

HALF-YEAR REPORT 2007

Financial highlights first half-year

	2006 ¹	2007
million CHF		
Continuing operations		
Sales	1 040	1 374
Change in %		32.1
EBITDA	221	335
Change in %		51.6
Margin in %	21.3	24.4
Result from operating activities (EBIT)		
	130	204
Change in %		56.9
Margin in %	12.5	14.8
Net income		
	80	146
Change in %		82.5
EPS basic (CHF)		
	1.69	3.07
Change in %		81.7
EPS diluted (CHF)		
	1.61	2.86
Change in %		77.6
Total operations		
Cash flow before change in net working capital	175	313
Change in %		78.9
RONOA in %	11.0	13.8
Net debt	1 192	1 535
Debt-equity ratio	0.80	0.87
Change in %		8.7
Number of employees	6 447	7 457
Change in %		15.7

¹ The condensed consolidated income statement of the previous-year interim financial reporting has been restated to show the discontinued operation of Polymer Intermediates separately from continuing operations.

Lonza delivers an increase of 57% in EBIT and 82% in net income, based upon continuing operations. The recently completed growth strategy for Bioscience is designed to deliver enhanced returns. Lonza continues to successfully execute critical milestones of its long-term strategic plan.

Overview The first half-year performance was characterized by the effects of Lonza's portfolio changes and solid developments in all businesses, with Biopharmaceuticals experiencing particularly strong growth. This elevated EBIT to CHF 204 million from CHF 130 million, as compared to the first half of 2006, and led to a margin increase of 2.3 percentage points to 14.8% of sales. Along with the proactive measures that resulted in a low tax rate of 21.0%, the improved financial result led to an over-proportional increase in net income by 82.5% to CHF 146 million. As a consequence, gearing declined from 92% at the end of the first quarter to 87%. RONOA continued to improve from 11.0% in the first half of 2006 to 13.8%. Sales in the first half of 2007 amounted to CHF 1 374 million.

Strategy The projects designed to deliver sustainable, above-average, profitable growth, continue to be on or ahead of plan. Following the transformational changes to our portfolio implemented over the last year, 90% of Lonza's sales now relate directly to the life-sciences. These changes are fully on track to create significant value and increase Lonza's presence in high-margin, high-growth areas. In the short-term, the priorities for 2007 are business delivery, integration of recently acquired assets and strategic reviews within the Organic Fine & Performance Chemicals division.

Organic Fine & Performance Chemicals posted a satisfactory performance in the first half of 2007. Sales increased by 6.0% to CHF 564 million, a third of which was due to raw material price increases. Price initiatives and volume growth more than offset raw material price pressure, resulting in a 0.5 percentage point margin expansion to 14.0% of sales. EBIT thus increased by 9.7% to CHF 79 million. Similar trends are expected in the second half. Sales in the fourth quarter will be affected by the planned seasonal shutdown of the cracker in Visp (CH). Key divisional developments for the first half of 2007 include:

- Market shares in strategic business niches were sustained at the desired high levels, and capacity utilization overall remained high.
- Business performance was the strongest in Nutrition, driven by growth in nicotines, demand for Carniking® and Carnipure® and favorable weather conditions for Meta® sales.
- The Preservation business felt the slowdown in the US construction market.
- The project pipeline structure was adapted to reflect short, medium and long-term growth opportunities.

Exclusive Synthesis & Biopharmaceuticals increased sales by 45.2% to CHF 642 million (CHF 442 million in the first half of 2006). The significant improvement in EBIT, which rose to CHF 117 million from CHF 72 million a year ago, was driven by Biopharmaceuticals. EBIT margins increased from 16.3% of sales a year ago to 18.2% thanks to strong capacity utilization and new projects coming on stream.

Biopharmaceuticals sales more than doubled from CHF 185 million in the first half of 2006 to CHF 400 million, due to strong internal growth and recently acquired assets. Capacity utilization was above 90%, batch success rates remained significantly above the industry average and batch scheduling favored the first half. This manufacturing success was supported by a strong pipeline of over 120 projects, reflected in continuous strong demand for our Microbial and Mammalian Biopharma Services. Developments in this business sector include:

- Successful cGMP batches from the first 15 000-liter microbial line in Visp (Switzerland).
- Ground-breaking of the second large-scale mammalian facilities in Singapore and Portsmouth (USA).
- Seamless integration of the mid-scale mammalian assets in Porriño (Spain).
- Decision to consolidate the microbial plants of Baltimore and Hopkinton (USA), backed by strong customer support, accelerating by a year the anticipated break-even point to 2008.
- Expansion of Biopharma Services and R&D in the UK.

Exclusive Synthesis generated sales of CHF 242 million in the first half of 2007, operating at over 90% capacity utilization. The slight decline compared with the CHF 257 million posted in 2006 was due to the transformation of the plant in Kouřim (CZ) and deferred delivery schedules. The turnaround project at the small molecule plant in Riverside (USA) is fully underway and the production ramp-up in the Belgian peptide facility is making progress, though is behind schedule. As a result, margins at half-year remained below expectations. We expect a pickup in profitability in the second half of 2007. The pipeline which again increased in the second quarter along with strong customer commitment continues to support expansion plans. Noteworthy developments in this business sector include:

- Continuous rise in the number of inquiries for APIs (Active Pharmaceutical Ingredients) production.
- Increased outsourcing of process-related R&D for key accounts.
- Continued investment in new technology platforms such as Highly Active Pharmaceutical Ingredients (HAPIs) and Antibody Drug Conjugates (ADCs).
- Small-scale API plant in Nansha (China) completed on time, going on stream in August.
- Construction of Lonza's new large-scale API facility in China is well underway, backed by customer commitments. Production is expected to start in the second half of 2008.

Bioscience Lonza's new division is fully on track in its business plan in the first half of 2007, with strong margin delivery when excluding short-term integration costs. Integration activities are progressing on schedule, while global sourcing synergies and the first cross-selling opportunities have been realized. The key elements of the business strategy and its renamed business units are as follows:

- Cell Therapy – build upon leading position by developing innovative technologies for commercial production of cell-based therapeutics and leveraging Lonza's custom manufacturing sales channels.
- Rapid Testing Systems – extend leading position in endotoxin detection systems by developing new technology platforms while also exploring new markets and applications.
- Media – expand the specialist position to develop the next generation of media for biopharmaceutical manufacturing, while leveraging the Lonza sales channel to deliver growth in the long term.

- Cell Discovery and Molecular Biology – accelerate internal development platforms in the area of cell handling, cell expansion and cell-based assays to position the unit as the leading innovator and supplier of cell-based solutions for the global pharmaceutical and biopharmaceutical research markets.

Based upon the designed strategy, the financial targets for the division have been enhanced. Current business strength allows for an investment phase through 2007 and 2008 without impacting current margin levels. We forecast thereafter a stepwise acceleration of sales growth into the mid to high teens and a rise in operating income to over 20% of sales. As part of efforts to achieve these targets, R&D investments will be increased from 6% of sales to 8%, and capital expenditures of CHF 100 million will be disbursed over a four year period. In order to achieve the goals outlined in the strategy, the number of Lonza Bioscience employees is expected to more than double in seven years taking the division to over 1 500 staff members.

Lonza Group Summary:

- The improved results in the non-core activities (see page 11) is primarily driven by the strong performance of the Singapore Purified Isophthalic Acid facility.
- As planned, capital expenditure was substantially higher than in 2006 to support growth (2007: CHF 261 million, 2006: CHF 148 million).
- Net working capital (NWC) in relation to sales declined further from 29.0% in the first half of 2006 to 24.3%, showing continued results of the NWC improvement program.
- Net debt amounted to CHF 1 535 million in the first half of 2007 following the recent acquisitions, but its ratio to equity has already declined from 92% in the first quarter of 2007 to 87%.
- In order to finance the acquisition of the Microbial Biopharmaceuticals and Research Bioproducts businesses from Cambrex, Lonza signed in December 2006 a syndicated loan of CHF 500 million with a consortium of banks. The syndicated loan has a five-year term, is based on floating rates and was drawn down in February. Lonza hedged the interest rate for the whole period of five years by means of an interest rate swap.
- Lonza added 1 311 employees to its workforce since the beginning of 2007, 1 115 of which came through acquisitions. Excluding these, the number of employees increased by 3.2%, in line with the long-term Human Resources strategy.

Senior Management Changes On 27 June 2007, Lonza announced the appointment of Marcela Cechova, prior Head of Lonza Exclusive Synthesis Biochemicals and of the Kouřim (CZ) site, as the new Head of Global Human Resources and new member of the Management Committee (MC). Jeanne Thoma, the previous Head of Global Human Resources, took over the role as Head of the Hygiene / Personal Care / Preservation business unit as of 1 June 2007.

Outlook All strategic growth projects that have been conveyed are entirely on track. With sound execution of its long-term plan, Lonza continues to drive aggressive growth initiatives in the form of strategic investments, organic growth projects and targeted acquisitions.

Lonza reaffirms its guidance:

- Sales growth of 8 – 12% per year
- EBIT growth mid to high teens
- Project pipeline fully aligned to support growth expectations
- 2007 performance expected to exceed guidance (based upon continuing operations)

Lonza remains committed to its vision, with a passion to deliver sustainable value to its customers.

We express our sincere gratitude to our employees who work so diligently to help us achieve this aim, and to our shareholders and customers for their continued trust and confidence.



Rolf Soiron
Chairman of the Board of Directors



Stefan Borgas
Chief Executive Officer

million CHF	2006 ¹	2007
Sales	532	564
Change in %		6.0
Change due to		
Volume and prices		39
Currency translation		(7)
Scope of consolidation		0
Result from operating activities (EBIT)	72	79
Change in %		9.7
Margin in %	13.5	14.0
EBITDA	105	112
Change in %		6.7
Margin in %	19.7	19.9

¹ The prior year was restated due to reclassification of the Agrochemicals business from the "Exclusive Synthesis & Biopharmaceuticals" segment to the "Organic Fine & Performance Chemicals" segment as a result of the change in management structure.

Organic Fine & Performance Chemicals

Sales in the Organic Fine & Performance Chemicals division increased to CHF 564 million (CHF 532 million in the first half of 2006). EBIT reached CHF 79 million compared with CHF 72 million in the same period last year. EBIT margin slightly increased to 14.0% (13.5% the previous year).

Nutrition The demand for food and pharmaceutical grade nicotines was brisk, exceeding 2006 levels. We anticipate higher sales prices in the second half of 2007, following further raw material price increases. Sales of nicotines (vitamin B3) for feed applications remained strong throughout the first six months of the year, with volumes and prices above last year's levels.

Carnipure®, L-carnitine for food and pharmaceuticals, enjoyed strong demand in all geographical areas, particularly for functional food and dietary supplements. We continue to defend our leading market position and maintain our strategic alliances. The feed-grade L-carnitine product lines performed very well, particularly in Europe and in the pet food segment.

In our larch arabinogalactan business, several products based upon fiber for a prebiotic application exceeded expectations as reflected by customer interest. Production capacity is fully utilized.

Sales of DHA (docosahexaenoic acid) were lower than expected due to the impact of the legal proceedings in the USA. Court action in Germany was delayed until end of September 2007.

Sales of Meta® metaldehyde, a specific anti-slug active ingredient, exceeded last year's volumes despite competition and product alternatives in the market. The development of liquid formulations is progressing well, with product registration approvals still pending.

The acquisition of S.A.M. Electron Technologies in Canada will allow Lonza to play an important role in vitamin K3 for animal nutrition. Vitamin K3 is a strategic addition to our existing feed portfolio and we expect substantial synergies within the feed business. The acquisition of these assets coincided with an exclusive worldwide license for CeTECH™, a cerium-mediator electrochemical technology. CeTECH™ was recognized by ICIS as the best process innovation of 2005: it can also be used to produce a variety of other high-value-added compounds in addition to vitamin K3.

Hygiene / Personal Care / Preservation In the wood protection area, Carboquat® sales were below last year's levels; this was due to the slowdown in the US construction market. Sales of CarboShield® (as an anti-corrosion agent) could not compensate for the lower Carboquat® volumes. The business in Europe and the overall growth in demand for quaternary ammonium compounds developed very favorably due to the phase-out of alternative products in line with the Biocidal Products Directive and helped compensate in part for the Carboquat® shortfall.

In the water treatment segment, there was robust sales growth of Lonza's patented Equinox® technology around the world. Strong polyquat sales to recreational water customers in Europe offset the weaker demand in the USA. Price increases were introduced to compensate for the surge in raw material prices. Halohydantoin sales volumes did not fully meet expectations, but a favorable product mix and good capacity utilization led to a positive development of margins.

Biocidal quats and hydantoin preservatives experienced strong demand leading to revenues exceeding targets and surpassing expectations in the USA as well as in Europe.

Industrial Specialties Overall sales for Lonza's exclusive crop protection chemical business were above expectations and higher than in the corresponding period of 2006. The multipurpose plants in Visp (Switzerland) were fully utilized. One new product was successfully taken into production while two additional products are expected to follow by the end of this year.

Diketene derivatives used as intermediates in vitamins, antibiotics and pigments performed well. Despite the persistence of the competitive market environment, it was possible to compensate for most of the raw material price increases through price adjustments.

In the high-performance materials business, sales of Primaset® cyanate esters for electronic applications were low in the first half of 2007 due to high stocks at some major customers, but are expected to return to normal levels in the second half of the year. Demand for Lonzacure® chain extenders for aerospace, automotive and industrial applications and Lonzamon® crosslinkers for acrylic dispersions was good.

Output of HCN derivatives remained at a high level but intense price competition continues to have a negative impact on margins.

Research & Development In order to improve customer orientation, the Research & Development (R&D) department of the Organic Fine & Performance Chemicals division was aligned with the operational business units.

At the end of June 2007, the R&D pipeline included 29 projects in the implementation phase. A total of 19 projects were in the development phase and 8 projects were at the discovery stage.

To support the future project pipeline, an investment in a small-scale production plant in Nansha (China) was approved in the first half of 2007. The plant will produce early samples in the range of 10-100 kgs for agrochemicals, non-regulated pharmaceutical intermediates, high-performance materials and other chemical specialties. The corresponding R&D team of five scientists is already working in Nansha and is expected to grow in strength to twenty scientists by 2008.

million CHF	2006 ¹	2007 ²
Sales	442	642
Change in %		45.2
Change due to		
Volume and prices		168
Currency translation		10
Scope of consolidation		22
Result from operating activities (EBIT)	72	117
Change in %		62.5
Margin in %	16.3	18.2
EBITDA	123	193
Change in %		56.9
Margin in %	27.8	30.1

¹ The prior year was restated due to reclassification of the Agrochemicals business from the "Exclusive Synthesis & Biopharmaceuticals" segment to the "Organic Fine & Performance Chemicals" segment as a result of the change in management structure.

² Includes the acquisition of Microbial Biopharmaceuticals ex Cambrex.

Exclusive Synthesis & Biopharmaceuticals

Exclusive Synthesis & Biopharmaceuticals increased sales by 45.2% to CHF 642 million (CHF 442 million in the same period last year). The significant improvement in EBIT, which rose 62.5% to CHF 117 million, was driven by Biopharmaceuticals. The EBIT margin rose to 18.2% compared with 16.3% in the first half of 2006.

Biopharmaceuticals In the first six months of 2007, sales in the Biopharmaceuticals business sector more than doubled to CHF 400 million (CHF 185 million in the first half of 2006). Porriño (Spain) and the Microbial assets in Hopkinton, Massachusetts (USA) and Baltimore, Maryland (USA) contributed to this development. The Biopharmaceuticals business sector continues to operate its small-, mid- and large-scale biomanufacturing lines with a rate of asset utilization in excess of 90% and a batch success rate significantly above the industry average. The successful Microbial and Mammalian manufacturing businesses continue to be supported by a strong pipeline of over 120 projects, reflected in a steadily increasing demand for our Microbial and Mammalian Biopharma Services.

The major milestones reached in this business sector in the first six months of 2007 include:

- Successful cGMP batches from the first large-scale (15 000-liter) microbial line and the mechanical completion of the second 15 000-liter microbial line in Visp (Switzerland).
- The groundbreaking for the second large-scale mammalian facility (4 x 20 000-liter) in Singapore was celebrated on 29 March 2007. The final build-out of the facility will be completed and become fully operational at the latest in 2011, in line with customer commitments.
- The groundbreaking for the high-throughput, mid-scale expansion in Portsmouth, New Hampshire (USA) took place in May 2007. The planned facility is designed to house leading-edge biotherapeutics manufacturing technologies, as well as offices, warehouse and support systems.
- The seamless integration of the recently acquired mid-scale mammalian facility (4 x 10 000-liter) in Porriño (Spain).
- The successful acquisition and integration of the Cambrex Biopharma business was followed by the finalization of the microbial asset strategy. The latter resulted in the announcement of the consolidation in Hopkinton and the closure of the Baltimore facility in early 2008, backed by strong customer support.
- The expansion of Biopharma Services and R&D in the UK is meeting the aggressive timeline.
- Successful start-up of a new 500-liter train in the mammalian manufacturing facility in Slough (UK).
- The Japanese Pharmaceutical and Medical Devices Agency (PDMA) has granted approval for biopharmaceutical manufacturing in Portsmouth, New Hampshire (USA), and Slough (UK). As a result, two products manufactured by Lonza have gained approval for the Japanese market.

Exclusive Synthesis In the first half of 2007, sales of the pharmaceutical intermediates and active pharmaceutical ingredients (API) amounted to CHF 242 million and were lower than in the same period of last year. This slight downturn was due to the transformation of our plant in Kouřim (CZ) and deferred delivery schedules. Additional production issues in our facilities in Riverside, PA (USA), and Braine-l'Alleud (Belgium) caused delays which affected sales and resulted in some reworking costs. We expect a pick-up in profitability in the second half of 2007.

As in 2006, growth in customer demand during the reporting period was driven by established lines, particularly products for the treatment of HIV and cardiovascular diseases.

Furthermore, we were able to realize the first sales of antibody drug conjugates (ADCs). The production of ADCs is one of the following five core elements of the Lonza Exclusive Synthesis growth strategy set out below:

- Lonza Exclusive Synthesis currently produces ADCs on a laboratory scale. A small-scale pilot facility will be brought on stream in 2007. A commercial-scale plant is scheduled for the start-up in 2008. The plant initially producing medium quantities of ADCs per year is designed with future expansion in mind.
- Lonza is also increasing capacity for the production of highly potent active pharmaceutical ingredients (HAPIs). Extension of the Fine Chemical Complex (FCC) in Visp (Switzerland) will enable large-scale production of HAPIs. This project provides Lonza with a unique competitive advantage, making it one of the few custom manufacturers capable of handling large-scale manufacturing in this arena.
- The expansion of fermentation and downstream processing capabilities at the biochemical facility in Kouřim (CZ) is underway and due for completion in the second half of 2007. The facility is being modified specifically for the production of enzymes for use in orally administered enzyme replacement therapies. The expansion will also provide improved multi-purpose capabilities and will increase the numbers of the skilled workforce.
- In Nansha (China), Lonza Exclusive Synthesis will complete a small-scale plant. This facility operates under cGMP conditions and is capable of handling a broad range of technologies. The configuration ensures rapid change-over, optimized efficiencies and extremely rapid technical transfer to commercial assets. Additional capacity can be added without impacting running operations.
- Construction of the new large-scale API facility in Nansha (China) is well underway, backed by customer commitments. Production is expected to go on line in the second half 2008.

Capacity utilization in the Exclusive Synthesis business sector remained high, averaging over 90% in the first half of 2007. The expansion projects are clearly supported by the strong pipeline, which again increased in the second quarter. By the end of the semester, there were over 190 projects in the pipeline.

million CHF	2006	2007
Sales		82
Change due to Scope of consolidation		82
Result from operating activities (EBIT)		12
Margin in %		14.6
EBITDA		20
Margin in %		24.4

Bioscience

In the first half of 2007, the Bioscience division was acquired from Cambrex, and posted sales of CHF 82 million. EBIT of CHF 12 million reflected an EBIT margin of 14.6%. Compared with the acquisition plan, EBIT was on target despite sales being somewhat lower than expectations. This was the result of effective cost controls and operational improvements throughout the business.

Cell Therapy Cell Therapy sales were on track for the first six months of 2007, with positive feedback from two clients who successfully began patient treatments.

During the first six months, validation of two new Cell Therapy suites was completed, including the first European-compliant USA suite. Both suites have been fully booked through at least 2008.

Design and engineering work has begun for additional Cell Therapy capacity to be built in the Walkersville, MD (USA) facility.

Rapid Testing Systems Demand for Rapid Testing Systems remained strong in the first six months of 2007, with a positive outlook for the remainder of the year.

The addition of new products and continued growth in the dialysis sector will continue to drive sales and expand the growth opportunities for a key product, PyroGene®. PyroSense®, an on-line system that automatically monitors endotoxin levels in high purity water systems was launched in May.

Media Media sales were lower than expected. This was due to reduced demand from a few key customers and delays in other customer projects. ProNS0™, the new non-animal origin chemically defined medium for NS0 cells, was launched in June.

Cell Discovery and Molecular Biology Overall sales were lower than expected as the result of delays in some customers' projects as well as some effects of internal product issues. Sales of bioassays, media and adult stem cells for the research market developed well. New products launched included the Human Adipose-Derived Stem Cells (ADSC), PrimeFect™ Transfection Reagents, and product line extensions in the molecular biology area. The ProNS0™ media was also made available to the research customer segment.

New Product Pipeline There are over 30 active product development projects in the pipeline, with several important product launches expected in the second half of the year. Areas of focus include new rapid microbial detection systems, additional primary cell types and new bioassays.

Integration

- The integration of the Bioscience division is on track. Integration teams have successfully completed over half of the planned integration activities in HR, Finance and IT with the goal of achieving alignment with Lonza standards.
- Considerable activity has focused on customer-awareness programs to transfer important product brands to the Lonza name through label changes, advertising, and direct marketing activities. A continuing focus will be to upgrade the company's e-business platforms, such as the website, e-commerce, and EDI (electronic data interchange) tools.
- A global ERP (enterprise resource planning) project was defined and initiated. Lonza's SAP system will replace the legacy system by the end of the second quarter of 2008.
- The Bioscience division is being re-branded under the Lonza umbrella as a leading supplier of services and products to the life-science industry.
- Technical evaluation is underway to develop enhanced product lines and create new ones in order to better serve the biopharmaceuticals and pharmaceuticals markets as of 2008.
- Global sourcing synergies are being exploited to improve customer value.
- The first cross-selling opportunities were realized to integrate the Lonza Bioscience products and services in the Lonza Custom Manufacturing business.

million CHF	2006 ¹	2007
Sales	66	86
Change in %		30.3
Change due to		
Volume and prices		25
Currency translation		1
Scope of consolidation		(6)
Result from operating activities (EBIT)	(14)	(4)
Margin in %	(21.2)	(4.7)
EBITDA	(7)	10
Margin in %	(10.6)	11.6

Other

¹ The prior year was restated due to reclassification of Lonza Singapore Pte Ltd from the "Polymer Intermediates" segment to the segment "Other" as a result of the change in management structure.

Condensed consolidated balance sheet at 31 December 2006 and 30 June 2007 (unaudited)		2006	2007
million CHF			
Fixed assets		2 599	3 313
Long-term loans and advances		12	11
Total fixed assets		2 611	3 324
Current assets		1 071	1 334
Short-term advances and other financial assets		13	16
Cash and cash equivalents		217	247
Total current assets		1 301	1 597
Total assets		3 912	4 921
Equity attributable to equity holders of the parent		1 607	1 757
Minority interest		0	0
Total equity		1 607	1 757
Long-term liabilities		464	499
Long-term debt		923	1 398
Total long-term liabilities and provisions		1 387	1 897
Short-term liabilities		686	856
Short-term debt		232	411
Total current liabilities and deferred items		918	1 267
Total liabilities and equity		3 912	4 921

Condensed consolidated income statement first half-year (unaudited)		2006		2007
million CHF				
	Continuing operations	Discontinued operation	Total	Total
Sales	1 040	375	1 415	1 374
Cost of goods sold	(778)	(332)	(1 110)	(957)
Gross profit	262	43	305	417
Other operating expenses	(132)	(15)	(147)	(213)
Result from operating activities (EBIT)	130	28	158	204
Financial result	(29)	(1)	(30)	(19)
Profit before income taxes	101	27	128	185
Income taxes	(21)	(11)	(32)	(39)
Profit for the period	80	16	96	146
Attributable to:				
Equity holders of the parent			96	146
Minority interest			0	0
Profit for the period			96	146
Basic earnings per share – EPS basic (CHF)	1.69	0.34	2.03	3.07
Diluted earnings per share – EPS diluted (CHF)	1.61	0.31	1.92	2.86

Condensed consolidated cash flow statement first half-year (unaudited)	2006	2007
million CHF		
Profit for the period	96	146
Adjustment for non-cash items	156	208
Income taxes and interests paid	(77)	(41)
Cash flow before change in net working capital	175	313
(Increase)/decrease of net working capital	(88)	(106)
Increase/(decrease) of other payables net	(26)	(21)
Net cash (used for) provided by operating activities	61	186
Purchase of fixed assets	(148)	(261)
Acquisition of subsidiaries, net of cash acquired	(192)	(583)
Disposal of subsidiary, net of cash disposed of	14	0
Net purchase of other assets and disposals	(8)	(6)
Interests and dividend received	16	9
Net cash (used for) provided by investing activities	(318)	(841)
(Decrease)/increase of capital	0	0
Repayment of convertible and straight bond	(675)	0
Syndicated loan	0	500
(Decrease)/increase in debt	535	148
(Decrease)/increase in other long-term liabilities	39	60
Company contribution for employee shares	(2)	0
Purchase of treasury shares	(3)	0
Sale of treasury shares	0	48
Delivery of employee shares	0	(1)
Dividends paid	(61)	(72)
Net cash (used for) provided by financing activities	(167)	683
Effect of currency translation on cash	(2)	2
Net (decrease)/increase in cash and cash equivalents	(426)	30
Cash and cash equivalents at 1 January	646	217
Cash and cash equivalents at 30 June	220	247

Condensed consolidated statement of changes in equity first half-year (unaudited)	2006	2007
million CHF		
Changes in total equity		
Beginning of year	1 490	1 607
Gains/(losses) recognized directly in equity	(36)	26
Profit for the period	96	146
Total recognized income and expense for the period	60	172
Dividend	(61)	(72)
Equity-settled transaction	3	3
Company contribution for employee shares	(2)	0
Purchase of treasury shares	(3)	0
Sale of treasury shares	0	48
Delivery of employee shares	0	(1)
At 30 June	1 487	1 757

Selected explanatory notes

1. Accounting principles

Basis of preparation of financial statements These condensed financial statements are the unaudited, interim consolidated financial statements (hereafter “the interim financial statements”) of Lonza Group Ltd and its subsidiaries (hereafter “the Group”) for the six-month period ended 30 June 2007 (hereafter “the interim period”). They are prepared in accordance with the International Accounting Standard 34 (IAS 34) “Interim Financial Reporting”. These interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2006 (hereafter “the annual financial statements”) as they provide an update of previously reported information. The same accounting policies and methods of computation are followed in these interim financial statements as compared with the most recent annual financial statements for the year ended 31 December 2006. The interim financial statements were approved for issue by the Board of Directors on 24 July 2007.

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

Changes in accounting policies The following new and revised standards and interpretations have been issued being effective for the reporting year 2007:

- IFRIC 7 - Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economies
- IFRIC 8 - Scope of IFRS 2
- IFRIC 9 - Reassessment of Embedded Derivatives
- IFRIC 10 - Interim Financial Reporting and Impairment
- IFRIC 11 - IFRS 2 - Group and Treasury Share Transactions
- IFRS 7 - Financial Instruments: Disclosures
- Amendment to IAS 1 - Presentation of Financial Statements: Capital Disclosures

The new and revised standards have no material impact on these interim financial statements 2007. The adoption of the new and revised standards will lead to additional disclosures that will be disclosed in the year-end consolidated financial statements 2007 of Lonza.

The condensed consolidated income statement of the previous-year interim financial reporting has been restated to show the discontinued operation of Polymer Intermediates separately from continuing operations.

2. Exchange rates

Balance sheet	31 12 06	30 06 07	Income statement half-year	2006	2007
period end rate CHF			average rate CHF		
US dollar	1.22	1.23	US dollar	1.27	1.23
Pound sterling	2.40	2.46	Pound sterling	2.27	2.42
Euro	1.61	1.66	Euro	1.56	1.63

3. Seasonality of operations

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

4. Debt

In order to finance the acquisition of the Microbial Biopharmaceuticals and Research Bioproducts businesses from Cambrex, Lonza signed in December 2006 with a consortium of banks a syndicated loan of CHF 500 million which has a contract term of five years. It is based on floating rates (libor + margin depending on a margin grid) and was drawn down in February 2007. Lonza hedged the interest rate for the whole five years via an interest rate swap.

Lonza has two bonds outstanding:

- CHF 300 million straight bond issued by Lonza Group Ltd in 2005, coupon 2.625% p.a. and expiry in June 2010
- CHF 430 million convertible bond issued by Lonza Finance Limited in 2005, coupon 1.5% p.a. and expiry in July 2009

The increase in debt is mainly due to the acquisition of the Microbial Biopharmaceuticals and Research Bioproducts businesses from Cambrex.

5. Dividends paid

On 28 March 2007, the Annual General Meeting approved the distribution of a dividend of CHF 1.50 (2006: CHF 1.30) per share in respect of the 2006 financial year. The distribution to holders of outstanding shares totaled CHF 72 million (2006: CHF 61 million) and has been recorded against retained earnings of Lonza Group Ltd.

6. Segment revenue and segment results - primary reporting format - business segments

First half-year 30 June 2007 million CHF	Exclusive Synthesis & Biopharma- ceuticals	Organic Fine & Performance Chemicals	Bioscience	Other	Eliminations	Total
Sales third-party	642	564	82	86	0	1374
Inter-segment sales	14	87	0	46	(147)	0
Total sales	656	651	82	132	(147)	1374
Goodwill impairment	0	0	0	0	0	0
Result from operating activities (EBIT)	117	79	12	(4)	0	204
– Return on sales %	18.2	14.0	14.6	na	na	14.8
Financial result						(19)
Profit before income taxes						185
Income taxes						(39)
Profit for the period						146
Included in result from operating activities (EBIT):						
– Impairment losses on assets	0	0	0	(7)	0	(7)
– Impairment losses on inventory	0	(3)	0	0	0	(3)
– Restructuring provisions	(14)	0	0	0	0	(14)

First half-year 30 June 2006 million CHF	Exclusive Synthesis & Biopharma- ceuticals ¹	Organic Fine & Performance Chemicals ¹	Polymer Inter- mediates ^{2,3} (Discontinued)	Other ³	Eliminations	Total	Less Discontinued Operation	Continuing Operations
Sales third-party	442	532	375	66	0	1415	(375)	1040
Inter-segment sales	10	84	0	39	(133)	0	0	0
Total sales	452	616	375	105	(133)	1415	(375)	1040
Goodwill impairment	0	0	0	0	0	0	0	0
Result from operating activities (EBIT)	72	72	28	(14)	0	158	(28)	130
– Return on sales %	16.3	13.5	7.5	na	na	11.2	7.5	12.5
Financial result						(30)	1	(29)
Profit before income taxes						128	(27)	101
Income taxes						(32)	11	(21)
Profit for the period						96	(16)	80

¹ The previous year was restated due to the reclassification of the Agrochemicals business from the “Exclusive Synthesis & Biopharmaceuticals” segment to the “Organic Fine & Performance Chemicals” segment as a result of the change in management structure.

² The segment “Polymer Intermediates” segment was classified as a discontinued operation in the annual financial statement 2006. Therefore the comparative condensed consolidated half-year income statement 2006 has been restated to show the discontinued operation separately from continuing operations.

³ The prior year was restated due to the reclassification of Singapore Pte Ltd from the “Polymer Intermediates” segment to the “Other” segment as a result of the change in management structure.

7. Impairment of assets

The first half-year result 2007 was impacted by an impairment loss on intangible assets of the DHA business of CHF 7 million recognized in the "Other" segment. When acquiring the DHA business, Lonza inherited a pending law suit for patent infringement in the USA and Germany, which had been filed by Martek Bioscience against Nutrinova. Meanwhile, the USA trial has resulted into an adverse jury verdict against Lonza, preventing Lonza from selling any DHA on the USA market. The outcome of the German trial is unpredictable and there is a risk of further European patent infringement suits. Given the adverse patent situation in the most important DHA markets (Europe and the USA) which prevents Lonza from actively building up a business, it has been decided to write-off the DHA acquisition entirely. The Group assessed the recoverable amount of those assets as zero, as products can no longer be sold in those markets. It is assumed that the remaining inventory of CHF 3 million cannot be sold and this has therefore been entirely impaired.

8. Restructuring

After expanding its capacity for the cGMP manufacturing and process development through the acquisitions in the USA, Lonza has finalized the strategy review of its Microbial Biopharmaceuticals business. The new concept optimizes infrastructure to ensure optimal efficiencies in manufacturing, expands technological leadership in process development, guarantees proximity to Lonza's customers in key markets, securing long-term profitable growth. The activities in the USA will be consolidated in Hopkinton (MA), which will also become Lonza's Global Headquarters for Microbial Biopharmaceuticals. The newly acquired plant in Baltimore with 250 employees will therefore be closed for which a restructuring provision of CHF 14 million has been recognized.

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

No material events have occurred since the end of the interim period ended 30 June 2007 up to the date of the approval by the Board of Directors on 24 July 2007.

10. Business combination

Acquisition of the divisions Research Bioproducts and Microbial Biopharmaceuticals from Cambrex Corporation On 24 October 2006, Lonza announced an agreement with Cambrex Corporation (NYSE: CMBM) to purchase its Research Bioproducts and Microbial Biopharmaceuticals businesses for a cash consideration of USD 460 million. In conjunction with the Initial Public Offering of Polynt Spa these acquisitions will accelerate the Group's strategic development and transform Lonza into a focused life-sciences business. On 6 February 2007, Lonza announced the completion of these acquisitions. The closing of the deal followed the consent of the Cambrex shareholders on 5 February 2007.

The Microbial Biopharmaceuticals business has been integrated into the existing Exclusive Synthesis & Biopharmaceuticals segment and supports Lonza's Microbial Biopharmaceuticals growth. The Research Bioproducts was positioned as a stand-alone business segment and renamed as Lonza Bioscience. Its leading position in cell-based research, endotoxin detection and cell therapy manufacturing is highly complementary to Lonza's Biopharmaceuticals business.

From 6 February to 30 June 2007, the acquired businesses contributed sales of CHF 104 million and a result from operating activities of CHF -6 million to the Group. This amount includes restructuring expenses of CHF 14 million. If the acquisition had occurred on 1 January 2007, Group sales would have been CHF 1 390 million with the Group result from operating activities of CHF 205 million for the first half-year of 2007. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiaries to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from January 2007.

Net assets acquired and goodwill are shown as follows:

million CHF	
Purchase price in cash	570.3
Direct cost relating to the acquisition	12.1
Purchase price adjustment (net working capital adjustment)	15.9
Total purchase consideration	598.3
Fair value of net assets acquired	(291.8)
Goodwill	306.5

The direct cost relating to the acquisition include cost for the purchase-price hedge of CHF 4.8 million.

The goodwill includes expected synergies from the acquisition, the labor force and potential intangible assets that could not be valued separately. It was pushed down to the Bioscience companies.

The acquisition has been accounted for using the purchase method. The initial accounting, as presented below, has been determined provisionally. The amounts of assets and liabilities that have been included in the interim statements may therefore be subject to further changes. The following amounts of assets and liabilities acquired have been included in the interim statements:

million CHF	Assets and liabilities included at acquisition date	Adjustment through purchase price allocation	Assets and liabilities immediately before the combination
Property, plant and equipment	110.4	5.7	104.7
Intangible assets (patents)	126.6	65.4	61.2
Other non-current assets	0.9	0.0	0.9
Deferred tax assets	78.1	6.8	71.3
Inventories	46.7	2.0	44.7
Trade receivables, net	38.4	(0.6)	39.0
Other receivables, prepaid expenses and accrued income	4.9	0.0	4.9
Current tax receivables	4.1	0.0	4.1
Cash and cash equivalents	14.9	0.0	14.9
Trade payables	(15.7)	0.0	(15.7)
Other short-term liabilities	(25.4)	1.8	(27.2)
Current tax payables	(4.7)	0.0	(4.7)
Deferred tax liabilities	(78.8)	(57.6)	(21.2)
Notes payable	0.0	3.4	(3.4)
Short-term debt	(2.2)	0.0	(2.2)
Other interest-free liabilities	(0.7)	(0.6)	(0.1)
Other long-term provisions	(5.0)	0.0	(5.0)
Long-term debt	(0.7)	0.0	(0.7)
Fair value of net assets acquired	291.8	26.3	265.5
Goodwill	306.5		
Cost of the business combination	598.3		
Purchase consideration settled in cash	598.3		
Cash and cash equivalents of subsidiaries acquired	(14.9)		
Cash outflow on acquisition	583.4		

Financial highlights first half-year	2006			2007
million CHF	Continuing operations	Discontinued operation	Total	
Sales	1 040	375	1 415	1 374
Change in %				(2.9)
EBITDA	221	44	265	335
Change in %				26.4
Margin in %	21.3	11.7	18.7	24.4
Result from operating activities (EBIT)	130	28	158	204
Change in %				29.1
Margin in %	12.5	7.5	11.2	14.8
Net income	80	16	96	146
Change in %				52.1
Cash flow before change in net working capital	142	33	175	313
Change in %				78.9
RONOA in %	10.7	12.2	11.0	13.8
Net debt			1 192	1 535
Debt-equity ratio			0.80	0.87
Change in %				8.7
EPS basic (CHF)	1.69	0.34	2.03	3.07
Change in %				51.2
EPS diluted (CHF)	1.61	0.31	1.92	2.86
Change in %				49.0
Number of employees	5 464	983	6 447	7 457
Change in %				15.7

The Half-year Report 2007 is also available in German. The English version prevails.

Annual General Meeting
for the 2007 financial year
[26 March 2008](#)
Congress Center,
MCH Swiss Exhibition Ltd, Basel

Full-year Report 2007
[23 January 2008](#)

Half-year Report 2008
[23 July 2008](#)

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Forward-looking statements

Forward-looking statements contained herein are qualified in their entirety as there are certain factors that could cause results to differ materially from those anticipated. Investors are cautioned that all forward-looking statements involve risks and uncertainty. In addition to those mentioned 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.