

FULL-YEAR REPORT 2008

Financial highlights full-year

	2007*	2008
million CHF		
Sales	2 870	2 937
Change in %		2.3
EBITDA	682	691
Change in %		1.3
Margin in %	23.8	23.5
Result from operating activities (EBIT)	408	441
Change in %**		8.1
Margin in %	14.2	15.0
Net income	301	419
Change in %		39.2
Cash flow before change in net working capital	562	530
Change in %		(5.7)
RONOA in %	14.1	13.8
Net debt	1 309	1 469
Debt-equity ratio	0.73	0.76
EPS basic (CHF)	6.33	8.81
Change in %		39.2
EPS diluted (CHF)	5.88	8.15
Change in %		38.6
Number of employees	7 711	8 462
Change in %		9.7

* Adjusted due to retrospective application of interpretation IFRIC 14

** EBIT growth of 12% over the comparable basis of CHF 395 million for 2007

Record EBIT of CHF 441 million (+8%; +12% on a comparable basis)

Net income growth of 39% further strengthening the investment-grade balance sheet and supporting the ability to generate further sustainable growth

Performance on track due to the strengthened portfolio of businesses

Bioscience and the extension of the custom manufacturing model to the joint development of product pipelines forge a deeper integration with customers

The Board of Directors is proposing a cash dividend of CHF 1.75 per share

Overview Lonza's mix of life-science products and services contributed to a balanced performance across its businesses. Sales for the full year grew by 2.3% to CHF 2 937 million (+10.4% in local currencies, based on continuing operations¹). Cost and efficiency improvements achieved through operational excellence programs counteracted most of the effects of the significant negative currency, raw material and customer financing headwinds. EBIT margins increased by 0.8 percentage points to 15.0% of sales. Along with a low underlying tax rate, the book gain recorded on the sale of the remaining stake in Polynt S.p.A. led to an increase in net income of 39.2% to CHF 419 million. Gearing remained stable at 76% by year-end, despite the acquisition of amaxa and high capital expenditure. The strong balance sheet and conservative financing further improve flexibility and the ability to generate sustainable growth, while minimizing the effects of the ongoing financial crisis.

Strategy The projects designed to deliver sustainable, above-average, profitable growth continue to be on or ahead of schedule. Further significant milestones were achieved in 2008, including:

- The large-scale, multi-purpose cGMP API plant in Nansha (CN) went on line in the fourth quarter of 2008 with its first commercial product.
- Restructuring at Braine-l'Alleud (BE), Riverside, PA (USA) and Baltimore, MD (USA) was successfully completed.
- The validation and start-up of the large-scale plants for the production of antibody drug conjugates and highly potent APIs were completed in Visp (CH).
- The construction of the first large-scale mammalian plant in Singapore was completed and payment for the capital expenditure received.
- The site in Porriño (ES) was successfully retrofitted as a multi-product facility and re-started with three products.
- Novartis and Lonza have entered into a long-term, strategic partnership for the joint development and manufacture of the Novartis biological pipeline.
- A decision was taken to expand the microbial biopharma business, responding to strong customer support and commitments, one year ahead of plan.
- Lonza acquired amaxa, a technology leader in cell discovery.
- The Nutrition business of Life Science Ingredients achieved record results.

Lonza has welcomed 751 additional highly qualified employees to its workforce since the end of 2007, in line with its human resources strategy.

¹ Excluding CHF 141 million of sales from Lonza Singapore Pte Ltd from 2007 figures (sold on 19 November 2007)

Life Science Ingredients grew sales by 5.4% to CHF 1 196 million in 2008 (+8.8% in local currencies). This strong performance was accompanied by an increase in both margins and RONOA despite challenging economic conditions and market uncertainty due to the rising cost of raw materials, unfavorable exchange rates, and a weak construction market in the USA. EBIT increased by 16.4% to CHF 163 million. Market shares in strategic business units were sustained at the desired high levels and capacity utilization remained high. A noticeable slowdown in Performance Intermediates occurred towards the end of the year. The project pipeline increased strongly to over 100 projects.

Exclusive Synthesis & Biopharmaceuticals grew sales by 8.9% to CHF 1 512 million in 2008 (+10.3% in local currencies), on solid customer demand. The improvement in sales and EBIT was driven primarily by Exclusive Synthesis, which benefited year-over-year from successful restructuring and portfolio effects. This more than compensated for the slower growth in Biopharmaceuticals as a result of the retrofitting of the Porriño (ES) facility, product portfolio changes in Portsmouth, NH (USA), some project postponements and financing difficulties faced by small and start-up customers. Both business sectors delivered on operational excellence initiatives, and capacity utilization for available assets remained around 90%. Project pipelines continued to be strong, despite a rigorous program review and pruning of less-promising projects. Restructuring measures initiated at the Baltimore, MD (USA), Riverside, PA (USA) and Braine-l'Alleud (BE) facilities delivered the promised results. Lonza is expanding its contract manufacturing model to accommodate "pipeline agreements", in which the company and its pharmaceutical and biotech clients have the option of jointly developing and manufacturing a pipeline of both chemical and biological products – a progression from single-product agreements. In the first weeks of 2009, Lonza signed a partnership to develop a selected number of biosimilars.

Bioscience grew sales by 17.5% to CHF 222 million in 2008 (+7.8% on an organic basis). The division brings together a portfolio of new technologies that bring us closer to our customer base. Sales of the business fell short of targets in Rapid Testing and in Cell Discovery & Molecular Biology. EBIT declined on lower-than-expected sales combined with increased investment in growth programs, and on integration charges relating to amaxa. A long-term agreement was signed in Cell Therapy with Osiris Therapeutics for the phase-III and commercial production of their leading adult stem cell therapy. Bioscience accelerated its strategic development plans with the acquisition of amaxa, a market leader in the gene transfection into primary cells, which is very complementary to the Cell Discovery & Molecular Biology business, and will extend the company's customer and technology base.

Lonza Group summary

- The increase in financial income was attributable to the CHF 91 million book gain from the sale of the remaining stake in Polynt S.p.A.
- Cash flow before changes in net working capital decreased by 5.7% from CHF 562 million in 2007 to CHF 530 million due to slightly higher income taxes and interest paid, as well as changes in provisions.

- Net working capital in relation to sales decreased on average from 21.5% in 2007 to 19.9%. Year-end working capital increased on higher receivables driven by strong sales developments in December and on high in-process inventory driven by several plant start-ups.
- Capital expenditure, excluding customer-financed projects, was contained at CHF 420 million, while not delaying any growth project milestones.
- Net debt amounted to CHF 1 469 million by the end of the year, with the ratio of net debt to equity remaining approximately unchanged at 76%, despite acquisitions and high capital expenditure. Approximately 80% of Lonza's total debt is financed on a long-term basis with fixed interest rates. The cash position at year-end amounted to CHF 566 million.

Outlook All strategic projects are on track. With sound execution of its long-term plan, Lonza continues to drive growth initiatives in the form of strategic investments and organic growth projects. The recently signed agreement to develop a selected number of biosimilars represents a new strategic initiative for the development of our group.

Based on visibility of contracts, projects and economic conditions, Lonza expects:

- EBIT growth in the mid to high teens on average until 2013.
- Project pipeline fully aligned to support growth expectations – 80% of capacity expansion committed today.

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

We would especially like to thank our employees, who work so diligently to achieve this aim, and our shareholders for their support.



Rolf Soiron
Chairman of the
Board of Directors



Stefan Borgas
Chief Executive Officer

	2007	2008
million CHF		
Sales	1 135	1 196
Change in %		5.4
Change due to		
Volume and prices		97
Currency translation		(36)
Scope of consolidation		0
Result from operating activities (EBIT)	140	163
Change in %		16.4
Margin in %	12.3	13.6
EBITDA	206	230
Change in %		11.7
Margin in %	18.1	19.2

Life Science Ingredients

Life Science Ingredients grew sales by 5.4% to CHF 1 196 million in 2008 (+8.8% in local currencies). This strong performance was accompanied by an increase in margins, EBIT and RONOA. The division was affected in the last months of the year by a general slowdown. Strong currency and raw material price fluctuations were compensated by higher asset utilization, fixed cost containment measures, additional volumes and pricing initiatives. Key business drivers include:

- The maintenance of high market shares in strategic business niches.
- A high capacity utilization in all business units despite some decline towards year-end.
- A strong performance in Nutrition Ingredients and Performance Intermediates, both of which encountered a tight supply situation during most of the year.
- A negative effect from raw material cost increases, currency exchange fluctuations and the weak US housing market in the Microbial Control business.
- A further decrease in net working capital as the result of operational excellence programs.

Nutrition Ingredients Demand for nicotinates (vitamin B3) in both food and feed applications remained high during 2008, leading to an ongoing positive price trend in the market. The global demand for feed- and pharmaceutical-grade nicotinates did not return fully to normal levels towards the end of 2008, following strong demand around the Olympic games.

Carnipure™ (food/pharmaceutical-grade L-carnitine) enjoyed excellent demand, especially in Europe and the Far East. Carniking® (feed-grade L-carnitine) performed slightly below target, mainly due to the weaker US market and exchange rate trends.

Sales of Meta® metaldehyde, a specific molluscicide, saw considerable growth, despite competitive pressure and the emergence of alternative technologies. The improvement was due principally to the wet spring and summer in most parts of Europe. In China, we received registration approval for the use of MetaLi™ in prevention of a specific disease. Lonza is committed to investing further in this product and exploring new growth opportunities together with key customers.

The larch arabinogalactan business performed as expected and ResistAid™ was successfully launched for immune support. Pro-K®, Lonza's premium brand for vitamin K3 in feed applications, registered its first sales.

Microbial Control Lonza's hygiene product offering, which includes raw materials for antimicrobial active ingredients, specialty surfactants and preservatives, continued to enjoy solid market demand. However, margins were below expectations due to delayed price increases following the strong rise in raw material prices. A significant slowdown was observed in the last quarter of 2008.

In the water-protection business, patented technologies such as Equinox® continued to sell well, which offset decreasing sales in some older technologies.

In the materials protection business, Carboquat®, a product used in pressure-treated wood, sales were below 2007 levels. The effect of the weak US housing market could not be offset by additional sales in Canada and Europe. Acrawax®, a synthetic wax, exceeded expectations in the construction material business area, partially compensating for weaker demand in the Carboquat® segment.

Performance Intermediates Demand for diketene and HCN derivatives was very high in the first three quarters, but slowed significantly towards the end of 2008 as customers began to reduce their inventories. Margins were maintained in spite of cost increases due to raw materials, as well as unfavourable exchange rates. Capacity utilization remained high until the last quarter of the year.

The high-performance materials business was negatively affected by a general weakening in the electronics and construction industries. Weaker demand was only partially offset by higher sales of a new grade for aerospace applications.

Strong demand for agrochemical active ingredients and very high asset utilization in the non-regulated custom manufacturing plants delivered a very satisfactory result. During 2008, the project portfolio grew further.

Investments

- Expansion project for amines in Mapleton, IL (USA), with completion expected in 2009.
- Process de-bottlenecking of the vitamin K3 pilot plant in Shawinigan (CA), with completion by the end of the first quarter of 2009.
- Successful start-up of the small-scale, non-regulated, multi-purpose plant in Nansha (CN) in the second half of 2008.
- On-schedule construction of the amines formulation plant in Nanjing (CN) and of the pyromellitic dianhydride plant on the same site, with completion in the fourth quarter of 2009.

	2007	2008
million CHF		
Sales	1 388	1 512
Change in %		8.9
Change due to		
Volume and prices		141
Currency translation		(17)
Scope of consolidation		0
Result from operating activities (EBIT)	219	279
Change in %		27.4
Margin in %	15.8	18.5
EBITDA	391	436
Change in %		11.5
Margin in %	28.2	28.8

Exclusive Synthesis & Biopharmaceuticals

Exclusive Synthesis & Biopharmaceuticals grew sales by 8.9% to CHF 1 512 million in 2008 (+10.3% in local currencies). The significant improvement in EBIT, which rose by 27.4% to CHF 279 million from CHF 219 million a year ago, was driven primarily by Exclusive Synthesis. Restructuring measures in Baltimore, MD (USA), Riverside, PA (USA) and Braine-l'Alleud (BE) facilities are all completed. A regular strategy review and risk management analysis took place in the fourth quarter of 2008. As a result, the short-term investment in the product pipelines of both business sectors will be increased in order to further balance the risk of customer product failures in the market.

Exclusive Synthesis At CHF 757 million, sales were 26.1% higher than the CHF 600 million generated in 2007, with all three business units contributing proportionately. The improvement was driven primarily by successful restructuring, productivity gains, changes in the portfolio towards products with higher added value, and by the first contributions of newly installed assets. A reduction in demand for mature products, unfavorable exchange rates and higher raw material cost prevented stronger growth.

At over 85%, capacity utilization remained high, while future growth is supported by a pipeline of over 190 projects.

All major expansion projects are on track:

- Throughout 2008, the small-scale, multi-purpose cGMP API plant in Nansha (CN) was running at a high level of capacity utilization. The plant delivers product and process developments, small-volume production runs and rapid technology transfer to facilitate the start-up of large-scale production in Nansha.
- The large-scale, multi-purpose cGMP API plant in Nansha went on line in the fourth quarter of 2008. Given significant market interest, further expansion phases have been activated.
- At Braine-l'Alleud (BE), productivity increased by over 30%, rendering the existing product portfolio profitable. This was, however, counter-balanced by a significant clinical delay affecting one big customer.
- The portfolio rejuvenation in Kouřim (CZ) is ongoing, with further improvements required in 2009.
- The validation and start-up of the large-scale plant for the production of antibody drug conjugates were realized in the second quarter of 2008.
- The manufacturing site for the large-scale production of highly potent APIs started up in the third quarter of 2008 with the first products.

This expanded capacity has helped position Lonza as the sole custom manufacturing organization capable of handling the entire range, from laboratory to large-scale manufacturing, for these new technology platforms.

Three regulatory inspections were conducted in Visp (CH), one in Riverside, PA (USA), one in Nansha (CN), and one in Braine-l'Alleud (BE) during the course of 2008. All had successful outcomes.

Biopharmaceuticals In 2008, the Biopharmaceuticals business sector continued to operate at high batch success rates, above the industry average. The decline in the pipeline since the beginning of the year has been halted by pro-active initiatives (over 120 projects). In July 2008, Lonza and Novartis entered into a long-term agreement for the joint development and manufacture of the Novartis biological pipeline. This strategic partnership represents an extension of Lonza's contract manufacturing business model, moving from a product-by-product development and manufacturing arrangement to now a joint development of a pipeline of products, thereby forging a deeper integration with customers.

The business made further progress with the execution of planned expansion projects, achieving a number of milestones in 2008:

- The mid-scale site in Porriño (ES) was taken off line for six months for retrofitting as a multi-product facility. After a successful restart in the third quarter of 2008, the Porriño site will initially support three new customer projects (phase III and commercial).
- The new 5 000-liter line in Portsmouth, NH (USA) was successfully retrofitted.
- Both large-scale mammalian biopharmaceuticals expansion projects in Singapore are on track. The first plant is mechanically complete and performing engineering runs, while the shell construction of the second facility is finalized. Their start-up in 2009 and 2011 respectively is confirmed.
- The expansion of microbial biopharmaceuticals capacity in Hopkinton, MA (USA) has commenced and is on schedule. The start-up of the new 2 000-liter line is planned for the second quarter of 2009.
- Employees, development services and some manufacturing assets from the Baltimore, MD (USA) facility were relocated and integrated into the Hopkinton, MA (USA) plant. The existing 2 800-liter manufacturing line was expanded in the first half of 2008 in order to support two new customer projects and a transferred product from Baltimore. The Baltimore facility was shut down in the fourth quarter of 2008.

New technology and service platform: There is growing customer interest in Lonza's new AggreSolve™ technology, the new highly potent cell lines (strategic collaboration with BioWa) and the recently launched XS microbial expression platform.

The four regulatory inspections conducted by the FDA in Hopkinton, MA (USA), the EMEA and the FDA in Visp (CH), and the Mexican Health Agency in Portsmouth, NH (USA), all had successful outcomes.

	2007	2008
million CHF		
Sales	189	222
Change in %		17.5
Change due to		
Volume and prices		15
Currency translation		(15)
Scope of consolidation		33
Result from operating activities (EBIT)	28	19
Change in %		(32.1)
Margin in %	14.8	8.6
EBITDA	43	33
Change in %		(23.3)
Margin in %	22.8	14.9

Bioscience

Bioscience grew sales by 17.5% to CHF 222 million in 2008 (+7.8% on an organic basis). Cell Therapy and Media sales were particularly strong. Overall, divisional sales were below expectations due to the negative impact of exchange rates and cutbacks in quality control and R&D spending by customers. Lower-than-expected sales, combined with increased investment in growth programs, depressed absolute EBIT and margins. The Cell Discovery business was strengthened with the acquisition of amaxa.

Cell Therapy reached important milestones in 2008, including the signing of a long-term agreement with Osiris Therapeutics, Inc. for phase-III and commercial production of Prochymal®, their leading adult stem cell therapy. The construction of a commercial-scale cGMP cell therapy facility in the USA is underway in order to meet this need. Planned expansion in Europe and Asia will serve the growing needs of a global cell therapy market that continues to develop, with companies successfully moving products through the clinical process.

Due to the structure of the market, tighter financing conditions are expected to have an impact on companies offering cellular therapies. Significant investments are being made in core research to enable more efficient cell production on a commercial scale, giving Lonza a competitive advantage in this field. Additional services are now being offered through a newly re-structured Bioservices group that will support Cell Therapy and other Lonza custom manufacturing businesses.

Rapid Testing Full-year sales were significantly below target. The market in endotoxin testing was adversely affected by pharmaceutical cutbacks in spending on quality control. A re-orientation of the salesforce delivered a stronger fourth quarter performance. Performance-related issues in specific applications were identified on the microCompass™ platform, leading to a twelve-month delay in the product launch.

Media sales increased substantially in comparison with 2007. Development of PowerCHO-GS – a novel serum and chemically defined medium, free of ingredients with animal origins, for Lonza's proprietary GS-CHO expression system – was finalized. Commercial agreements were signed with CELLution Biotech for global sales and distribution of their innovative disposable bioreactor, and with Crucell for global manufacture and sales of PERMEXCIS™ cell culture medium. To meet customers' growing demands, construction started on the capacity expansion at the powder cell culture medium manufacturing plant in Verviers (BE). Work also began on construction of a new filling facility for cell therapy media in Walkersville, MD (USA).

In order to provide manufacturing groups in the biopharmaceutical industry with the full range of Lonza services in a coordinated way, the Lonza Bioscience sales and marketing team for media services will be integrated into the Lonza Custom Manufacturing (LCM) sales and marketing organization in 2009.

Cell Discovery & Molecular Biology sales were slightly below target for the year, primarily due to R&D budget constraints among US customers during the fourth quarter of 2008.

The Cell Discovery business unit is on target to implement its strategy – positioning the unit as the leading innovator of cell-based solutions for the global pharmaceutical and academic research markets. This was achieved through the development of four platforms: cell handling, cell expansion, cell analysis and drug discovery cell-based assays. Additionally, a new strategic approach was defined for the recently formed Molecular Biology business unit.

	2007	2008
million CHF		
Sales	158	7
Change in %		(95.6)
Change due to		
Volume and prices		(10)
Currency translation		(14)
Scope of consolidation		(127)
Result from operating activities (EBIT)	21	(20)
EBITDA	42	(8)

Other

On 20 November 2007, Lonza closed the sale of its purified isophthalic acid facility in Singapore for a consideration of USD 138 million, recording a book gain of CHF 29 million.

Condensed consolidated balance sheet at 31 December 2008	2007 ¹	2008
million CHF		
Fixed assets	3 225	3 628
Long-term loans and advances	28	9
Total non-current assets	3 253	3 637
Current assets	1 197	1 417
Short-term advances and other financial assets	4	2
Cash and cash equivalents	372	566
Assets held for sale	106	4
Total current assets	1 679	1 989
Total assets	4 932	5 626
Equity attributable to equity holders of the parent	1 789	1 865
Minority interest	0	69
Total equity	1 789	1 934
Long-term liabilities	471	744
Long-term debt	1 360	894
Total long-term liabilities and provisions	1 831	1 638
Short-term liabilities	959	902
Short-term debt	353	1 152
Total current liabilities and deferred items	1 312	2 054
Total liabilities and equity	4 932	5 626

¹ Adjusted due to retrospective application of interpretation IFRIC 14

Condensed consolidated income statement	2007	2008
million CHF		
Sales	2 870	2 937
Cost of goods sold	(2 060)	(2 098)
Gross profit	810	839
Other operating expenses	(402)	(398)
Result from operating activities (EBIT)	408	441
Financing costs	(47)	(57)
Gain on sale of assets held for sale ¹	0	91
Net financing costs	(47)	34
Profit before income taxes	361	475
Income taxes	(60)	(56)
Profit for the period	301	419
Attributable to:		
Equity holders of the parent	301	420
Minority interest	0	(1)
Profit for the period	301	419
Basic earnings per share – EPS basic (CHF)	6.33	8.81
Diluted earnings per share – EPS diluted (CHF)	5.88	8.15

¹ Sale of the shares of Polynt S.p.A.

Condensed consolidated cash flow statement	2007	2008
million CHF		
Profit for the period	301	419
Adjustment for non-cash items	354	234
Income taxes and interests paid	(93)	(123)
Cash flow before change in net working capital	562	530
(Increase)/decrease of net working capital	83	(281)
Increase/(decrease) of other payables net	(1)	(74)
Net cash (used for)/provided by operating activities	644	175
Purchase of fixed assets	(609)	(648)
Acquisition of subsidiaries, net of cash acquired	(586)	(157)
Disposal of subsidiary, net of cash disposed of	111	0
Sale of assets held for sale	0	188
Net purchase of other assets and disposals	9	40
Interests and dividend received	20	32
Net cash (used for)/provided by investing activities	(1055)	(545)
(Decrease)/increase of capital	0	0
Syndicated loan	500	0
(Decrease)/increase in debt	44	421
(Decrease)/increase in other liabilities	76	228
Capital injection from minority interests	0	41
Company contribution for employee shares	(2)	(2)
Purchase of treasury shares	(24)	(44)
Sale of treasury shares	50	17
Dividends paid	(72)	(83)
Net cash (used for)/provided by financing activities	572	578
Effect of currency translation on cash	(6)	(14)
Net (decrease)/increase in cash and cash equivalents	155	194
Cash and cash equivalents at 1 January	217	372
Cash and cash equivalents at 31 December	372	566

Condensed consolidated statement of changes in equity million CHF	Attributable to equity holders of the parent						Total	Minority interest	Total equity
	Share capital	Share premium	Retained earnings/ Other reserves	Hedging reserve	Trans-lation reserve	Treasury shares			
At 31 December 2006	50	147	1 697	(19)	70	(338)	1 607	0	1 607
Impact due to adoption of IFRIC 14 less tax impact	0	0	(19)	0	0	0	(19)	0	(19)
Restated balance as at 1 January 2007	50	147	1 678	(19)	70	(338)	1 588	0	1 588
Net income recognized directly in equity	0	0	0	22	(80)	0	(58)	0	(58)
Profit for the period	0	0	301	0	0	0	301	0	301
Total recognized income and expenses for the period	0	0	301	22	(80)	0	243	0	243
Dividends	0	0	(72)	0	0	0	(72)	0	(72)
Recognition of share-based payments	0	0	8	0	0	0	8	0	8
Transfer of employee shares	0	0	(3)	0	0	0	(3)	0	(3)
Acquisition of treasury shares	0	0	0	0	0	(24)	(24)	0	(24)
Sale of treasury shares	0	11	0	0	0	38	49	0	49
At 31 December 2007	50	158	1 912	3	(10)	(324)	1 789	0	1 789
Net income recognized directly in equity	0	0	38	(59)	(199)	0	(220)	5	(215)
Profit for the period	0	0	420	0	0	0	420	(1)	419
Total recognized income and expenses for the period	0	0	458	(59)	(199)	0	200	4	204
Dividends	0	0	(83)	0	0	0	(83)	0	(83)
Recognition of share-based payments	0	0	11	0	0	0	11	0	11
Transfer of employee shares	0	0	(5)	0	0	3	(2)	0	(2)
Part-conversion of convertible bond	0	(10)	0	0	0	47	37	0	37
Capital injection from minority interests	0	0	0	0	0	0	0	41	41
Changes in minority interests	0	0	0	0	0	0	0	24	24
Recognition of put option	0	0	(60)	0	0	0	(60)	0	(60)
Acquisition of treasury shares	0	0	0	0	0	(44)	(44)	0	(44)
Sale of treasury shares	0	0	0	0	0	17	17	0	17
At 31 December 2008	50	148	2 233	(56)	(209)	(301)	1 865	69	1 934

Selected explanatory notes

1. Accounting principles

Basis of preparation of financial statements These condensed financial statements are based on the audited consolidated financial statements for the twelve-month period ended 31 December 2008 that will be prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Changes in accounting policies The following new and revised standards and interpretations have been issued, being effective for the reporting year 2008:

- IFRIC 11 IFRS 2: Group treasury and treasury share transactions
- IFRIC 12: Service concession arrangements
- IFRIC 14 IAS 19: The limit of defined benefit assets, minimum funding requirements and their interaction

The adjustment from the first-time application of IFRIC 14 is recognized in the retained earnings as per 1 January 2007 and resulted in a decrease of the defined benefit asset of CHF 24.8 million and an increase in tax-asset of CHF 5.7 million. Therefore, the financial statements 2007 have been adjusted.

The interpretations IFRIC 11, IFRIC 12 had no material impact on the financial statements 2008.

2. Exchange rates

Balance sheet	31 12 07	31 12 08	Income statement full-year	2007	2008
period-end rate CHF			average rate CHF		
US dollar	1.13	1.06	US dollar	1.20	1.08
Pound sterling	2.26	1.53	Pound sterling	2.40	2.00
Euro	1.66	1.49	Euro	1.57	1.59

The Full-year Report 2008 is also available in German.
The English version prevails.

Annual General Meeting
for the 2008 financial year
[8 April 2009](#)
Congress Center,
MCH Swiss Exhibition Ltd, Basel

Half-year Report 2009
[22 July 2009](#)

Full-year Report 2009
[27 January 2010](#)

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 the factors discussed above, factors that could cause actual results to differ materially are among others: 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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