

Ordinary Shareholders Meeting 31 March 2004

Chairman's address
by
Sergio Marchionne
Chairman of the Board of Directors
Lonza Group Ltd

(Slide 1) Ladies and Gentlemen, good afternoon

2003 was a very difficult year for our Group and we experienced a significant setback in performance. Markus Gemuend will talk about all the specific business issues which have negatively impacted the results and he will also give you an update of the measures the Group has taken thus far.

With this background the Board of Directors and the Management Committee have reviewed the strategic orientation and the organization of the Group.

(Slide 2) Despite the setback experienced in 2003, our strategic commitment to the life sciences is unchanged. The expansion projects in biotechnology are well advanced, both in terms of construction and utilization. Capital expenditure in 2003 increased to CHF 424 million compared with CHF 350 million in the prior year, due to the near completion of the investment cycle in the biotechnology area. With its state-of-the art technologies, superb research and development skills and a reduced cost base, Lonza is well positioned to return to its position as the industry leader. The road to recovery is not going to be an easy one. Our business environment is one which is characterized by overcapacities and an unusually low rate of new drug approvals. Adequate utilization of our large reactors remains the key objective for 2004 and beyond. The consolidation in the Custom Manufacturing industry is going on. Our view is that Lonza as the market leader will come out of this process stronger and more competitive, but the way back to the operating income margins of the past will be uneven.

We have taken a hard look at our portfolio of business. Given the dilutive effect of divestitures on cash and earnings and the efforts required to rebase our Life Science businesses, the Board of Directors has decided not to divest the Polymer Intermediates business, which is expected to recover to better levels during 2004.

In January, Markus Gemuend, Chief Executive Officer of Lonza, has advised the Board of Directors of his decision to step down from his position as soon as a suitable replacement has been identified. Mr. Gemuend feels that, given the market developments which affected the performance of Lonza in 2003, a different type of leadership is required to move the Group forward. The Board has respected his decision to step down and is appreciative of his efforts during the last two years. Intense activities are ongoing and we expect to appoint a successor to Markus at the latest by the half year results.

(Slide 3) After the setback in 2003, we need to rebase both our operations and expectations, and reaffirm our leadership position which has been earned over many years in terms of both technology and customer service. The combined effect of all the negative factors which have come to bear on the performance of Lonza for 2003 requires that the company take a conservative and cautious view of its earnings guidance. As a result, the Board of Directors feels comfortable setting minimum levels of expected returns, with operating income of CHF 225 million and earnings per share of CHF 3.00 for 2004. No further exceptional charges relating to restructuring are expected.

Given the results and consistent with the Group's stated policy of distributing as dividends between 25 and 33% of consolidated net income (excluding non-recurring items), the Board of Directors proposes a dividend of CHF 1.30. (Last year CHF 1.90).

Since the last Shareholder meeting we have seen a number of changes in our shareholder structure. In the last twelve months the number of Swiss based shareholders has increased by 28% from 11'092 to 14'239. They hold today 63% of the registered shares. On January 8 2004, Lonza has been informed by Harris Associates L.P., Chicago that its participation in the voting rights of Lonza Group Ltd exceeded the threshold of 5% and it holds 5.01% of the voting rights. EMS-Chemie Holding AG has reduced its ownership to 19.54% as of 13 February 2004 and it views its investment in Lonza now as purely financial.

(Slide 4) I would like to say now a few words about the elections to the Board of Directors. As already announced, Mr. Rupert Gasser and Mr. Peter Matter have informed the Board of Directors that they will not stand for re-election at today's Shareholder's Meeting. On behalf of all the members of the Board, I would like to thank Peter Matter and Rupert Gasser for their valuable contributions during their tenure as directors.

Today the Board of Directors proposes the addition of Mr. Peter Wilden as a Director of the company. Peter Wilden (46) is currently Executive Vice-President Finance and Chief Financial Officer of Ferring Pharmaceuticals (CH). He holds a degree in business administration and information technology, as well as PhD in business administration. I am delighted that

Peter Wilden has agreed to stand for election. With his addition the team will be ideally suited to guide Lonza in its recovery from the 2003 performance and in its development as the provider of success to life sciences industries.

On your behalf and on behalf of the Board of Directors I would like to express our heartfelt thanks to our employees for their invaluable contributions and performance in an extremely difficult year. I would also like to thank our customers for their trust and support, and for their continuing commitment to the development of a strong partnership with Lonza.