

ACTIVITIES 2010



Key Facts and Figures

Full-year results in a snapshot

The 2010 business year was characterized by persistent macro-economic uncertainties, changes in customers' ordering behavior, with an increased focus on net working capital and cash conservation, and a continuation of the stringent regulatory approval processes for new pharmaceutical drugs.

Sales of CHF 2 680 million (2009: CHF 2 690 million), up 3.3% at constant exchange rates. EBIT of CHF 374 million (2009: CHF 380 million), up 5.8% at constant exchange rates.

Stable EBITDA margins (24.0%), despite the volatile environment.

Free cash flow from operating activities increased significantly to CHF 336 million (+ 559%).

Capital expenditure in ongoing strategic growth projects was reduced substantially to CHF 300 million (2009: CHF 520 million).

Lonza's debt gearing came down to 46% (2009: 49%).

The Board of Directors is proposing a cash dividend of CHF 2.15 per share.

Key figures Lonza million CHF	2009 before special charges	2009 after special charges	2010	Change before special charges %	Change after special charges %
Sales	2 690	2 690	2 680	(0.4)	(0.4)
EBITDA	658	601	643	(2.3)	7.0
EBIT	380	239	374	(1.6)	56.5
Core ² EBIT	397	397	387	(2.5)	(2.5)
Profit for the period	279	159	284	1.8	78.6
Core ² profit for the period	295	295	299	1.4	1.4
Cash flow before change in net working capital	472	468	530	12.3	13.2
Capital expenditures (net of customer financing)	511	511	300	(41.3)	(41.3)
Net debt	1 166	1 166	1 108	(5.0)	(5.0)
Net debt-equity ratio	0.46	0.49	0.46		
Total equity	2 509	2 389	2 387	(4.9)	(0.1)

¹ Special charges

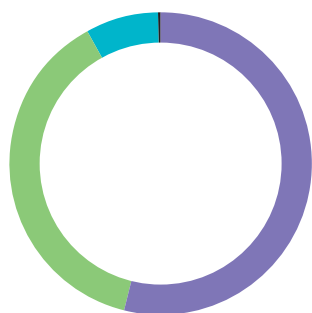
– Impairment of assets	(83)
– Write-down of inventories	(22)
– Restructuring expenses	(25)
– Environmental expenses	(11)
Total special charges	(141)

² Core results for:

Result from operating activities (EBIT), profit for the period and earnings per share eliminate the impact of amortization of acquisition-related intangible assets, impairment and reversal of impairment of assets, result from the associate TL Biopharmaceutical Ltd and other special charges/income from restructuring (see reconciliation of IFRS results to core results on page 93).

Sales by operating segments 2010

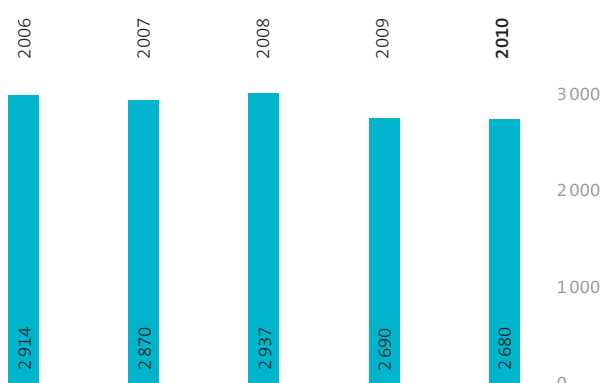
million CHF



■ Custom Manufacturing	CHF 1 445 mn
■ Life Science Ingredients	CHF 1 020 mn
■ Bioscience	CHF 211 mn
■ Corporate	CHF 4 mn

Sales progression

million CHF

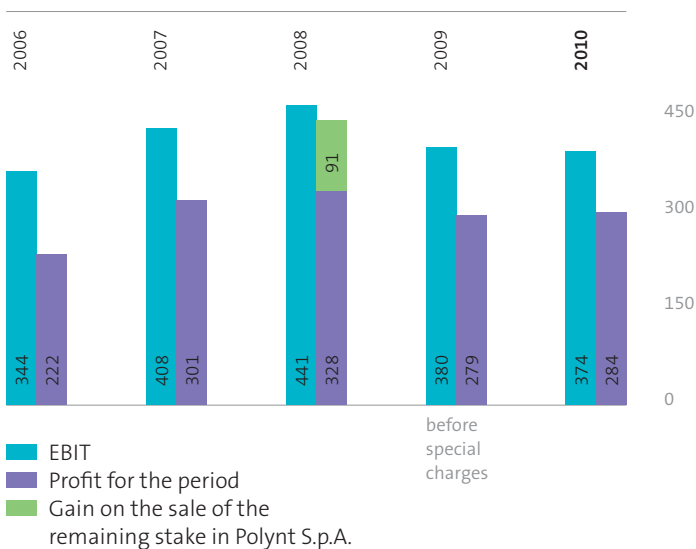


Share information	2009 before special charges	2009 after ¹ special charges	2010
CHF			
Basic earnings per share	5.55	3.19	5.55
Diluted earnings per share	5.51	3.17	5.53
Dividend payout ratio %	33	57	39
Core ² basic earnings per share	5.87	5.87	5.84
Core ² diluted earnings per share	5.83	5.83	5.81
		2009	2010
Ordinary dividend paid per share		1.75	1.75
Ordinary dividend declared per share		1.75	2.15
Book value per share		45.74	45.49
Number of shares (par value CHF 1.00)		52 920 140	52 920 140
Share price high		120.10	90.85
Share price low		71.50	66.00
Share price at year-end		73.00	74.95
Market capitalization (31 December) in mn CHF		3 863	3 966

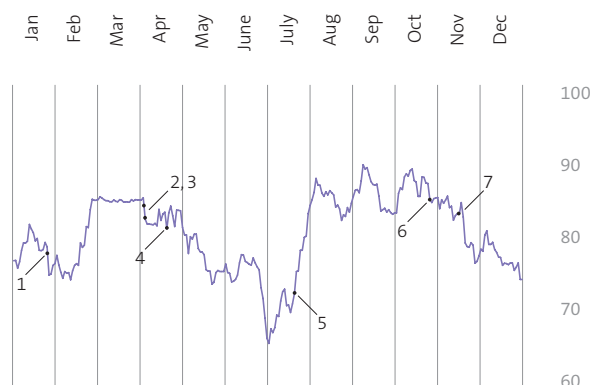
Profitability	2009 before special charges	2009 after ¹ special charges	2010
%			
EBITDA	24.5	22.3	24.0
EBIT	14.1	8.9	14.0
Core ² EBIT	14.8	14.8	14.4
RONOA	10.7	6.7	10.8

EBIT and profit for the period

million CHF



Share price development 2010



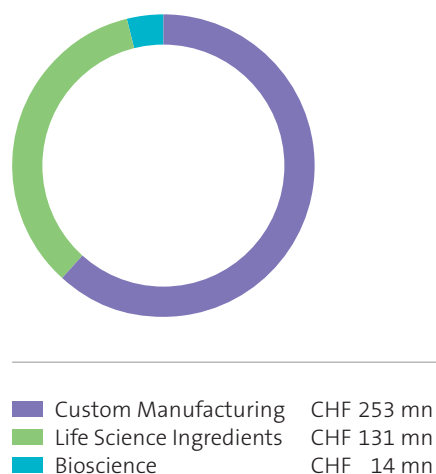
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Lonza in a nutshell

Lonza is a leading supplier to the pharmaceutical, healthcare and life-science industry. Our products and services span customers' needs from research to final product manufacture. Lonza is headquartered in Basel, Switzerland, and is listed on the SIX Swiss Exchange.

EBIT by operating segments 2010

million CHF



Besides the Activities report, Lonza also publishes a Financial Report, which includes the Remuneration Report as well as Corporate Governance. Both publications are accessible online at www.lonza.com and are also available in German. The English version prevails. In this report, "Lonza" and "the Group" refer to the whole group of Lonza companies, "Lonza Group Ltd" refers to Lonza Holding.

LONZA ACTIVITIES 2010

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Dear Customers, Employees, Shareholders and Friends of Lonza,

It is a real pleasure to present you with this overview of our activities in 2010. During the year, the industry saw a number of changes and we initiated activities aimed at reducing our costs, while continuing to pave the way for future growth. The Activities 2010 report provides a summary of Lonza's financials and explains our strategy. It also offers overviews and insights into our culture, vision and objectives, and reflects on the most important markets we serve.

2010 was characterized by the appreciation of the Swiss franc against all important trading currencies, a more short-term orientation of customer ordering behavior, with a focus on net working capital and cash conservation, and more stringent approval processes required by the regulatory authorities for new pharmaceutical drugs. Despite these trends, Lonza was able to deliver a robust business performance in 2010 as a result of higher capacity utilization, especially in Biological Custom Manufacturing. We were also able to increase visibility through a substantially improved project pipeline in Custom Manufacturing and Bioscience. The signing of new contracts in all sectors, combined with the conclusion of new pipeline deals, showed that the outsourcing trend is intact. Other concerted activities in the Life Science Ingredients sector led to a stable result.

The re-engineering project to reduce the overall cost structure by CHF 70–80 million was implemented. By the end of 2010, about 75% of the cost-savings program was finalized. The main cornerstones of this program were:

- Closure of the Wokingham (UK) and Shawinigan (CA) sites and divestiture of the plant at Conshohocken (Riverside), PA (USA)
- An overall reduction in personnel of 470, without jeopardizing any growth projects
- The flexibility of most of the biopharmaceutical manufacturing plants was increased, meeting the requirement for small- and mid-scale capabilities and multiple-site sourcing
- Merger of the chemical R&D organizations into one platform, with a stronger focus on Asia
- Increased resources in sales and business development and alignment of the entire organization with customer projects

Despite the remaining volatility of the economic environment in 2010, we continued to prepare the ground for future growth. The milestones achieved were:

- Realization of all major expansion projects (China: L-carnitine, Niacin, pyromellitic dianhydride (PMDA); Singapore: Mammalian cell culture, Cell Therapy; Walkersville: Cell Therapy)
- Signing of 15 new cell-line license deals in microbial and mammalian technologies
- Sales force expansion in Asia to drive business growth
- Successful implementation of operating efficiencies to reduce break-even utilization in Chemical Custom Manufacturing
- Signing of several multiple-product/pipeline deals (e.g. GSK)
- The TEVA/Lonza joint venture started phase-I clinical trials for its first biosimilar equivalent
- The new Nucleofector™ platform was launched in the fourth quarter of 2010
- The roll-out of MODA paperless quality-control solutions
- The acquisition of Vivante (viral vaccines) and the subsequent integration were successfully finalized

In 2010, we also prepared our new branding, which is designed to make us more aligned with customers' needs by focusing our external brand communications on the major markets we serve: BioResearch, Pharma&Biotech, Nutrition, MicrobialControl, Agriculture, MaterialsScience and PersonalCare. The detailed description of these markets will be one of the key areas of this year's Activities report.



To explain how Lonza works, we have chosen the analogy of a plant cell to provide an insight into Lonza as an influential, enterprising and connected organization. As with the cell, Lonza is not about hierarchy, but working together tirelessly for the benefit of our customers.

With our growth projects and many strategic and operational initiatives, we remain confident of being able to take advantage of the opportunities that will deliver value growth in the future. After having built up our global biopharma network over the past few years, Lonza will maintain capital expenditure structurally below CHF 400 million in 2011. This will further strengthen our cash flow generation and the balance sheet structure. The increased financial flexibility will open up specific expansion opportunities in our life-science-focused value chain.

Lonza remains fully committed to its vision and long-term objectives. We strive to be the leading supplier using science and technology to improve the quality of life. We would like to thank our customers for their continued trust, our employees for all their efforts throughout another challenging year and our shareholders for their ongoing support.

A handwritten signature in black ink, appearing to read 'Rolf Soiron'.

Rolf Soiron
Chairman of the Board of Directors

A handwritten signature in black ink, appearing to read 'Stefan Borgas'.

Stefan Borgas
Chief Executive Officer

We think about tomorrow



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« We care about the next generation and therefore the promotion of young talents is a matter of great importance to us. Lonza Visp (Switzerland) offers a wide range of apprenticeships in various fields of application. In this picture, Chantal Eyer, biology lab technician in the third year of her apprenticeship, is preparing an experiment, using a glass pipette to transfer a small volume of growth medium.



Lonza



Company profile

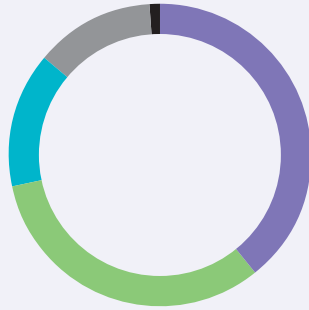
Lonza is a global company serving the needs of the life-science industry. Over a century ago, Lonza began as a small Swiss electricity company, making a few chemicals on the banks of the river Lonza in the Valais region of the Swiss Alps. Now, more than 110 years later, Lonza is a leading supplier to the pharmaceutical, health-care, and life-science industries. We offer over 4 000 products and services to more than 60 000 customers worldwide. From 1897 to the present day, combining Swiss tradition with global experience, the company has had an enterprising character, adapting its offerings and services to the needs of customers and to changing technologies. Throughout our history, we have maintained a strong culture of performance, results, and dependability that is valued by all of our diverse customers.

Organized around customers

To provide optimal support for our customers, we are organized in businesses and markets that focus on specific sets of customers and their exact needs. We operate as three divisions: Life Science Ingredients, Custom Manufacturing, and Bioscience; and serve the following seven markets: BioResearch, Pharma&Biotech, Nutrition, MicrobialControl, Agriculture, MaterialsScience and PersonalCare.

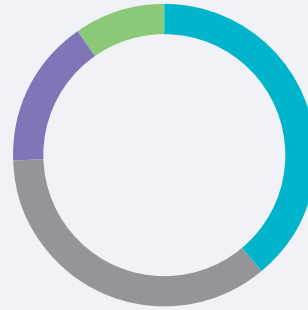
Our customers are located across the globe. To ensure the close connection necessary to serve their needs to best effect, we have production and R&D activities at 28 sites around the world. In addition, we have a global network of sales offices, with representatives who are close to our customers, speak their language and understand their needs.

Sales third-party by geographical location of customers



America	CHF 1 092 mn
Europe	CHF 853 mn
Asia	CHF 374 mn
Switzerland	CHF 339 mn
Other	CHF 22 mn

Capital expenditures including customer financing



Asia	CHF 117 mn
Switzerland	CHF 107 mn
America	CHF 47 mn
Europe	CHF 29 mn

Products and services for our customers

Our strategy is to target the life-science industry with two fundamental technologies: chemistry and biotechnology. Using these two technologies, we offer both products and custom manufacturing services to the pharmaceutical, biotech, and life-science industries.

In our Life Science Ingredients division, we offer products used in nutrition, microbial control, as well as in selected industrial markets. In these businesses, we produce the ingredients that make our customers' products effective. Our customers are manufacturers of consumer and health products, distributors, formulators, and service companies. Our ingredients range from the active biocides that make hospital disinfectants effective, to the nutritional ingredients that support improved health, and include complex chemical intermediates for the agricultural industry.

In our Custom Manufacturing division, we are a partner to our pharmaceutical and biopharmaceutical customers for their manufacturing needs. Using a variety of technologies, we make

the ingredients that are ultimately used in many critical drugs, treating patients in areas such as cardiovascular diseases, cancer, neurological and infectious diseases. Our product capabilities include both small and large molecules, resulting from technology processes such as advanced chemical synthesis, peptide synthesis, microbial fermentation and mammalian cell culture.

In our Bioscience division, we make the tools that life-science customers use to discover, develop, make and test therapeutics. Our customers are worldwide, in pharmaceutical and biotechnology companies, as well as in academic and government research organizations. Our products range from cell culture and molecular biology tools for life-science research to media used in the production of therapeutics and tests for microbial detection. We also offer custom manufacturing services to cell therapy companies.

You can read how these services and offerings relate to our seven markets on pages 32 to 49.



Human Resources meets strategy

An uncertain environment and market volatility require a sound and stable business approach. Strategic thinking, along with strategy development and implementation, is one of the main challenges faced by our leaders. That prompted Human Resources to conduct an advanced training course in strategic thinking.

To provide our senior leadership teams around the globe with training to improve this key competency, Global Human Resources initiated a program in Strategic Training. The original impulse for setting up this workshop was provided by the findings of the 2009 employee survey “life@Lonza”, which indicated that further improvements in strategy development and orientation were key factors for our company’s success. Business reality checks and strategy reviews are conducted annually and are essential for the ongoing process of adapting our strategic approach to meet customers’ needs. This program provides the teams in the business units with the tools to accomplish this task efficiently.

In order to establish a common language for our strategic approaches and development, HR designed an integrated training program on developing sustainable business strategies in close cooperation with the business leaders. The target of the strategy workshop was to create a common vocabulary across all business units and a common platform for the key processes involved in implementing our business strategies. Lonza strategies were updated or developed in order to enhance the added value of the training course. The target audience were leadership teams in the sectors and business units.



The program was developed and introduced by the Lonza Global Training & Development team, in close partnership with experienced professionals from the University of St. Gallen, Switzerland. This allowed Lonza to gain an insight into the latest research in the field and use state-of-the-art methods to ensure powerful and solidly based strategy development. The focus was on the needs of the Lonza senior leadership team. The objective of the training sessions was to deliver high-level concepts and easy-to-use tools and solutions.

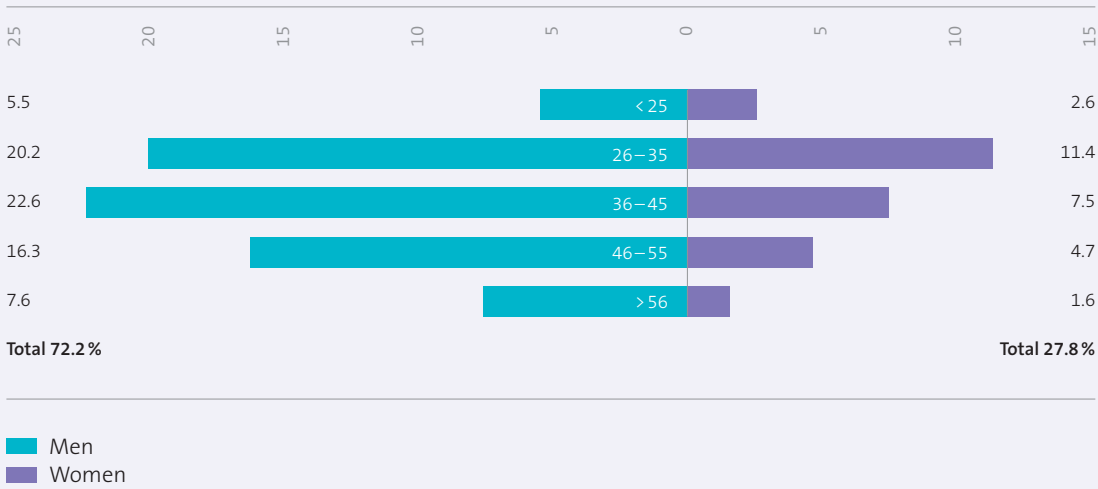
“Overall, it was an exciting, challenging and energizing series of workshops that makes me confident about the strategic approach of Lonza’s business units to managing future challenges,” commented Professor Thomas A. Gutzwiller of the Executive School of Management, Technology and Law at the University of St. Gallen.

To structure the sessions in theoretical and practical exercises, the program consisted of two phases: the first phase included a two-day training workshop on the topics of strategic processes and structure, leading strategy development and implementation, and finally strategic process training at business-unit level. After this first training session, the participants had 45 days to make the transition from analysis to selected strategy options. The second two-day training course reviewed the current status, while focusing on the positioning of our products and services, different customer segments, regional activities and distribution channels. A further input on configurational strategy gave an insight into the different business process models and organizational structures. After this theoretical session, the business units had a further 45 days to move from positioning to implementation. The final day was spent presenting draft strategy documents and implementation plans.

HR key figures

Age and gender of employees

in %



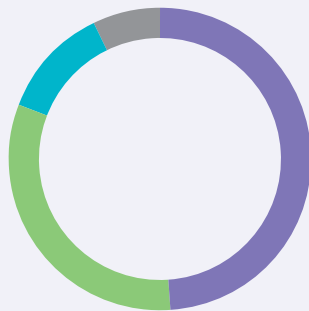
In order to address our future strategic challenges, a fundamental analysis of gaps in strategy, as well as strengths and weaknesses, was conducted by all leadership teams in the business units. Each strategy was reviewed and discussed by the respective leadership team to identify areas for improvement.

In their daily work, people often think tactically. Moving into strategic thinking mode requires a higher view of the business. The fact that business units are responsible for their own strategic development and implementation will encourage strategic thinking at different management levels. Leadership teams will be fully committed to what they developed and implemented themselves. The goal is to create a more streamlined strategic development process.

In addition to the challenging task of strengthening the strategic thinking process, the post-workshop networking activities contributed to building intra- and inter-team networks and relationships. This will help our different businesses generate synergies and cross-departmental cooperation, which in turn will strengthen our connectivity.

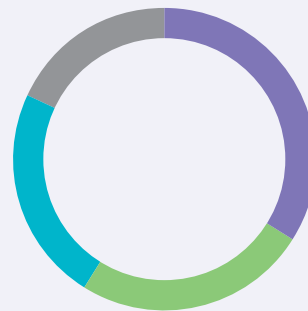
“A key lesson was that getting into a strategic thinking mode is like climbing into a helicopter to get a better view of things,” said Ken McMahon, Head of the Performance Intermediates business unit.

Employees by division
2010



■ 49% Custom Manufacturing
■ 32% Life Science Ingredients
■ 12% Bioscience
■ 7% Other

Employees by region
2010



■ 34% Switzerland
■ 25% America
■ 23% Europe
■ 18% Asia

The participants were very satisfied with the outcome of the course. According to their feedback, the content was clear, and it was greatly appreciated that interaction was possible at a high level in the training groups. The mix between the corporate and business unit teams was of benefit to everyone, ensuring mutual understanding of the specific tasks the units face in their day-to-day business, as well as strategic initiatives. The work on psychological topics such as individual resistance to change made it possible to take a broader look at change initiatives and learn how to gain more momentum in order to raise the organization to the next level of strategy execution.

“This training program provides a good framework for drafting strategy,” said John McGrath, Head of Biopharmaceutical Manufacturing, in reply to the question about how the training workshops have helped him shape his business strategy. Lori Llewellyn, Business Unit Controller Testing Solutions, added: “I will be more efficient in the way I tackle these tasks, since the approach is easy to use and follow. I don’t need to reinvent the wheel each time, and since I share an understanding with my colleagues, it will be easier for us to pull in the same direction.”

A total of 140 Lonza managers participated in the training program on business strategy development. The workshops enabled the participants to create a framework and a common language across the organization, as a basis for their strategy. This will help to develop a shared understanding about the strategic goals in each business unit and harmonize the strategic approach on a sector and company level.

Lonza as a plant cell

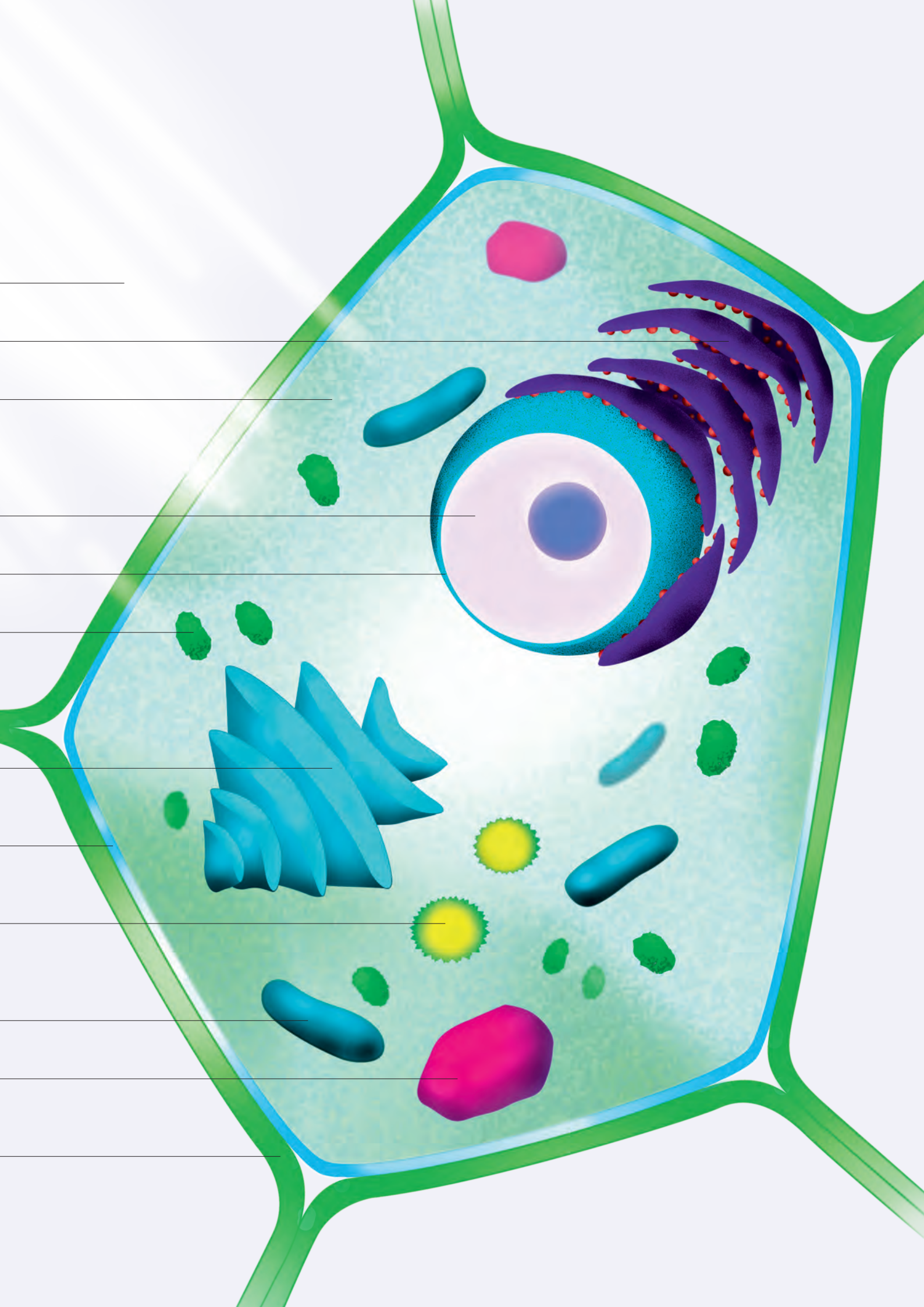
To provide an insight into Lonza as an influential, enterprising and connected organization, the plant cell provides an ideal analogy. Comparing the different components of the cell with elements of an organizational body such as Lonza reveals a lot of similarities.

The different parts of a cell exert an influence on each other as well as the environment and are highly specialized, analogous to the 'leading experts' in their area. Their coordinated influence on the whole cell maintains its progression, and the cell itself is driven to evolve and become more competitive. Interconnected heterogenic elements within the cell work together to achieve a common goal. The hierarchy is flat and functional characteristics count more than structural location. Every single part of the cell contributes to the whole and makes it live. Even in unexpected and new situations the cell reacts in a timely way with flexibility, to function with the same efficiency as before or even become more efficient.

All this is true of Lonza. All functions and business units work closely together. Each has its own specific role within Lonza, but relies on constant communication with the other parts of the company. As with the cell, at Lonza it is not about hierarchy, but about working together tirelessly for the benefit of our customers.

In the graph we have tried to visualize these similarities between a plant cell and Lonza. However, the analogy is purely illustrative and should be read in the light-hearted spirit with which it is proposed.

Part of Lonza	Part of the cell
<u>Customers</u>	<u>Sunlight and CO₂</u> Energy supply
<u>Employees, HR</u>	<u>Endoplasmatic reticulum</u> Location of the protein synthesis
<u>Lonza's culture</u>	<u>Cytoplasm</u> Common internal environment supporting cell metabolism
<u>Strategy, goals: Business Code, Board of Directors, Corp. Development</u>	<u>DNA</u> Blueprint of the cell
<u>Management Committee</u>	<u>Nucleus</u> Operational control center
<u>Sales</u>	<u>Chloroplasts</u> Transformation of exogenous into endogenous substances
<u>QA, QC & Supply Chain</u>	<u>Golgi apparatus</u> "Post office" and quality control
<u>Communications & IT</u>	<u>Cell membrane</u> Outward differentiation, and information exchange
<u>Marketing & Advertising</u>	<u>Chromoplast</u> Attracts attention by forming the cell color
<u>Business units, Production & R&D</u>	<u>Mitochondria</u> Power plants
<u>Finance & Audit</u>	<u>Vacuole</u> Substance storage and intracellular pressure maintenance
<u>Legal & SHE</u>	<u>Cell wall</u> Protection and stabilization



Lukas Utiger
COO Bioscience division

Toralf Haag
Chief Financial Officer

Stephan Kutzer
COO Custom Manufacturing division

Stefan Borgas
Chief Executive Officer

Uwe H. Böhlke
Chief Officer Human Resources / Corporate Services



Harry Boot
COO Life Science Ingredients division (as of 1 March 2011)





Because solid customer satisfaction makes the difference

Lonza strives to be the leading supplier using science and technology to improve the quality of life. Our strategy is to sustain growth, while delivering outstanding value to our customers, with passion and commitment. We are convinced that satisfied and loyal customers are the essential underpinning for successful growth.

Our commitment to customer satisfaction is of the utmost importance to everyone working at Lonza, regardless of their function and position. Our ultimate aim is to increase Lonza's customer focus on all levels of the organization on a continuing basis. Customer relationships require constant attention and passionate commitment to ensure and enhance the value that Lonza adds to our clients' businesses, because strong relationships will reward us with growth, improved margins and a superior reputation.

In September 2008, we launched a customer focus initiative whose aim is to measure customer satisfaction and ultimately improve our customer relationships. At the same time, we piloted the concept of the Net Promoter Score®, a tool known internally as the Lonza Promoter Score (LPS), in selected business units. This is an alternative to traditional customer satisfaction surveys used to gauge the loyalty of a company's customer relationships. In addition to the characteristic features of a survey, the LPS uses an extended modular system to understand and



evaluate our customer relations, as a basis for improving and optimizing them through purposeful action.

The core of the concept is summed up in a single question put to customers: On a scale of 0 to 10, how likely would you be to recommend Lonza to your colleagues? A blank comment box follows the question, allowing customers to leave detailed comments on their experiences. Customers can be categorized in one of three groups on the basis of the responses: Promoters (9–10 rating), Passives (7–8 rating) and Detractors (0–6 rating). The score is calculated by subtracting the percentage of detractors from that of promoters; the passives are not considered in the evaluation. The result derived from this measurement is the Lonza Promoter Score, a customer loyalty indicator.

Given the success of the LPS pilots in 2008, we decided to roll out this customer focus program to all other business units. In October 2009, the first company-wide survey was sent to approximately 3 980 customers around the world: 38 % of them responded, giving Lonza an initial score of 21 %. The feedback received in the survey was invaluable and became the basis for developing action plans to improve the crucial interaction with our customers on an ongoing basis.

To measure the improvements made since the 2009 survey, we decided to launch the second company-wide survey in October 2010. This time, 4 380 customers were invited to take part in the survey and 51 % responded. We reached an improved LPS score of 29 %.

Tracking the evolution of the Lonza Promoter Score over time is crucial. Doing so will help us gauge the effectiveness of our customer relationship management and identify further areas for improvement. Our aim is to establish this method throughout the organization for regular deployment on a long-term basis.

In every step, in every process and in every function, we are always looking at ways to improve, innovate and increase value. We aim to make this new form of customer interaction a lasting success. Improving Lonza’s ability to serve its customers on a continuing basis is the key to delivering sustainable, above-average, profitable growth.

Picture: Deborah Eastman, Chief Marketing Officer of Satmetrix, talking at the Lonza Global Sales Conference about the Promoter Score and how it can help to build a dialogue with the customers.



Sustainability

“Water is the coal of the future” was written 140 years ago by the French visionary author Jules Verne in his novel ‘The Mysterious Island’. No more than a vision in the realm of science fiction at the time, this is now a near-future reality with sizeable potential.

Until science has caught up, and it may still take many years, society will have to deal with fossil-based energy sources, and we are well advised to use them in a responsible and efficient way, for the benefit of mankind and the global economy. Energy is a key resource for Lonza and we are continually intensifying our efforts to use it in the most efficient way possible. The Lonza Community Practice in Energy (CoPE) project was set up in late 2008 with the aim of saving 10% of the annual energy costs over the 2007 baseline. The energy we use today is always bound up with the release of additional, fossil-based carbon dioxide (CO₂); implementation of novel energy efficiency measures,

paired with the substitution of fossil fuels, has the direct benefit of reducing man-made CO₂ emissions to the atmosphere. The Lonza CoPE project is thus also an important tool for sustainable development, benefiting the environment, economy and society. Lonza’s CoPE is a global initiative encompassing 68 energy-saving projects, 15 of which have already been realized at the Visp plant in Switzerland, while 53 others are at a pre-project or conceptual stage in Europe – Visp (CH), Kouřim (CZ), Slough (GB) and Verviers (BE) – and in China (Nansha). In 2010, the 15 projects realized in Visp saved 170 gigawatt hours of natural gas, which corresponds to a reduction of 33 600 metric tons of CO₂.

A highlight of the reporting year came at the end of October with the completion of a project to use steam from the regional waste incineration plant in the upper Valais. This initiative has ensured that excess steam from the municipal waste incinerator, which was previously wasted, is now fed into Lonza’s Visp plant via a five-kilometer steam pipeline, thereby substituting around 100 gigawatt hours of energy, formerly produced conventionally by consuming fossil fuels. This has reduced fossil CO₂ emissions by 22 000 metric tons per year, a record for a single project. Besides pipeline construction, the project involved the modification of the steam compressors and gas turbines on both



ends, and was financed entirely by Lonza. This initiative is a good example of private-public cooperation for the benefit of all parties involved.

Many more projects seeking to further operational excellence in safety, health and environmental management and operations (SHE) were realized or initiated in 2010 across Lonza sites worldwide. Slough achieved a reduction in water consumption through investment in bag fermentation technology, which will significantly reduce cleaning cycles and water usage. At Williamsport, PA (USA), we achieved a general reduction in water usage and waste production by feeding reject water from reverse osmosis into the water cycle of the cooling towers. Also at Williamsport, the halohydantoin process was modified to recycle caustic chemicals and chlorine from the vapor scrubber, thereby minimizing the hazardous properties of the plant's waste stream. At Braine (BE), we made progress with

the recycling and reuse of solvents. Environmentally problematic substances such as halogenated volatile organic compounds like dichloromethane, trifluoroacetic acid and diisopropyl ether are a top priority in the efforts to improve recycling efficiency. At Waldshut (DE), the photovoltaic power station, completed in 2008 on the south slope of the former industrial site's remediated landfill, proved its production stability in the second year of operation, delivering 814 500 kilowatt hours of electricity and offsetting about 750 metric tons of fossil CO₂, if produced at a coal-fired power plant.

There was further progress in strengthening the corporate SHE management, with five new or amended guidelines on chemical occupational exposure, health surveillance, containment strategy and safe working practices. Lonza joined the UN Global Compact in 2009 and submitted its first progress report in March 2010. A new Supplier Code of Conduct

was also adopted in the reporting year. It has been benchmarked on codes similar to those recently developed by key customers, and requires that our suppliers meet accepted standards in business ethics, employee relations, safety, health and environmental protection.

Lonza commits substantial financial and human resources to SHE activities. At the end of the reporting year, a total of 221 people, 2.7% of our 8 258 employees, worked in the SHE field, including the regulatory department. SHE cost reporting has been centralized and redefined, and cannot be directly compared with previous years. Capital expenditure on SHE was CHF 45.6 million, equivalent to 1.7% of sales and 16% of the Group's total investment in fixed assets. The operating expenses for SHE amounted to CHF 54 million.

Goals

An outstanding safety record in 2010, outperforming the already very satisfying result of the previous year, prompted Lonza to revise its 2015 goal and set it to 1.0 LTIFR (formerly 1.5). Lonza is confident of achieving this goal through systematic application of the already high safety standards and sustained motivation of all employees worldwide.

Safety ¹	Basis 2000	Status end 2006	Goal 2010	Status end 2010	Goal 2015
LTIFR² Frequency of accidents (per 1 million hours worked)	9.5	3.1	2.0	1.5	1.0
LTISR³ Severity of accidents (per 1 million hours worked)	1 460	556	330	183	250

Environment ¹	Basis 2000	Status end 2006	Goal 2010	Status end 2010	Goal 2015
CO₂ emissions⁴ in 1 000 metric tons	930	418	400	398	360
VOC emissions⁵ in metric tons	759	576	300	549	270
Air impurities⁶ in metric tons	1 485	1 180	900	1 012	810

Indicators

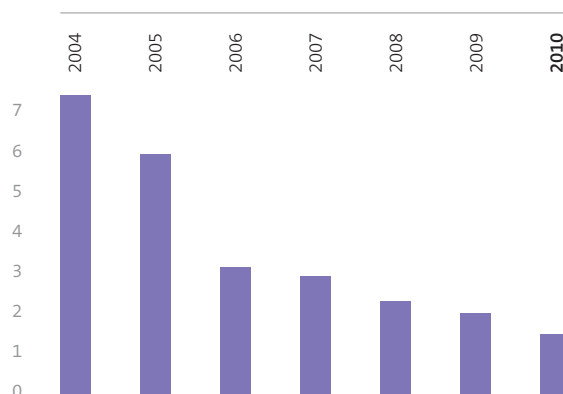
Intensities 2010 ⁷	Change on 2009
Energy intensity	23.1 GJ/t -4.4%
Industrial water intensity	14.3 m ³ /t -4.4%
CO ₂ intensity	1 094 kg/t -0.5%
Air impurity intensity	2.8 kg/t -7.8%
Hazardous waste intensity	206 kg/t -19%

In 2010, all indicators showed an improvement on the previous year. The 12% growth in finished goods production was accompanied by only slight increases in demands on resources and pollutant emissions, while waste generation was actually reduced.

¹ Includes all active production and R&D sites as well as headquarters in the referenced years.
² Lost-time injury frequency rate: number of accidents per 1 million hours worked
³ Lost-time injury severity rate: number of hours lost through accidents per 1 million hours worked
⁴ Carbon dioxide (fossil- as well as non-fossil-based)
⁵ Volatile organic compounds
⁶ Air impurities comprise VOC, nitrogen oxides (NO_x), sulphur dioxide (SO₂) and particulate matter
⁷ Intensity: Consumption of a resource or emission of a pollutant in relation to the production of one metric ton of finished goods.

Occupational accidents

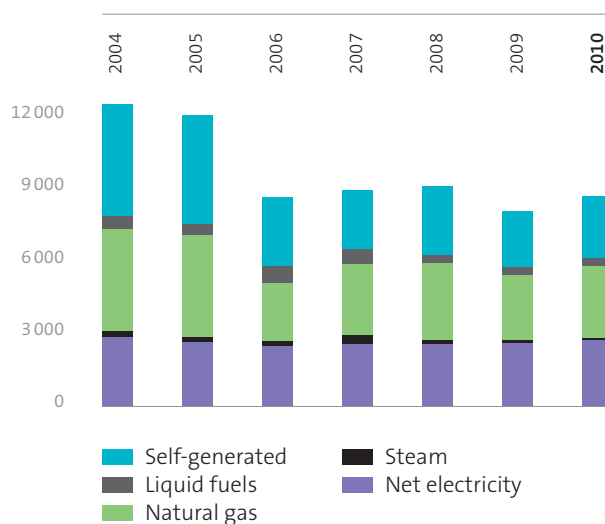
per 1 000 000 hours worked (LTIFR)



The accident frequency rate in 2010 was 1.5 accidents per 1 million hours worked, 23% down on the previous year. Already in 2010, Lonza attained the target level originally set for 2015. Continued strict adherence to existing safety guidelines, the corresponding training, and the incorporation of the issue in the personal goals of each co-worker are key to this success. Lonza has therefore reset the goal and now aims to reduce accident frequency by a further 33% to a rate of 1.0 by 2015.

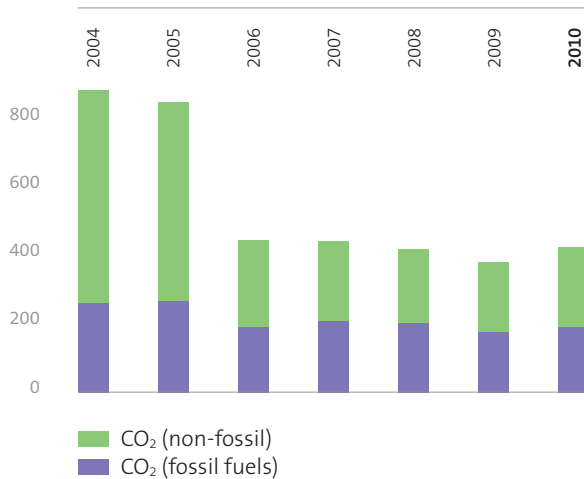
Energy

in terajoules



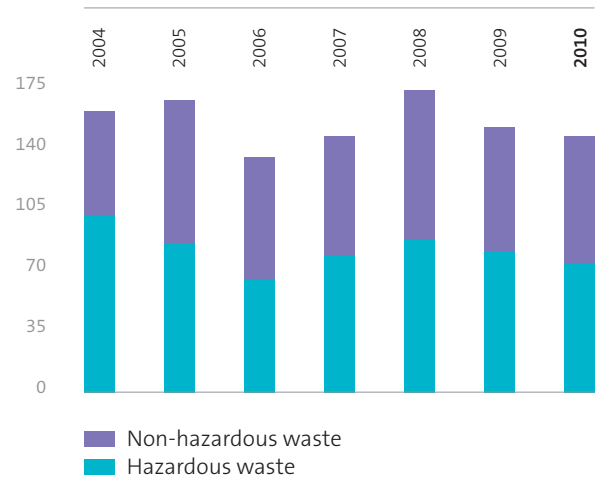
The total energy requirement in the year under review was 8 406 terajoules, 7.6% up on the previous year. The main energy sources used by Lonza in 2010 were: natural gas (34%), electricity (32%) and utilization of waste (29%). Liquid fossil fuels accounted for 4% of the overall energy consumption. Energy from renewable sources accounted for 3% of the electrical energy consumed, a significant decrease from the level of 15% recorded the previous year. One of the main reasons is the electric power market in Switzerland, where Lonza focuses on balancing economic and ecological aspects.

CO₂ emissions
in 1 000 metric tons



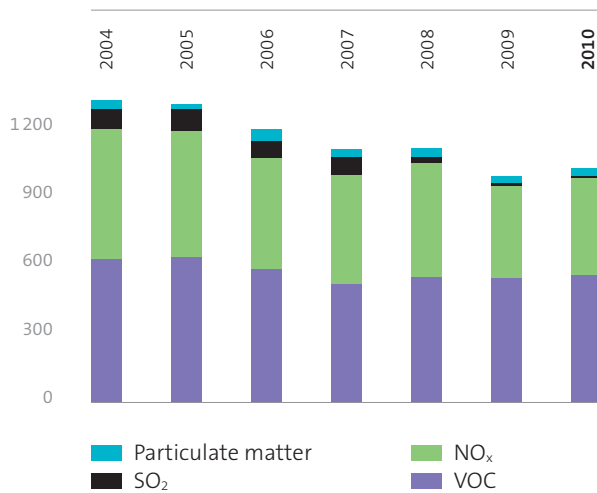
Total output of carbon dioxide in 2010 was 398 000 metric tons, 12% up on the previous year (the fossil-based fraction increased by 9%). The positive economic development in the reporting year is chiefly responsible for the increase; significant measures to reduce CO₂ will kick in in 2011 and the years to come. CO₂ generated by the incineration of fossil fuels was 45% of total CO₂ emissions in 2010. Carbon dioxide equivalents from other greenhouse gases amounted to 15% of direct CO₂ emissions and are not reflected in the graph.

Waste categories
in 1 000 metric tons



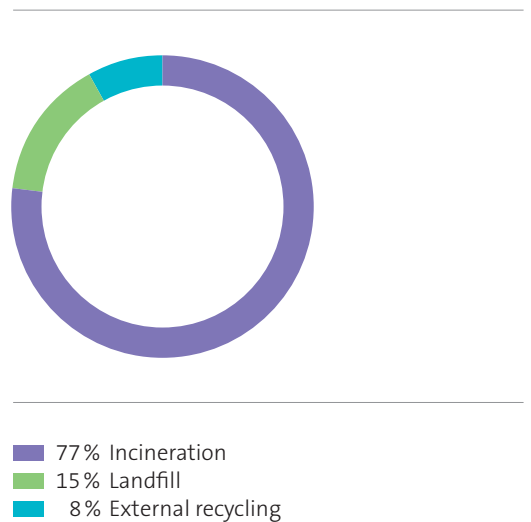
The total quantity of waste produced by Lonza in 2010 was 148 000 metric tons, of which 75 000 metric tons consisted of special (hazardous) wastes and 73 000 metric tons of non-hazardous wastes or inert materials. Lonza has a specialized waste disposal concept at all its sites, dedicated to the principle of avoidance, recycling and environmentally sound disposal. The categorization into special (hazardous) waste and non-hazardous waste conforms at all sites to the applicable national legislation.

Air impurities
in metric tons



Volatile organic compounds (VOC) and nitrogen oxides (NO_x) were responsible for 96% of all air impurities, totalling 1 012 metric tons in 2010, up 4% on the previous year. While NO_x are generated essentially by incineration processes, VOC emissions are the result of solvent use in production and cleaning processes. To achieve the set goals, Lonza continues to concentrate on measures at the three main emitting sites, Visp, Braine and Liyang, representing 86% of total VOC emissions. At 98 metric tons, halogenated VOC represent 18% of total VOC output. Lonza expects a significant improvement in the emissions situation by 2015.

Final destination of special waste
2010



In the reporting year 85% of hazardous waste materials were incinerated or externally recycled, and 15% went to secured landfills, while hazardous waste generation in total fell by 9%. All companies involved in the transportation, processing and final disposal of wastes are known to Lonza. Waste treatment is a matter of trust. The selection of the vendors is based on quality and SHE criteria as well as on economic factors. As a matter of principle, they are reputable firms which comply with all legal requirements.



Ensuring a continuously improving work environment

Surveys are a great tool for organizations intent on improving the working environment for their employees on a sustainable basis. Lonza has been successfully conducting its global employee survey “life@Lonza” at 18-month intervals since 2006. The aim is to gain feedback and information about areas for improvement and strengths.

How can we strengthen customer communication? How can we link performance management more effectively with career opportunities? How can we improve the empowerment and engagement of our employees in a more participative environment? These are only three of many issues raised by the results of the latest life@Lonza survey. They form an ideal basis on which to build and achieve real improvements. In 2010, the life@Lonza online questionnaire was sent out to our employees worldwide. In order to reach all of

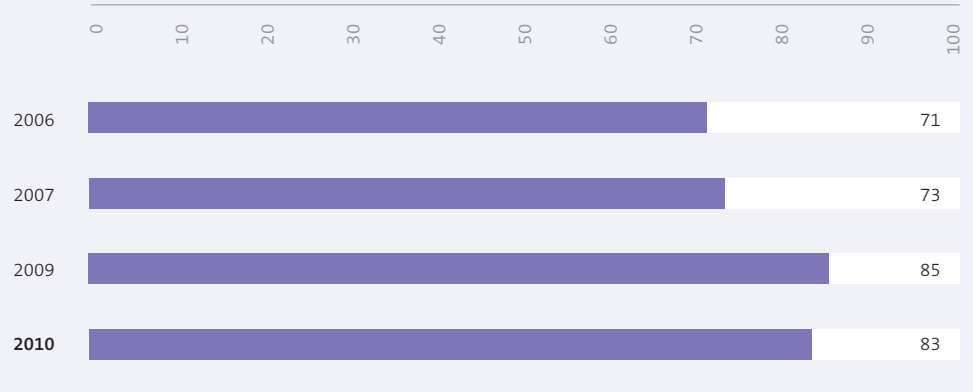
them, the questionnaire and the reports on the results were translated into the company’s six most common working languages: English, German, Chinese, Czech, French and Spanish. In order to ensure scientific accuracy and data protection, the survey was administrated by an external provider. The participation rate for the survey was again very high, reaching 83% in 2010. Over the last few years, the overall rate increased from 71% in 2006 to 85% in 2009. Clearly, Lonza employees feel involved and are willing to share

their feedback and opinions on various topics related to customer orientation and the working environment.

To provide clear guidance, the survey results are benchmarked against different peer groups. This enables us to identify the strengths and weaknesses of several key players in the organization, such as team leaders, middle management, senior management and the Management Committee. Global areas such as customer focus, performance management and commitment can also be monitored.

Response rate life@Lonza survey

in %



The overall participation rate is high and on a best-in-class level. As we conduct the survey every 18 months, no questionnaire was launched in 2008.

Benchmarking can be categorized in three layers, starting with historical benchmarking, which shows the development of different areas (e.g. “performance management” or “efficient cooperation”) over time; secondly, the higher organizational unit and/or business sector peer group, in which several department results are integrated, providing a benchmark for the departments in the same organizational unit; and finally, the external benchmarking against the global, high-performance companies index, as well as specific national norms for the USA, China and Switzerland.

In order to ensure that we learn and benefit from the survey findings, the follow-up phase of the questionnaire is an essential part of the project. The organization and all its key players are eager to learn about our strengths and weaknesses. With results and feedback workshops, concrete ideas can be gathered and improvement measures proposed. During this process, the line management and employees focus on the areas to be improved, as well as the strengths identified in the survey. In a top-down and bottom-up approach,

valuable information is gathered and concrete action plans are worked out and aligned to the general strategic orientation of the organization. This allows Lonza to further strengthen key topics such as customer orientation, performance management and commitment, as well as the working environment. One example is the increasing number of customer visits that enable us to learn more about the value of our products in the market and how they generate added value for our partners.

The life@Lonza employee survey underpins the implementation of Lonza’s core values “influential”, “enterprising” and “connected”, while encouraging all employees to act accordingly. Furthermore, the results allow benchmarking in all sectors, sites, organizational units, departments and teams. This connection provides an opportunity to learn from each other across the different sectors and functions. It enables employees, as well as middle, senior and top management, to receive more information, from the bottom up and the top down. Key players can act entrepreneurially in feedback workshops and use the survey outcomes to bring about continu-

ous improvement. The findings of the feedback workshops help to enhance the organization and bring greater success for all employees.

These statistical and benchmarking tools, in combination with the survey results, are used to improve and renew the quality of work at Lonza and ensure an attractive work environment for all employees.



Labor standards at suppliers

For Lonza, corporate social responsibility is not just a technical term, but an active commitment that is essential to all our employees. We are committed to acting in accordance with all legal, environmental and social requirements, while pursuing our economic goals. Lonza has always sought to ensure that our suppliers embody the same commitment towards business partners, employees and the environment.

In 2010, Lonza decided to take a more active role in ensuring our suppliers meet accepted standards in business ethics, employee relations, safety, health and the environment. It is no longer enough for suppliers merely to offer the right quality and service at a fair price; they need to emulate the mindset adopted by Lonza and its customers. In choosing a supplier, Lonza has to ask the following questions: Is this a company we can trust? Does it treat its employees properly? Does it do business ethically? Does it take the necessary environmen-

tal precautions? If the answer to any of these questions is 'no', then Lonza will not do business with that company.

In order to clarify our approach in this matter, we have developed a new Supplier Code of Conduct. This code clearly spells out the rules of engagement for suppliers to adhere to. The code is based on current best practice in our industry and is now publicly available in several languages on the Lonza website. To back up our commitment to improved standards, we



have also amended the various Purchase Terms and Conditions to include the Supplier Code of Conduct.

In the course of 2011, Lonza will further step up activities in this area. All key suppliers will receive official notification of the new Supplier Code of Conduct. Our strategic suppliers, especially those based in low-cost countries such as India and China, will be audited by our SHE (Safety, Health and Environment) staff.

In 2010, Lonza was confronted with a prime example of why such a Code of Conduct is vital. A multinational supplier suffered an accident at one of its Chinese facilities, which injured several workers. Initially, the supplier refused to provide any information about the nature and cause of the accident. Later, once the supplier had relented and allowed a Lonza SHE audit, it was revealed that the root cause of the accident was poor training of personnel. When the supplier refused to accept the recommendations of

the report (which focused on training, protective equipment and emergency procedures), Lonza chose to break off the relationship. Lonza is not willing to develop a relationship with a supplier that knowingly fails to do its utmost to secure the safety of its employees.

The management of Lonza firmly believes that working with strong suppliers who meet our business standards is good for our business, our customers and our suppliers. Our new Supplier Code of Conduct is a key step towards ensuring this.

Pictures: Lonza's Supply Chain ensures smooth operations when it comes to the acceptance, control, storage and clearance of goods.



“Please trust us, we will surely win”

At the end of November 2010, Lonza inaugurated the Youkeng Primary School in Jiaoling, China. It was the highlight of a sponsorship program in which Lonza supported the reconstruction and renovation of this school. Sponsoring, donations and memberships are integral elements of Lonza’s commitment to social responsibility.

Happy smiling children, bright flowers, lively marching music and curious villagers – for Stefan Borgas and his colleagues the opening of the Jiaoling Primary School was a special event full of emotion, away from the usual business routine. The joy and curiosity of the children during the science lesson held by Lukas Utiger and the R&D specialists Jingjun Wei and Xiaohong Liu from the Nansha site, as well as the participation of Stefan Borgas, Alfred Lim and Roman Quinter in the English lessons, providing students with English names, were memorable for visitors and pupils alike.

“Over a year ago, when I heard about this project for the first time, I was really enthusiastic. Today, I am very happy and deeply touched to see a brand-new school in front of us, with modern teaching facilities such as the multi-media room, the PC room and the science lab, in which children can train their brains and teachers enjoy their work. And of course I am proud that the Youkeng Primary School has decided to bear Lonza in its name in the future,” stated Stefan Borgas in his opening remarks at the ceremony. “This project is a globally visible example of

a public-private partnership that really works, resulting from a shared vision of improving the quality of life of the people in our neighborhoods.”

The support for the Youkeng school was part of our 2010 sponsorship activities. A strong commitment to good corporate citizenship is one of Lonza’s core values. We want to be a reliable, long-term and active partner, and engage at the earliest possible stage of any project to optimize the use of available resources. Accordingly, we focus our resources on a small number of projects where



our engagement can make a significant difference. Another important criterion for us is to sponsor projects that are located in or related to the communities where we work and live, with a focus on science, schools, education, charity, health, social welfare, culture, community and youth.

With that in mind, Lonza chose to support the building, establishment and educational program of the Youkeng school, which was recommended by the Nansha District Government and Jiaoling Education Bureau. Lonza donated RMB 1.5 million (approximately USD 200 000) for a new building of 500 square meters, renovation of the existing two-storey classroom building, a new sports- and playground, as well as equipment such as computers, a science lab and furniture.

“After six months of construction work, a wholly new-looking Youkeng Primary School is appearing in front of you. Lonza not only focuses on its business development, but also dedicates itself to education and social welfare. Its donations to mitigate the effects of poverty, with a focus on education, set an

excellent example to society at large. To commemorate Lonza’s generosity and make it more widely known, we would like to rename the school Youkeng Lonza Primary School,” said Mr Jianxiong Lin, Chief Executive of Jiaoling.

To provide sustainable support, Lonza also encourages and supports its employees in providing voluntary services to help those in need with their knowledge and skills. A team of Lonza volunteers from Nansha and Guangzhou will come back on a regular basis to assist in teaching, with a focus on science. In this way, Lonza will continue to be connected with the school for a long time to come.

“With the generous help of Lonza, we have witnessed a big change taking place at our school. Now we have a new classroom building, covering 500 square meters, a proper playground and lots of modern teaching facilities, enabling us to enjoy the same standards as children in cities do. You cannot imagine how excited and grateful we are. We all realize that, without your concern and support, our dreams could not come true,” said the student speaker Shuru Yang, and

concluded: “We would like to take this opportunity to say thank you very much once again to all the people from Lonza. We promise, we will study hard and will not disappoint you. Please trust us, we will surely win.”

Picture 1: Students and Stefan Borgas watering the tree especially planted for the inauguration of the Youkeng Lonza Primary School.

Picture 2: Pupils playing in front of the newly renovated classroom building during a break.

Picture 3: Schoolgirl gets involved in chemical experiments during the science class held by Lonza’s volunteers.



LONZA

We use the latest technologies

MARKETS

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« We use state-of-the-art technologies and work with the newest methods to meet our customers' expectations to the full and provide them with innovative products and services. In this picture, Roberto Míguez, Seed Train Supervisor, is verifying the O₂ level of a cell culture in a 20-liter fermentor at our Porriño facility in Spain.



Positioning of the Lonza brand

Lonza is introducing a new and modern corporate identity to better reflect the company as it is and will be in the future. Our new identity continues to reflect our brand associations:

Our vision

is enduring and represents our fundamental belief as a company:

We strive to be the leading supplier using science and technology to improve the quality of life.

Our mission

which represents our task – what we do about our belief:

We work with passion, using advanced technologies, to transform life science into new possibilities for our customers.

Our values

which represent how we think, how we act and how we feel:

Influential

Our know-how and experience make us the leading expert in many areas. We influence positive outcomes and we influence our communities with our work.

Enterprising

A step beyond entrepreneurship, we are enterprising throughout our organization. In every step, in every process, in every function, we are continuously looking at ways to improve, innovate, and add increasing value.

Connected

We are a team of trusting people, connected with each other within Lonza, and can do more together than we can do individually. We are connected with our customers and stakeholders and they trust us and our solutions that contribute to better results.

Divisions Business Units	Life Science Ingredients Nutrition Ingredients Microbial Control Performance Intermediates	Custom Manufacturing Chemical Manufacturing Biological Manufacturing Development Services	Bioscience Therapeutic Cell Solutions Testing Solutions Research Solutions
Markets			
BioResearch		■	■
Pharma&Biotech	■	■	■
Nutrition	■	■	■
MicrobialControl	■		■
Agriculture	■	■	■
MaterialsScience	■		
PersonalCare	■	■	■

Aligned with the markets

Lonza continues to become more aligned with its customers' needs. One step in this direction is to focus our external brand communications on the major markets we serve: BioResearch, Pharma&Biotech, Nutrition, MicrobialControl, Agriculture, MaterialsScience and PersonalCare.

Lonza's brand is built on the strong vision and history of the company. Our new brand strategy is designed to evoke our customers' passion for serving their clients. This is expressed by depicting applications and consumers through the pictures and wording in our advertisements, brochures, catalogs and websites.

Our business units no longer communicate singly with our diverse customer base, but present a coordinated and unified approach to our clients. Through our sales force and supporting materials, we are beginning to communicate with our customers in a more comprehensive way about all that Lonza can offer them in 2011. This change is a logical evolution for us and will greatly enhance our efforts to become more closely aligned with our customers.

The matrix above is a good overview which markets our business units serve.

Seven Markets



BioResearch



Pharma&Biotech



Nutrition



MicrobialControl



Agriculture



MaterialsScience



PersonalCare



BioResearch

Lonza provides the BioResearch market with the tools life-science researchers use to discover biological pathways, and develop and test therapeutics. Our products and services range from cell culture and molecular biology tools for research, to quality control tests, software and testing services for microbial detection. We serve research customers worldwide in pharmaceutical, biopharmaceutical, biotechnology and personal care companies, as well as academic and government research institutions. We deliver contextual cell biology solutions, including custom cell isolation, expansion and transfection services, biomarker discovery, mechanism of action and compound profiling services, and assay-ready primary cells.

Through these services, in combination with molecular biology reagents, Nucleofection™ and a range of over 150 primary human and animal cell types and optimized culture media that deliver in vivo relevance, Lonza provides researchers with the tools to study the function of cells and the causes of disease. We enable our customers to develop new, more powerful drugs, without excessive use of animal models, for the treatment of Alzheimer's disease, Parkinson's disease, cardiac hypertrophy and many others.

A further area of the BioResearch market is served by Lonza's Testing Solutions platform, which offers quality-control testing products for researchers, including endotoxin detection kits, instruments and software. As the presence of endotoxin in cell culture systems can be problematic for researchers, it is important that endotoxin levels in cell culture media and supplements are measured and controlled.

As an industry leader in electrophoresis technologies, cell-based research tools, and endotoxin detection, Lonza also delivers a complete range of reagents, equipment, consumables, software and services to meet the ever-changing market needs.



Pharma&Biotech

The pharmaceutical market continues to present a dynamic picture, with changing trends and advances in today's therapeutics. Thanks to innovations in technology, development and manufacturing platforms, Lonza is well positioned to meet the latest pharma and biotech market demands and seize strategic opportunities, with solid growth and sound finances. Lonza continues to grow and change with the market, for example through expansion of its presence in Singapore and China, as well as a growing network in India. This enables us to support emerging and established customers alike, mitigating their risks and taking advantage of opportunities at all stages.

Lonza's principal purpose is to understand the challenges faced by pharmaceutical and biotechnology innovators. This often means delivering cutting-edge products, such as a sustainable alternative to LAL-based (limulus amoebocyte lysate) assays for endotoxin detection, continuous-flow microreactors and carbonylation-derived chemicals. At other times, it means leveraging Lonza's manufacturing and development experience with small and large molecules, primary and stem cells, and environmental monitoring platforms.

Lonza's expertise in mammalian and microbial fermentation, advanced chemical and peptide synthesis, as well as preventative and curative cellular and gene therapies, allows customers to bring their products to market faster and more efficiently. Simply put, Lonza addresses its customers' needs by delivering optimized quality, enhanced manufacturing processes, higher efficiency and unparalleled regulatory compliance.

Emerging markets focused on both preventative and curative cellular and gene therapies continue to grow rapidly. As these technologies advance, Lonza definitely remains at the forefront of the growth trend. Through expansion of current facilities as well as key acquisitions in the viral therapeutics field, Lonza is paving the way for new biologics. In the race to provide patients worldwide with accessible and cost-effective biologics, Lonza is deploying its market-leading biotechnology expertise to support a growing pipeline of biosimilars.

As the clinical landscape continues to evolve, Lonza will remain a supplier of choice for companies of all sizes. Lonza is already preparing for the next wave of pharma and biotech customer needs, with selective strategic alignments and innovative new product and technology platforms. By offering more flexible, novel services, technologies, products and business models, Lonza expects to increase its pipeline presence and impact on the industry.



Nutrition

Lonza produces high-quality, branded nutritional ingredients for both human and animal applications. Recently announced investments for vitamin B3 and Carnipure™ underscore the importance of the Nutrition business for Lonza and the company's willingness to expand its leading position in this market. Many years of experience, as well as extensive marketing and regulatory support, make Lonza a preferred supplier to the industry. Based on solid scientific evidence, the nutritional ingredients provide a wide range of health benefits and can be used for various applications in humans and animals.

As the world's largest manufacturer of vitamin B3, Lonza offers this vitamin in the form of niacin as well as niacinamide. Both forms are essential precursors for coenzymes involved in cell metabolism for all species and are therefore widely used in food and feed fortification. Lonza's L-carnitine products include Carnipure™ for human nutrition and Carniking™, Carnifeed™ and Carnichrome™ for animal nutrition. An essential component in energy metabolism, L-carnitine offers a wide range of health benefits for humans and animals.

Areas of application include exercise recovery, weight management and male fertility. The nutritional ingredients portfolio also includes natural products extracted from North American larch trees. ResistAid™ is an immune support ingredient for human nutrition that contains polyphenols, while LaraFeed™ is a prebiotic used in feed products. DHAid™ is Lonza's vegetarian source of omega-3 fatty acids, which is made from naturally occurring microalgae. It has proven benefits for brain function and development, as well as eye and heart health.

Lonza also offers complementary business solutions for the nutrition market. One of them is Custom Microbial Fermentation, a program of exclusive fermentation and process development services, leveraging the most advanced technologies, capabilities and experience in the industry for small-scale projects as well as commercial-scale production. The Rapid Testing Solutions business offers innovative and analytical tools that enable real-time approaches to product and environment testing, thereby supporting the critical needs of quality control laboratory environments.



MicrobialControl

As a long-time industry leader, Lonza's MicrobialControl business provides innovative antimicrobial formulations, analytical and microbiological testing services, finished products, regulatory expertise and a full complement of support services around the world.

In 2010, product launches in the Asian and Indian markets were a highlight for the Hygiene team within the MicrobialControl business. Lonza's Hygiene line is designed to protect the health and well-being of people and animals. It includes active ingredients and formulated products for use in disinfectants and sanitizers, as well as institutional and household cleaning.

Lonza's India, China and Singapore regional marketing teams launched products that are included in the Lonzagard™ portfolio of products. Lonzagard™ is used to disinfect and sanitize schools, food processing plants, restaurants, grocery stores, hospitals, homes and more. The Americas region successfully launched a new version of disinfectant wipes, as well as formulated products for hard-surface concentrates, hand-sanitizer concentrates, and laundry-bacteriostat concentrate. Another new product launched in the Americas was Carbosan™, an EPA-approved food-contact sanitizer.

Lonza is the market leader for EPA-registered biocides, preservatives and antimicrobial formulations for use in disinfectants, sanitizers, institutional and household cleaning products. Its extensive international portfolio of global registrations and approvals includes the US Environmental Protection Agency (EPA), the Canadian Therapeutic Products Directorate (TPD), as well as many other regulatory agencies around the world.

In addition to the hygiene industry, Lonza's MicrobialControl business includes solutions for oil fields, and water and wood treatment. Lonza's technologies provide biocidal solutions and corrosion protection to reduce the risk of failure, increase operability and extend the life of equipment at oil and gas production facilities. Our water treatment solutions improve the safety and utility of water; we provide specialty chemicals, including biocides, biocidal stabilizers and corrosion inhibitors. Furthermore, Lonza offers effective solutions for wood treatment and processing aids for the manufacture of wood polymer composites. Offerings include our leading technology in biocides, surfactants/adjuvants, and wood lubricants.

All areas share a common focus on providing sustainable solutions for healthy homes and workplaces.



Agriculture

Many innovative agrochemical companies throughout the world rely on Lonza's highly complex, ISO-certified custom manufacturing service for many of their modern herbicides, insecticides and fungicides.

Our core technologies such as diketene, hydrogen cyanide (HCN), phosgenation, carbonylation and nanofiltration are the basis for our success in custom manufacturing of technologically complex agrochemical intermediates. Together with our key customers, we are continuously expanding our technical offerings, steadily reinventing ourselves in the process.

Furthermore, Lonza has an outstanding reputation in the agrochemical industry for the manufacture of active ingredients. One of the pillars is our dedicated production plant for highly active herbicides in Visp (Switzerland), where we adhere to the highest standards of contamination prevention in accordance with the standards of international authorities such as the European Crop Protection Association (ECPA) and Environmental Protection Agency (EPA).

Meta™ metaldehyde is a specific molluscicide, manufactured at our site in Visp. Lonza has a world-leading position in metaldehyde and is dedicated to the highest standards in terms of safe application in the field, as well as human, animal and environmental safety.



MaterialsScience

From a value-added point of view, the MaterialsScience business represents an excellent strategic fit with Lonza's diversified product portfolio. MaterialsScience unifies Lonza's entire materials and services business, including the High Performance Materials (HPM), Materials Protection and Performance Intermediates segments valued by many different key industries.

Our HPM business serves the materials science market, including high-tech industries such as aerospace, electronics, telecommunications and coatings. One example from our portfolio is Lonzacure™ DETDA 80, a protective coating currently much in demand for the prestigious Chinese high-speed rail project. Lonzacure™ and Lonza Primaset™ are essential components of various lightweight composite elements in the latest generation of Airbus and Boeing aircraft. Our Primaset™ cyanate esters are the material of choice for rigid circuit boards in high-end computers and communications electronics, especially for high-temperature operation, because of their excellent electrical and mechanical properties. Finally, customers from around the world use Lonza pyromellitic dianhydride (PMDA) for the production of polyimide films, which are used in flexible electronic circuit board applications. Polyimide films combine good electrical properties with excellent resistance to temperature, flames and radiation.

At Lonza, the Materials Protection segment provides solutions by enhancing the properties of plastics and powdered metals. As one of the world's leading suppliers to the life-science industries, we offer products and services that span our customers' needs, from research to final product offering. Lonza's quality lubricants ensure consistent high performance in the blending of metal powders for powder metals part production. Acrawax™ C has been the benchmark for excellence in the powder metal industry for almost fifty years. With our lubricants, processing aids and mold release agents, processors are able to optimize the performance of their materials to meet demanding needs in the market.

The Performance Intermediates product portfolio consists of hydrocyanic acid (HCN), diketene derivatives and basic chemicals which are key starting materials and intermediates in many sophisticated applications such as dyestuffs, optical brighteners and adhesives. Lonza's diketene derivatives are used in a wide range of industrial applications, for example in pigments and coatings.



PersonalCare

Lonza delivers unique solutions to meet a wide range of personal care development needs, from innovation to formulation and preservation. Utilizing the latest advances in biotechnology, Lonza interacts with personal care manufacturers to realize the full potential of product lines, create new formulations and expand product claims.

Our breakthroughs include customer-friendly preservatives permitted by ECOCERT, NATRUE and The Soil Association for use in certified organic cosmetics, and Laracare™, an aqueous extract of the larch tree, which reduces the appearance of fine lines and wrinkles. Further products are surfactants, natural emulsifiers and active ingredients which contribute beneficial effects for skin and hair in products such as sunscreens and nutricosmetics. ECOCERT, NATRUE and The Soil Association are certification bodies which set standards for the ecological and biological quality of cosmetic products.

The personal care industry needs ingredients that are acceptable worldwide, and Lonza's Geogard™ is a global preservative platform that is respected and accepted all over the world. The Geogard™ preservative line provides a variety of products that allow customers to simplify their formulations across multiple global markets.

We are responding to growing consumer awareness about the safety and environmental impact of cosmetic products by focusing on naturally derived ingredients from renewable resources. Lonza is actively shaping the market for natural and organic cosmetic products by collaborating with national and international natural certification bodies. Lonza's products have been approved by NATRUE and ECOCERT, and are the first cosmetic ingredients to be formally approved by The Soil Association for use in organic formulations.

Lonza's registered trademarks

BioResearch

- 4D-Nucleofector
- 96-well Shuttle
- AccuGENE
- AccuCLONE
- Amaxa
- Amniochrome
- ApoGlow
- BEBM
- BEGM
- BioWhittaker
- BulletKit
- CHO-1
- CLB-Transfection
- Clonetics
- Duramide
- EBM
- EGM
- FastLane
- FBM
- FGM
- FlashGel
- Gel Slick
- GTG
- HiFect
- I.D.NA
- InCert
- IsoGel
- KBM
- KGM
- Kinetic-QCL
- Latitude
- Long Ranger
- Lucetta
- maxFP
- maxGFP
- MBM
- MDE
- MEBM
- MEGM
- MetaPhor
- MGM
- microCompass
- MycoAlert
- Neutral Red
- NHEPS
- Nucleocuvette
- Nucleofection
- Nucleofector
- Nukleofektion
- NuSieve
- PAGER
- PDELIGHT
- PPILIGHT
- Poietics
- PowerCHO
- ProSieve
- PyroGene
- PYROGENT
- PYROSPERSE
- QCL-1000
- Reliant
- SeaAg
- SeaPlaque
- SimplyLoad
- Singel
- SingleQuotes
- SkBM
- SkGM
- SmBM
- SmGM
- ToxiLight
- TRI-DYE
- TruBand
- ViaLight
- WinKQCL

This list of trademarks is not a complete listing of all trademarks owned by Lonza, but rather a listing of those trademarks that are currently being used on active sales products.

Pharma&Biotech

- 96-well Shuttle
- Epibase
- Kinetic-QCL
- microCompass
- Nucleofection
- Nucleofector
- PowerCHO
- PyroGene
- PYROGENT
- PYROSPERSE
- QCL-1000
- Tripole
- WinKQCL
- XS Microbial Expression Technologies
- XS Technologies

Nutrition

- Carnichrome
- Carnifeed
- Carniking
- Carnipure
- DHAid
- LaraFeed
- Niamax
- ResistAid

MicrobialControl

- Barchlor
- Bardac
- Bardap
- Barlene
- Barlox
- Barquat
- Bio-Gentle
- Bio-Surf
- Bromchlor
- Carboquat
- Carboserve
- CarboShield
- Catagard
- Ceramid
- Dantabrom
- Dantobrom
- Dantochlor
- Dantocol
- Dantogard
- Dantoin
- Dantosperse
- Equinox
- FMB
- Glychlor
- Glyco
- Glycolube
- Glyconol
- Hyamine
- Hya-Mine
- Isocil
- Lonzabac
- Lonzagard
- microCompass
- Natrulon
- Spectradyne
- Unamine
- Uniquat
- Vinylube
- XL-1000

Agriculture

- Meta
- Metali

MaterialsScience

- Acrawax
- Aldo
- Aldospere
- CarboShield
- Ethospere
- Glycolube
- Glycomul
- Glycoserve
- Glycosperse
- Glycostat
- Glycowax
- Glytex
- Lonzacure
- Lonzamon
- Lonzest
- Pegospere
- Polyaldo
- Primaset

PersonalCare

- Amphoterge
- Carsoquat
- Dantogard
- Dantoserve
- Geogard
- Glycakil
- Glydant
- Glydant Plus
- Hyamine
- Hya-Mine
- Isocil
- Laracare
- Lonzabac
- Lonzagard
- Lonzaine
- Lonzaserve
- microCompass
- Natrulon
- Polyaldo
- SeaPure



Lonza's high-performance materials influence many areas of modern life

Industries such as aerospace, automotive, electronics and energy are not usually associated with Lonza's life-science platform. However, with a diverse high-performance materials portfolio, Lonza is consistently developing innovative solutions for many high-tech applications in such industries.

What do the Airbus A380, satellites, Formula 1 racing cars and nuclear fusion reactors have in common? They all contain Primaset™ cyanate esters from Lonza – one of the product lines offered by Lonza in the materials science market.

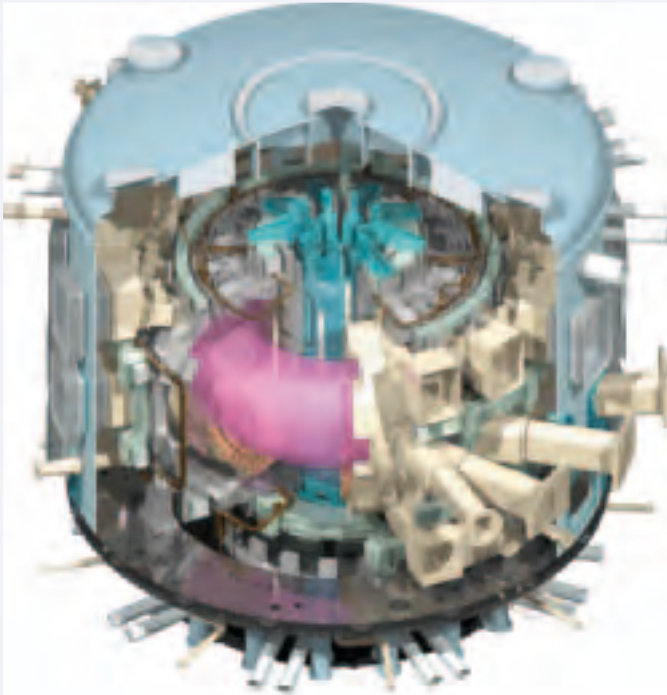
Primaset™ esters fulfill the technical need for sustaining extreme temperatures (up to 400°C), while offering significant weight reduction over aluminum. This innovative class of materials is

designed to be most efficient in highly stressed environments and therefore is one of the best lightweight materials available for high-tech applications.

Lonza's Primaset™ products are often used in composite materials. This is a relatively young class of materials, composed of a fiber reinforcement (e.g. glass or carbon fibers), bonded by a polymeric matrix resin (e.g. Lonza Primaset™ cyanate esters). The fibers

and resin are combined in a special process, molded into the desired shape and finally cured to obtain parts that are not only very light, but also extremely stable, durable and much more corrosion-resistant than most metals. Composites are used more and more as substitutes for metals, especially when lightweight construction is a key requirement.

According to Josef Schröer, head of the Lonza High Performance Materials busi-



Cut-away of a model of the ITER reactor

ITER is designed to produce approximately 500 MW of fusion power. In the fusion process, one gram of hydrogen releases the same energy as eleven tons of fossil coal.

As the average plasma temperature in the reactor is several million degrees, there are no materials which can withstand these extreme conditions. For this reason, the plasma of the fusion reactor needs to be contained, levitating in a circular reactor, by giant electromagnets.

The ITER Magnet System comprises several magnetic field coils, a central solenoid and a set of correction coils that magnetically confine, shape and control the hot plasma. Altogether, the different elements of the ITER Magnet System will generate a magnetic field some 200 000 times stronger than that of our Earth.

Lonza Primaset™ cyanate esters qualified as insulation material of the magnetic toroidal field coils of the ITER reactor, as this material was found to be highly resistant to the radiation of the fast neutrons released in this process.

ness: “Less weight means lower fuel consumption. Nowadays, with ever-increasing energy prices on the one hand and enhanced ecological awareness demanding green, low-emission technologies on the other, aircraft and car manufacturers are fighting for every kilogram of weight reduction they can get.”

The Primaset™ cyanate esters feature excellent flame resistance, low toxicity and smoke-retardant properties, making them superior materials for highly demanding aerospace applications. As an example: Primaset™ cyanate esters are used in the construction of interior parts for the entire Airbus fleet. “The new Airbus flagship, the A380, is an enormous challenge for the composite industry. Lonza Primaset™ cyanate

esters set new standards for passenger safety in commercial jet liners,” explains Josef Schröer, highlighting the inherent flame-retardant property of cyanate esters as another crucial performance criterion for this type of material.

Along with the development of new competitive production processes at Lonza, cyanate esters are becoming increasingly attractive even for more cost-sensitive applications, such as in general automotive and other industrial sectors.

Apart from helping to save fossil energy resources by enabling lightweight construction, Primaset™ cyanate esters could also enable scientists, in the near future, to tame the nuclear fusion pro-

cess – the same unlimited, yet green source of energy that has kept our sun shining for billions of years. In assessing the potential for global and sustainable energy production in the long term, nuclear fusion is one of very few candidates for large-scale, carbon-free power generation. Lonza’s Primaset™ cyanate esters have recently been qualified for a part of the new International Thermonuclear Experimental Reactor (ITER). They were found to be highly resistant to the radiation of fast neutrons released in this process. “I am excited to learn that Lonza materials qualified in this high-profile application which one day soon might contribute to diminishing the carbon footprint of mankind associated with burning fossil fuels,” says Josef Schröer.



Niacin – a success story for human and animal health

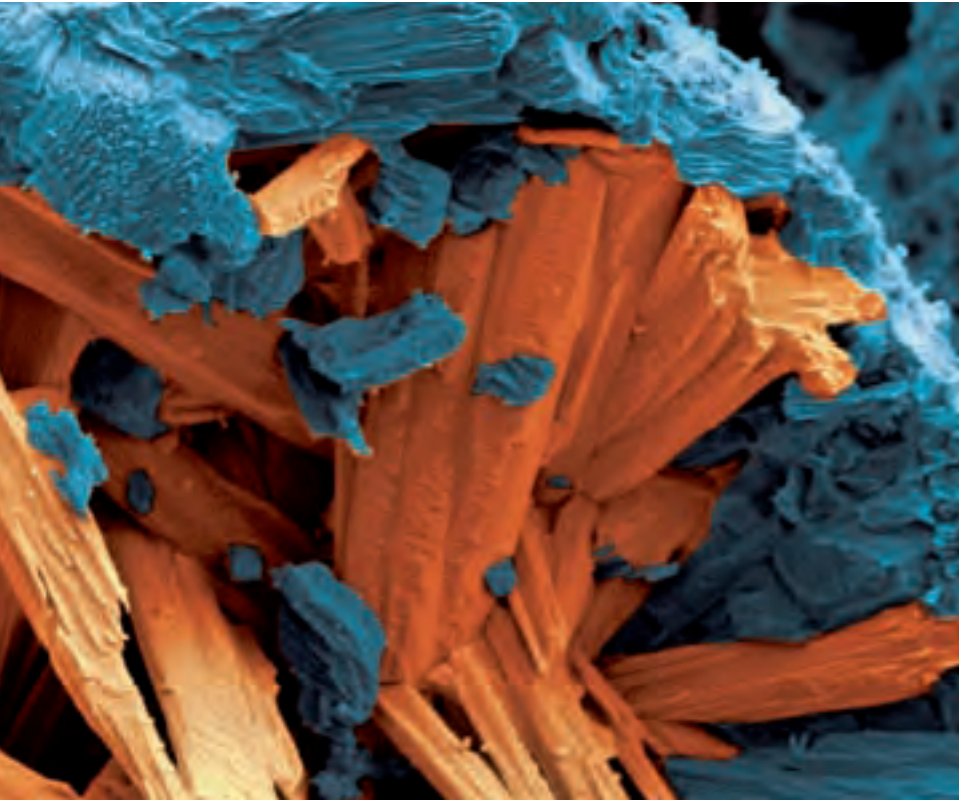
For over 40 years, Lonza has been the global leader in niacin production. As the world's largest producer, covering more than half of the total niacin demand in the global feed and food industry, Lonza is committed to providing unsurpassed quality nutrition.

The term niacin, or vitamin B3, describes both nicotinic acid and nicotinamide (niacinamide), both of which have vitamin activity. Niacin can be found in all living cells, but as it is not produced naturally in the body, it must be taken up through diet or supplementation. Therefore, niacin is a critical supplement in the global food and feed industry.

The significance of vitamin B3 in humans was established in the 1930s when scientists discovered that foods rich in this vitamin helped cure pellagra, a disease characterized by dermatitis, diarrhea and dementia. If left untreated, it eventually leads to death. Since its discovery, niacin

deficiency in developed countries has nearly been eradicated thanks to its addition to enriched foods, such as flour. Today, niacinamide can be found in products such as functional foods and beverages, as well as dietary supplements.

In the feed industry, nutritionists agree that niacin supplementation is required in every swine and poultry diet to meet the body's basal requirement. In 2009, it was estimated that over 18 billion chickens and over 940 million pigs received niacin supplements in their feeds, with most of the niacin originating from Lonza. As the global leader in the vitamin B3 market, Lonza has initiated a series of new research studies



with dairy cattle to further understanding of the role of supplemental niacin in improving productivity and economic return for the farm. More than 43 000 scientific publications confirm the health benefits of niacin.

Unlike niacinamide, nicotinic acid is also utilized in pharmaceutical applications for maintaining sound heart function and healthy cholesterol levels in humans. In higher dosages, it has been shown to lower elevated LDL (low density lipoprotein), or “bad” cholesterol, as well as triglyceride levels in the blood, helping to prevent and, where necessary, treat atherosclerosis. It also helps to raise levels of HDL (high density lipoprotein), or “good” cholesterol.

In order to meet growing market demand and to fulfill long-term customer commitments, Lonza is building a new vitamin B3 manufacturing site in Nansha, our leading life-science site in China. The new facility will provide an additional 40% capacity (15 000 metric tons) of product per year.

The first phase is expected to come on stream in 2011, followed by full operation in 2012. This strategic investment will enhance our global competitiveness and serve both the global and the Chinese food, feed and cosmetic markets.

Lonza’s multi-sites concept, know-how and experience, as well as exceptional quality and service, make us a reliable partner to support the long-term growth of our customers. As the global leader in niacin production, Lonza will continue to be an important contributor to the nutrition industry.

Vitamin B3 comes in two equally effective forms, niacin and niacinamide, which are both used in dietary supplementation and animal nutrition. Unlike niacinamide, niacin has an important pharmaceutical application, being used to maintain healthy blood lipid levels in humans.

Picture 2: Niacinamide through a scanning electron microscope.



Lonza shaping trends in natural cosmetics

Lonza's product offerings to the personal care market address growing consumer awareness of issues relating to the safety and environmental impact of cosmetics. Our portfolio includes ingredients which are naturally derived from renewable resources and meet new industry standards for natural and organic designation.

Lonza provides personal care product manufacturers with preservatives, thickeners, and active ingredients, as well as tools and services to help develop and test new personal care product formulations. We are actively shaping the growing market for natural and organic personal care products, collaborating closely with key national and international certification bodies.

Certification of cosmetic products according to natural standards is increasingly important, as they help consumers to identify the products that are truly natural or organic. The following definition of natural and organic has gained wide acceptance in the market: a cosmetic in-

gredient is natural or ecological if it is of natural origin, and it is organic or biological if it is grown and cultivated without the use of synthetic chemicals.

There are many different certification bodies and all of them have their own rules detailing which ingredients are permitted and which are not. Lonza aims to remove any doubts on the part of cosmetic manufacturers about whether certification will be awarded or not by offering a range of raw materials that themselves are approved by several certification bodies. The following ingredients are approved by ECOCERT, NATRUE and The Soil Association:



ECOCERT is an independent company headquartered in France that certifies natural and organic cosmetics. Its standard is widely accepted around the world.



NATRUE is an international, non-profit organization of cosmetic manufacturers that has been certifying raw materials since 1 March 2010.



Soil Association Certification Ltd is a standard for organic cosmetics, best known in the UK market.

Lonza and its local distributor have been working with The Soil Association to explore and develop the idea of an approved list of suppliers of raw materials. As a result, Lonza is proud to offer the first cosmetic ingredients formally approved by The Soil Association for use in organic formulations.

The Geogard™ series encompasses preservatives that enable customers to protect their formulation from microbial contamination, while avoiding the use of controversial preservatives. These Lonza ingredients are globally accepted in most types of personal care formulations.

LaraCare™ A200, a highly effective natural enhancer for skin care actives, extracted from larch trees.

Finally, the Polyaldo™ series, which features natural, multifunctional actives that can replace several ethoxylated ingredients and eliminate concerns about 1,4 dioxane. These can be used as emulsifiers, moisturizers and solubilizers in personal care formulations.

Personal care consumers are increasingly seeking naturally based products derived from renewable resources. The perception that products from the sea will enhance health and beauty is another growing industry trend.

An example of a marine-derived natural product is Lonza's SeaPure™ Agarose, a highly purified gelling polymer, derived from various species of red seaweed that are sustainably harvested in the wild. SeaPure™ Agarose offers characteristics that make it possible to manufacture formulation concepts previously unobtainable in a natural product format. Several household brands have recently formulated agarose for use in products such as deodorant sticks, face creams, hand lotions and under-eye patches. Our customers have found that using SeaPure™ Agarose in a formulation enhances the feel of the skin and improves the delivery of actives, as well as reducing the overall number of ingredients required to generate the product.

Picture: Red seaweed which is used for Lonza's natural SeaPure™ Agarose product.

We are inspired



FULL YEAR SECTOR REPORTS

Life Science Ingredients

52 Results 2010

54 Sites

Custom Manufacturing

56 Results 2010

58 Sites

Bioscience

60 Results 2010

62 Sites

« At Lonza we think it is essential that our employees enjoy their tasks and know the importance of their daily work. That is why Lonza encourages entrepreneurship and independent thinking among its staff. We are convinced that dedicated, fully committed and highly skilled employees contribute to the quality of our products. The picture shows Petra Haberkamm at our Bioscience facility in Cologne (Germany) carefully inspecting a cell culture plate to get a first impression of the culture quality.



Life Science Ingredients

Results 2010

Life Science Ingredients million CHF	2009 after special charges	2009 before special charges	2010
Sales	1038	1038	1020
Change in %			(1.7)
Change due to			
Volume and prices			23
Currency translation			(41)
Scope of consolidation			0
Result from operating activities (EBIT)	119	137	131
Change in % before special charges			(4.4)
Change in % after special charges			10.1
Margin in %	11.5	13.2	12.8
EBITDA	198	208	206
Change in % before special charges			(1.0)
Change in % after special charges			4.0
Margin in %	19.1	20.0	20.2

Life Science Ingredients delivered a solid set of results in 2010. Divisional sales were CHF 1 020 million, while EBIT came in at CHF 131 million. Adverse currency movements, competition and increasing raw material costs were partly offset by strict fixed-cost control and lower special charges. Capacity utilization returned to normal levels across the Life Science Ingredients division in 2010. Key activities to support growth in 2010 included:

- Approval of the construction of the new niacinamide (vitamin B3) plant in Nansha (CN) by the Board of Directors, to be completed by 2012.
- The new intermediates plant in Visp (CH) came on stream in June, producing starting material for the L-carnitine plant in Nansha.
- Construction of the new L-carnitine plant in Nansha remained on schedule, with start-up planned in early 2011.
- Successful completion of a new Microbial Control micro-lab in Nanjing (CN).
- An investment in the agrochemical production capacities in Visp was approved by the Board of Directors, based on the signing of a new contract. Start-up of this capacity is expected in mid 2011.
- In 2010, the number of projects in the R&D pipeline stayed at a high level.

Nutrition Ingredients Nutrition Ingredients saw higher sales due to a recovery in demand and new applications. Margins came under pressure owing to competitor activities.

The overall demand for nicotinates (vitamin B3) increased from 2009 levels, despite the fact that the market demand for nicotinates experienced a slowdown in the second half of the year. Prices remained steady throughout 2010, though at a lower level than in 2009 due to competitive activities. Margins came under pressure in the fourth quarter of 2010 due to significant increases in raw material costs.

Carnipure™ and Carniking™ sales continued to increase in 2010, driven by high demand for beverage and dietary supplement applications. Price pressure due to patent expirations offset the positive impact of higher volumes. Sales to the pet food industry remained strong.

Sales of Meta™ (metaldehyde), a specific molluscicide, were significantly below expectations owing to the high stocks held in the supply chain. This was due to the low demand seen in 2009 as a result of the dry weather conditions in the autumn.

Microbial Control Microbial Control achieved an increase in sales due to a recovery in demand in the USA and Europe and continued growth in Asia. Margins benefited from improved plant utilization, despite the negative impact of higher raw material costs.

We increased our commercial activities in China, India and Eastern Europe with investments that had a positive impact on our results in the third and fourth quarters of 2010.

The Hygiene business continued to show healthy growth, driven by our activities in new markets and our new product offerings. The materials protection and water treatment businesses grew, with new technologies in oil-field applications. These new business opportunities offset the revenue gap caused by the decline in sales of Carboquat™ for wood protection over the last three years.

Strategic growth projects are progressing as anticipated. Sales of formulated products are moving ahead in all markets. However, regulatory approvals remain slow.

Performance Intermediates The Performance Intermediates business unit saw a decline in sales, largely due to lower demand from the agrochemical industry.

Sales of diketene and hydrocyanic acid (HCN) derivatives were driven by solid demand in Europe and Asia. Overcapacities in Asia, persistently high raw material prices and the strong Swiss franc had a negative impact on margins. Asset utilization remained high throughout 2010.

The High Performance Materials business enjoyed a year of record sales in the electronics, aerospace and construction industries due to high demand for Primaset™ cyanate esters, pyromellitic anhydride (PMDA) and Lonzacure™. Construction of the new PMDA plant in Nanjing (CN) is progressing, with start-up planned at the end of the first half of 2011.

Demand for agrochemical active ingredients was lower than in 2009 due to overstocking in the previous season and tight customer inventory management. The project portfolio grew further, with the addition of new long-term, strategic products, one of which will be produced in a new agrochemical asset being built at Visp. Several projects were successfully completed in the ISO small-scale, multi-purpose plant in Nansha (CN).

Sites

Europe

■ ■ ■ Visp, Switzerland

Employees: 2 890 (including employees in Custom Manufacturing)

For the Life Science Ingredients division, the Visp site produces a number of chemical intermediates and ingredients – including some of Lonza's most established products, dating back to the first decades of the 20th century – for a broad range of end-applications, including pharmaceuticals, vitamins, nutrition products, agrochemicals, dyestuffs, adhesives, as well as for the electronics, aerospace and automotive industries.

North America

■ ■ Allendale NJ, USA

Employees: 160

In addition to its function as worldwide headquarters of Lonza's Microbial Control business unit, Allendale houses a major R&D center, with microbiology and analytical chemistry labs and activities that include formulation, process and product development for customers in the hygiene, preservation, water treatment and materials protection markets. Also, Allendale is home to the sales and marketing teams for Custom Manufacturing and Nutritional Ingredients.

■ Cohasset MN, USA

Employees: 16

The Cohasset plant produces larch arabinogalactan, an ingredient for food and dietary supplements in both human and animal nutrition, which can also be used in personal care products.

■ Mapleton IL, USA

Employees: 72

The production plant in Mapleton specializes in chemical intermediate products for hygiene, water treatment and materials protection.

■ ■ Williamsport PA, USA

Employees: 144

The Williamsport plant offers chemical products for a wide range of applications, including water treatment, food additives, personal care products and household and industrial cleaners.

- Research and Development
- Production Site
- Sales Office

Asia

■ ■ Guangzhou, China

Employees: 281 (including employees in Shanghai office)

The Guangzhou production site accounts for a significant portion of the global demand for niacinamide (vitamin B3), a nutrient additive essential for human and animal growth.

■ Liyang, China

Employees: 133

The Liyang site produces pyromellitic dianhydride (PMDA), a product predominantly used for heat-resistant polyimide resins, for example in the small, flexible electronic circuit boards commonly found in mobile phones.

■ Nanjing, China

Employees: 64

The Microbial Control plant in Nanjing produces registered formulations for the hygiene, water treatment and materials protection industries. The Performance Intermediates plant in Nanjing will produce pyromellitic dianhydride (PMDA), which is used in the production of flexible circuit boards, insulating films and as a hardener for polyester foams and epoxies.

■ Nansha, China

Employees: 694 (including employees in Custom Manufacturing)

The Nansha plant is one of the biggest global suppliers of niacinamide (vitamin B3), which is mainly exported to European countries, the American continent, Japan and Australia, and is also supplied to the Chinese market.

■ ■ Mumbai, India

Employees: 65

Lonza India is headquartered in Mumbai, with an R&D center at Bangalore (as of March 2011 Hyderabad). Lonza India provides products and services to customers in India and the Middle East in the areas of pharmaceutical intermediates, Bioscience (cell culture and endotoxin detection products) and Microbial Control actives and formulations for hospital and pharma clean rooms in Indian markets.

Custom Manufacturing

Results 2010

Custom Manufacturing million CHF	2009 after special charges	2009 before special charges	2010
Sales	1418	1418	1445
Change in %			1.9
Change due to			
Volume and prices			70
Currency translation			(43)
Scope of consolidation			0
Result from operating activities (EBIT)	127	239	253
Change in % before special charges			5.9
Change in % after special charges			99.2
Margin in %	9.0	16.9	17.5
EBITDA	379	420	426
Change in % before special charges			1.4
Change in % after special charges			12.4
Margin in %	26.7	29.6	29.5

Custom Manufacturing sales grew by 1.9% to CHF 1 445 million, while EBIT increased by 5.9% to CHF 253 million, driven primarily by improved capacity utilization in large-scale Biological Manufacturing as a result of new product introductions, especially in the second half of 2010. The Development Services business unit continued to make good progress, while Chemical Manufacturing benefited from efficiency initiatives. Custom Manufacturing's improved performance was achieved despite negative currency effects and delayed product approvals by regulatory authorities.

Chemical Manufacturing Lonza's Chemical Manufacturing business unit delivered a solid performance in 2010, mainly driven by increasing new customer demand and the successful implementation of operational efficiencies to reduce the break-even point.

The divestiture of the Conshohocken (Riverside), PA (USA) facility, as a result of the re-engineering project, was finalized in October 2010.

EBIT in Chemical Manufacturing increased, while capacity utilization in 2010 remained at a similar level to 2009.

The chemical outsourcing trend remains intact due to continued asset reviews at pharmaceutical companies. However the fragmented competition landscape slows down consolidation.

Lonza's trendsetting new Total Life-Cycle Management and Pipeline Deal concept, offering development and manufacturing services from early product development through to the post-patent generic stage, further increased the product pipeline to over 280 projects, and led to a capacity utilization of approximately 75% in 2010.

The new strategic collaboration with California Peptide Research, Inc. expanded Lonza's small-scale peptides manufacturing and development service capabilities, allowing access to the very active West-Coast market. Also, our collaboration with Dalton Pharma Services, Inc. significantly improved Lonza's early-phase chemistry and kilo-lab manufacturing services for small molecules.

Chemical Manufacturing also continued to implement its growth strategy, which is based on strengthening its capacity and technology platforms. All major projects are on schedule, driven by customer demand:

- Expansion plans for new capacities in microreactor technology and for highly potent active pharmaceutical ingredients (HAPIs) are currently under evaluation.
- The lab-scale peptide production in Nansha (CN) is now fully operational, with multiple customer projects and additional capacities under evaluation.

Biological Manufacturing The Biological Manufacturing business unit had a good year in 2010 thanks to an improvement in capacity utilization at our mid- and large-scale facilities, especially in the second half of 2010. This was due to multiple new products. Biological Manufacturing also saw high batch success rates.

In addition, our broad offering enabled us to increase our current pipeline to more than 260 active projects by the end of 2010. One contributor to this increase was our pipeline deal with GlaxoSmithKline.

The business made further progress with the execution of planned expansion projects, achieving a number of important milestones in 2010:

- The first plant in Singapore was completed and operationally handed over to Roche / Genentech following a successful FDA inspection and product launch in the third quarter of 2010.
- The full fit-out of the second facility in Singapore has been initiated and continues to make good progress. This facility is due to come on stream in the third quarter of 2011, with at present five current customer projects giving it a start-up utilization of over 60%.
- The new 2 000-liter line in Hopkinton, MA (USA) was successfully brought on stream and is currently operational, with two major customer projects. The fully booked 2 800-liter line was upgraded and the plant 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 in January 2010.
- The customer-driven harmonization programs for all our mid- and large-scale mammalian assets in Portsmouth, NH (USA), Porriño (ES) and Singapore were initiated. These programs will enable our facilities to provide customers with the tailor-made capacity they need at many of our production sites as of 2012.

The joint venture between Teva and Lonza, TL Biopharmaceutical Ltd, began the clinical development of its first biosimilar product. Teva and Lonza will cooperate 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 other long-term customer partnerships, Lonza will contribute its cell line, process development and manufacturing services to the partnership. Lonza and Teva believe that this joint venture will offer both partners significant mid-term growth potential.

Development Services delivered a solid sales and EBIT performance in 2010.

In the area of Microbial Fermentation, multiple product deals were signed with a range of pharmaceutical companies. Improvements to the XS Microbial Expression Technologies™, the fast-track program for strain development and clinical material supply, led to further gains in market momentum.

More than ten new agreements for Lonza's GS Gene Expression System™ (e.g. with Stason Pharmaceuticals, Inc.) confirmed its unique position as the industry standard. Currently, eight commercial and seven phase-III products are utilizing the GS system.

Regulatory Overall, Lonza Custom Manufacturing underwent 35 cGMP audits for multiple new products from the respective regulatory authorities. All of them were successfully completed. This record level documents Lonza's strong product portfolio and regulatory track record in an environment of ever-increasing scrutiny and will prove to be a real competitive advantage for Lonza.

Sites

Europe

■ ■ ■ Braine-l'Alleud, Belgium

Employees: 340

Lonza Braine is a highly specialized custom manufacturing organization, providing process development services and cGMP manufacturing capacities based on chemical technologies for the production of therapeutic peptides.

■ ■ ■ Kouřim, Czech Republic

Employees: 380

The Kouřim production site is focused on microbial fermentation and custom manufacturing services for the pharmaceutical, biotechnology and nutrition industries.

■ ■ ■ Porriño, Spain

Employees: 285

Lonza Biologics Porriño is a large-scale manufacturing site with solid expertise in clinical and commercial products. The Porriño site provides a wide range of cGMP analytical services and has a strong regulatory track record, with FDA and EMA authorization for commercial products.

■ ■ ■ Slough, United Kingdom

Employees: 600

The Slough site is the center of excellence for mammalian biopharmaceutical process development and small-scale cGMP manufacturing. The site also specializes in offering a full range of analytical services, process scale-up activities and process optimization.

■ ■ ■ Visp, Switzerland

Employees: 2 890 (including employees in Life Science Ingredients)

In the Custom Manufacturing division, the Visp site specializes in the production of microbial biopharmaceuticals, as well as in the production of regulated intermediates and active pharmaceutical ingredients (APIs), highly active pharmaceutical ingredients (HAPIs), antibody drug conjugates (ADCs) and peptides for pharmaceutical applications.

- Research and Development
- Production Site
- Sales Office

North America

■ ■ Hopkinton MA, USA

Employees: 330

The microbial biopharmaceutical site in Hopkinton produces recombinant proteins, DNA therapeutics and vaccines for a wide range of indications, from cancer therapy to infectious diseases.

■ ■ Portsmouth NH, USA

Employees: 675

The production site in Portsmouth has significant expertise in the field of mammalian cell culture and cGMP custom manufacturing and is active in the large-scale production of biopharmaceuticals.

Asia

■ ■ Nansha, China

Employees: 694 (including employees in Life Science Ingredients)

The Nansha site is active in R&D and cGMP manufacturing of active pharmaceutical ingredients on both small and commercial scale.

■ ■ Tuas, Singapore

Employees: 190

Lonza has completed the construction of its mammalian biopharmaceutical facility in Singapore and is currently in the process of start-up and validation. Full cGMP operation will start in the second half of 2011 – the project is both on time and on budget. Expansion at the site is also underway, with the construction of a Cell Therapy production facility. This project is due for completion in 2011 and will be operational in 2012.

Bioscience

Results 2010

Bioscience million CHF	2009 after special charges	2009 before special charges	2010
Sales	231	231	211
Change in %			(8.7)
Change due to			
Volume and prices			(6)
Currency translation			(16)
Scope of consolidation			2
Result from operating activities (EBIT)	18	26	14
Change in % before special charges			(46.2)
Change in % after special charges			(22.2)
Margin in %	7.8	11.3	6.6
EBITDA	39	43	26
Change in % before special charges			(39.5)
Change in % after special charges			(33.3)
Margin in %	16.9	18.6	12.3

Bioscience sales declined by 8.7% to CHF 211 million in 2010 compared with 2009, mainly as a result of reduced Cell Therapy sales and negative currency effects. Margins were significantly lower than in 2009 due to lower capacity utilization. Lonza's initiatives to generate cost savings through business unit consolidation and global process optimization only partly offset these negative factors.

Research Solutions sales declined compared with 2009, mainly due to the impact of exchange rates. At constant exchange rates, revenues were close to 2009 levels.

The 2010 business year saw strong performances in cell biology, cell assays, chromatography and fragment analysis. These gains were partly offset by the delayed launch of 4D Nucleofactor™ and strong competition in primary cells and classic media. In 2010, pharma and biotech R&D maintained steady growth. However, more strictly controlled government funding in academia had an impact in both the USA and the EU.

We launched 61 new research products in 2010, focused mainly in the areas of cell assays, pluripotent stem cells and diseased primary cells, including the new 4D Nucleofactor™ product family. We finalized license agreements with California Stem Cells, Inc., Odyssey Thera and Roslin Stem Cells. These activities demonstrate the drive to develop R&D applications in the area of stem cell technologies.

Testing Solutions sales increased compared with 2009 due to strong growth in Latin America and Asia. This offset the negative impact of exchange rates and destocking after the end of H1N1 testing hype, which took place in the first half of 2010.

The launch of MicroCompass™ II, a new microbiology test platform, was delayed due to development taking longer than expected and delays at the equipment manufacturer.

In May 2010, Lonza acquired MODA Technology Partners in Wayne, PA (USA), a leading company in paperless quality-control solutions. Integration was finalized in the second half of 2010 and internal roll-outs started at Lonza along with external sales initiatives.

Services for our clients were broadened by offering contract endotoxin analysis of samples and a contract sterilization service. The new Solutions Business was initiated in 2010, with some pick-up in service revenues in the area of contracts and custom sterilization.

Therapeutic Cell Solutions sales and EBIT declined compared with 2009 due to delayed product approval by the largest client, as announced in October 2009. This led to underutilization of our existing production capacity, particularly in the first half of 2010. The Cell Therapy pipeline was rebuilt faster than expected during 2010 and now contains more than 15 projects in all clinical phases, as the large pharmaceutical companies have increased their interest in developing Cell Therapy products.

In the second half of 2010, Lonza acquired Vivante GMP, a viral-vaccine and gene therapy company based in Houston, TX (USA). The integration was finalized in the fourth quarter of 2010. Construction of the Cell Therapy facilities in Singapore and Walkersville, MD (USA) is on track and should be finished during 2011, with customers for a significant portion of both capacities already identified.

Overall, the outlook for the global Cell Therapy business remains very positive. Strong and growing interest in Cell Therapy led to increased investment in the development of both autologous and allogeneic products. Cell Therapy, which was previously driven mainly by biotech companies, saw much greater interest from big pharma companies during the course of 2010. In 2010, Lonza was awarded a grant by the US Department of Defense to help develop, test and commercialize (subject to FDA approval) PermaDerm™, an engineered skin substitutes (ESS) to treat burn victims.

As pluripotent-derived stem cell therapeutics are taken up in clinical practice, contract manufacturing of these cell types will continue to gain traction. A significantly increased Cell Therapy pipeline and advances in stem cell technologies are grounds for a positive outlook for this business in 2011.

Sites

Europe

■ ■ ■ Cologne, Germany

Employees: 122

The Cologne site develops and manufactures a comprehensive product portfolio of life-science research tools around cultured cells, including non-viral gene transfer products for primary cells and hard-to-transfect cell lines. These products, as well as related services, support scientists worldwide, enabling more efficient identification of new targets for pharmaceuticals and therapies.

■ Copenhagen, Denmark

Employees: 13

The Copenhagen site specializes in custom manufacturing unique agaroses for chromatography purposes.

■ ■ Verviers, Belgium

Employees: 125

Lonza Verviers is the European Service Center for Lonza Bioscience. It is both a production and distribution site for custom and research media, with products for clinical cell therapy, molecular biology and endotoxin detection. Its warehouse and distribution facilities serve as a European sales channel for life-science products manufactured at other Lonza Bioscience sites. It is also the European divisional headquarters for Finance, Administration, and Customer Service.

- Research and Development
- Production Site
- Sales Office

North America

■ ■ Houston TX, USA

Employees: 20

Lonza Houston is where our viral-based therapeutics activities are conducted, including process development and scale-up, cGMP production, analytical assays, and regulatory support related to viral vector gene therapy and viral vaccine applications.

■ ■ Rockland ME, USA

Employees: 62

The Rockland site manufactures over 500 finished products for academic and government institutions as well as biotech and pharmaceutical companies worldwide, and continues to develop custom and innovative products for life-science research and personal care markets.

■ ■ ■ Walkersville MD, USA

Employees: 550

Lonza Walkersville is a leading provider of biology-based solutions to life-science customers, servicing research organizations, pharmaceutical, biopharmaceutical, biotechnology and generic drug companies worldwide.

■ ■ Wayne PA, USA

Employees: 20

Serving as MODA's headquarters prior to its acquisition by Lonza in May 2010, the Wayne facility primarily houses members of the Biosciences Rapid Testing Solutions (RTS) Informatics team.



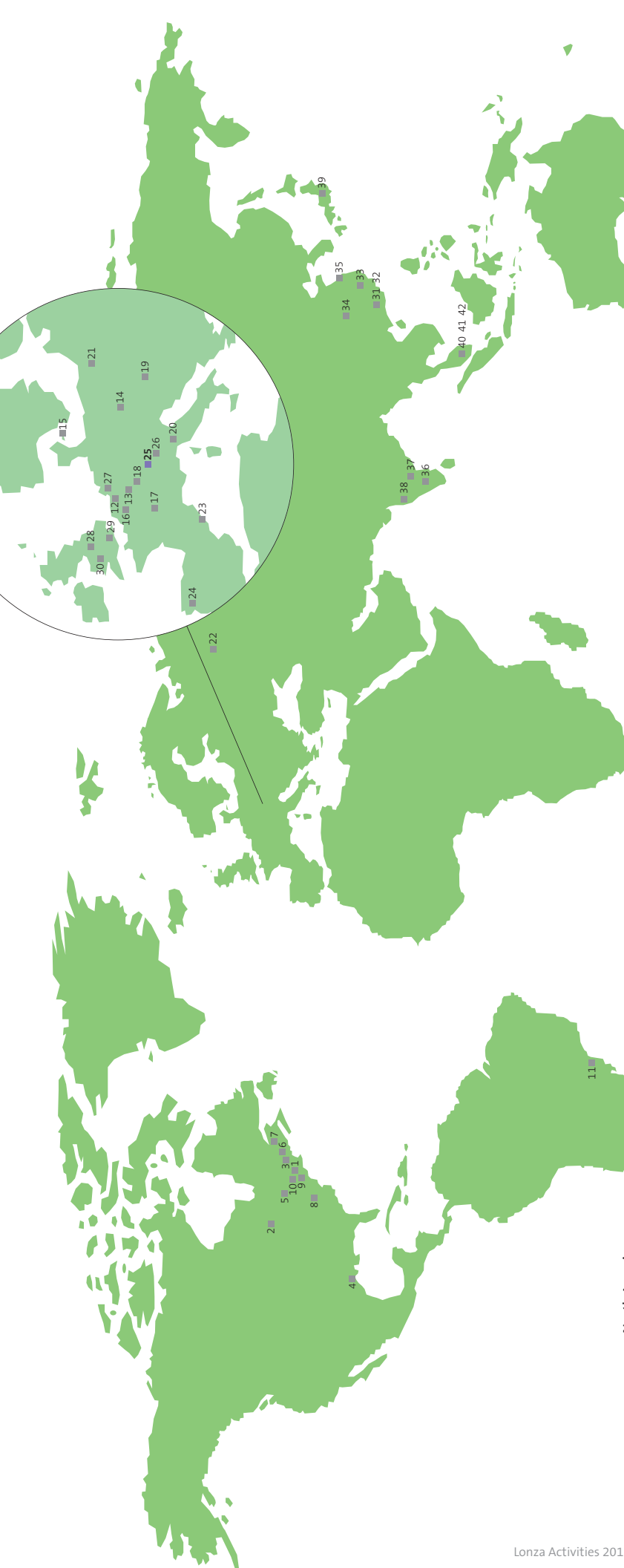
We are connected

LONZA WORLDWIDE

- 66 Lonza global map
- 67 Addresses
- 71 Agenda and contacts

« Lonza has sites all over the world, so the internal postal system plays an important role when it comes to the connectivity of our company with the outside world. Additionally, we are strengthening our global network by ensuring a fast and efficient internal information and document exchange system. The picture shows Franz Sutter (left) and Beat Diehl (right), working at the post office in Lonza's Basel headquarters in Switzerland, which itself handles about 300 letters and packages each day.





North America

- USA
 1 LONZA Inc. Allendale
 2 LONZA Inc. Cohasset
 3 LONZA Biologics Inc. Hopkinton
 4 LONZA Houston, Inc. Houston
 5 LONZA Inc. Mapleton
 6 LONZA Biologics Inc. Portsmouth
 7 LONZA Rockland, Inc. Rockland
 8 LONZA Walkersville, Inc. Walkersville
 9 LONZA Wayne, Inc. Wayne
 10 LONZA Inc. Williamsport

South America

- Brazil
 11 LONZA São Paulo São Paulo

Europe

- Belgium
 12 LONZA Braine SA Braine-l'Alleud
 13 LONZA Verviers Sprl Verviers
 Czech Republic
 14 LONZA Biotec sro Kourim
 Denmark
 15 LONZA Copenhagen ApS Vallengbaek Strand
 France
 16 LONZA France Sarl Levallois-Perret Cedex
 17 LONZA Saint-Beauzire SAS Saint-Beauzire
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 18 LONZA Cologne GmbH Köln
 Hungary
 19 LONZA Ltd Representation Office Budapest
 Italy
 20 LONZA Milano S.r.l. Treviglio
 Poland
 21 LONZA Ltd Representation Office Warsaw
- Russia
 22 OOO LONZA Rus Moscow
- Spain
 23 LONZA Ibérica S.A.U. Barcelona
 24 LONZA Biologics Porriño, S.L. Porriño
- Switzerland
 25 LONZA Group Ltd Global headquarters, Basel
 25 LONZA Sales Ltd Basel
 25 LONZA Ltd Basel
 26 LONZA Ltd Visp
 26 LONZA BioPharma Ltd Visp
 The Netherlands
 27 LONZA Benelux BV Breda
 United Kingdom
 28 LONZA Biologics plc Cambridge
 29 LONZA Biologics plc Slough
 30 LONZA Biologics plc Tewkesbury

Asia

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 32 LONZA Guangzhou Nansha Ltd Guangzhou
 32 LONZA Guangzhou Research and Development Center Ltd Guangzhou
 33 LONZA Liyang Chemical Co Ltd Liyang
 34 LONZA Nanjing Ltd Nanjing
 35 LONZA (China) Investment Co Ltd Shanghai
 36 LONZA India Private Ltd Bangalore
 37 LONZA India Private Ltd Hyderabad
 38 LONZA India Private Ltd Mumbai
 Japan
 39 LONZA Japan Ltd Tokyo
- Singapore
 40 LONZA Microbial Control Asia Pacific Pte Ltd Singapore
 41 LONZA BioSciences Singapore Pte Ltd Singapore
 42 LONZA Biologics Tuas Pte Ltd Singapore
- Australia**
 43 LONZA Australia Pty Ltd Mt Waverley

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Anticipated key reporting dates

Annual General Meeting for the financial year 2010

12 April 2011, 10.30 am

Congress Center Basel
MCH Swiss Exhibition (Basel) Ltd

Half-year Report 2011

27 July 2011

Full-year Report 2011

January 2012

Annual General Meeting for the financial year 2011

3 April 2012

Congress Center Basel
MCH Swiss Exhibition (Basel) Ltd

Dividend transfer to banks

As a rule, Lonza Group Ltd pays the dividend to its shareholders on the fifth business day following the Annual General Meeting.

Listing and security information**Stock exchange listing/trading**

SIX Swiss Exchange

Common stock symbols

Bloomberg LONN:VX
Reuters LONN.VX
Telekurs LONN

Security number

Valor 001384101
ISIN CH0013841017

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.

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« Lonza sets high standards in cell therapy and the regenerative medicine industry by providing innovative, cutting-edge solutions for the treatment of chronic illnesses and wounds. Julie Stevens, Core Technician at our site in Walkersville, MD (USA) is currently working with our Engineered Skin Substitute (ESS) product, analyzing the conformity of cells spread onto a collagen biopolymer matrix, to provide a skin substitute used for tissue regeneration in severely burned patients. For this task, it is important that the cells are dispersed evenly across the matrix so that the healing of the burn site is uniform.

»