Lonza

HALF-YEAR REPORT 2010

Financial highlights first half-year

million CHF	2009	2010
Sales	1 329	**1 301**
Change in %		(2.1)
EBITDA	300	**309**
Change in %		3.0
Margin in %	22.6	**23.8**
Result from operating activities (EBIT)	163	**173**
Change in %		6.1
Margin in %	12.3	**13.3**
Profit for the period	118	**135**
Change in %		14.4
Cash flow before change in net working capital	218	**255**
Change in %		17.0
RONOA in %	9.2	**9.7**
Net debt	1 268	**1 251**
Change in %		(1.3)
Debt-equity ratio	0.52	**0.51**
EPS basic (CHF)	2.44	**2.62**
Change in %		7.4
EPS diluted (CHF)	2.28	**2.61**
Change in %		14.5
Number of employees	8 580	**8 220**
Change in %		(4.2)

– **Sales of CHF 1 301 million at a similar level to H1 2009 (-2.1 %) due to an expectedly weak first quarter in Custom Manufacturing**
– **EBIT increased by 6.1 % to CHF 173 million and net profit increased by 14.4 % to CHF 135 million**
– **Re-engineering project fully on track to deliver all results by March 2011**
– **Successful contract signing confirms long-term outsourcing trend and viability of Lonza's strategy**

Overview Lonza delivers a solid business performance in all sectors despite volatility in the area of exchange rates, uncertainties in customers' innovations and fluctuation in non-pharmaceutical markets in the first half of 2010. Demand for Life Science Ingredients products improved compared with 2009. Increasing margin pressure in some areas was more than offset by volume growth. Visibility improved thanks to firmly placed orders and new contracts signed in Custom Manufacturing. Overall, new contracts and orders were at a considerably higher level than a year ago, driving stronger business growth in the second half of the year and through 2011. Increased capacity utilization in large-scale biological manufacturing is a consequence of firm order placements since March 2010. However, de-stocking in Custom Manufacturing continued in the first half, and volatility is expected to continue, especially for the small-scale business. Bioscience overall is on track; the decline in sales is due to the expected underutilization in Therapeutic Cell Solutions. Demand from academia and industry has improved but is not yet fully recovered, with companies still reducing R&D budgets.

All Lonza growth projects such as the new Carnipure™ plant in China, the biopharma plant in Singapore, the joint venture TL Biopharmaceutical Ltd and the antibody drug conjugates expansion in Visp (CH) are developing on target. Capital expenditure (CAPEX) will substantially be reduced with a target below CHF 400 million in 2010.

Re-engineering In the fourth quarter of 2009, the re-engineering project was initiated, with the aim of reducing fixed costs by CHF 70-80 million. All the measures are defined and the cost reductions will be achieved by the end of the first quarter of 2011. The site at Wokingham (UK) was closed in the second quarter, and Shawinigan, (CA) will be closed by the end of July, while Conshohocken (Riverside), PA (USA) will continue to operate until the end of 2010. The chemical R&D organizations were successfully merged into one platform, enabling flexible, customer-oriented processes. The first steps have been taken to increase flexibility in biopharmaceutical manufacturing to meet customers' needs and will be finalized at all sites in the second half of 2010.

Life Science Ingredients sales grew by 5.9 % to CHF 536 million in the first half of 2010, while EBIT increased by 17.4 % to CHF 81 million. Volumes recovered in almost all end-markets except agrochemicals in the first half of 2010, compared with 2009. Margins are increasingly coming under pressure due to higher raw material cost, unfavorable exchange rates and increased competitive activities. Pass-through to customers will only be possible with a certain time lag. In Nutrition Ingredients, sales of vitamin B3, Carnipure™ and Carniking™ progressed well, with stable margins. New contracts have been signed and the construction of a new Carnipure™ / Carniking ™ plant in Nansha (CN) is on track. In Microbial Control sales have grown strongly in Europe and especially Asia, in the US the recovery was slower than expected. In Performance Intermediates, volumes recovered in almost all end-markets. The high performance materials business more than compensated for lower demand for agro intermediates.

Custom Manufacturing sales decreased by 6.8 % to CHF 658 million in the first half of 2010 due to anticipated low capacity utilization in Portsmouth and Hopkinton in the first quarter of 2010. EBIT increased by 3.3 % to CHF 94 million. The strong business performance since March 2010 compensated for significantly lower engineering milestone payments. Biological Manufacturing increased capacity utilization, driven by stronger order placement and the introduction of multiple new products coming from a solid project pipeline. This provides good visibility for the rest of the year. The batch success rate remained high and above the industry average. In Chemical Manufacturing, multiple operational excellence programs were successfully implemented and more than compensated for lower capacity utilization. In Custom Manufacturing, volatility remained as customers continued de-stocking in the first half 2010, while many changes occurred in the small- and mid-scale business. Several customer audits and inspections by regulators at various sites were successfully concluded.

Bioscience sales decreased by 9.4 % to CHF 106 million in the first half of 2010, with sales strengthening in the second quarter. This was mainly due to the expected lower sales in Therapeutic Cell Solutions as a result of longer or delayed approvals by regulatory authorities. However, the strong and diverse product and client pipeline grew again, and candidates in clinical trials moved forward. A stronger performance is expected in the second half of 2010 as a result of several new product introductions, such as the launch of the new 4D Nucleofector™ in June 2010.

Financial summary

- Solid EBITDA margins of 23.8 %, despite volatile environment.
- Net working capital in relation to sales was 28.3 %.
- Net cash from operating activities stable at CHF 164 million.
- Cash flow before change in net working capital increased by 17 %, from CHF 218 million in H1/2009 to CHF 255 million, due to higher net profit as well as lower payments for taxes and interests.
- Capital expenditure was reduced to CHF 152 million, with no delays to any growth projects. Capital expenditure outlook for the year remains below CHF 400 million.
- Net debt amounted to CHF 1 251 million, resulting in a gearing level of 51 %.

Senior management changes Effective 1 June 2010, Lukas Utiger, previously COO of Lonza Life Science Ingredients, became the new COO of Lonza Bioscience, located in Walkersville, MD (USA). Stefan Borgas, CEO, took over leadership of the Life Science Ingredients business, in addition to his current responsibilities, until a successor is named.

Outlook In an environment of ongoing market volatility and macro-economic uncertainties, we were able to stabilize the business. Lonza's life-science strategy will continue to deliver long-term growth through an increased project pipeline, new signed contracts and an intact outsourcing trend, and investments in plants and technologies. We will continue to generate new business which will improve the profitability of our assets and strengthens our cash flow generation.

We remain fully committed to our long-term objectives. We believe that science and technology should be used to improve the quality of life. We work with passion, using advanced technologies, to transform life science into new possibilities for our customers, whom we thank for their increased trust.

We would like to thank our employees for all their continued commitment and energy, and our shareholders for their support.

Rolf Soiron	**Stefan Borgas**
Chairman of the Board of Directors	Chief Executive Officer

Life Science Ingredients

million CHF	2009	2010
Sales	506	**536**
Change in %		5.9
Change due to		
Volume and prices		36
Currency translation		(6)
Scope of consolidation		0
Result from operating activities (EBIT)	69	**81**
Change in %		17.4
Margin in %	13.6	**15.1**
EBITDA	104	**118**
Change in %		13.5
Margin in %	20.6	**22.0**

Life Science Ingredients delivered a solid first-half year performance. Sales increased by 6 % to CHF 536 million due to improved volumes for nicotinates, strong demand for industrial products and an encouraging turnaround of the Microbial Control business. EBIT increased by 17 % to CHF 81 million, with an improved margin of 15 %. Margins are coming under pressure due to higher raw material costs, unfavorable exchange rates and increased competitive activity. Key developments during the first half of 2010 include:

- Capacity utilization was generally back to normal levels during the first half of 2010.
- The upgrade of the agrochemical production capacities in Visp (CH) was approved by the Board of Directors on the strength of new contracts signed.
- Approval of the new niacinamide (vitamin B3) plant in Nansha (CN) by the Board of Directors.
- Successful start-up of the new Microbial Control formulations plant in Nanjing (CN).
- The new intermediates plant in Visp came on stream in June, producing starting material for the L-carnitine plant in Nansha.
- Construction of the new L-carnitine plant in Nansha was on schedule, with start-up expected in the fourth quarter of 2010.
- In the first half of 2010, the number of projects in the R&D pipeline stayed at a high level.

Nutrition Ingredients Demand for nicotinates (vitamin B3) increased substantially in comparison with the first half of 2009, driven by feed and food applications. The economic environment also improved in this market compared with the first half of 2009.

Demand for Carniking™ (feed-grade L-carnitine) was good, with cost pressure in Europe and the USA starting to affect sales. Sales of Carnipure™ (food- and pharmaceutical-grade L-carnitine) continued to be strong during the first half of the year due to high demand for infant nutrition and pharmaceutical applications, as well as solid sales of dietary supplements and energy beverages in the USA.

Sales of Meta™ (metaldehyde), a specific molluscicide, were below expectations as a result of high stocks originating from the low demand due to the dry weather conditions the previous autumn. Registration in Europe for the active ingredient and an advanced technology formulation progressed according to plan.

Demand for FiberAid™ and ResistAid™ (larch arabinogalactan products) met expectations during the first half of the year, as existing key customers experienced stronger demand for their products. Commercial and scientific projects relating to ResistAid™ are underway.

Microbial Control The Microbial Control business improved in the first half of 2010. The upturn was driven by increased sales due to the global economic recovery and expansion into new industry segments and geographic regions.

Our hygiene sales were lower than expected due to de-stocking following the H1N1 scare in the second half of 2009. This was balanced by growth in the Asian markets.

The water treatment business improved as paper mills began to increase production in the North American and European markets. Sales in new applications, such as oil fields and petroleum products, also contributed to the growth in the water treatment segment.

In the materials protection business, sales of Carboquat™ – a product used in pressure-treated wood – continued to decline as expected. Stronger demand for Acrawax™, a synthetic wax, was led by Asian markets.

Performance Intermediates Overall demand for HCN and diketene derivatives was brisk in the first half of 2010, as customers began to restock inventories and the general economic recovery progressed. Price pressure continued, especially in the Asian diketene markets, due to massive overcapacity. Utilization of our own assets was good in the first half-year.

Market prices for fertilizers recovered from the lows of 2009 and demand returned to normal levels.

The increase in sales of high-performance materials was driven by the electronics, construction and aerospace industries. The pyromellitic dianhydride (PMDA) business is running at full capacity. Construction of the new PMDA plant in Nanjing (CN) is progressing.

Demand for agrochemical active ingredients was weaker in the first half of the year and will decline further due to high inventory levels at customers. The project portfolio grew further, with new products secured for the long term.

Custom Manufacturing

million CHF	2009	2010
Sales	706	**658**
Change in %		(6.8)
Change due to		
Volume and prices		(43)
Currency translation		(5)
Scope of consolidation		(0)
Result from operating activities (EBIT)	91	**94**
Change in %		3.3
Margin in %	12.9	**14.3**
EBITDA	179	**181**
Change in %		1.1
Margin in %	25.4	**27.5**

Sales declined by 7 % to CHF 658 million, while EBIT increased by 3 % to CHF 94 million. Higher order placement and the introduction of new products underpinned the increase in capacity utilization in Biological Manufacturing.

Chemical Manufacturing Although the first half of 2010 continued to be affected by customers' efforts to optimize their overall cost base and net working capital, the Chemical Manufacturing business unit turned in a stronger performance. The successful implementation of a number of operational excellence programs, increased the flexibility and throughput of most of the Chemical Manufacturing assets and will meet the new customer requirements.

Chemical Manufacturing continued its growth strategy by strengthening its technology platforms. Positive results from the operational excellence projects more than compensated for a lower capacity utilization. All major projects are on schedule, driven by customer demand:
- The first two build-out phases of the large-scale multi-purpose cGMP API (active pharmaceutical ingredients) plant in Nansha (CN) are operational, with multiple customer projects.
- The large-scale antibody drug conjugates project in Visp (CH) is on schedule.
- Five additional HAPI (highly potent active pharmaceutical ingredients) labs, with capabilities for cytotoxic substances in Visp, are now fully operational.
- The microreactor technology secured additional projects.
- The cGMP lab-scale peptide production in Nansha is now operational, with multiple customer projects and additional capacities under evaluation.
- The total number of projects grew to over 250.

Biological Manufacturing The Biological Manufacturing business unit continued to operate at high batch success rates, above the industry average. The multiple new products and production campaigns had a positive impact on our mid- and large-scale asset utilization in the first half of 2010.

The business made further progress with the execution of planned expansion projects, achieving a number of important milestones in the first half of 2010:
- The first plant in Singapore was completed and operationally handed over to Roche / Genentech in 2009. The transition will be finalized with the FDA inspection and product launch in the third quarter of 2010.
- With a scheduled start-up utilization of over 60 % in 2011, the full fit-out of the second facility in Singapore has been initiated and continues to be on track.
- The new 2 000-liter line in Hopkinton, MA (USA) was brought on stream and is currently operational, with two major customer projects. The 2 800-liter line has been upgraded and will be brought back on line in the third quarter of 2010.
- The throughput improvement program for the 1 000-liter and the two 15 000-liter microbial lines in Visp (CH) was successfully started.

- The harmonization programs for all our mid- and large-scale mammalian assets were initiated. These programs will enable our facilities to provide our customers with tailor-made capacity at many sites.
- The joint venture between Teva and Lonza, TL Biopharmaceutical Ltd, announced the start of clinical trials for the first biosimilar product.
- The total number of projects remained over 200.

Development Services The AggreSolve™ technology, the highly potent cell lines (strategic collaboration with BioWa) and the new media and feed systems (Lonza Bioscience) continued to arouse strong customer interest.

With the acquisition of Algonomics NV, Gent (BE) in the fourth quarter of 2009, Lonza further strengthened its protein design technology offerings, with integrated immunogenicity prediction capabilities to support companies in the development of biotherapeutics.

The continuously improved XS microbial expression platform and the new fast-track program for strain development and clinical material supply further strengthened Lonza's leading position in the microbial biopharmaceuticals market.

Bioscience

million CHF	2009	2010
Sales	117	**106**
Change in %		(9.4)
Change due to		
Volume and prices		(8)
Currency translation		(3)
Scope of consolidation		0
Result from operating activities (EBIT)	15	**9**
Change in %		(40.0)
Margin in %	12.8	**8.5**
EBITDA	24	**17**
Change in %		(29.2)
Margin in %	20.5	**16.0**

Bioscience sales declined to CHF 106 million in the first half of 2010, mainly due to lower revenue from Therapeutic Cell Solutions. As a result, margins were also lower than in the first half of 2009.

Therapeutic Cell Solutions sales declined as a result of delayed approvals by regulatory authorities. Sales are expected to rebound after regulatory approval. In the second quarter, the Walkersville, MD (USA) site was approved by the Canadian regulatory agency for commercial manufacturing.

The manufacturing pipeline was strengthened and diversified this year by the signing of two new clients and the extension of two existing contracts. These include Lonza's first pluripotent cell agreement and the first consulting revenue for the evaluation of cell therapy products for venture capital organizations.

The liquid media and flexible packaging products of the Therapeutic Media business continued to grow, driven by new projects in the biopharmaceutical production market and increased synergies within Lonza. Powder media sales were weak.

Testing Solutions sales are running ahead of 2009 despite increased stocking of endotoxin testing material by pharmaceutical companies last year in anticipation of a stronger need for H1N1 flu vaccine. In spring 2010, Testing Solutions acquired MODA Technology Partners in Wayne, PA (USA). MODA offers the advantages of real-time, point-of-testing and environmental monitoring. Lonza has adopted the MODA platform for all its biopharma quality control centers.

Research Solutions sales were stable compared with 2009, but were below expectations, in anticipation of the new 4D Nucleofector™ product launch in June 2010. Cell-based assay products performed well. Important licensing and distribution agreements were signed with California Stem Cell Inc. and Axiogenesis.

Geographic expansion of Lonza Bioscience in the Asia Pacific region is ongoing. This trend is underpinned by strong growth in sales of research products in China and ASEAN countries, as well as lively interest in endotoxin testing throughout the region.

The product and project pipeline showed solid development in the second quarter of 2010. Important new products are expected to be launched in the second half of 2010, especially for the Research Solutions business unit.

Corporate

million CHF	2009	2010
Sales	0	**1**
Change in %		-
Change due to		
Volume and prices		1
Currency translation		0
Scope of consolidation		0
Result from operating activities (EBIT)	(12)	**(11)**
EBITDA	(7)	**(7)**
Change in %		0.0

Condensed consolidated balance sheet at 31 December 2009 and 30 June 2010 (unaudited)

million CHF

	2009	2010
Fixed assets	3 486	3 513
Long-term loans and advances	32	44
Total non-current assets	**3 518**	**3 557**
Current assets	1 285	1 302
Short-term advances and other financial assets	1	1
Cash and cash equivalents	140	117
Total current assets	**1 426**	**1 420**
Total assets	**4 944**	**4 977**
Equity attributable to owners of the parent	2 325	2 377
Non-controlling interest	64	64
Total equity	**2 389**	**2 441**
Long-term liabilities	571	490
Long-term debt	824	1 342
Total long-term liabilities and provisions	**1 395**	**1 832**
Short-term liabilities	645	633
Short-term debt	515	71
Total current liabilities and deferred items	**1 160**	**704**
Total liabilities and equity	**4 944**	**4 977**

Condensed consolidated income statement first half-year (unaudited)

million CHF

	2009	2010
Sales	**1 329**	**1 301**
Cost of goods sold	(978)	(945)
Gross profit	**351**	**356**
Other operating expenses	(188)	(183)
Result from operating activities (EBIT)	**163**	**173**
Net financing costs	(24)	(21)
Share of profit of associates	0	4
Profit before income taxes	**139**	**156**
Income taxes	(21)	(21)
Profit for the period	**118**	**135**
Profit attributable to:		
Owners of the parent	120	137
Non-controlling interest	(2)	(2)
Profit for the period	**118**	**135**
Basic earnings per share – EPS basic (CHF)	2.44	2.62
Diluted earnings per share – EPS diluted (CHF)	2.28	2.61

Condensed consolidated statement of comprehensive income for the period first half-year (unaudited) million CHF	2009	2010
Profit for the period	**118**	**135**
Other comprehensive income:		
Exchange differences on translating foreign operations	39	(1)
Cash flow hedges	23	(2)
Income tax relating to components of other comprehensive income	(5)	1
Other comprehensive income for the period, net of tax	**57**	**(2)**
Total comprehensive income for the period	**175**	**133**
Total comprehensive income attributable to:		
Owners of the parent	176	133
Non-controlling interest	1	0
Total comprehensive income for the period	**175**	**133**

Condensed consolidated cash flow statement first half-year (unaudited) million CHF	2009	2010
Profit for the period	**118**	**135**
Adjustment for non-cash items	167	166
Income taxes and interests paid	(67)	(46)
Cash flow before change in net working capital	**218**	**255**
(Increase) / decrease of net working capital	(116)	(91)
Increase / (decrease) of other payables net	62	0
Net cash (used for) / provided by operating activities	**164**	**164**
Purchase of fixed assets	(264)	(152)
Acquisition of subsidiaries, net of cash acquired	0	(24)
Sale of assets held for sale	3	0
Net purchase of other assets and disposals	1	(15)
Interest and dividend received	7	4
Net cash (used for) / provided by investing activities	**(253)**	**(187)**
Issue of straight bond	0	397
Repayment of straight bond	0	(300)
Increase / (decrease) in debt	(174)	(8)
Increase / (decrease) in other liabilities	3	(6)
Sale of treasury shares	8	10
Dividends paid	(87)	(92)
Net cash (used for) / provided by financing activities	**(250)**	**1**
Effect of currency translation on cash	4	(1)
Net (decrease) / increase in cash and cash equivalents	**(335)**	**(23)**
Cash and cash equivalents at 1 January	566	140
Cash and cash equivalents at 30 June	231	117

Condensed consolidated statement of changes in equity first half-year (unaudited) million CHF	Attributable to owners of the parent Share capital	Share premium	Retained earnings/ Other reserves	Hedging reserve	Trans-lation reserve	Treasury shares	Total	Non-control-ling interest	Total Equity
Six months ended 30 June 2009									
At 31 December 2008	**50**	**148**	**2 233**	**(56)**	**(209)**	**(301)**	**1 865**	**69**	**1 934**
Profit for the period	0	0	120	0	0	0	120	(2)	118
Other comprehensive income	0	0	0	18	38	0	56	1	57
Total comprehensive income for the period	**0**	**0**	**120**	**18**	**38**	**0**	**176**	**(1)**	**175**
Dividends	0	0	(87)	0	0	0	(87)	0	(87)
Recognition of share-based payments	0	0	5	0	0	0	5	0	5
Transfer of employee shares	0	(3)	(10)	0	0	17	4	0	4
Conversion of convertible bond	3	178	0	0	0	204	385	0	385
Sale of treasury shares	0	(3)	0	0	0	8	5	0	5
At 30 June 2009	**53**	**320**	**2 261**	**(38)**	**(171)**	**(72)**	**2 353**	**68**	**2 421**
Six months ended 30 June 2010									
At 31 December 2009	**53**	**316**	**2 294**	**(16)**	**(254)**	**(68)**	**2 325**	**64**	**2 389**
Profit for the period	0	0	137	0	0	0	137	(2)	135
Other comprehensive income	0	0	0	(1)	(3)	0	(4)	2	(2)
Total comprehensive income for the period	**0**	**0**	**137**	**(1)**	**(3)**	**0**	**133**	**0**	**133**
Dividends	0	0	(92)	0	0	0	(92)	0	(92)
Recognition of share-based payments	0	0	3	0	0	0	3	0	3
Transfer of employee shares	0	(2)	(7)	0	0	7	(2)	0	(2)
Sale of treasury shares	0	(2)	0	0	0	12	10	0	10
At 30 June 2010	**53**	**312**	**2 335**	**(17)**	**(257)**	**(49)**	**2 377**	**64**	**2 441**

Selected explanatory notes

1. Accounting principles

Basis of preparation of financial statements These condensed financial statements are the unaudited, interim condensed consolidated financial statements (hereafter “the interim financial statements”) of Lonza Group Ltd and its subsidiaries (hereafter “the Group”) for the six-month period ended 30 June 2010 (hereafter “the interim period”). They are prepared in accordance with the International Accounting Standard 34 (IAS 34) “Interim Financial Reporting”. These interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2009 (hereafter “the annual financial statements”), as they provide an update of the previously reported information. The same accounting policies and methods of computation are followed in these interim financial statements as compared with the most recent annual financial statements for the year ended 31 December 2009, except for accounting policy changes made after the closing date of the annual financial statements.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management’s best judgment at the date of the interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

Changes in accounting policies The following new and revised standards and interpretations have been issued, being effective for the reporting year 2010:
– IFRS 3 revised – Business combinations
– IAS 27 amended – Consolidated and separate financial statements
– Amendment to IAS 39 – Financial instruments: recognition and measurement – Eligible hedged items
– IFRIC 17 – Distributions of non-cash assets to owners

– Improvements to IFRSs – Amendments to IFRS 5 – Non-current assets held for sale and discontinued operations
– Improvements to IFRSs (April 2009)
– Amendments to IFRS 2 – Group cash-settled share-based payment transactions

These new accounting standards and interpretations did not have a significant impact on the Group's consolidated interim financial statements, other than additional disclosures.

From 1 January 2010, the functional currency of all subsidiaries in China was changed from US-dollar to renminbi. This accounting change was implemented because the Chinese subsidiaries changed the focus of their operations more and more towards delivering their goods and services to the local markets.

2. Exchange rates

Balance sheet period-end rate CHF	31 12 09	30 06 10
US dollar	1.03	1.08
Pound sterling	1.66	1.62
Euro	1.48	1.33

Income statement half-year average rate CHF	2009	2010
US dollar	1.13	1.08
Pound sterling	1.68	1.65
Euro	1.51	1.44

3. Seasonality of operations

All segments operate in business areas where no significant seasonal or cyclical variations in sales are experienced during the reporting year.

4. Debt

The straight bond (2005-2010) of CHF 300 million, at an interest rate of 2.625%, became due for repayment on 2 June 2010. It was refinanced by issue of a new straight bond on the following terms: amount of CHF 400 million, due 2 June 2016. Interest: 3.00% p.a., payable on 2 June, for the first time on 2 June 2011. The net proceeds of the bond amount to CHF 396.9 million per 2 June 2010, after considering upfront fees of CHF 5.970 million and an agio of CHF 2.884 million.

5. Dividends paid

On 31 March 2010, the Annual General Meeting approved the distribution of a dividend of CHF 1.75 (2009: CHF 1.75) per share in respect of the 2009 financial year. The distribution to holders of outstanding shares totaled CHF 92 million (2009: CHF 87 million) and was recorded against retained earnings of Lonza Group Ltd.

6. Operating segments

First half-year 30 June 2010 million CHF	Custom Manu-facturing	Life Science Ingredients	Bioscience	Total operating segments	Corporate / Elimina-tions [1]	Group total
Sales third-party	**658**	**536**	**106**	**1 300**	**1**	**1 301**
Inter-segment sales	24	85	5	114	(114)	0
Total sales	**682**	**621**	**111**	**1 414**	**(113)**	**1 301**
Goodwill impairment	0	0	0	0	0	0
Result from operating activities (EBIT)	**94**	**81**	**9**	**184**	**(11)**	**173**
– Return on sales %	14.3	15.1	8.5	14.2	na	13.3
Net financing costs						(21)
Share of profit of associates						4
Profit before income taxes						**156**
Income taxes						(21)
Profit for the period						**135**

[1] The "Corporate / Eliminations" column represents the corporate function, including eliminations for reconciliation of the Group total.

First half-year 30 June 2009 million CHF	Custom Manu-facturing	Life Science Ingredients	Bioscience	Total operating segments	Corporate / Elimina-tions[1]	Group total
Sales third-party	**706**	**506**	**117**	**1 329**	**0**	**1 329**
Inter-segment sales	21	82	2	105	(105)	0
Total sales	**727**	**588**	**119**	**1 434**	**(105)**	**1 329**
Goodwill impairment	0	0	0	0	0	0
Result from operating activities (EBIT)	**91**	**69**	**15**	**175**	**(12)**	**163**
– Return on sales %	12.9	13.6	12.8	13.2	na	12.3
Net financing costs						(24)
Profit before income taxes						**139**
Income taxes						(21)
Profit for the period						**118**

[1] The "Corporate / Eliminations" column represents the corporate function, including eliminations for reconciliation of the Group total.

7. Restructuring

In the year-end closing 2009, restructuring provisions of CHF 21 million were recognized, of which CHF 4 million was used in the first half of 2010. Additional restructuring provisions of CHF 4 million were set up in 2010.

8. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

No material events occurred after the end of the interim period ended on 30 June 2010, up to the date of the approval by the Board of Directors in its July 2010 meeting. The Board of Directors authorized the interim financial statements of Lonza Group Ltd and its subsidiaries for the six-month period ended 30 June 2010.

9. Business combinations

Effective 18 May 2010, Lonza Group Ltd acquired 100% of the shares of MODA Technology Partners ("MODA") for a cash consideration of CHF 24 million. MODA provides a mobile data acquisition platform that enables quality assurance and quality control organizations in the Life Sciences industry to automate their regulated manufacturing processes, including environmental monitoring (EM), utility testing, and product testing. MODA is headquartered in Wayne, PA (USA), with authorized resellers and technology integration partners throughout North America. Lonza will integrate this company into its Bioscience segment.

From 18 May 2010 to 30 June 2010, the acquired business contributed sales of CHF 0.1 million and a result from operating activities of CHF -0.3 million to the Group. If the acquisition had occurred on 1 January 2010, Group sales in the first half-year 2010 would have been CHF 1 302 million (+ CHF 1 million) and the Group result from operating activities CHF 172 million (- CHF 0.4 million). These amounts were calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional amortization that would have been charged if the fair value adjustments to intangible assets had applied from January 2010.

Net assets acquired and goodwill are as follows:

million CHF	
Purchase consideration	**24.3**
Fair value of net assets acquired	(4.6)
Goodwill	**19.7**

The goodwill includes expected synergies from the acquisition, the labor force and intangible assets that could not be recognized separately. The acquisition has been accounted for using the acquisition method. The initial accounting, as presented below, has been determined provisionally. The amounts of assets and liabilities that have been included in the interim statements may therefore still be subject to changes. The following amounts of assets and liabilities acquired have been included in the interim statements:

million CHF	Assets and liabilities included at acquisition date
Intangible assets (technology, trademark)	6.2
Trade receivables	0.6
Other receivables, prepaid expenses and accrued income	0.1
Other short-term liabilities	(0.4)
Deferred tax liabilities	(1.9)
Fair value of net assets acquired	**4.6**
Goodwill	19.7
Cost of the business combination	**24.3**
Purchase consideration settled in cash	24.3
Cash and cash equivalents of subsidiary acquired	0.0
Cash outflow on acquisition	**24.3**

10. Goodwill – cost and accumulated impairment

million CHF	2009	2010
Cost		
At 1 January	**457**	**453**
Acquisition of subsidiaries	0	20
Currency translation differences	(4)	(18)
2009: at 31 December / 2010: at 30 June	**453**	**455**
Accumulated impairment		
At 1 January	**(9)**	**(8)**
Currency translation differences	1	1
2009: at 31 December / 2010: at 30 June	**(8)**	**(7)**
Net carrying amount 2009: at 31 December / 2010: at 30 June	**445**	**448**

The Half-year Report 2010 is also available in German. The English version prevails.

Full-year Report 2010
26 January 2011

Annual General Meeting
for the 2010 financial year
12 April 2011
Congress Center Basel
MCH Swiss Exhibition (Basel) Ltd

Half-year Report 2011
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Forward-looking statements

Forward-looking statements contained herein are qualified in their entirety as there are certain factors that could cause results to differ materially from those anticipated. Investors are cautioned that all forward-looking statements involve risks and uncertainty. In addition to those discussed above, factors that could cause actual results to differ materially include: the timing and strength of new product offerings; pricing strategies of competitors; the company's ability to continue to receive adequate products from its vendors on acceptable terms, or at all, and to continue to obtain sufficient financing to meet its liquidity needs; and changes in the political, social and regulatory framework in which the company operates, or in economic or technological trends or conditions, including currency fluctuations, inflation and consumer confidence, on a global, regional or national basis.