

Invitation to the Annual General Meeting 2017 of Lonza Group Ltd

Ladies and Gentlemen

The Board of Directors of Lonza Group Ltd is pleased to invite you to the Annual General Meeting to be held on:

Tuesday, 25 April 2017, at 10.00 am CEST (doors open at 9.00 am CEST)
at the Congress Center Messe Basel,
Messeplatz 21, 4058 Basel, Switzerland

Agenda

1. Annual Report, Consolidated Financial Statements and Financial Statements of Lonza Group Ltd

The Board of Directors **proposes** the approval of the Annual Report, the Consolidated Financial Statements and the Financial Statements of Lonza Group Ltd for the financial year 2016.

2. Consultative Vote on the Remuneration Report

The Board of Directors **proposes** the approval of the Remuneration Report 2016 (consultative vote).

Explanation:

The Remuneration Report 2016 is included in the Lonza Annual Report 2016 (annualreport.lonza.com/2016/remuneration). It provides information on the compensation system and the remuneration paid to the Board of Directors and the Executive Committee for the financial year 2016. The Board of Directors has decided, in accordance with the Swiss Code of Best Practice for Corporate Governance, to submit the Remuneration Report to shareholders for a separate consultative vote in addition to the binding approvals of compensation under agenda items 8 and 9.

3. Discharge of the Members of the Board of Directors and the Executive Committee

The Board of Directors **proposes** that the members of the Board of Directors and the Executive Committee be granted discharge for the financial year 2016.

4. Appropriation of Available Earnings / Reserves from Capital Contributions

Proposal of the Board of Directors:

Balance Sheet Profit		
Available earnings brought forward ¹	CHF	1 639 126 780
Profit for the year	CHF	44 768 760
Available earnings at the disposal of the Annual General Meeting	CHF	1 683 895 540
Available earnings carry-forward	CHF	1 683 895 540

Reserve Capital Contributions		
Legal capital reserves qualified as reserves from capital contributions		
Reserves from capital contributions	CHF	243 393 025
Reserves from capital contributions	CHF	243 393 025
Payment of a dividend (out of reserves from capital contribution) in 2016 of CHF 2.75 (2015: CHF 2.50) per share on the share capital eligible for dividend of CHF 57 901 832* (2015: CHF 52 500 915)	CHF	(159 230 038)
Available reserves from capital contributions carry-forward	CHF	84 162 987

Explanation:

If the above proposal for appropriation of available earnings and distribution of reserves from capital contribution is approved, the dividend of CHF 2.75/share (as repayment from reserves from capital contribution) will be paid without deduction of Swiss withholding tax in accordance with Art. 5 para. 1^{bis} of the Federal Law on Withholding Tax. The last trading day with entitlement to receive the dividend is 26 April 2017. As from 27 April 2017 (ex-date), the shares are traded ex-dividend. The dividend will be payable as from 3 May 2017.

¹ Includes the gain of sale of treasury shares CHF 27 283 897.

* Depending on the amount of share capital eligible for dividend on the record date of 28 April 2017.

No dividend will be paid out on shares held by the Company.

5. Re-Elections and Elections to the Board of Directors and the Nomination and Compensation Committee

All members of the Board of Directors except for Thomas Ebeling will stand for re-election.

5.1 Re-Elections to the Board of Directors

The Board of Directors **proposes** the re-election of the following individuals to the Board of Directors each for a further one-year term until completion of the Annual General Meeting 2018:

- a) Patrick Aebischer,
- b) Werner Bauer,
- c) Jean-Daniel Gerber,
- d) Christoph Mäder,
- e) Barbara Richmond,
- f) Margot Scheltema,
- g) Rolf Soiron,
- h) Jürgen Steinemann, and
- i) Antonio Trius.

Explanation:

Re-elections will be held individually. Detailed biographical data of the candidates for re-election can be found on www.lonza.com/board or in the Corporate Governance Report (annualreport.lonza.com/2016/governance).

According to Article 2.4 of Lonza's Regulations Governing Internal Organization and Board Committees², members of the Board of Directors may not serve more than nine complete terms of office on the Board of Directors. If deemed in the best interest of the Company, the Board of Directors can extend this limit. In this context, the Board proposes the re-election of Rolf Soiron and Patrick Aebischer for an additional one-year term (see 5.3).

5.2 Election to the Board of Directors

The Board of Directors **proposes** the election of Albert M. Baehny to the Board of Directors for a one-year term until completion of the Annual General Meeting 2018.

Explanation:

Albert M. Baehny has achieved an impressive track record as chairman of the board of directors of Geberit since 2011. He also served as the company's CEO from 2005 to 2014. Before he joined Geberit, he gained technological and industrial experiences that will be of value in his new role at Lonza, e.g. positions in the pharma and chemical industry, including with Serono-Hypolab, Dow Chemicals Europe, Ciba-Geigy, Ciba Specialty Chemicals, Vantico and Wacker Chemie. He earned a degree in biology with a specialization in biochemistry and genetics from the University of Fribourg, Switzerland.

Mr. Baehny currently holds three other mandates, one chairmanship and one non-executive board membership in listed companies, and one executive role in a non-listed, family enterprise.

² www.lonza.com/orgreg.

5.3 Re-Election of the Chairperson of the Board of Directors

The Board of Directors **proposes** the re-election of Rolf Soiron as Chairperson of the Board of Directors for a further one-year term until completion of the Annual General Meeting 2018.

Explanation:

According to Article 16 of Lonza's Articles of Association, the General Meeting shall elect the Chairperson of the Board of Directors for a one-year term of office until completion of the next Annual General Meeting. The Board of Directors proposed the re-election of Rolf Soiron for one year to ensure leadership continuation. Subject to the election of Mr. Albert M. Baehny by the Annual General Meeting, the Board intends to appoint Mr. Baehny as Vice-Chairman of the Board of Directors for a one-year term with the view to succeed Mr. Soiron as Chairman at the AGM 2018.

5.4 Re-Elections to the Nomination and Compensation Committee

The Board of Directors **proposes** the re-election of the following individuals to the Nomination and Compensation Committee each for a one-year term until completion of the Annual General Meeting 2018:

- a) Jean-Daniel Gerber,
- b) Christoph Mäder, and
- c) Jürgen Steinemann.

Explanation:

The re-elections will be held individually. According to Article 20 para. 2 of Lonza's Articles of Association, the General Meeting shall elect the members of the Nomination and Compensation Committee for a one-year term of office until completion of the next Annual General Meeting.

Jean-Daniel Gerber, Christoph Mäder and Jürgen Steinemann have already been members of the Nomination and Compensation Committee. If Jean-Daniel Gerber is re-elected, the Board of Directors intends to re-appoint him as Chairperson of the Nomination and Compensation Committee.

6. Re-Election of the Auditors

The Board of Directors **proposes** the re-election of KPMG Ltd, Zurich, as auditors for the financial year 2017.

7. Re-Election of the Independent Proxy

The Board of Directors **proposes** the re-election of Daniel Plüss as the independent proxy for a one-year term until completion of the Annual General Meeting 2018.

Explanation:

According to Article 7 para. 2 letter b) of Lonza's Articles of Association, the General Meeting shall elect the independent proxy for a one-year term of office until completion of the next Annual General Meeting.

Daniel Plüss, born 1968, is an attorney-at-law and a partner of the law firm ThomannFischer in Basel. He graduated from the University of Zurich and holds an LL.M. degree from the University of Bern.

8. Compensation of the Board of Directors

The Board of Directors **proposes** the approval of the maximum aggregate amount of compensation of the Board of Directors for the period from the Annual General Meeting 2017 to the Annual General Meeting 2018 of up to CHF 3 005 000.

Explanation:

Why this approval?

This is a prospective and binding vote according to Article 22 para. 1 letter a) of Lonza's Articles of Association. It allows shareholders to approve the aggregate maximum compensation of the Board of Directors for the forthcoming term of office. The proposed amount allows for a maximum amount of compensation of the Board of Directors for the term of office from the Annual General Meeting 2017 to the Annual General Meeting 2018 of up to CHF 3 005 000.

How is the proposed maximum amount calculated?

This maximum amount has been derived from adding the following components:

- Gross fixed compensation of CHF 2 790 000 based on the gross Board of Directors membership fees (CHF 200 000 per Director), the Vice Chairmanship fee (CHF 300 000), the Chairmanship fee (CHF 450 000), the Committee membership fees (CHF 40 000 per member) and the Committee chair fees (CHF 80 000 per chairperson) for ten Board of Directors members proposed for re-election or election under agenda items 5.1 and 5.2. The Chairmanship and the Vice-Chairmanship fees include any Board of Directors Committee memberships as well. The Board of Directors compensation will be paid in four equal installments, 50% in cash and 50% in shares. The number of shares will be defined on the average closing share price of the last five trading days of each quarter, the first time at the end of June 2017. Those shares are blocked for a period of three years and are eligible for dividend. For further details on the Board of Directors compensation, please refer to the Lonza Remuneration Report 2016 (annualreport.lonza.com/2016/remuneration).
- Mandatory employer contributions to social security of approximately CHF 115 000.
- A reserve of CHF 100 000 for unforeseen events has been included in the proposed maximum amount. The Board of Directors will only make use of the reserve amount in exceptional circumstances (e.g. possible changes in social security contributions).

The fixed compensation above is expected to remunerate all activities to be performed by the Board of Directors members.

Does the proposed maximum amount represent an increase compared with the previous reference period?

Compared with the budget approved by the shareholders at the Annual General Meeting 2016 for the previous reference period (Annual General Meeting 2016 to Annual General Meeting 2017), the maximum amount proposed represents a potential increase of 1.7%. The main reason is the proposed fee for the Vice Chairmanship, reflecting the increased responsibility of the Vice Chairman and the preparation required for the transition to Chairman at the Annual General Meeting 2018 (see 5.3). For all other Board of Directors members the proposed compensation will remain unchanged.

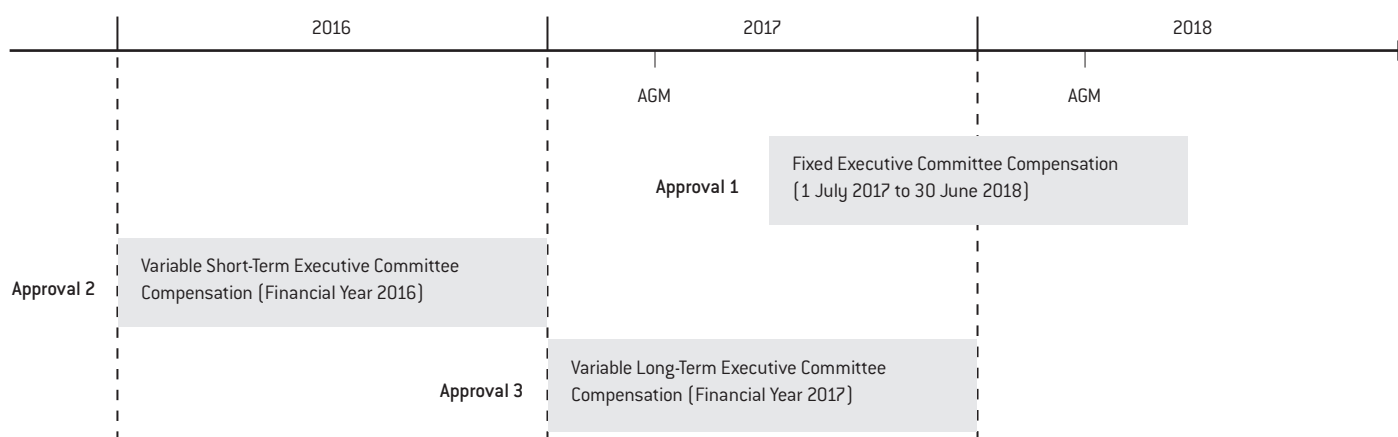
Will the effective pay-out be disclosed?

The actual pay-out to the members of the Board of Directors for the term of office from the Annual General Meeting 2017 to the Annual General Meeting 2018 will be disclosed in the Remuneration Reports 2017 and 2018.

9. Compensation of the Executive Committee

The approval of the compensation of the members of the Executive Committee is divided into three separate votes:

1. The first approval relates to the maximum fixed compensation of the members of the Executive Committee for the period from 1 July 2017 to 30 June 2018 (prospective budget approval).
2. The second approval relates to the variable short-term compensation to be paid to the members of the Executive Committee under the Company's Short-Term Incentive Plan (STIP) for the financial year 2016 (retrospective approval).
3. The third approval relates to the maximum variable long-term compensation granted to the members of the Executive Committee under the Company's Long-Term Incentive Plan (LTIP) for the financial year 2017 (prospective budget approval).



9.1 Maximum Aggregate Amount of Fixed Compensation of the Executive Committee

The Board of Directors **proposes** the approval of the maximum aggregate amount of fixed compensation of the Executive Committee for the period from 1 July 2017 to 30 June 2018 of up to CHF 4 972 800.

Explanation:

Why this approval?

This is a prospective, binding vote according to Article 22 para. 1 letter b) of Lonza's Articles of Association. It allows shareholders to approve the aggregate maximum fixed compensation of the Executive Committee for the forthcoming period. The proposed amount allows for a maximum fixed compensation of the Executive Committee for the period from 1 July 2017 until 30 June 2018 of up to CHF 4 972 800.

How is the proposed maximum amount calculated?

This maximum amount has been derived from adding the following components:

- Gross base salaries of the five current Executive Committee members of CHF 3 437 900 as of 1 July 2017;
- Total employer contributions to social security and pension fund of CHF 874 100;
- Other benefits (such as car allowance, tuition fees, etc.) of CHF 310 800.
- A reserve of CHF 350 000 for unforeseen events has been included in the proposed maximum amount. The Board will only make use of the reserve amount in exceptional circumstances (e.g. possible changes in social security and pension fund contributions, risk adjustments, new allocation of responsibilities among existing Executive Committee members, etc.).

Does the proposed maximum amount represent an increase compared with the previous reference period?

Compared with the budget approved by the shareholders at the Annual General Meeting 2016 (CHF 4 019 000) for the previous reference period (1 July 2016 to 30 June 2017), the proposed aggregate maximum amount represents a potential increase of 23.7%. The main reasons for this increase are the appointment of an additional member of the EC, Fridtjof Helemann as Chief Human Resources Officer since 1 February 2017³ and secondly, the reserve increase request from 250 000 CHF to 350 000 CHF as a result of the increase in Executive Committee members.

Taking into account the increase from four to five Executive Committee members, the average base salary budget per Executive Committee member would represent a potential increase of 1.0% compared with the average base salary budget per Executive Committee member approved by the shareholders at the Annual General Meeting 2016. This increase per Executive Committee member is in line with Lonza's salary increase budget for Swiss based employees.

Will the effective pay-out be disclosed?

The actual fixed compensation pay-out to the Executive Committee members for the period from 1 July 2017 until 30 June 2018 will be disclosed in the Remuneration Report 2017 and in the Remuneration Report 2018.

³ As of 1 February 2017, Fridtjof Helemann was appointed to the Executive Committee as Chief Human Resources Officer covering Human Resources, Communications, EHS as well as Integrations Director.

9.2 Aggregate Amount of Variable Short-Term Compensation of the Executive Committee

The Board of Directors **proposes** the approval of the aggregate amount of variable short-term compensation under the Short-Term Incentive Plan of the Company (STIP) of the Executive Committee for the financial year 2016 in the amount of CHF 4 303 800.

Explanation:

Why this approval?

This is a retrospective, binding vote according to Article 22 para. 1 letter c) of Lonza's Articles of Association. It allows shareholders to approve the aggregate variable short-term compensation of the Executive Committee. This retrospective vote on the variable short-term compensation of the Executive Committee for the financial year 2016 provides for optimal accountability towards the shareholders and fully implements the notion of "say on pay". The Board of Directors proposes that the variable short-term compensation to be paid to the Executive Committee under the STIP for the financial year 2016 of CHF 4 303 800 be approved.

How is the proposed amount calculated?

This amount results from the addition of the following components:

- STIP of CHF 4 013 700.
- Total employer contributions to social security and pension fund of CHF 290 100⁴.

For more details on the proposed STIP pay-out (including targeted % of base salary, performance metrics, achievement and the link between pay and performance), please refer section 4.6 of the Lonza Remuneration Report 2016.

Does the proposed amount represent an increase compared with the previous reference period?

Compared with the STIP for the financial year 2015⁵, the proposed STIP amount for the financial year 2016 represents an increase of 30.1%. This increase results essentially from significantly better performance achievement in 2016 (117.34% in 2015 vs. 174.08% in 2016). There was no change of the STIP targeted amount for Executive Committee members in 2016 compared to 2015.

Will the effective pay-out be disclosed?

The proposed amount corresponds to the effective pay-out (subject to approval by the Annual General Meeting 2017) as disclosed in the Lonza Remuneration Report 2016.

⁴ This amount is included in "post-employment benefits/other benefits" in the table in section 4.3 of the Lonza Remuneration Report 2016.

⁵ The STIP 2015 amounted to CHF 3 308 000. See table in section 4.3 of the Lonza Remuneration Report 2016 under "Short-term incentive (cash)" and "Value of the STIP paid out in shares".

9.3 Maximum Aggregate Amount of Variable Long-Term Compensation of the Executive Committee

The Board of Directors **proposes** the approval of the maximum aggregate amount of variable long-term compensation under the Long-Term Incentive Plan of the Company (LTIP) of the Executive Committee for the financial year 2017 of up to CHF 6 804 200.

Explanation:

Why this approval?

This is a binding vote according to Article 22 para. 1 letter d) of Lonza's Articles of Association. It allows shareholders to approve the aggregate maximum variable long-term compensation of the Executive Committee under the LTIP for the current financial year. The LTIP 2017 is an equity-based plan under which equity awards are granted to Executive Committee members in 2017. Those equity awards will only vest after a 3-year vesting period if the predetermined performance metrics are fully or partially met as of year-end 2019. If the performance metrics are not met, no LTIP equity award will vest. The proposed amount allows for a maximum variable long-term compensation of the Executive Committee under the LTIP for the financial year 2017 of up to CHF 6 804 200.

How is the proposed maximum amount calculated?

This maximum amount results from the addition of the following components:

- Maximum value under the LTIP 2017 of CHF 6 472 500 assuming 200% target achievement (corresponding to 200% of the aggregate base salary of the Executive Committee members in January 2017). The value of the LTIP 2017 at target (100%) would amount to CHF 3 236 250. The number of LTIP equity awards to be granted is calculated according to the share price as of the last trading day of January 2017 (CHF 180.90). The LTIP targeted percentage of the base salary of each Executive Committee member is 100%, i.e. a total of 17 889 equity awards (assuming target achievement). At the vesting date three years from grant, Executive Committee members may receive between 0 and 200% of the number of equity awards granted depending on the achievement of predetermined performance metrics (CORE EPS and CORE RONO A during the performance period, each weighted at 50%). For transparency reasons, Lonza has decided to use for the proposed amount under this agenda item 9.3 the maximum vesting at 200% (i.e. a total of 35 778 equity awards) at market value, i.e. a maximum compensation of CHF 6 472 500.
- Estimated maximum total employer contributions to social security of CHF 331 700 calculated at grant date at maximum vesting of 200%.

Why CORE EPS and CORE RONO A?

Based on feedback from our investors, CORE⁶ Earnings Per Share (EPS) and CORE Return on Net Operating Assets (RONOA) were selected starting in 2015 as LTIP targets to serve as the most appropriate indicators of Lonza's strategic success. With the payout value directly linked to these key financial metrics, these two measures focus on Lonza's financial performance that will drive the investor's valuation of Lonza. 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.

⁶ For the definition of "CORE" results, please refer to section 4.6 of the Remuneration Report 2016. The concept of "CORE" results has been applied consistently in all Lonza financial reports since 2013 and in the guidance provided to the market.

What are the predetermined performance metrics?

For CORE EPS:

- The minimum threshold to be reached at year-end 2019 was determined by the Nomination and Compensation Committee at a significantly higher level than the CORE EPS achieved on 31 December 2016 (which was CHF 8.15). If this minimum threshold is not reached at year-end 2019, the respective pay-out will be 0. If this threshold is reached, 50% of the equity awards granted under the CORE EPS vesting condition will vest.
- CORE EPS is an internal, sensitive financial target. For competitive and ad hoc publicity reasons, Lonza does not disclose the absolute CORE EPS target at year-end 2019 at this stage. The target was recommended by the Nomination and Compensation Committee and approved by the Board of Directors to approximate the CORE EPS required to meet Lonza's challenging strategic goals and support Lonza's mid-term plan. If the target is reached, 100% of the equity awards granted under the CORE EPS vesting condition will vest.
- The threshold was determined as approximate 133% of the CORE EPS of the threshold set for the performance target for the LTIP 2016–2018. If such level of CORE EPS is reached, 50% of the equity awards granted under the CORE EPS vesting conditions will vest.
- The maximum was determined to approximate 127% of the CORE EPS of the maximum performance target for the LTIP 2016–2018. If such level of CORE EPS is reached, 200% of the equity awards granted under the CORE EPS vesting condition will vest.

For Core RONOA:

- The minimum threshold to be reached at year-end 2019 was determined by the Nomination and Compensation Committee at a significantly higher level than the CORE RONOA achieved on 31 December 2016 (which was 20.97%). If this minimum threshold is not reached at year-end 2019, the respective pay-out will be 0. If this threshold is reached, 50% of the equity awards granted under the CORE RONOA vesting condition will vest.
- CORE RONOA is an internal, sensitive financial target. For competitive and ad hoc publicity reasons, Lonza does not disclose the absolute CORE RONOA target at year-end 2019. The target was recommended by the Nomination and Compensation Committee and approved by the Board of Directors to approximate the CORE RONOA required to meet Lonza's challenging strategic goals and support Lonza's mid-term plan. If the target is reached, 100% of the equity awards granted under the CORE RONOA vesting condition will vest.
- The threshold was determined to approximate 136% of the CORE RONOA threshold set for the performance target for the LTIP 2016–2018. If such level of CORE RONOA is reached, 50% of the equity awards granted under the CORE RONOA vesting condition will vest.
- The maximum was determined to approximate 131% of the CORE RONOA maximum performance target for the LTIP 2016–2018. If such level of CORE RONOA is reached, 200% of the equity awards granted under the CORE RONOA vesting condition will vest.

Does the proposed maximum amount represent an increase compared with the previous reference period?

Compared with the budget approved by the shareholders at the Annual General Meeting 2016 (CHF 5 670 400) for the financial year 2016, the proposed LTIP amount for the financial year 2017 represents a potential increase of 20%. The main reason for this increase is the increase of the number of Executive Committee members from four to five as of 1 February 2017⁷.

Taking into account the five current Executive Committee members, the average LTIP budget 2017 per Executive Committee member would represent a potential decrease of 4% compared with the average LTIP budget per Executive Committee member approved by the shareholders at the Annual General Meeting 2016.

A potential vesting of 200% of the LTIP equity awards granted would require the achievement at the year-end 2019 of CORE EPS and CORE RONO at very challenging levels. As shown in past years, Lonza has consistently set challenging LTIP targets in application of the pay-for-performance principle.

Will the effective pay-out be disclosed?

The details of the actual equity award grants will be disclosed in the Remuneration Report 2017. The actual vesting level of the equity award grants and the absolute LTIP targets for the LTIP 2017 will be disclosed in the Remuneration Report 2019. Lonza is committed to submit the Remuneration Report 2019 to a consultative vote at the Annual General Meeting 2020. Shareholders will thus have the opportunity to vote on the effective vesting level under the LTIP 2017 and the absolute LTIP targets for the LTIP 2017.

⁷ Please refer to footnote 3.

10. Ordinary Capital Increase

The Board of Directors **proposes** an ordinary capital increase by way of a rights offering to partially refinance the acquisition of Capsugel S.A. in accordance with the following provisions:

1. Increase of the share capital by the issuance of up to 22 000 000 fully paid registered shares of the Company with a nominal value of CHF 1.00 each (corresponding to an aggregate nominal amount of up to CHF 22 000 000) at an issue price (Ausgabebetrag) of CHF 1.00 each. The final number of shares to be issued will be determined by the Board of Directors based on prevailing market conditions shortly prior to the launch of the rights offering and will be set at such number as results in gross proceeds to the Company of approximately CHF 2.3 billion. The Board of Directors is required to implement the capital increase in the total amount of the subscribed capital.
2. The Board of Directors shall be authorized to determine the offer price per share (Bezugspreis). The shares to be issued shall be entitled to dividends as of the registration of the share capital increase in the commercial register.
3. The contributions for the shares to be issued will be made in cash.
4. The shares to be issued shall have no preferential rights.
5. The transfer restrictions set out in article 6 of the Company's articles of association will apply to the shares to be issued.
6. The subscription rights of the shareholders shall be granted indirectly by a bank consortium subscribing the shares. The Board of Directors shall be entitled to determine the further modalities for the exercise of subscription rights. Shares for which subscription rights have been granted but not exercised are to be sold at market conditions or may be used in another way in the interest of the Company.

The Board of Directors shall execute the capital increase and record the same with the competent commercial register within three months (art. 650 para. 1 CO).

If the capital increase will not be registered in the commercial register within this deadline, the resolution of the general meeting of shareholders will expire (art. 650 para. 3 CO).

Explanation:

For the purpose of partially refinancing the acquisition of Capsugel S.A., the Board of Directors intends to raise gross proceeds in the amount of approximately CHF 2.3 billion by conducting a rights offering. Each shareholder will be granted on a pro rata basis a right for subscription to acquire new shares at the offer price. It is the current intention that the offer price for the new shares will be fixed below the then prevailing market price of the shares in accordance with market standards and based on applicable market conditions. The offer price will be communicated prior to the start of the rights exercise period. The Board of Directors will determine the number of shares to be offered for subscription so as to raise the aforementioned gross proceeds on the basis of the offer price. More details on the rights offering will be communicated in due course prior to the rights offering.

11. Creation of Authorized Capital

The Board of Directors **proposes** to create authorized capital in the amount of CHF 7 500 000, corresponding to 7 500 000 registered shares with a nominal value of CHF 1.00 each. The Board of Directors shall be entitled to issue shares under the authorized and conditional share capital cumulatively only in a maximum amount of CHF 7 500 000.

The Board of Directors therefore proposes the following new article 4^{ter} of the articles of association and the amendment of 4^{quater} of the articles of association:

“Article 4^{ter}

Authorized Capital

- ¹ The Board of Directors shall be authorized to increase, at any time until 25 April 2019, the share capital of the Company through the issuance of a maximum of 7 500 000 fully paid-in registered shares with a par value of CHF 1 each up to a maximum aggregate amount of CHF 7 500 000.
- ² The issue price, the beginning of the entitlement to dividends and the kind of contributions shall be determined by the Board of Directors.
- ³ The Board of Directors is authorized to restrict or to suspend the subscription rights of the shareholders wholly or in part
 - a) in the event of issuance of shares for the participation of strategic partners;
 - b) for the takeover of companies, parts of companies, participations or intellectual property rights or for the financing and/or refinancing of such transactions;
 - c) for granting an over-allotment option (“greenshoe”) of up to 20% of the preceding offer to the lead managers in connection with a placement of shares at market conditions;
 - d) for raising capital in a fast and flexible manner, which would hardly be achievable without the exclusion of the statutory subscription rights of the existing shareholders; or
 - e) for other valid reasons in the sense of Art. 652b, para. 2, of the Swiss Code of Obligations.

If subscription rights are granted, but not exercised, the Board of Directors may use the respective shares in the interest of the Company.

- ⁴ The new shares shall be subject to the restrictions of Article 6 of these Articles of Association.

Article 4^{quater}

The capital increases according to Articles 4^{bis} and 4^{ter} over a respective maximum of 5 029 860⁸ and 7 500 000 fully paid-in registered shares with a par value of CHF 1 each may increase the share capital of the Company only by a maximum aggregate amount of CHF 7 500 000.”

Explanation:

The Board of Directors used the authorized capital to partially finance the acquisition of Capsugel S.A. by issuing 5 000 000 shares out of authorized capital on 2 February 2017 in an accelerated bookbuilding⁹. To maintain flexibility, the Board of Directors proposes to reintroduce an authorized capital at the same conditions as the previous one with a higher number of shares taking into account the increased share capital. The proposed amount of the authorized capital of CHF 7 500 000 corresponds to 12.95% of the current share capital. The Board of Directors expects that this amount will be below 10% of the share capital after the consummation of the ordinary capital increase proposed in the agenda item 10. The Board of Directors shall be entitled to issue shares under the authorized and conditional share capital cumulatively only in an overall maximum aggregate nominal amount of CHF 7 500 000 (also expected to be below 10% of the share capital after the ordinary capital increase).

⁸ This amount will be proposed to be amended pursuant to agenda item 12.

⁹ See press releases of 31 January 2017 and 1 February 2017, available under <http://www.lonza.com/about-lonza/media-center/news.aspx>.

12. Amendment of Conditional Capital

The Board of Directors **proposes** to increase the existing conditional capital from currently CHF 5 029 860 corresponding to 5 029 860 registered shares with a nominal value of CHF 1.00 each to CHF 7 500 000 corresponding to 7 500 000 registered shares with a nominal value of CHF 1.00 each. The Board of Directors shall be entitled to issue shares under the authorized and conditional share capital cumulatively only in a maximum amount of CHF 7 500 000.

The Board of Directors proposes to amend articles 4^{bis} para. 1 and 4^{quater} of the articles of association as follows:

“Article 4^{bis}

Conditional Capital

¹ The share capital of the Company may be increased through the issuance of a maximum of 7 500 000 fully paid in registered shares with a par value of CHF 1 each up to a maximum aggregate amount of CHF 7 500 000 through the exercise of conversion rights and/or warrants granted in connection with the issuance of bonds or similar debt instruments of the Company or one of its Group companies. The subscription rights of the shareholders shall be excluded. The current owners of conversion rights and/or warrants shall be entitled to subscribe for the new shares. The conditions of the conversion rights and/or warrants shall be determined by the Board of Directors.”

The remaining part of the article remains the same.

“Article 4^{quater}

The capital increases according to Articles 4^{bis} and 4^{ter} over a respective maximum of each 7 500 000 fully paid-in registered shares with a par value of CHF 1 each may increase the share capital of the Company only by a maximum aggregate amount of CHF 7 500 000.”

Explanation:

Due to the increase of the share capital as proposed in the agenda item 10, the Board of Directors proposes to increase the conditional capital at the same conditions as the current article. The proposed new amount corresponds to an increase of the conditional capital from currently 8.68% to 12.95% of the current share capital. The Board of Directors expects that this amount will be below 10% of the share capital after consummation of the ordinary capital increase proposed in the agenda item 10. The Board of Directors shall be entitled to issue shares under the authorized and conditional share capital cumulatively only in an overall maximum aggregate nominal amount of CHF 7 500 000 (also expected to be below 10% of the share capital after the ordinary capital increase).

Documentation and Attendance Procedures

Documentation

The Annual Report 2016, which includes the Remuneration Report, is available as of today at the Company's head office at Muenchensteinerstrasse 38, 4002 Basel, Switzerland. In addition, shareholders may consult the online Annual Report 2016 following the link: annualreport.lonza.com/2016 or through the eComm platform (see explanations below). Please note that the Annual Report 2016 is only available in English.

Registration and Admission Ticket

Shareholders entered into the share register, with the right to vote, **by 13 April 2017, 5.00 pm (CEST)** are entitled to participate in the Annual General Meeting. Shareholders who have sold their shares prior to the Annual General Meeting are no longer entitled to vote. Shareholders who intend to personally attend the Annual General Meeting are kindly asked to return the enclosed order form or use the eComm platform for the admission ticket and voting material. Admission tickets and voting materials will be mailed **from 17 April 2017**.

Power of Attorney

If you cannot attend our Annual General Meeting in person, you may arrange (by using the enclosed order form and power of attorney) to be represented by:

- a) your legal representative or another shareholder entitled to vote; or
- b) the independent proxy, Daniel Plüss, LL.M., Attorney-at-Law, c/o ThomannFischer, Elisabethenstrasse 30, P.O. Box 632, CH-4010 Basel, Switzerland. In this case, you are requested to send your written instructions regarding votes and elections to Daniel Plüss or use the eComm platform.

Deadline for Filled Order Form and Power of Attorney

Please note that the order form and power of attorney must be in the hands of Daniel Plüss **by 21 April 2017, 5.00 pm (CEST)**, at the latest.

Use of eComm Online Platform

Shareholders may use the eComm online platform. By using the eComm online platform, shareholders may electronically order their ticket of admission, order documentation or give their voting instructions to the independent proxy. To open an eComm account, please refer to the separate eComm explanations attached. Electronic issuing of instructions to the independent proxy is possible until **21 April 2017, 5.00 pm (CEST)**.

Language

The Annual General Meeting will be held in German with simultaneous translation into English.

Basel, 30 March 2017

On behalf of the Board of Directors

The Chairperson

Rolf Soiron

Annexes

- Curriculum Vitae of Albert M. Baehny
- Order form and power of attorney
- Letter regarding electronic submission of proxies through the eComm platform

