>
<td>2.70</td>
<td>2.09</td>
<td>1.73</td>
<td>2.70</td>
<td>2.28</td>
</tr>
<tr>
<td>Headcount</td>
<td>8,386</td>
<td>8,280</td>
<td>11,001</td>
<td>10,789</td>
<td>9,935</td>
<td>9,809</td>
<td>9,829</td>
<td>10,130</td>
<td>14,618</td>
<td>15,375</td>
</tr>
</tbody>
</table>

1 Restated to reflect adoption of IFRS 15 and classification of Water Care business as discontinued operations, except for «Operating free cash flow,» «Net debt,» «Net debt / CORE EBITDA» and Headcount

2 Lonza continuing operations, excluding Water Care business classified as discontinued operations, except for «Operating free cash flow,» «Net debt,» «Net debt / CORE EBITDA» and Headcount

3 Introduced in 2018, comparable data for 2017 was provided
Significant News Releases

The most significant news releases during the course of 2018 were the following:

31 January 2018  Lonza Reports Record-Breaking Full-Year Results with Double-Digit Lonza Standalone Sales Growth and More than 26% CORE EBIT Growth in a Major Transformational Year

7 February 2018  Lonza Partners with Prolog Ventures to Establish VC Fund to Invest in Consumer Health and Wellness Startups

14 February 2018  Lonza to Establish Cell- and Gene-Therapy Centers of Excellence to Accelerate Growth

20 February 2018  Lonza Expands Encapsulation and HPAPI Capabilities in North America

27 February 2018  Lonza Group Inaugurates New Research Development Center for South America in Salto, Brazil

22 March 2018  Lonza Publishes Invitation to the 2018 Annual General Meeting and Annual Report 2017

10 April 2018  Lonza Opens World’s Largest Dedicated Cell-and-Gene-Therapy Manufacturing Facility in Pearland, Greater Houston, TX (USA)

2 May 2018  Lonza Consumer Health and Nutrition Invests in Greenwood, SC (USA) Facility to Expand Specialty Ingredients Production

4 May 2018  Lonza Reports Positive Start to 2018 with Businesses Along the Healthcare Continuum® as Growth Drivers

4 May 2018  Lonza to Invest in Portsmouth, NH (USA) Site, Including Mid-Scale Biologics

4 May 2018  Lonza Announces Results of the 2018 Annual General Meeting – All Motions Proposed by Board of Directors Accepted

19 June 2018  Lonza’s Capsule Delivery Solutions Launches Capsugel® Vcaps® Gen C, a New Specialty Polymer Capsule

25 July 2018  Lonza Reports Strong Momentum with Organic Growth of 8% Sales and 11% CORE EBITDA in H1 2018

31 August 2018  Lonza’s Capsule Delivery Solutions Launches Capsugel® Colorista™

12 September 2018  Lonza Breaks Ground on Expanded Manufacturing Facility in Greenwood, SC (USA)

14 September 2018  Lonza Launches Early-Intermediates Supply Initiative for Small-Molecule APIs

20 September 2018  Lonza Expands Ibex™ Solutions to Offer Complete Product Lifecycle Management in One Location

25 September 2018  Lonza’s Capital Markets Day 2018 Outlines Sustainable Growth Plans Through Focus and Investment

4 October 2018  Clovis Oncology and Lonza Celebrate Grand Opening of New Monoprant for Rubraca® (rucaparib)

8 October 2018  Lonza Expands HPAPI Development and Manufacturing Capacity for ADC Payloads

25 October 2018  Lonza Continues Strong Momentum in Businesses Along the Healthcare Continuum® in Q3 2018 and Confirms Positive Outlook for the Full Year
29 October 2018  Lonza Acquires a Controlling Stake in Octane Biotech to Further Develop Cocoon™ Autologous Technology

1 November 2018  Lonza Further Strengthens Focus on Its Healthcare Continuum Strategy by Signing Agreement to Divest Water Care Business to Platinum Equity

5 November 2018  Lonza Releases First 2,000 L Single-Use Bioreactor (SUB) Batch from Singapore for TRACON Pharmaceuticals

15 November 2018  Lonza and Sartorius Stedim Biotech Modify Relationship for Supply of Cell Culture Media

19 November 2018  Lonza Opens Collaborative Innovation Center in Haifa, Israel

10 December 2018  Lonza to Establish Strategic Biomanufacturing Base in China Using GE Healthcare Solution

Lonza 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 MidTerm 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.

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