FULL-YEAR REPORT 2009

Financial highlights full-year

million CHF	2008	2009 before special charges	2009 after special charges [1]
Sales	2 937	**2 690**	**2 690**
Change in %		(8.4)	(8.4)
EBITDA	691	**658**	**601**
Change in %		(4.8)	(13.0)
Margin in %	23.5	**24.5**	**22.3**
Result from operating activities (EBIT)	441	**380**	**239**
Change in %		(13.8)	(45.8)
Margin in %	15.0	**14.1**	**8.9**
Profit for the period	419	**279**	**159**
Change in %		(33.4)	(62.1)
Cash flow before change in net working capital	530	**472**	**468**
Change in %		(10.9)	(11.7)
RONOA in %	13.8	**10.7**	**6.7**
Net debt	**1 469**	**1 166**	**1 166**
Change in %		(20.6)	(20.6)
Debt-equity ratio	0.76	**0.46**	**0.49**
EPS basic (CHF)	8.81	**5.55**	**3.19**
Change in %		(37.0)	(63.8)
EPS diluted (CHF)	8.15	**5.51**	**3.17**
Change in %		(32.4)	(61.1)
Number of employees	8 462	8 386	**8 386**
Change in %		(0.9)	(0.9)

[1] Special charges:

– Impairment of assets	(83)
– Write-down of inventories	(22)
– Restructuring expenses	(25)
– Environmental expenses	(11)
– **Total special charges**	**(141)**

- **Sales of CHF 2 690 million (CHF 2 937 million in 2008) due to lower demand across all businesses, with EBIT of CHF 380 million before special charges (CHF 441 million in 2008)**
- **Stable EBITDA margins (24.5%) despite more volatile environment**
- **Comprehensive package of measures, including cost reductions of CHF 60-80 million within two years, triggering special charges of CHF 141 million**
- **The Board of Directors is proposing a cash dividend of CHF 1.75 per share**

Overview The 2009 business year was characterized by lower demand across all businesses. This was reflected in clinical results driven order reductions of large-scale biopharmaceutical projects in Customer Manufacturing and recession-related lower demand in Life Science Ingredients. Lonza reacted to the volatile business environment by implementing a re-engineering project. Despite the difficult environment, Lonza's debt gearing was reduced to 49% (76% in 2008). Net profit of CHF 159 million was disproportionately lower due to restructuring costs. All businesses are profitable and remain stratigically sound. The employee base remained stable.

Re-engineering Lonza The main countermeasures adopted are the streamlining of Lonza's structures, reduction of fixed costs, and improvement of our product and project pipelines. Announced at the end of October 2009, the measures aim to reduce fixed costs by CHF 60-80 million over a period of 18-24 months. Around 40% of the planned reductions were already in the process of implementation by the end of December 2009. The re-engineering project also entails a reduction in staff of approximately 450 employees, which corresponds to the normal attrition rate.

The cornerstones of the re-engineering project are:
- Increasing flexibility in biopharmaceutical manufacturing to meet our customers' needs for more small and mid-size capacities and multiple-site sourcing. These changes will be implemented by the end of 2010.
- Structural changes in chemical manufacturing: strengthening of our platform in Asia and closure of the sites in Conshohocken (Riverside), PA (USA) and Shawinigan (CA). This step opens up an opportunity to enter the market for mature regulated products, a new market activity for Lonza.
- Merging chemical R&D organizations into one platform, with a stronger emphasis on Asia.
- Further increasing resources in sales and business development and aligning the entire organization to customer projects.

Strategic projects

Lonza continued with the execution of its strategy in 2009:

- Further build-out of the large scale mammalian biopharmaceutical facility in Singapore, with targeted utilization rate of 60% at start-up in 2011
- Start-up of the new custom manufacturing facilities in Nansha (CN) (chemical APIs) and the 2000-liter microbial manufacturing facility (biological APIs) in Hopkinton, MA (USA)
- Development of activities in India, with a small acquisition (Symbiosis), and the intent for land purchase
- Groundbreaking for a new Cell Therapy facility in Singapore
- Opening of the new Microbial Control formulations plant in Nanjing (CN)
- Strengthening of our technology platform through the acquisition of Algonomics, a contract research organization supporting the Development Services Business Unit of Lonza Custom Manufacturing
- All businesses have an increasing pipeline of promising product developments
- Entering the strategic partnership with Teva to become a leading global provider of biosimilars
- Introduction of the Lonza Promoter Score across all businesses, enabling customer satisfaction to be measured as reliably as financial performance
- New strategic opportunities have been evaluated during the course of 2009 and will be pursued over the next 12–24 months.

Financial summary

- The decrease in net profit after special charges of 62.1% resulted from the decline in EBIT and the special charges for restructuring costs, along with the booking in 2008 of a CHF 91 million gain realized on the remaining stake in Polynt S.p.A.
- Cash flow before changes in net working capital decreased by 11.7%, from CHF 530 million in 2008 to CHF 468 million, due to lower results from operations.
- Net working capital in relation to sales increased on average from 19.9% in 2008 to 28.1%.
- Capital expenditure, excluding customer-financed projects, increased to CHF 511 million, with no resulting delays to any growth project milestones.
- Net debt amounted to CHF 1166 million (CHF 1469 million in 2008). Over 80% of Lonza's debt is financed on a long-term basis, with an average fixed-interest rate below 3.5%.
- The four-year CHF 430 million convertible bond was fully converted. In addition, a CHF 300 million straight bond, with a coupon of 3.75% maturing in 2013, has been secured, ensuring long-term financing of the announced growth projects at attractive conditions.
- On 31 August 2009, the first biopharmaceutical manufacturing plant in Singapore was sold to Roche/Genentech at a consideration of USD 290 million.

Senior management changes Effective 15 April 2009, Anja Fiedler joined Lonza as a Management Committee member and COO of the Bioscience business. Effective 1 November 2009, the Management Committee was reduced from seven to six members. Uwe H. Böhlke, previously COO Custom Manufacturing, Exclusive Synthesis, took over as the new Head of Global Human Resources and Corporate Services. Lonza Custom Manufacturing is headed by Stephan Kutzer.

Outlook Although the environment remains unstable, we continue to be optimistic about our ability to deal with the situation. Lonza's life sciences growth strategy will continue to deliver long-term growth. The effect of the re-engineering project will result in significant generation of free operational cash flow in 2010. Capital expenditure will be reduced from the original target of CHF 500 million for 2010, to below CHF 400 million, with a similar target for 2011. This will further strengthen cash flow generation and the balance sheet structure. The increased financial flexibility will open up specific expansion possibilities in our life-science-focused value chain.

We remain fully committed to our vision and long-term strategy. We continue to invest significantly in science and technology to create new business opportunities. We work with passion to transform life science into new possibilities for our customers, whom we thank for their continued trust.

We would especially like to thank our employees for all their commitment and dedication in the past year, and our shareholders for their continued support.

Rolf Soiron
Chairman of the
Board of Directors

Stefan Borgas
Chief Executive Officer

Life Science Ingredients

million CHF	2008	2009
Sales	1 196	**1 038**
Change in %		(13.2)
Change due to		
Volume and prices		(164)
Currency translation		6
Scope of consolidation		0
EBIT before special charges	163	**137**
Change in %		(16.0)
Margin in %	13.6	**13.2**
Special charges [1]	0.0	(18)
Result from operating activities (EBIT)	163	**119**
Change in %		(27.0)
Margin in %	13.6	**11.5**
EBITDA before special charges	230	**208**
Change in %		(9.6)
Margin in %	19.2	**20.0**
EBITDA	230	**198**
Change in %		(13.9)
Margin in %	19.2	**19.1**

1

– Impairment of assets	(8)
– Write-down of inventories	(1)
– Restructuring expenses	(2)
– Environmental expenses	(7)
– **Total special charges**	**(18)**

Divisional sales reached CHF 1 038 million, down 13.2% compared with 2008. The decline was mainly volume-driven. EBIT (before special charges) decreased by 16.0% to CHF 137 million, with a slightly reduced EBIT margin of 13.2%, compared with 13.6% in 2008. The division's margins were affected by the economic crisis, and specifically by the downturn in diketene derivatives and Carboquat™ and the de-stocking of vitamins and vitamin intermediates. Reduced sales volumes and currency fluctuations were offset by a stringent program of measures to reduce fixed costs. Key developments in 2009 include:

- Below-target capacity utilization over the course of the year in almost all assets.
- The planned Visp plant shutdown in October 2009 (which takes place every two years).
- A slowdown in the Microbial Control business due to the weak US housing market and the global recession. The base business market contracted by 25% in the USA and Europe. Through the development of new business, geographic expansion and improvements in the economy, the business began to recover in the fourth quarter of the year.
- Opening of the new formulation plant in Nanjing (CN) in the third quarter of 2009.
- Further growth in our R&D pipeline.

Nutrition Ingredients Demand for nicotinates (vitamin B3) for feed applications was significantly below 2008 levels due to a combination of reduced meat consumption, lower feed production and high inventories (in the first half of 2009). The global demand for feed-grade nicotinates increased substantially in the last quarter of 2009. Sales of food- and supplement-grade nicotinates grew in 2009, while pharmaceutical applications dropped because of tighter inventory policies.

Carnipure™ sales (food/pharmaceutical-grade L-carnitine) were strong due to new functional food launches. Carniking™ (feed grade L-carnitine) enjoyed stable demand, especially for pet food in the US market.

Sales of Meta™ (metaldehyde), a specific molluscicide, were below expectations due to dry weather conditions and reduced slug activity in major European markets. In China, Meta-Li™, a liquid form of the product, went on sale for the first time. With several technical improvements, we have further enhanced the efficacy and environmental profile of Meta™.

Demand for ResistAid™ and FiberAid™ (larch arabinogalactan products) was slightly lower in 2009. However, positive results from scientific studies and end-consumer launches for immune support led to higher sales trends in the fourth quarter.

Sales of Pro-K™, Lonza's premium brand of vitamin K3 for feed applications, were at a low level in 2009, the second year of regular sales activity. The pilot scale plant for the vitamin K3 activities in Shawinigan (CA) will be shut down after having completed the full technical development of this new, proprietary, environmentally friendly technology. Lonza will evaluate further opportunities to provide its customers with chromium-free vitamin K3 from another site in the future.

Microbial Control Demand for hygiene products increased in the second half of 2009 as the economy began to show signs of recovery, institutional demand began to increase and sales for H1N1 flu applications began to materialize.

In the water-treatment business, stronger sales of patented technologies such as Equinox™ showed clear signs of recovery in the fourth quarter of 2009, as idled paper mills began to come back on line.

The industrial applications Carboquat™ and Acrawax™ were weak all year long.

The new formulation plant in Nanjing (CN) was opened in the third quarter of 2009. To date, one formulated product has received approval and four others have been submitted to the Chinese authorities for approval.

Performance Intermediates Demand for diketene and HCN derivatives was extremely weak in the first half of the year due to the general economic situation and de-stocking by our customers. Margins were under pressure because of high raw material prices in Europe compared with Asia and unfavourable exchange rates. Overall asset utilization recovered somewhat in the last quarter as demand increased.

The high-performance materials business was affected by a general slowdown in the electronics, aerospace and construction industries. Demand grew in the second half of 2009 due to the launch of a number of new specialty products and successful qualification with new customers.

Strong demand for agrochemical active ingredients and very high asset utilization in the non-regulated custom manufacturing plants delivered a good result. The strengthened product portfolio provides a basis for solid growth in the future.

Custom Manufacturing

million CHF	2008	2009
Sales	1 512	**1 418**
Change in %		(6.2)
Change due to		
Volume and prices		(98)
Currency translation		4
Scope of consolidation		0
EBIT before special charges	279	**239**
Change in %		(14.3)
Margin in %	18.5	**16.9**
Special charges [1]	0.0	(112)
Result from operating activities (EBIT)	279	**127**
Change in %		(54.5)
Margin in %	18.5	**9.0**
EBITDA before special charges	436	**420**
Change in %		(3.7)
Margin in %	28.8	**29.6**
EBITDA	436	**379**
Change in %		(13.1)
Margin in %	28.8	**26.7**

[1]

– Impairment of assets	(71)
– Write-down of inventories	(20)
– Restructuring expenses	(17)
– Environmental expenses	(4)
– **Total special charges**	**(112)**

Sales declined by 6.2% to CHF 1 418 million while EBIT (before special charges) declined by 14.3% to CHF 239 million. This was mainly due to clinical results driven order reductions affecting a number of production campaigns in Biological Manufacturing in the second half of the year, which had a negative impact on our large-scale asset utilization in 2009.

Chemical Manufacturing In 2009, customers' efforts to optimize their net working capital by changing to more just-in-time ordering had a negative impact on sales and net working capital.

The successful implementation of a number of operational excellence projects increased the flexibility and the throughput of the majority of our assets, allowing Lonza to meet these new customer requirements and resulting in a stronger performance in the second half of 2009.

Lonza introduced the "Total Life-Cycle Management" concept, offering development and manufacturing services from early product development to the post-patent generic stage. This initiative further strengthened the product pipeline to more than 200 projects, and the capacity utilization was over 75% during 2009.

Chemical Manufacturing continued to strengthen its capacity and technology platforms. 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) have been completed.
- The large-scale antibody drug conjugates project in Visp (CH) is on schedule.
- Five additional HAPI (highly potent active pharmaceutical ingredients) labs have been built and started up in Visp, adding handling capabilities for cytotoxic substances.
- Expansion plans for our new microreactor technology (mid-scale) are also under evaluation.
- The lab-scale peptide production in Nansha is now operational, with additional capacities under evaluation.

Two FDA inspections, in Conshohocken (Riverside), PA (USA) and in Braine-l'Alleud (BE), both had successful outcomes.

Biological Manufacturing Biological custom manufacturing operations continued to operate at success rates above industry average in 2009. Order reductions due to clinical trial issues affecting a number of production campaigns in the second half of the year had a negative impact on our large-scale asset utilization in 2009.

We increased our current pipeline to more than 200 active projects.

The business continued with the planned expansion projects, achieving a number of important milestones in 2009:

– The retrofitted multi-product facility in Porriño (ES) is now fully operational and currently supporting four customer projects.
– The new 5000-liter line in Portsmouth, NH (USA), is on-line and running at full capacity, with a number of customer projects.
– The first plant in Singapore has been completed and handed over to Roche/Genentech. The full fit-out of the second facility in Singapore, with a scheduled start-up utilization of over 60% in 2011, has been initiated and continues to be on track.
– Due to various customer-driven process and equipment changes, the start-up of the new 2000-liter line in Hopkinton, MA (USA), has been delayed by four months. In addition, several project delays and schedule changes opened up a five-month window which enabled us to make necessary equipment and infrastructure changes to our fully booked 2800-liter line in Hopkinton.

A number of customer audits and the four regulatory inspections conducted by the FDA in Hopkinton, MA (USA), Visp (CH), Portsmouth, NH (USA) and Slough (UK) all had successful outcomes.

Lonza and Teva have entered a cooperation on the development, manufacture and marketing of a number of affordable, efficacious and safe generic equivalents of a selected portfolio of biological pharmaceuticals. As in any other long-term partnership with our customers, Lonza will contribute cell line and process development and manufacturing services to this long-term partnership, offering both partners significant mid-term growth potential.

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

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

An improved XS microbial expression platform and the new fast-track program for strain development and clinical material supply fortified Lonza's leading position in the microbial biopharmaceutical market.

Bioscience

million CHF	2008	2009
Sales	222	**231**
Change in %		4.1
Change due to		
Volume and prices		11
Currency translation		(2)
Scope of consolidation		0
EBIT before special charges	19	**26**
Change in %		36.8
Margin in %	8.6	**11.3**
Special charges [1]	0.0	(8)
Result from operating activities (EBIT)	19	**18**
Change in %		(5.3)
Margin in %	8.6	**7.8**
EBITDA before special charges	33	**43**
Change in %		30.3
Margin in %	14.9	**18.6**
EBITDA	33	**39**
Change in %		18.2
Margin in %	14.9	**16.9**

1

– Impairment of assets	(4)
– Write-down of inventories	(1)
– Restructuring expenses	(3)
– Environmental expenses	0
– **Total special charges**	**(8)**

Bioscience sales grew to CHF 231 million in 2009, despite difficult economic circumstances. Margins (before special charges) were higher than in 2008, but below expectations. Cost savings through business unit consolidation and global process optimization contributed strongly to increased profitability.

Therapeutic Cell Solutions (formerly Cell Therapy and Media) sales grew compared with 2008, despite the postponement of a lead client's phase-3 trial. A regulatory update is expected from this client in the first half of 2010.

A cell therapy facility is under construction in Singapore. It will serve the needs of the global cell therapy market and clinical trials in the Asia-Pacific region in particular. The pipeline of Lonza cell therapy projects for clients continues to develop, with the execution of new manufacturing and service contracts for three significant new therapeutic clients. Synergies between biopharmaceutical manufacturing and media are gaining momentum, with strong performances from liquid media and the flexible-packaging product portfolio.

Large pharmaceutical and biotechnology companies are actively seeking deals with focus on regenerative medicine and pluripotent stem cell technologies. As pluripotent-derived stem cell therapeutics move through the clinical process, manufacture of these cell types will continue to gain traction.

Testing Solutions (formerly Rapid Testing) sales grew compared with 2008 for all regions. Another key milestone was reached with the publication of the PyroGene™ product line in the US Pharmacopeia Forum.

Current economic pressures affecting the quality control and endotoxin testing market are expected to continue in 2010. Ongoing cost reduction pressure should increase demand for rapid testing systems in the long term. They improve manufacturing efficiencies and reduce labor cost.

Research Solutions (formerly Cell Discovery and Molecular Biology) revenue growth was in line with the market trend in 2009, with a strong performance from bioassays and protein analysis product portfolios. Transfection and chromatography sales were weak due to budget cutbacks on capital equipment and the postponement of lead clients' orders, respectively. This was offset by a decline in cost, which helped to secure targeted profit for 2009. Continued focus on innovation output led to a 40% increase in projects over 2008, with numerous primary cell products and a new, low-cost transfection product launched.

Corporate

million CHF	2008	2009
Sales	7	**3**
Change in %		(57.1)
EBIT before special charges	(20)	**(22)**
Change in %		(10.0)
Special charges [1]	0.0	(3)
Result from operating activities (EBIT)	(20)	**(25)**
EBITDA before special charges	(8)	**(13)**
EBITDA	(8)	**(15)**

[1] Restructuring expenses (3)

The increase in corporate costs is mainly due to additional expenses relating to long-term innovation projects (LIFT: Lonza Innovation for Future Technologies) and operational improvement programs.

Condensed consolidated balance sheet at 31 December 2009 million CHF	2008	2009
Fixed assets	3 628	3 486
Long-term loans and advances	9	32
Total non-current assets	**3 637**	**3 518**
Current assets	1 417	1 285
Short-term advances and other financial assets	2	1
Cash and cash equivalents	566	140
Assets held for sale	4	0
Total current assets	**1 989**	**1 426**
Total assets	**5 626**	**4 944**
Equity attributable to owners of the parent	1 865	2 325
Non-controlling interests	69	64
Total equity	**1 934**	**2 389**
Long-term liabilities	744	571
Long-term debt	894	824
Total long-term liabilities and provisions	**1 638**	**1 395**
Short-term liabilities	902	645
Short-term debt	1 152	515
Total current liabilities and deferred items	**2 054**	**1 160**
Total liabilities and equity	**5 626**	**4 944**

Condensed consolidated income statement million CHF	2008	2009
Sales	**2 937**	**2 690**
Cost of goods sold	(2 098)	(2 145)[1]
Gross profit	**839**	**545**
Other operating expenses/income	(398)	(306)[2]
Result from operating activities (EBIT)	**441**	**239**
Net financing costs	(57)	(53)
Gain on sale of assets held for sale[3]	91	0
Profit before income taxes	**475**	**186**
Income taxes	(56)	(27)
Profit for the period	**419**	**159**
Profit attributable to:		
Owners of the parent	420	162
Non-controlling interests	(1)	(3)
Profit for the period	**419**	**159**
Basic earnings per share – EPS basic (CHF)	8.81	3.19
Diluted earnings per share – EPS diluted (CHF)	8.15	3.17

[1] Includes impairment and restructuring costs of CHF 131 million
[2] Includes restructuring costs allocated to Administration and general overheads (CHF 3 million) and to Research and Development (CHF 7 million)
[3] Sale of the shares of Polynt S.p.A.

Condensed consolidated statement of comprehensive income for the period	2008	2009
million CHF		
Profit for the period	**419**	**159**
Other comprehensive income:		
Exchange differences on translating foreign operations	(205)	(49)
Cash flow hedges	(69)	49
Income tax relating to components of other comprehensive income	13	(7)
Other comprehensive income for the period, net of tax	**(261)**	**(7)**
Total comprehensive income for the period	**158**	**152**
Total comprehensive income attributable to:		
Owners of the parent	162	157
Non-controlling interests	(4)	(5)
Total comprehensive income for the period	**158**	**152**

Condensed consolidated cash flow statement	2008	2009
million CHF		
Profit for the period	**419**	**159**
Adjustment for non-cash items	234	412
Income taxes and interests paid	(123)	(103)
Cash flow before change in net working capital	**530**	**468**
(Increase) / decrease of net working capital	(281)	(93)
Increase / (decrease) of other payables net	(74)	47
Net cash (used for) / provided by operating activities	**175**	**422**
Purchase of fixed assets	(648)	(520)
Acquisition of subsidiaries, net of cash acquired	(157)	(1)
Disposal of subsidiary, net of cash disposed of	0	84
Sale of assets held for sale	188	5
Net purchase of other assets and disposals	40	(23)
Interests and dividend received	32	9
Net cash (used for) / provided by investing activities	**(545)**	**(446)**
Issue of straight bond	0	297
Increase / (decrease) in debt	421	(623)
Increase / (decrease) in other liabilities	228	9
Capital injection from minority interests	41	0
Company contribution for employee shares	(2)	0
Purchase of treasury shares	(44)	(8)
Sale of treasury shares	17	8
Dividends paid	(83)	(87)
Net cash (used for) / provided by financing activities	**578**	**(404)**
Effect of currency translation on cash	(14)	2
Net (decrease) / increase in cash and cash equivalents	**194**	**(426)**
Cash and cash equivalents at 1 January	372	566
Cash and cash equivalents at 31 December	566	140

Condensed consolidated statement of changes in equity

million CHF

	Attributable to owners of the parent						Total	Non-controlling interests	Total Equity
	Share capital	Share premium	Retained earnings / Other reserves	Hedging reserve	Translation reserve	Treasury shares			
At 31 December 2007	**50**	**158**	**1 912**	**3**	**(10)**	**(324)**	**1 789**	**0**	**1 789**
Total comprehensive income for the year	0	0	420	(59)	(199)	0	162	(4)	158
Dividends	0	0	(83)	0	0	0	(83)	0	(83)
Recognition of share-based payments	0	0	11	0	0	0	11	0	11
Transfer of employee shares	0	0	(5)	0	0	3	(2)	0	(2)
Part-conversion of convertible bond	0	(10)	0	0	0	47	37	0	37
Capital injection from minority interests	0	0	0	0	0	0	0	41	41
Acquisition of subsidiary (step acquisition)	0	0	38	0	0	0	38	32	70
Recognition of put-option	0	0	(60)	0	0	0	(60)	0	(60)
Acquisition of treasury shares	0	0	0	0	0	(44)	(44)	0	(44)
Sale of treasury shares	0	0	0	0	0	17	17	0	17
At 31 December 2008	**50**	**148**	**2 233**	**(56)**	**(209)**	**(301)**	**1 865**	**69**	**1 934**
Total comprehensive income for the year	0	0	162	40	(45)	0	157	(5)	152
Dividends	0	0	(87)	0	0	0	(87)	0	(87)
Recognition of share-based payments	0	0	(3)	0	0	0	(3)	0	(3)
Transfer of employee shares	0	(4)	(11)	0	0	15	0	0	0
Conversion of convertible bond	3	175	0	0	0	215	393	0	393
Acquisition of treasury shares	0	0	0	0	0	(8)	(8)	0	(8)
Sale of treasury shares	0	(3)	0	0	0	11	8	0	8
At 31 December 2009	**53**	**316**	**2 294**	**(16)**	**(254)**	**(68)**	**2 325**	**64**	**2 389**

Selected explanatory notes

1. Accounting principles

Basis of preparation of financial statements These condensed financial statements are based on the audited consolidated financial statements for the twelve-month period ended 31 December 2009 that will be prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Changes in accounting policies The following new and revised standards and interpretations have been issued, being effective for the reporting year 2009:
- IAS 1 revised – Presentation of financial statements
- IAS 23 revised – Borrowing costs
- IFRS 8 – Operating segments
- Amendment to IFRS 2 – Share-based payment – Vesting conditions and cancellations
- Amendments to IAS 32 – Financial instruments: Presentation and IAS 1 Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 15 – Agreements for the construction of real estate
- IFRIC 16 – Hedges of a net investment in a foreign operation
- IFRIC 18 – Transfer of Assets from Customers
- Improvements to IFRS (May 2008)
- Amendments to IFRS 7 Financial Instruments: Disclosure

These new accounting standards and interpretations did not have a significant impact on the Group's Consolidated Financial Statements other than additional disclosures.

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009, the Group will capitalize borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Group immediately recognized all borrowing costs as an expense. This change in accounting policy was due to the prospective adoption of IAS 23 Borrowing Costs (2007) in accordance with the transitional provisions of such standard.

In the 2009 reporting period, no qualifying asset for capitalizing borrowing cost was identified, so that the revised IAS 23 had no impact on the consolidated financial statements ended 31 December 2009.

2. Exchange rates

Balance sheet period-end rate CHF	31 12 08	31 12 09
US dollar	1.06	1.03
Pound sterling	1.53	1.66
Euro	1.49	1.48

Income statement average rate CHF	2008	2009
US dollar	1.08	1.09
Pound sterling	2.00	1.69
Euro	1.59	1.51

3. Convertible bond (2005-2009)

On or after 25 August 2005 up to and including 1 July 2009, the bond with a principal amount of CHF 430 million was convertible at a conversion price of CHF 91.67. The convertible bond was determined to be expired on 15 July 2009.
An amount of CHF 37 million was converted in Lonza shares until 31 December 2008 and the remaining amount of CHF 393 million until 1 July 2009.

4. Restructuring and impairment

The consolidated income statement 2009 is charged with impairment costs, inventory write-downs and restructuring costs amounting to CHF 141 million as a result of the restructuring program as follows (in CHF million):

	Total Lonza	Custom Manufacturing	Life Science Ingredients	Bioscience	Corporate
Impairment costs	83	71	8	4	0
Write-down of inventories	22	20	1	1	0
Restructuring costs	25	17	2	3	3
Environmental costs	11	4	7	0	0
Total restructuring program	**141**	**112**	**18**	**8**	**3**

The impairment costs are related to the decision to close the sites of Conshohocken (Riverside), PA (USA) and Shawinigan (CA). Further impairment needs are considered in the Visp and Liyang plant due to underutilized capacities.

The **write-down of inventory** included unsalable products from the sites of Conshohocken (Riverside), PA (USA), Shawinigan (CA) and Walkersville (USA).

The **restructuring costs** are recognized for the closure of the sites Conshohocken (Riverside), PA (USA), Shawinigan (CA) and Wokingham (UK). With a focused concentration of lean processes, additional restructuring costs were disclosed for a variety of locations in Lonza Group. The restructuring measures will affect 175 employees for which a comprehensive severance package will be put in place.

As a result of the restructuring program additional **environmental costs** were recognized relating to the Conshohocken (Riverside) site and the Visp plant.

5. Sale of biopharmaceutical plant in Singapore

On 31 August 2009, Genentech Singapore Pte. Ltd. exercised the option to purchase from Lonza its cell culture biologic manufacturing facility that Lonza built in Singapore. The Singapore manufacturing facility was acquired for a purchase price of USD 290 million. With the exercise of this option, 230 Lonza employees joined Genentech Singapore Technical Operations.

The Full-year Report 2009 is also available in German. The English version prevails.

Annual General Meeting
for the 2009 financial year
31 March 2010
Congress Center Basel
MCH Swiss Exhibition (Basel) Ltd

Half-year Report 2010
22 July 2010

Full-year Report 2010
January 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.