

Invitation to the Annual General Meeting 2016 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:

Friday, 22 April 2016, at 10.00 am (doors open at 9.00 am)
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 2015.

2. Consultative Vote on the Remuneration Report

The Board of Directors **proposes** the approval of the Remuneration Report 2015 (consultative vote).

Explanation:

The Remuneration Report 2015 is included in the Lonza Annual Report 2015 (see pages 99 ff.). It provides information on the compensation system and the remuneration paid to the Board of Directors and the Executive Committee for the financial year 2015. 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 2015.

4. Appropriation of Available Earnings / Reserves from Capital Contributions

Proposal of the Board of Directors:

Balance Sheet Profit		
Available earnings brought forward	CHF	1 517 771 183
Profit for the year	CHF	94 071 700
Treasury shares	CHF	(50 527 872)
Available earnings at the disposal of the Annual General Meeting	CHF	1 561 315 011
Available earnings carry-forward	CHF	1 561 315 011

Reserve Capital Contributions		
Legal capital reserves qualified as reserves from capital contributions	CHF	374 645 313
Payment of a dividend (out of reserves from capital contributions) of CHF 2.50 per share on the share capital eligible for dividend of CHF 52 282 635*	CHF	(130 706 588*)
Carry-forward of reserves from capital contributions	CHF	243 938 725

Summary		
Available earnings carry-forward	CHF	1 561 315 011
Carry-forward of reserves from capital contributions	CHF	243 938 725
Total amount carry-forward of available earnings and reserves from capital contributions	CHF	1 805 253 736

* Depending on the amount of share capital eligible for dividend on the record date of 27 April 2016. No dividend will be paid out on shares held by the Company.

Explanation:

If the above proposal for appropriation of available earnings and distribution of reserves from capital contribution is approved, the dividend of CHF 2.50 (as repayment from reserves from capital contribution) will be paid without deduction of 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 25 April 2016. As from 26 April 2016 (ex-date), the shares are traded ex-dividend. The dividend will be payable as from 28 April 2016.

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

All members of the Board of Directors 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 2017:

- a) Patrick Aebischer,
- b) Werner Bauer,
- c) Thomas Ebeling,
- d) Jean-Daniel Gerber,
- 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 (see pages 128 ff.).

According to Article 2.4 of the Regulations Governing Internal Organization and Board Committees¹, 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 for an additional one-year term (see 5.3 below).

5.2 Election to the Board of Directors

The Board of Directors **proposes** the election of Christoph Mäder to the Board of Directors for a one-year term until completion of the Annual General Meeting 2017.

Explanation:

Christoph Mäder currently serves at Syngenta as Head Legal & Taxes and Company Secretary and as a Member of the Executive Committee. He brings to Lonza extensive experience in mergers & acquisitions, capital market transactions, industry regulation and governance. A summarized curriculum vitae is attached to this invitation.

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 2017.

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 proposed the re-election of Rolf Soiron for one year to ensure leadership continuation. The search for Rolf Soiron's successor as Chairman of the Board of Directors has been initiated.

¹ www.lonza.com/orgreg

5.4 Re-Elections and Election to the Nomination and Compensation Committee

The Board of Directors **proposes** the re-election, the election respectively, of the following individuals to the Nomination and Compensation Committee each for a one-year term until completion of the Annual General Meeting 2017:

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

Explanation:

The re-elections and the election 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.

Thomas Ebeling, Jean-Daniel Gerber and Jürgen Steinemann have already been members of the Nomination and Compensation Committee. Christoph Mäder is proposed to be newly elected to 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 2016.

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 2017.

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 2016 to the Annual General Meeting 2017 of up to CHF 2,955,000.

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 2016 to the Annual General Meeting 2017 of up to CHF 2,955,000.

How is the proposed maximum amount calculated?

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

- Gross fixed compensation of CHF 2,730,000 based on the gross Board membership fees (CHF 200,000 per Director), 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 members proposed for re-election or election under agenda items 5.1 and 5.2 above. The Board compensation will be paid in four instalments, 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 2016. Those shares are blocked for a period of three years and are eligible for dividend. For further details on the Board compensation, please refer to the Lonza Remuneration Report 2015 on page 104 ff.
- Mandatory employer contributions to social security of approximately CHF 125,000.
- A reserve of CHF 100,000 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 contributions).

The fixed compensation above is expected to remunerate all activities to be performed by the Board 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 2015 for the previous reference period (Annual General Meeting 2015 to Annual General Meeting 2016), the maximum amount proposed represents a potential increase of 12.6%. The main reason for this increase is the proposed election of an additional Board member under agenda 5.2 above. The proposed remuneration per Board members has remained unchanged.

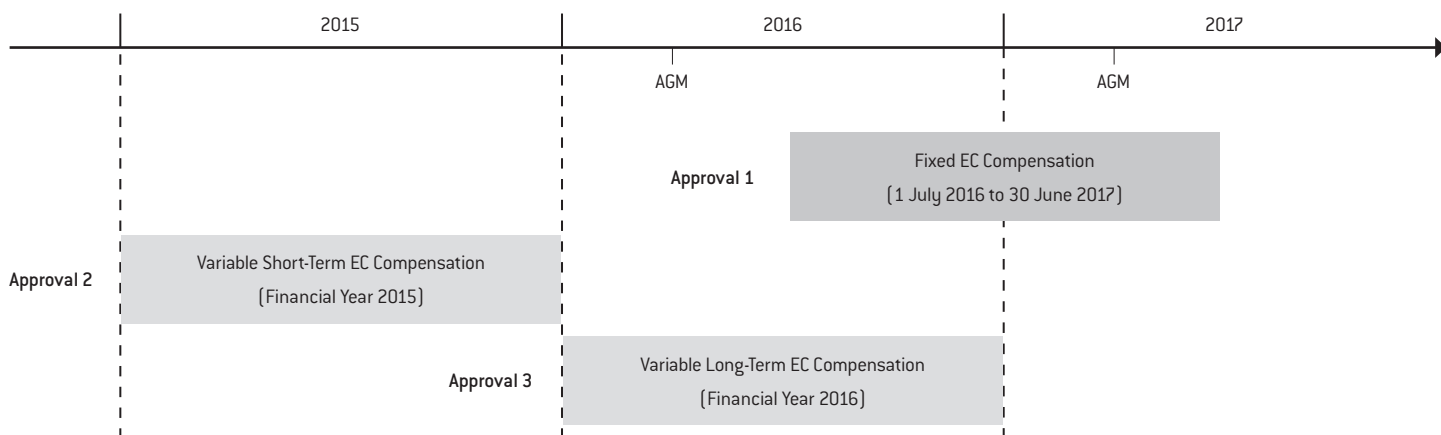
Will the effective pay-out be disclosed?

The actual pay-out to the members of the Board of Directors for the term of office from the Annual General Meeting 2016 to the Annual General Meeting 2017 will be disclosed in the Remuneration Reports 2016 and 2017.

9. Compensation of the Executive Committee

The approval of the compensation of the members of the Executive Committee (EC) 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 2016 to 30 June 2017 (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 financial year 2015 (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 2016 (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 2016 to 30 June 2017 of up to CHF 4,019,000.

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 (EC) for the forthcoming period. The proposed amount allows for a maximum fixed compensation of the Executive Committee for the period from 1 July 2016 until 30 June 2017 of up to CHF 4,019,000.

How is the proposed maximum amount calculated?

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

- Gross base salaries of the four current EC members of CHF 2,723,000 as of 1 July 2016;
- Total employer contributions to social security and pension fund of CHF 725,000;
- Other benefits (such as car allowance, tuition fees, etc) of CHF 321,000;
- A reserve of CHF 250,000 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, new allocation of responsibilities among existing EC 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 2015 (CHF 4,290,000) for the previous reference period (1 July 2015 to 30 June 2016), the proposed aggregate maximum amount represents a potential decrease of 6.3%. The main reason for this decrease is the reduction of the number of EC members from 5 to 4 as of 31 December 2015².

Taking into account only the four current EC members³, the average budget per EC member would represent a potential increase of 10.6% compared with the average budget per EC member approved by the shareholders at the Annual General Meeting 2015. The main reasons for this increase are the alignment of the EC's fixed compensation to the results of the benchmark analysis performed by New Bridge Street⁴ and the adaptation of Lonza's retirement plan⁵ based on Swiss-specific pension analysis to ensure market competitiveness and retention of executives.

Will the effective pay-out be disclosed?

The actual fixed compensation pay-out to the EC members for the period from 1 July 2016 until 30 June 2017 will be disclosed in the Remuneration Report 2016 and in the Remuneration Report 2017.

² As of 31 December 2015, Beat In-Albon has decided to step down from his role as Chief Operating Officer for Specialty Ingredients and his position on the Executive Committee. Sven Abend, previously Chief Strategy Officer and member of the Executive Committee, has been appointed as Chief Operating Officer for Specialty Ingredients.

³ In order to provide an appropriate average comparison per EC member, a comparison of the average budgeted fixed compensation of the four current Executive Committee members (Richard Ridinger, Toralf Haag, Marc Funk and Sven Abend) was made. For calculation purposes, the EC fixed remuneration budget approved by the Annual General Meeting 2015 was reduced by Beat In-Albon's portion of such budget.

⁴ For more details on the benchmark analysis performed by New Bridge Street, please refer to page 106 ff. of the Lonza Remuneration Report 2015.

⁵ Lonza has increased for all Swiss employees the insured salary within the limits of the Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). The contributions remain co-funded between employer and employees.

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 2015 in the amount of CHF 3,308,000.

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 (EC). This retrospective vote on the variable short-term compensation of the Executive Committee for the financial year 2015 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 EC under the STIP for the financial year 2015 of CHF 3,308,000 be approved.

How is the proposed amount calculated?

This amount results from the addition of the following components:

- STIP of CHF 3,067,000.
- Total employer contributions to social security and pension fund of CHF 241,000⁶.

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 to pages 100 and 110 of the Lonza Remuneration Report 2015.

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

Compared with the STIP for the financial year 2014⁷, the proposed STIP amount for the financial year 2015 represents an increase of 74.7%⁸. This increase results essentially from significantly better performance achievement in 2015 (78.93% in 2014 vs. 117.34% in 2015) and the increase of the STIP targeted amount for CEO from 80% to 100% at target.

Will the effective pay-out be disclosed?

The proposed amount corresponds to the effective pay-out (subject to approval by the Annual General Meeting 2016) as disclosed in the Lonza Remuneration Report 2015.

⁶ This amount is included in the "post-employment benefits" in the table on page 109 of the Lonza Remuneration Report 2015.

⁷ The STIP 2014 amounted to CHF 1,807,000. See table on page 107 of the Lonza Remuneration Report 2015 under "Short-term incentive (cash)" and "Value of 2014 E-STIP RSUs".

⁸ Excluding employer contributions to social security and pension fund, the proposed 2015 STIP represents an increase of 69.8% compared to the STIP 2014 (see page 107 of the Lonza Remuneration Report 2015).

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 2016 of up to CHF 5,670,400.

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 (EC) under the LTIP for the current financial year. The LTIP 2016 is an equity-based plan under which equity awards are granted to EC members in 2016. 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 2018. 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 EC under the LTIP for the financial year 2016 of up to CHF 5,670,400.

How is the proposed maximum amount calculated?

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

- Maximum value under the LTIP 2016 of CHF 5,392,400 assuming 200% maximum target achievement (corresponding to 200% of the aggregate base salary of the EC members in January 2016). The value of the LTIP 2016 at target (100%) would amount to CHF 2,696,200. The number of LTIP equity awards to be granted is calculated according to the share price as of the last trading day of January 2016 (CHF 156.30). The LTIP targeted percentage of the base salary of each EC member is 100%, i.e. a total of 17,250 equity awards (assuming target achievement). At the vesting date three years from grant, EC 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 RONOA 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 34,500 equity awards) at market value, i.e. a maximum compensation of CHF 5,392,400.
- Estimated maximum total employer contributions to social security of CHF 278,000 calculated at grant date at maximum vesting of 200%.

Why CORE EPS and CORE RONOA?

Based on feedback from our investors, CORE⁹ Earning Per Share (EPS) and CORE Return on Net Operating Assets (RONOA) were selected starting in 2014 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.

What are the predetermined performance metrics?

For CORE EPS:

- The minimum threshold to be reached at year-end 2018 was determined by the Nomination and Compensation Committee at a significantly higher level than the CORE EPS achieved on 31 December 2015 (which was CHF 6.81). If this minimum threshold is not reached at year-end 2018, 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 2018 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

⁹ For the definition of "CORE" results, please refer to page 112 of the Remuneration Report 2015. The concept of "CORE" results has been applied consistently in all Lonza financial reports since 2013 and in the guidance provided to the market.

is reached, 100% of the equity awards granted under the CORE EPS vesting condition will vest.

- The maximum was determined to approximate 115% of the CORE EPS at target. 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 2018 was determined by the Nomination and Compensation Committee at a significantly higher level than the CORE RONOA achieved on 31 December 2015 (which was 16.4%). If this minimum threshold is not reached at year-end 2018, 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 2018. 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 maximum was determined to approximate 117.5% of the CORE RONOA at target. 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 2015 (CHF 6,414,000) for the financial year 2015, the proposed LTIP amount for the financial year 2016 represents a potential decrease of 11.6%. The main reason for this decrease is the reduction of the number of EC members from 5 to 4 as of 31 December 2015¹⁰.

Taking into account only the four current EC members¹¹, the average LTIP budget 2016 per EC member would represent a potential increase of 5.7% compared with the average LTIP budget per EC member approved by the shareholders at the Annual General Meeting 2015. The reason for this increase is the alignment of the EC's fixed compensation to the results of the benchmark analysis performed by New Bridge Street (see agenda item 9.1 above).

A potential vesting of 200% of the LTIP equity awards granted would require the achievement at the year-end 2018 of CORE EPS and CORE RONOA at very challenging levels. As shown in the 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 2016. The actual vesting level of the equity award grants and the absolute LTIP targets for the LTIP 2016 will be disclosed in the Remuneration Report 2018. Lonza is committed to submit the Remuneration Report 2018 to a consultative vote at the Annual General Meeting 2019. Shareholders will thus have the opportunity to vote on the effective vesting level under the LTIP 2016 and the absolute LTIP targets for the LTIP 2016.

¹⁰ Please refer to footnote 2.

¹¹ In order to provide an appropriate average comparison per EC member, a comparison of the average budgeted LTIP grant of the 4 current Executive Committee members (Richard Ridinger, Toralf Haag, Marc Funk and Sven Abend) was made. For calculation purposes, the EC variable long-term compensation budget approved by the Annual General Meeting 2015 was reduced by Beat In-Albon's LTIP grant 2015.

Documentation and Attendance Procedures

Documentation

The Annual Report 2015, which includes the Remuneration Report, is available as of today at the Company's head office at Muenchensteinerstrasse 38, Basel, Switzerland. In addition, shareholders may consult or order the Annual Report 2015 on the following link of our website: www.lonza.com/financial-reports or through the eComm platform (see explanations below). Please note that the Annual Report 2015 is only available in English.

Registration and Admission Ticket

Shareholders entered into the share register, with the right to vote, by **15 April 2016, 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 ticket and voting material will be mailed **from 18 April 2016**.

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 **20 April 2016, 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 **20 April 2016, 5.00 pm (CEST)**.

Language

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

Basel, 22 March 2016

On behalf of the Board of Directors
The Chairperson

Rolf Soiron

Annexes:

- Curriculum Vitae of Christoph Mäder
- Order form and power of attorney
- Letter regarding electronic submission of proxies through the eComm platform