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This Remuneration Report provides a comprehensive overview of Lonza’s compensation philosophy, principles and components. The report presents, in accordance with the applicable SIX Swiss Exchange regulations and reporting standards, the structure, governance and details of Board of Directors and Executive Committee members’ compensation.
Compensation and Performance Overview 2018

Lonza's compensation philosophy is designed to attract and retain talent through competitive compensation programs. Lonza's compensation programs are performance-based, linking employee rewards with company and individual performance. Executive compensation is aligned with the short-term and long-term objectives of Lonza; results are measured based on achievement of specific goals that are aligned with the short-term and long-term objectives. Our performance goals are selected to achieve a balance between desired short-term and long-term outcomes. In this way, we encourage strategic decisions for competitive advantage and discourage executives from taking unnecessary or excessive risks that would threaten the reputation or sustainability of the Company. The financial impact of the Capsugel integration was excluded from the CORE results which are relevant for the short-term incentive plan (STIP) payout and long-term incentive plan (LTIP) vesting.

During 2018 Lonza actively engaged with shareholders to address matters raised at last year’s Annual General Meeting (AGM) and to present and discuss the planned changes to Executive Committee compensation which were approved by the shareholders at the 2018 AGM. These changes were required to reflect the transformative changes in the Company and resulting changes to the level of responsibility and complexity of the roles of the Executive Committee as a result of a number of acquisitions, most notably Capsugel in 2017; including significant organic growth and the global presence of operations, as well as sustained performance delivery. A further consideration was to ensure market competitiveness with the Mid-Term Guidance outlining the development of a CHF 7.5-billion global revenue organization by 2022.

In addition to the changes in compensation, the Board of Directors also confirmed three key additions to the terms of compensation for the Executive Committee and CEO: 1) that base salaries would be frozen at 2018 levels for three years, except in the case of a promotion or substantive business expansion; 2) expanding the clawback provisions to be in line with emerging best practices aimed at covering all aspects of compensation in instances of misconduct, material misstatement of performance and error in calculation of performance; and 3) increase the minimum shareholding requirements for the CEO and EC members. In response to shareholder feedback, the Board of Directors also reviewed Lonza's disclosure practice regarding the performance targets of the LTIP. Investors broadly confirmed the relevance of ROIC and CORE EPS as performance criteria. In contrast to other potential, but less relevant, criteria for the LTIP, such as total shareholder return (TSR), the strategic nature of both criteria does not allow a prospective disclosure of exact
targets. However, the Board of Directors understands the importance of providing reassurance to investors that these targets are challenging and therefore decided to provide enhanced transparency in regard to LTIP targets in advance, commit to targets exceeding market guidance, as well as to a comprehensive and exact disclosure of targets and target achievement on a retrospective basis (see section 4.6). Lonza remains committed to actively engaging with all stakeholders to ensure our compensation approach rewards sustained strong performance, ensures market competitiveness and aligns with the shareholder interests.

For 2018 Lonza’s overall financial performance vs. STIP targets was as follows:

| 2018 STIP Payout\*: Financial Targets\*
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018 Actual performance</td>
<td>Target weighting in %</td>
<td>Achieved in %</td>
</tr>
<tr>
<td>CORE EBITDA</td>
<td>1,547.4</td>
<td>50.0</td>
<td>148.8</td>
</tr>
<tr>
<td>Sales (at target FX rates)</td>
<td>5,805.7</td>
<td>15.0</td>
<td>172.2</td>
</tr>
<tr>
<td>Operational cash flow</td>
<td>844.9</td>
<td>15.0</td>
<td>81.9</td>
</tr>
</tbody>
</table>

Lonza’s overall financial performance in 2018 vs. LTIP targets for 2016 was determined by the Nomination and Compensation Committee (NCC) to approximate the financial performance required to meet Lonza’s challenging strategic goals and support Lonza’s three-year plan. The 2016 LTIP performance was as follows (plan vested on 31 January 2019):

| 2016 LTIP Financial Performance\*
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CORE EPS (earnings per share)</td>
<td>CHF 11.97</td>
</tr>
<tr>
<td>CORE RONOA (return on net operating assets)</td>
<td>28.01%</td>
</tr>
</tbody>
</table>

---

1. See section 4.3 – Performance-Related vs. Fixed Compensation
2. Financial targets account for 80% of the total STIP weighting; individual performance accounts for the remaining 20% weight. For Executive Committee members only financial targets apply, the overall target achievement in 2018 was 140.1% (2017: 200%)
3. Three-year cycle completed 31 December 2018. See section 4.6 – Long-Term Incentive (LTIP) for more details
1 Compensation-Setting Process

1.1 Rules in the Articles of Association

Lonza’s Articles of Association contain rules regarding the approval of compensation by the Shareholders’ Meeting (Article 22), the supplementary amount in the event of changes in the Executive Committee (Article 23), compensation of the members of the Board of Directors and the Executive Committee, including the principles applicable to performance-related compensation (Article 24), the agreements with members of the Board of Directors and the Executive Committee (Article 25) and loans to members of the Board of Directors and the Executive Committee (Article 27).

1.2 Responsibilities of Company Bodies

Board of Directors

As outlined in the Organizational Regulations (Article 2.8), the Board of Directors takes decisions on the following matters:

1. The determination of the compensation for the members of the Board of Directors in accordance with the Articles of Association, subject to approval of the compensation of the Board by the Shareholders’ Meeting pursuant to the Articles of Association;
2. The proposals to the Shareholders’ Meeting regarding approval of the compensation of the Board of Directors and the Executive Committee; and

Nomination and Compensation Committee

The Nomination and Compensation Committee (NCC) has the following roles and responsibilities as outlined in the Nomination and Compensation Committee Charter:

1. To recommend and review compensation policies and plans for approval by the full Board of Directors;
2. To review periodically and make recommendations to the Board of Directors regarding any variable incentive and the extent to which the plans meet their objectives;
3. To advise the Board of Directors on the compensation of its members;
4. To review and approve the objectives relevant to the CEO's compensation, to evaluate the performance on a regular basis and to determine the CEO's compensation based on performance, subject to approval of the compensation of the Executive Committee by the Shareholders’ Meeting pursuant to the Articles of Association;
5. To review and approve the compensation proposals for members of the Executive Committee subject to approval by the Shareholders’ Meeting pursuant to the Articles of Association;
6. To recommend to the Board of Directors proposals to be submitted to the Annual Shareholders’ Meeting for approval regarding total amounts of compensation of the Board and the Executive Committee pursuant to the Articles of Association;
7. To support the Board of Directors in preparing the Remuneration Report;
8. To inform the Board of Directors about compensation policies and programs as well as benchmark compensation of key peer companies; and
9. To inform the Board of Directors about the terms of employment for the members of the Executive Committee.

The NCC continuously reviews the aspects of executive compensation and compliance with good governance standards. As a result of the continuous growth, transformation of the Company and inclusion in the Swiss Market Index (SMI) in 2017, Lonza reviewed its approach to executive compensation in order to remain competitive to retain talent but at the same time apply governance best-practice positioning. Within this review and analysis, feedback from shareholders, members of the investment community, policy recommendations provided by institutional shareholder advisory organizations and the Swiss Ordinance Against Excessive Compensation for Stock-Exchange-Listed Companies were considered.

The Chief Human Resources Officer and the relevant HR specialists prepare the NCC meeting materials and provide the related materials for such meetings. These individuals have an advisory function without voting rights.

**Shareholders’ Meeting**

The Shareholders’ Meeting approves annually the compensation of the Board of Directors and the Executive Committee in accordance with Article 22 of Lonza’s Articles of Association.
1.3 Nomination and Compensation Committee and Board of Directors Meetings

The 2018 meetings of the NCC and the Board of Directors relating to compensation took place in January, March, April, July, October and December. An additional meeting dealing with 2018 company performance and overall target achievement related to compensation matters was held in January 2019.

At these meetings the NCC and/or the Board of Directors finalized: plan provisions, grants, financial targets and target achievements for the STIP and L TIP plans; progress report outlining interim ownership guidelines achievement for the Executive Committee; recommendations relating to compensation motions to be submitted to the Annual General Meeting; reviewing senior and executive management succession planning and talent development.

At the AGM in May 2018, Christoph Mäder replaced Jean-Daniel Gerber as the Chairperson of the NCC. Besides Christoph Mäder and Jürgen Steinemann, Angelica Kohlmann was elected as a member of the NCC. The NCC held six meetings in 2018. Attendance at the NCC meetings was 89%. For additional details see Corporate Governance Report.

The Chairperson of the NCC informs the Board of Directors on a regular basis about its activities and decisions. The discussions and decisions of the Board of Directors and the NCC regarding compensation of the members of the Executive Committee are resolved in the absence of the affected members of the Executive Committee. All members of the Board of Directors are independent non-executive members.

1.4 External Advisers and Benchmarks

Lonza reviews the competitive environment and compensation for all employees, including the Board of Directors and Executive Committee, through regular competitive benchmarking. For the Board of Directors and Executive Committee a comprehensive review was conducted in 2017. In view of the changes approved by the AGM in 2017 and associated commitments relating to a freeze of the compensation levels, no detailed benchmarking was conducted in 2018. Lonza continues to engage with New Bridge Street (NBS) as needed.

The peer companies used for compensation and benefits reviews of the Board of Directors and the Executive Committee are described in greater detail in Section 3.1 and Section 4.1.

1 NBS is part of AON's Performance, Reward and Talent Group. AON has further consulting arrangements with Lonza Human Resources.
2 Compensation Components

The compensation of Lonza employees includes the following components (total compensation):

Base Pay

The base pay of Lonza employees is established by assessing the scope of the job within the context of the relevant market, as well as individual performance. The base pay should be in general comparable with the median of similar positions in the pharmaceutical, chemical and general industries. Potential increases in base pay are evaluated on a regular basis and are typically based on relevant market economic developments, benchmarks and the employee's performance.

Variable Compensation

The variable compensation is designed to provide employees with the opportunity to participate in the company's overall success and earn a competitive level of total compensation. The majority of employees participate in a short-term incentive plan (STIP). Senior management and key employees also participate in a long-term incentive plan (LTIP). The guiding principle for these plans is to motivate, reward and retain employees for the company's short-term and long-term financial success.

Benefits

The benefits programs are specified by country, taking into consideration local legislation as well as competitive market practices within our industry. Benefit packages are reviewed on a regular basis.
3 Compensation of the Board of Directors

3.1 Principles

Objective and Benchmarks

The 2017 benchmark data which the NCC reviewed and applied for the Board of Directors’ compensation assessment was based on Swiss companies (various sectors) that are comparable in type of business, complexity, size and global presence to Lonza. Lonza’s objective is to pay the members of the Board of Directors at the median of this benchmark group in accordance with their respective duties and responsibilities. In 2017, the NCC and Board of Directors amended the peer group to reflect Lonza’s inclusion in the SMI (Swiss Market Index of the Twenty Largest Listed Swiss Companies). The amended peer group more directly reflects our strategic business direction along the healthcare continuum as well as the transformational organic and inorganic growth of the Company.

Overall Structure and Level of Compensation

The position and associated compensation of the Chairperson of the Board of Directors was approved by the 2018 AGM. For all other members of the Board of Directors, fees have remained unchanged since 2016, with the exception of the Vice-Chairperson, who no longer received additional fees.
3.2 Compensation Components

For the period from the AGM 2018 to the AGM 2019, the members of the Board of Directors receive fixed gross compensation for Board of Directors membership and additional compensation for committee chairpersons and committee members as described in the table below.

<table>
<thead>
<tr>
<th>CHF</th>
<th>Annual fee</th>
<th>Additional committee membership fee</th>
<th>Additional committee chairperson fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors member</td>
<td>200,000</td>
<td>40,000</td>
<td>80,000</td>
</tr>
<tr>
<td>Chairperson of the Board of Directors</td>
<td>600,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The compensation of the Chairperson of the Board of Directors includes his compensation as a member of the Innovation and Technology Committee of the Board of Directors.

The total compensation of the committee chairpersons amounts to CHF 280,000 and includes the committee membership fee.

Board of Directors’ compensation for 2018 is paid quarterly; 50% of the compensation is paid in cash and 50% in Lonza restricted shares. The number of shares granted for Board of Directors’ compensation is based on the average closing share price of the last five business days of each quarter. Share restrictions lapse after three years from the grant date. Shares are eligible for a dividend. This structure of Board of Directors compensation is closely aligned with our shareholders’ interests.

The members of the Board of Directors do not receive variable compensation. The members of the Board of Directors are reimbursed for travel and other related expenses associated with their responsibilities as members of the Board of Directors of Lonza.
### 3.3 Aggregate Compensation of the Board of Directors

#### Board of Directors Compensation

<table>
<thead>
<tr>
<th>Name</th>
<th>2018 Net cash payment</th>
<th>Number of shares</th>
<th>2 Value of shares</th>
<th>3 Social security and taxes</th>
<th>4 Total</th>
<th>2017 Net cash payment</th>
<th>Number of shares</th>
<th>2 Value of shares</th>
<th>3 Social security and taxes</th>
<th>4 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rolf Soiron <em>Chairperson</em>&lt;sup&gt;1&lt;/sup&gt;</td>
<td>51,163</td>
<td>249</td>
<td>56,234</td>
<td>10,175</td>
<td>117,572</td>
<td>204,657</td>
<td>1,010</td>
<td>224,619</td>
<td>40,686</td>
<td>469,962</td>
</tr>
<tr>
<td>Albert Baehny <em>Chairperson / Vice-Chairperson</em>&lt;sup&gt;2&lt;/sup&gt;</td>
<td>238,636</td>
<td>964</td>
<td>261,954</td>
<td>47,728</td>
<td>548,318</td>
<td>101,631</td>
<td>471</td>
<td>112,081</td>
<td>21,170</td>
<td>234,882</td>
</tr>
<tr>
<td>Patrick Aebischer&lt;sup&gt;4&lt;/sup&gt;</td>
<td>124,651</td>
<td>526</td>
<td>139,429</td>
<td>28,524</td>
<td>292,604</td>
<td>124,638</td>
<td>628</td>
<td>139,626</td>
<td>28,549</td>
<td>292,813</td>
</tr>
<tr>
<td>Werner Bauer</td>
<td>109,566</td>
<td>451</td>
<td>119,558</td>
<td>20,868</td>
<td>249,992</td>
<td>109,558</td>
<td>538</td>
<td>119,656</td>
<td>20,884</td>
<td>250,098</td>
</tr>
<tr>
<td>Thomas Ebeling&lt;sup&gt;7&lt;/sup&gt;</td>
<td>31,925</td>
<td>154</td>
<td>34,779</td>
<td>6,150</td>
<td>72,854</td>
<td>127,674</td>
<td>628</td>
<td>139,626</td>
<td>24,651</td>
<td>291,951</td>
</tr>
<tr>
<td>Jean-Daniel Gerber&lt;sup&gt;7&lt;/sup&gt;</td>
<td>38,694</td>
<td>319</td>
<td>89,747</td>
<td>59,780</td>
<td>188,221</td>
<td>106,705</td>
<td>538</td>
<td>119,656</td>
<td>24,598</td>
<td>250,959</td>
</tr>
<tr>
<td>Angelica Kohlmann&lt;sup&gt;8&lt;/sup&gt;</td>
<td>100,167</td>
<td>504</td>
<td>134,461</td>
<td>27,537</td>
<td>282,160</td>
<td>60,063</td>
<td>538</td>
<td>119,656</td>
<td>91,454</td>
<td>271,173</td>
</tr>
<tr>
<td>Christoph Mäder&lt;sup&gt;6&lt;/sup&gt;</td>
<td>60,104</td>
<td>451</td>
<td>119,558</td>
<td>91,412</td>
<td>271,074</td>
<td>60,063</td>
<td>538</td>
<td>119,656</td>
<td>91,454</td>
<td>271,173</td>
</tr>
<tr>
<td>Margot Scheltema&lt;sup&gt;6&lt;/sup&gt;</td>
<td>75,733</td>
<td>526</td>
<td>139,429</td>
<td>64,267</td>
<td>279,429</td>
<td>75,674</td>
<td>628</td>
<td>139,656</td>
<td>64,328</td>
<td>279,628</td>
</tr>
<tr>
<td>Jürgen Steinemann</td>
<td>64,904</td>
<td>451</td>
<td>119,558</td>
<td>55,096</td>
<td>239,558</td>
<td>64,863</td>
<td>538</td>
<td>119,656</td>
<td>55,137</td>
<td>239,656</td>
</tr>
<tr>
<td>Antonio Trius</td>
<td>54,936</td>
<td>451</td>
<td>119,558</td>
<td>129,538&lt;sup&gt;9&lt;/sup&gt;</td>
<td>304,032</td>
<td>64,863</td>
<td>538</td>
<td>119,656</td>
<td>129,538&lt;sup&gt;9&lt;/sup&gt;</td>
<td>304,032</td>
</tr>
<tr>
<td>Olivier Verscheure&lt;sup&gt;8&lt;/sup&gt;</td>
<td>38,694</td>
<td>319</td>
<td>89,747</td>
<td>59,780</td>
<td>188,221</td>
<td>60,063</td>
<td>538</td>
<td>119,656</td>
<td>91,454</td>
<td>271,173</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,009,173</strong></td>
<td><strong>5,365</strong></td>
<td><strong>1,424,012</strong></td>
<td><strong>600,855</strong></td>
<td><strong>3,034,040</strong></td>
<td><strong>1,066,925</strong></td>
<td><strong>6,216</strong></td>
<td><strong>1,383,759</strong></td>
<td><strong>432,823</strong></td>
<td><strong>2,883,507</strong></td>
</tr>
</tbody>
</table>

The reasons for the increase in Board compensation in 2018 were the alignment of the fee for the chairperson of the Board of Directors based on the overall growth of Lonza during 2016 and 2017 (e.g. acquisition of Capsugel); the resulting increase in the complexity and obligations of the role; the inclusion of Lonza in the Swiss Market Index (SMI); and to ensure competitiveness of the chairpersonship fee versus market rates. This increase of the compensation of the Chairperson of the Board of Directors was approved by the AGM shareholders’ vote in May 2018.

No loans or credits were outstanding as of 31 December 2018. During 2018, no payments (or waiver of claims) were made to current or former Board members nor to persons closely linked to them. No member of the Board of Directors benefits materially from any contract between a Lonza company and a third party.

For a full review of the historical development of compensation for the Board of Directors, see note 25 in the Lonza Financial Report.

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1. Rolf Soiron chose not to stand for re-election at the AGM 2018
2. The fair values were calculated using the average closing share price of the last five business days of each quarter, see note 25 in the Financial Report
3. The social security amounts disclosed in this column represent the full costs of the employer and employee social security contributions and withholding tax
4. Total compensation amounts refer to gross payments, including social security and withholding tax, except where stated otherwise
5. This compensation includes Albert Baehny’s committee membership. Albert Baehny is also a member of the Innovation and Technology Committee
6. Patrick Aebischer, Christoph Mäder and Margot Scheltema are Chairpersons of a Board of Directors Committee
7. Thomas Ebeling did not stand for re-election at the AGM 2017
8. Angelica Kohlmann and Olivier Verscheure were elected to the Board of Directors at the AGM 2018
9. Includes additional social security provision for Antonio Trius in 2018
4 Compensation of the Executive Committee

4.1 Principles

Objective and Benchmarks

Lonza’s objective is to pay the members of the Executive Committee (EC) a base salary in line with the median for the market as described below, with the potential for executives to earn above-median compensation through a combination of competitive short-term and long-term incentive programs if the company outperforms its financial targets. These incentive plans are designed to align the Executive Committee’s objectives with the interests of our shareholders. The total compensation (base salary, variable elements and fringe benefits) of the members of the Executive Committee is benchmarked on a regular basis against a peer group of the relevant industry and reflects the defined Healthcare Continuum® strategy of Lonza.

The following peer groups were used in 2017 to assess total compensation for the Executive Committee. In an effort to reflect sufficient relevant data as well as to ensure competitiveness for talent, the primary peer group served as the essential base. The Swiss market data of the secondary peer group was used to validate the conclusions. The US market peer group was used solely for information purposes. No further amendments were made in 2018.

For the alignments made to the base salary of the EC and the CEO please refer to the applicable charts in Section 4.3 and Section 4.4.

<table>
<thead>
<tr>
<th>Peer Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary peer group</td>
</tr>
<tr>
<td>European pharmaceutical / chemical sector businesses (all data adjusted to reflect differences in revenue and market value)1</td>
</tr>
<tr>
<td>Secondary peer group</td>
</tr>
<tr>
<td>Swiss companies similar in size to Lonza in other sectors2</td>
</tr>
<tr>
<td>US pharmaceutical3 or chemical4 companies similar in size to Lonza</td>
</tr>
</tbody>
</table>

1 Arkema, Astra Zeneca, BASF, Bayer, Beiersdorf, Clariant, Croda International, DSM Koninklijke, Evonik Industries, Givaudan, Henkel, Hikma Pharmaceuticals, Lanxess, Merck, Novartis, Qiagen, Reckitt Benckiser, Roche Holdings, Sonova, Symrise, UCB, Unimic, Wacker Chemie
2 ARYZTA AG, Barry Callebaut AG, Emmi AG, Forbo Holding AG, Geberit AG, Georg Fischer AG, Logitech International S.A., OC Oerlikon Corporation AG, Panalpina Weltransp (Holding) AG, Sonova Holding AG, Sulzer
3 Allergan plc, Baxter BioPharma Solutions, Becton Dickinson Bioscience, Bristol Myers Squibb, Catalent, Mylan Inc., 3M Drug Delivery Systems, Parexel, Perrigo Company, Pfizer CentreOne, Thermo Fischer Clinical Services, West Pharmaceutical Services, Zuetis Inc.
4 Ashland, Celanese Corporation, Danaher, Estee Lauder, Eastman Chemical Company, FMC Corporation, International Flavors and Fragrances Inc., Westlake Chemical Corporation
4.2 Compensation Components

The compensation of the members of the Executive Committee consists of the following components:

Base Salary

The base salary is paid in cash and determined for each position considering the responsibilities of the position and performance of each member of the Executive Committee.

Short-Term Incentive Plan (STIP)

The company provides the members of the Executive Committee with a Short-Term Incentive Plan. Performance metrics are defined for each financial year; achievement determines the payout of STIP. The STIP in principle pays out in cash, though it is converted to 50% shares when shareholding requirements are not met. For details regarding the STIP, please refer to Section 4.6 – Short-Term Incentive Plan (STIP).

Long-Term Incentive Plan (LTIP)

The LTIP is designed to align the interests of the Executive Committee with those of Lonza’s shareholders and to serve as a retention incentive for the executives. The LTIP is a 100% equity-based plan with conditional equity awards vesting after three years according to performance conditions. Executive Committee members are awarded the right to receive a number of shares in Lonza in the future, provided that certain performance-related conditions are achieved. For more details regarding the LTIP, please refer to Section 4.6 – Long-Term Incentive Plan (LTIP).

Benefits

The Executive Committee’s compensation package also includes certain benefits, e.g. pension plans and other benefits, such as a car, expenses allowance, health insurance and (if applicable) tuition fees.
### 4.3 Aggregate Compensation of the Executive Committee

The table below shows the breakout of the Executive Committee Compensation.

<table>
<thead>
<tr>
<th>Executive Committee's Compensation¹</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash payments and benefits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base salary</td>
<td>3.800</td>
<td>3.312</td>
</tr>
<tr>
<td>Short-term incentive (cash)²</td>
<td>4.833</td>
<td>4.458</td>
</tr>
<tr>
<td>Post-employment benefits / other benefits³</td>
<td>1.870</td>
<td>1.741</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>15.403</td>
<td>13.970</td>
</tr>
<tr>
<td><strong>Ratio of fixed compensation to the performance-related components of compensation</strong></td>
<td>49.41%</td>
<td>47.45%</td>
</tr>
</tbody>
</table>

The increase of the base salaries resulted from adjustments made in line with the AGM shareholders’ vote in May 2018. Principal reasons for these adjustments of the base salary and the LTIP are the following:

- The organic and inorganic growth of Lonza over the last two years resulted in an increase of more than 50% in the workforce combined with sustained increasing performance;
- The transformative acquisition and integration of Capsugel, in addition to several bolt-on acquisitions, has resulted in a global presence as well as an increase in major manufacturing and R&D sites spanning three continents (Americas, EMEA and APAC);
- As a result of the growth in the last two years and also Lonza’s inclusion in the Swiss Market Index (SMI), all EC members have expanded responsibilities. With the greater recognition and enhanced reputation of Lonza, the turnaround capabilities and sustained performance delivery of its EC members are also increasingly recognized externally.

The overarching driver of the changes was to strengthen the strategic focus on the long-term company direction along the Healthcare Continuum® and aligning with shareholder interests.
The proposed STIP payment for 2018 reflects Lonza’s results across all key performance indicators. Compared with the STIP payout for the 2017 financial year, the proposed STIP amount for the 2018 financial year represents a decrease of 15.2%. This decrease is as a result of the lower target achievement of 140.1% versus 200% for 2017. Note that for 2018 (including the vesting of LTIP 2016 in January 2019) all EC members fulfilled the minimum shareholding requirements and therefore no STIP was paid out in shares (2017: CHF 1.238 million was paid out in shares).

The number of LTIP Equity Awards increased in 2018 (2018: 18,925 versus 2017: 17,805) due to an increase in the base salaries and the increase of the percentage targets for the CEO from 100% to 150% and for the EC members from 100% to 125% – as approved by shareholders at the 2018 AGM. The value of LTIP Equity Awards in CHF increased from CHF 3.221 million in 2017 to CHF 4.900 million in 2018 accordingly.

No loans or credits were outstanding as of 31 December 2018. During 2018, no payments (or waiver of claims) were made to current or former Executive Committee members nor to persons closely linked to them. No member of the Executive Committee benefits materially from any contract between a Lonza company and a third party.

### Performance-Related vs. Fixed Compensation

As illustrated below (in million CHF), Lonza’s strong financial performance has largely maintained the ratio of performance-related to fixed compensation.

<table>
<thead>
<tr>
<th>Year</th>
<th>Fixed</th>
<th>Performance-related</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>5,094</td>
<td>10,309</td>
</tr>
<tr>
<td>2017</td>
<td>4,495</td>
<td>9,475</td>
</tr>
</tbody>
</table>
4.4 Highest Compensation Paid to a Member of the Executive Committee

The table below shows the breakout of the compensation of the highest-paid individual.

<table>
<thead>
<tr>
<th>Compensation of the Highest-Paid Individual(^1)</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash payments and benefits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base salary</td>
<td>1,150</td>
<td>1,055</td>
</tr>
<tr>
<td>Short-term incentive (cash)(^1)</td>
<td>1,681</td>
<td>2,200</td>
</tr>
<tr>
<td>Post-employment benefits / other benefits(^2)</td>
<td>0,527</td>
<td>0,514</td>
</tr>
<tr>
<td><strong>Share-based payments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of LTIP equity at market value(^3)</td>
<td>1,650</td>
<td>1,010</td>
</tr>
<tr>
<td>(number of equity awards 2018: 6,373, 2017: 5,583)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,008</td>
<td>4,779</td>
</tr>
<tr>
<td>Ratio of fixed compensation to the performance-related components of compensation</td>
<td>43.02%</td>
<td>41.61%</td>
</tr>
</tbody>
</table>

The 2018 increase of base salary and the LTIP Equity Award budget was approved by shareholders at the AGM in May 2018.

The proposed STIP amount for the 2018 financial year represents a decrease of 23.6%.

4.5 Compensation for Departing Members of the Executive Committee

There were no departing members of the Executive Committee in 2018 or 2017.

4.6 Details of Incentive Plans

This subsection describes the plan details of the Short-Term Incentive Plan (STIP) and the Long-Term Incentive Plan (LTIP):

**Short-Term Incentive (STIP)**

**History and Participation**

The Board of Directors implemented the current STIP for the majority of the Group’s employees, including the members of the Executive Committee. More than 95% of our employees participate in short-term incentive plans, either in the STIP program or in a local bonus or profit-sharing program.
Effective 2018 the NCC took the decision to increase shareholding requirements for the Executive Committee and further align the Executive Committee with the interests of shareholders. The shareholding requirements from 2 to 3 times base salary for the CEO and from 1 to 2 times base salary for the other EC members. To support this strategy, the STIP will pay out in cash or in shares based on the Executive's individual holdings of Lonza shares.

The 2018 STIP Program operates for Executive Committee members as follows:

**Objective**

The STIP provides the potential for an annual incentive based on the financial performance of the Group and the performance of the participant.

**Definition of Targets**

The performance criteria are set ahead of the annual bonus cycle and based on the company's short-term objectives and assessed for achievement at the end of the year against the defined financial performance results. Defined financial performance results are derived from the audited 2018 financial results. Note: the financial impact of the Capsugel integration was excluded from the CORE results which are relevant for the STIP payout.

<table>
<thead>
<tr>
<th>STIP</th>
<th>CEO &amp; other Executive Committee Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salary STIP target as % of base salary</td>
<td>100%–75%</td>
</tr>
<tr>
<td>Performance targets</td>
<td>- 50% CORE EBITDA²&lt;br&gt;- 15% Lonza sales&lt;br&gt;- 15% operational free cash flow&lt;br&gt;- 20% individual targets for Executive Committee members – For 2018: CORE EBITDA 10%, sales 5% and operational free cash flow 5%</td>
</tr>
<tr>
<td>Form of payout</td>
<td>100% in cash if CEO holds shares equivalent to 3 times base salary (CEO) and other Executive Committee members 2 times base salary in Lonza shares&lt;br&gt;50% in cash and 50% in Lonza shares if Executive Committee member does not meet minimum requirements</td>
</tr>
<tr>
<td>Payment timing</td>
<td>The STIP is paid to the executive in April 2019 after and subject to the approval of the Shareholders' Meeting</td>
</tr>
</tbody>
</table>

1. Payout range equals 0%–200%
2. CORE results exclude exceptional items such as restructuring charges, impairments and amortization of acquisition-related intangible assets, which can differ from year to year
3. As measured on 31 December of the plan year
Long-Term Incentive Plan (LTIP)

History and Participation

The LTIP is an equity-based plan introduced in 2006 for the Executive Committee and a segment of key employees.

Objective

The LTIP has been designed to align the interests of participants with those of Lonza's shareholders and to serve as a retention tool. LTIP participants are eligible to receive a number of Lonza shares at the end of the vesting period, provided that certain challenging performance conditions are met at the end of the three-year performance period.

Equity Awards

Under the LTIP, participants are awarded the right to receive a number of Lonza registered shares in the future. Depending on the level of the job, the target equity award grant is between 10% and 150% of the annual base salary. The grant is made at target and the payout level can be between 0% and 200%.

The Executive Committee members have a target of 125% and the CEO has a target of 150% of base salary with payout levels between 0% and 200% maximum. Any proration is applied in relation to the entire three-year performance period.

The LTIP plan design and target setting is determined at the beginning of the three-year performance period. For 2018 the plan design included minimum, target and stretch goals. The 2018 LTIP budget value for the Executive Committee was approved as submitted at the AGM 2018 and administered in accordance with this approval.

Vesting will depend on achievement of the performance conditions and cannot exceed the maximum amount (200%) of granted equity awards.
Restriction and Vesting

The central feature of the plan is that key participants will only receive title and ownership of the shares after a three-year vesting period and only if the performance metrics required for vesting are partially or fully met.

Vesting Targets

For the 2018 LTIP the performance metrics were CORE earnings per share (EPS) and return on invested capital (ROIC), with 50% weight for each measure. For more details, see note 25 in the Financial Report (CORE EPS and CORE RONOA for the year 2017).

With the payout value directly linked to these key financial metrics, these two measures focus on Lonza's financial performance that will drive the valuation of Lonza with investors. The value of the LTIP will be ultimately driven by the share price at the time of payout, further linking the LTIP to the interests of the shareholders.

Overview of Vesting Conditions for LTIP

For the year 2018, the vesting of up to 50% of the granted equity awards depends on growth of CORE EPS achieved during Lonza's three fiscal years and the vesting of up to 50% of the granted equity awards depends on growth of ROIC achieved during Lonza's three fiscal years.

For the year 2017, the vesting of up to 50% of the granted equity awards depends on growth of CORE EPS achieved during Lonza's three fiscal years and the vesting of up to 50% of the granted equity awards depends on growth of CORE RONOA achieved during Lonza's three fiscal years.

Performance Metrics for CORE EPS Approved at AGM 2018 (LTIP 2018):

CORE EPS is an internal, sensitive financial target. For competitive and ad hoc publicity reasons, Lonza does not disclose at this stage the absolute CORE EPS target at year-end 2020. The target was recommended by the Nomination and Compensation Committee and approved by the Board of Directors on 7 March 2018 to approximate the CORE EPS required to meet Lonza's challenging strategic goals and support Lonza's mid-term plan.

- The minimum threshold to be reached at year-end 2020, as determined by the Nomination and Compensation Committee, is approved by the Board of Directors and set at a higher level than the CORE EPS basic achieved on 31 December 2017. If the minimum threshold is not reached at year-end 2020, the pay-out will be 0. If the threshold is reached, 50% of the equity awards granted under the CORE EPS vesting condition will vest.
• The threshold was determined to approximate 109% of the CORE EPS of the threshold set for the performance target for the LTIP 2017-2019. If that level of CORE EPS is reached, 50% of the equity awards granted under the CORE EPS vesting conditions will vest.

• If the target is reached, 100% of the equity awards granted under the CORE EPS vesting condition will vest. In the event that the maximum defined target level were to be achieved, 200% of the equity awards granted under the CORE EPS vesting conditions would vest.

• The maximum was determined to be above the prorated 2022 Mid-Term Guidance and is a double-digit figure above the threshold. In the event that the maximum defined target level were to be achieved, 200% of the equity awards granted under the CORE EPS vesting conditions would vest.

Performance Metrics for CORE ROIC Approved at AGM 2018 (LTIP 2018):

• Following extensive consultations during the fall of 2017, investors indicated a preference to replace CORE RONOA, return on net operating assets, with another return measure as long-term performance indicator. This change is driven mainly by Lonza’s acquisitions in recent years.

• ROIC, return on invested capital, is defined as adjusted operating profit divided by invested capital. This measures the return the company generates on its investments both organic (e.g. capital projects such as the biological manufacturing of Ibex™ Solutions in Visp, (CH) expansion of single-use bioreactors in Singapore and cell and gene therapy in Portsmouth, NH and Houston, TX (USA)) and inorganic (e.g. goodwill and intangibles from acquisitions). The measure is a reflection of the effect of decisions taken by EC members and senior management over the course of the LTIP plan period.

• The minimum threshold to be reached at year-end 2020 is determined by the Nomination and Compensation Committee and is approved by the Board of Directors at a higher level than at year-end 2017.

• If the minimum threshold is not reached, 0% of the equity awards granted under the ROIC vesting conditions will vest. In the event that the maximum defined target level were to be achieved, 200% of the equity awards granted under the ROIC vesting conditions would vest.

Vesting of 200% of the LTIP equity awards granted would require the achievement at year-end 2020 of CORE EPS and ROIC at challenging levels compared with our 2022 Mid-Term Guidance (pro rata). As shown in the past, Lonza has consistently set challenging LTIP targets in application of the pay-for-performance principle. The performance required for maximum vesting for both criteria is set above the prorated mid-term guidance and is a double-digit figure above the threshold performance. Targets and target achievement will be fully disclosed in the 2020 Remuneration Report.
Treatment of LTIP in Change of Control Situations

Under the LTIP rules, if a Change of Control occurs, all unvested granted shares shall immediately vest and the granted price shall be the price at which the shares are sold in the transaction resulting in the Change of Control.

Actual Performance and Payout for the LTIP 2016

The total 2015 LTIP payout equaled 200%.

Performance under the 2016 LTIP exceeded the target for CORE EPS, generating a 200% payout on 50% of the total award. Performance under the 2016 LTIP also exceeded the target for CORE RONOA, generating a 200% payout on the remaining 50% of the total award. The total 2016 LTIP payout therefore equaled 200%. The financial impact of the Capsugel integration was excluded from the CORE results which are relevant for the LTIP payout.

<table>
<thead>
<tr>
<th>2016 LTIP</th>
<th>Actual performance</th>
<th>Payout in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORE EPS (earnings per share)¹</td>
<td>CHF 11.97</td>
<td>200</td>
</tr>
<tr>
<td>CORE RONOA (return on net operating assets)¹</td>
<td>28.01%</td>
<td>200</td>
</tr>
<tr>
<td>Total payout</td>
<td></td>
<td>200</td>
</tr>
</tbody>
</table>

¹ CORE results exclude exceptional items such as restructuring charges, impairments and amortization of acquisition-related intangible assets, which can differ from year to year

² Cases such as death, disability and retirement are not covered in this section

4.7 Compensation in Case of Termination

All executive agreements comply with the Swiss Ordinance Against Excessive Pay for Stock-Exchange-Listed Companies. The following outlines the specific termination-related topics included in the agreements of the Executive Committee members and the STIP and LTIP rules and administrative guidelines and practices.

Notice Period

All members of the Executive Committee are subject to a 12-month notice period.
**Base Pay and Benefits**

All members of the Executive Committee who terminate their employment will receive their base pay during the 12-month notice period and will be eligible for the benefits relating to the 12-month notice period, such as lump-sum expenses, pension fund plans, health and accident insurance, company car, family / children allowances according to their respective employment agreement.

**STIP Payouts in the Event of Termination**

**Resignation by the Executive** Subject to applicable law, if a member of the Executive Committee resigns at any time prior to distribution of STIP awards, such member will not be entitled to any award with respect to the plan year in which their employment is terminated, except if (i) the termination as a result of such resignation occurs after 31 December of the plan year and (ii) the executive was not released from his obligation to work.

**Termination by the Company Without Cause** Any member of the Executive Committee whose employment is terminated by the Company without cause will be entitled to a prorated STIP payment relating to the notice period.

**Termination by the Company for Cause** Any member of the Executive Committee whose employment is terminated by the Company for cause will not be entitled to the STIP payment relating to the current year (year of termination).

**STIP in Change of Control** Any member of the Executive Committee whose employment is terminated by the Company without cause or who terminates the employment due to good reason (such as his function/duties/responsibilities being altered or the Company or the successor to Lonza Group Ltd failing to confirm to the executive in writing that no such alteration is intended) within 18 months following a change of control will be entitled to an STIP payment during the termination notice period (pro-rata), based on actual (to the extent that it may be determined) or presumed achievement and, if and to the extent that the executive is released from an obligation to work, based on assumed target achievement (100%).

**LTIP Payouts in the Event of Termination**

**Resignation by the Executive** Any member of the Executive Committee who resigns will forfeit the right to receive a transfer of any unvested LTIP awards.

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1 This summary of consequences in case of termination is based on plan rules applicable to STIP 2018.
**Termination by the Company Without Cause**  Any member of the Executive Committee whose employment is terminated by the Company without cause will have unvested shares vest on a pro rata basis based on the number of months worked (including the notice period) during the 36-month performance period for the 2017 and 2018 grants.

**Termination by the Company for Cause**  Any member of the Executive Committee whose employment is terminated by the Company for cause will forfeit the right to receive a transfer of any unvested LTIP shares.

**LTIP in Change of Control**  Under the LTIP rules, if a Change of Control occurs, all unvested granted shares shall vest immediately and the granted price shall be the price at which the shares are sold in the transaction resulting in the Change of Control.

**Non-Compete Clause**

Under the terms of the employment agreement of the Executive Committee, members whose employment is terminated agree that they will not, for a period of six months following the end of the notice period, be partially or fully employed by any entity that materially competes with the Company or any of its business segments. In case of a breach of the non-competition clause, the executive shall pay damages to the Company. As compensation for the period of non-competition, the executive will receive a monthly consideration equal to the executive’s last monthly base salary minus any new income the executive earns in the relevant month.

The Company may elect to fully or partially release the departing Executive Committee member from this non-competition obligation no later than ten (10) months prior to the end of the notice period.

**Clawback**

Any compensation (including fringe benefits) under the employment agreement of the Executive Committee members is subject to clawback or forfeiture if the compensation is not approved at the AGM. In an effort to bring clawback provisions into line with emerging best practice the clawback principle was extended in 2018 to cover the annual bonus and long-term incentive in instances of misconduct, material misstatement of performance and error in calculation of performance.
5 Share Ownership of the Members of the Board of Directors and the Executive Committee

Based on information available to Lonza, the members of the Board of Directors and parties closely associated with them held, as of 31 December 2018: 62,245 (2017: 166,736)\(^1\) registered shares of Lonza Group Ltd and controlled 0.08% (2017: 0.22%) of the share capital. None of the members of the Board of Directors or Executive Committee owns shares in the Group’s subsidiaries or associates.

The Company feels strongly that our Executive Committee and other senior managers should have a defined shareholding in Lonza to strengthen their alignment with our shareholders’ interests. Starting in 2016 Lonza established minimum shareholding requirements for the Executive Committee and other senior managers based on their level in the organization and specified a five-year period to achieve these minimum requirements. Shareholding levels were reviewed annually beginning in January 2016. The NCC may periodically review the minimum shareholding requirements.

As approved during the 2018 AGM, the shareholding requirements for EC members and the CEO were increased.

\(^1\) Spouse, children below 18, any legal entities that they own or otherwise control, or any legal or natural person who is acting as their fiduciary
The members of the Executive Committee and parties closely associated with them held 107,572 (2017: 93,728) shares and controlled 0.14% (2017: 0.13%) of the share capital. The individual control rights are proportional to the holdings shown below.

### Board of Directors

<table>
<thead>
<tr>
<th>Lonza shares (numbers)</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albert Baehny Chairperson from May 2018 on</td>
<td>1,149</td>
<td>329</td>
</tr>
<tr>
<td>Rolf Soiron Chairperson until May 2018</td>
<td>n/a</td>
<td>85,649</td>
</tr>
<tr>
<td>Patrick Aebischer Vice-Chairperson</td>
<td>5,889</td>
<td>11,464</td>
</tr>
<tr>
<td>Werner Bauer</td>
<td>25,801</td>
<td>25,350</td>
</tr>
<tr>
<td>Jean-Daniel Gerber</td>
<td>n/a</td>
<td>17,312</td>
</tr>
<tr>
<td>Angelica Kohlmann</td>
<td>205</td>
<td>n/a</td>
</tr>
<tr>
<td>Christoph Mäder</td>
<td>2,692</td>
<td>2,207</td>
</tr>
<tr>
<td>Barbara Richmond</td>
<td>3,947</td>
<td>3,496</td>
</tr>
<tr>
<td>Margot Scheltema</td>
<td>9,781</td>
<td>9,255</td>
</tr>
<tr>
<td>Jürgen Steinemann</td>
<td>6,043</td>
<td>5,592</td>
</tr>
<tr>
<td>Antonio Trius</td>
<td>6,533</td>
<td>6,082</td>
</tr>
<tr>
<td>Olivier Verscheure</td>
<td>205</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>62,245</strong></td>
<td><strong>166,736</strong></td>
</tr>
</tbody>
</table>

### Executive Committee

<table>
<thead>
<tr>
<th>Lonza shares (numbers)</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richard Ridinger, CEO</td>
<td>53,351</td>
<td>52,446</td>
</tr>
<tr>
<td>Sven Abend</td>
<td>10,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Marc Funk</td>
<td>36,353</td>
<td>35,046</td>
</tr>
<tr>
<td>Fridtjof Helemann</td>
<td>1,752</td>
<td>0</td>
</tr>
<tr>
<td>Rodolfo Savitzky</td>
<td>6,116</td>
<td>1,263</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>107,572</strong></td>
<td><strong>93,728</strong></td>
</tr>
</tbody>
</table>

Minimum shareholding requirements from 2018 on:

- CEO – 3 times base salary (previously 2 times)
- Other Executive Committee members – 2 times base salary (previously 1 time)
- Other senior managers – annual LTIP grant value
- Shareholdings measured at the end of January in each calendar year
- Five years to achieve minimum requirements
Report of the Statutory Auditor

To the General Meeting of Lonza Group Ltd, Basel

We have audited the accompanying remuneration report dated 31 December 2018 of Lonza Group Ltd for the year ended 31 December 2018. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections 3.3, 4.3, 4.4 and 4.5 of the remuneration report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion

In our opinion, the remuneration report for the year ended 31 December 2018 of Lonza Group Ltd complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Michael Blume
Licensed Audit Expert
Auditor in Charge

Cyrill Kaufmann
Licensed Audit Expert

Zurich, 26 February 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

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Disclaimer
Lonza Group Ltd has its headquarters in Basel, Switzerland, and is listed on the SIX Swiss Exchange. It has a secondary listing on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Lonza Group Ltd is not subject to the SGX-ST’s continuing listing requirements but remains subject to Rules 217 and 751 of the SGX-ST Listing Manual.

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