Half-Year Report 2012

Lonza

– Lonza delivered solid results despite a difficult macroeconomic environment
– Sales of CHF 1 964 million up by 64.6 % (mainly due to the acquisition of Arch)
– Strong performance from Microbial Control, driven by the US Water Treatment business and emerging markets
– Custom Manufacturing operated in a volatile environment with high capacity utilization and a strong project pipeline
– Life Science Ingredients with above-target performance
– Arch integration fully on track, confirming cost synergies from end of year 2 of USD 50 million and revenues from cross-selling of USD 40 million as of year 3 and EPS-accretive as of this year
– "Focus and Deliver" implemented as guiding management principle
– VispChallenge project encompasses cost reductions, productivity enhancements and new businesses and is set to contribute CHF 100 million of profit improvement over three years
– Net debt reduction on track even after dividend payment
– New CEO started on 1 May 2012

Financial Highlights for First Half-Year

Financial highlights million CHF	2012	Change in %	2011
Sales	**1 964**	64.6	1 193
EBITDA	**327**	23.4	265
Margin in %	16.6		22.2
Result from operating activities (EBIT)	**168**	23.5	136
Margin in %	8.6		11.4
Profit for the period	**94**	(3.1)	97
EPS basic (CHF)	**1.82**	(4.2)	1.90
EPS diluted (CHF)	**1.81**	(4.2)	1.89
CORE[1]			
Result from operating activities (EBIT)	**199**	39.2	143
Margin in %	**10.1**		12.0
Profit for the period	**125**	16.8	107
EPS basic (CHF)	**2.42**	15.8	2.09
EPS diluted (CHF)	**2.41**	15.9	2.08
Operational free cash flow	**289**	337.9	66
RONOA in %	**7.4**		8.4
Net debt	**2 531**	102.6	1 249
Debt-equity ratio	**1.08**		0.58
Number of employees	**11 084**	33.4	8 306

Overview Following the change of leadership early in 2012, Lonza committed to "Focus and Deliver", including delivery of an improved return on capital. Lonza aims to strengthen its global market positions in relevant markets, reinforce competitive strengths, and achieve productivity improvements, such as those embodied in the "VispChallenge" project, which are expected to contribute CHF 100 million in profit improvements over three years. The company is fully committed to the stepwise improvement of growth, EBITDA margin and return on capital.

In the first half of 2012, Lonza continued to build upon its leading positions in Custom Manufacturing and Microbial Control. Lonza delivered solid results in all sectors despite some ongoing difficulties in the macroeconomic environment and persistent uncertainties regarding a possible recession.

Demand in Custom Manufacturing was firm, resulting in high capacity utilization in both chemical and biological plants, as well as a strong project pipeline. The outsourcing trend is considered to be solid. A full response to the FDA regarding the 2011 warning letter received at our Hopkinton, MA (USA) plant was submitted. Corrective action has been taken. The qualification and compulsory validation campaigns of our large-scale Custom Manufacturing Biologics facility in Singapore had an impact on

[1] In the core results for the items: result from operating activities (EBIT), profit for the period and earnings per share, the impact of amortization of acquisition-related intangible assets, impairment and reversal of impairment of assets, results from associates and other special charges / income from restructuring/ acquisition is eliminated.

the capacity utilization and EBIT contribution. At our Hopkinton, MA (USA) site, quality upgrades were required. Lastly, Lonza initiated the efforts in Formulated Products (generics), which we consider investments for the future.

Microbial Control delivered a solid performance in the first half of 2012 in all sectors. Sector activities in emerging markets continued to be built out. Integration of the business is on track to deliver synergies of USD 50 million as of the end of year 2 and additional revenues of USD 40 million from cross-selling activities; 50 % of the synergies will be delivered in 2012. Innovation projects based on the newly combined portfolio are making good progress.

Capacity utilization in the Life Science Ingredients sector remained high. Sales of agrochemical intermediates increased substantially due to strong food demand worldwide. Price increases were successfully initiated in order to offset volatile raw material prices which persisted in the first half of the year. Nutrition Ingredients continued to suffer from strong price and margin pressure on niacin. However, the situation started to stabilize in certain product areas in the second quarter, though still on a rather low level.

Bioscience delivered a good performance, with major growth in Therapeutic Services and in Asian markets. Cell therapy operations in Singapore were started successfully.

Capital expenditure was slightly above the same period a year ago. Benefitting from significant investments in past years, capital expenditure for 2012 as a whole will remain on a reduced level. Growth projects are continuing, with a focus on the most promising technologies required by customers. All construction work on new facilities (e.g. cytotoxic capacity in Visp (CH), Cell Therapy in Walkersville, MD (USA) and Singapore, the build-out of the small scale mammalian cell capacity in Slough (UK) and the niacin plant in Nansha (CN)) is on schedule.

Financial Summary

- Revenue increased to CHF 1 964 million (+ 64.6 %) due to the acquisition in Microbial Control
- EBIT increased from CHF 136 million in the first half of 2011 to CHF 168 million (+ 23.5 %)
- Operational free cash flow: CHF 289 million or + 337.9 %, compared with CHF 66 million in the first half 2011
- Capital expenditure increased to CHF 141 million from CHF 117 million in the first half of 2011, with growth-project milestones on track
- Net debt amounted to CHF 2 531 million, resulting in gearing of 108 %

Board of Directors At the Annual General Meeting on 3 April 2012, shareholders elected Margot Scheltema and Dr. Jörg Reinhardt to the Board of Directors. Dame Julia Higgins left the Board in line with internal guidelines.

Senior Management Changes On 3 April 2012, Lonza announced that Marc Funk, Group General Counsel and Board Secretary, became a member of the Management Committee. Effective 1 May 2012, Richard Ridinger became CEO. On 1 June 2012, Dr. Beat In-Albon became COO of the Life Science Ingredients sector and a member of the Management Committee, replacing Harry Boot in this function.

Outlook Lonza's target for 2012 is to deliver growth on an EBIT level of between 10 and 15 % compared with fiscal year 2011. Major projects aiming at a sustainable market and profit performance, like the Arch integration, VispChallenge and the review of corporate structures, are on track. Board and Management will continue to emphasize the principles of "Focus and Deliver". However, it goes without saying that the volatility of the current macroeconomic situation in some parts of the world can always have a negative effect on all strategic and operational efforts.

The outlook for Custom Manufacturing through the end of this year can be qualified as healthy and in line with budgets thanks in part to the visibility of short- and medium-term contracts, as well as their volumes. The Microbial Control sector has solid order books and market demand continues to be in line with predictions. Increased demand for agrochemicals might become an important driver for Life Science Ingredients. Nutrition Ingredients needs to remain cautious as there is no prospect of increases in prices and margins this year. Bioscience should deliver the budgeted results, but still on a rather low level due to reduced governmental and institutional spending.

A key priority for 2012 remains a strong focus on the balance sheet structure and debt reduction. Necessary measures to reduce capital expenditure and rigorous efforts to reduce net working capital have been initiated and will continue. Refinancing of the bridging loans relating to the acquisition of Arch is progressing as planned.

We would like to thank our customers and partners for their continued trust and support and our employees for their tremendous efforts in another challenging year. We would also like to thank our shareholders for their ongoing support.

Rolf Soiron
Chairman of the
Board of Directors

Richard Ridinger
Chief Executive Officer

Microbial Control

Microbial Control million CHF	2012	Change in %	2011
Sales	**865**	451.0	157
Change due to			
Volume and prices	(8)		
Currency translation	17		
Scope of consolidation	699		
Result from operating activities (EBIT)	**87**	383.3	18
Margin in %	10.1		11.5
EBITDA	**118**	372.0	25
Margin in %	13.6		15.9

Sales for the first half of 2012 came in above target despite headwinds from the economies in Europe and Asia. The strong sales performance in the reporting period was led by a good start to the recreational water season in North America, robust sales in our Wood Protection business, the successful development of a new business in Oil and Gas and growth in our Hygiene and Material Protection businesses.

The integration of the former Arch business also progresses ahead of plan. Close management of the integration processes and the associated costs enabled us to complete projects ahead of schedule.

Water Treatment

The Recreational Water business in North America had a good start to the season, while Europe experienced a slower order intake. Both regions are influenced primarily by the weather, but business in Europe was also affected to some degree by the softer economy. Our Water Treatment business (including the world-renowned HTH® family of pool treatments) is the world's largest supplier of swimming pool and spa treatment products.

Sales in the Industrial Water business were as forecast. Lonza's Industrial Water business includes treatment chemicals, formulations, feeder systems and support services for the treatment of drinking water, surface waters and water used in papermaking, industrial cooling and other industrial applications.

One of the exciting growth stories in the Industrial Water Treatment segment is our Oil and Gas Production Treatment business, which serves customers engaged in shale gas and oil extraction, as well as other forms of energy production. We provide biocides, corrosion inhibitors, surfactants, and other products used to prevent corrosion and the growth of bacteria and biofilms in production wells, pipelines and other energy equipment. In late 2011, we launched the Dantogard® 2000 biodegradable, environmentally responsible biocidal solution for preserving and protecting water used in shale gas hydraulic fracturing – a solution that helps protect human health, drinking water quality, and the environment.

Hygiene & Preservation

The Hygiene & Preservation business reported brisk sales of disinfectants and sanitizers. Our formulated product portfolio also developed well. The Hygiene business in our primary markets, the USA and Europe, is focused on HI&I (home, institutional and industrial), with the majority of our business in traditional bulk active sales. The growth area for these regions is in new formulated products offering greater efficacy and/or faster kill times (shorter contact time).

In India and China we have entered the market with a primary focus on formulated products, rather than bulk actives. Our focus markets are hospitals, pharmaceutical manufacturing and hospitality. These markets are developing at the same pace as the evolving local regulatory framework. The developing markets of South America and South Africa gained momentum thanks to the local footprint provided by the acquisition.

Lonza Microbial Control is the leader in registered biocides for the hygiene and preservation markets. Our products are used in hard-surface disinfectants, sanitizers and cleaning products; in the institutional healthcare market; in the hotel and restaurant markets; in healthcare applications such as gauze bandages and topical wound treatments; in cleaning and sanitizing applications for pharmaceutical clean-room manufacturing; and in food hygiene treatments such as sanitizing beverage bottles.

Personal Care

The Personal Care business performed on target, with robust sales in North America and Asia offsetting weaker sales in Europe. The Antidandruff and Preservation business performed very well, especially in North America and most of the Asian markets. Growing population is one of the main growth drivers. Lonza Personal Care offers a strong biotechnology platform and many certified organic products with a competitive edge. The business provides comprehensive solutions to global personal care and cosmetic companies. Our portfolio includes biotechnological actives, delivery systems, natural and traditional preservatives, botanicals, antidandruff agents and functional ingredients. Our zinc Omadine® biocide, for example, is the most popular active ingredient for antidandruff shampoo in the world.

Wood Treatment

Lonza's Wood Treatment business was slightly ahead of target for the first half of 2012, benefiting from increased demand in North America, its largest market. Business was also buoyant in Europe, South Africa and the Australia / New Zealand regions.

Lonza's Wood Treatment business is a world leader in advanced, formulated products and support services. Our products make wood resistant to termites, fungi, mold, fire and moisture. Key wood brands and treatments have earned "green building" awards and certifications worldwide for their sustainability and other environmental advantages.

Materials Protection

Marine antifouling is a key market for Materials Protection. This market is contracting as a result of the economic downturn combined with the overproduction of ships in recent years. Weaker sales in marine antifouling were offset by an upturn in our other Materials Protection markets. In June 2012, the US Environmental Protection Agency (EPA) approved our copper Omadine® antimicrobial for use as an antifouling agent on vessels larger than 25 meters.

Our Materials Protection business is a leader in antimicrobial control technologies for use in paints, coatings and other building products, adhesives and sealants, marine antifouling hull paints and aquaculture nets, polymer emulsions, metalworking fluids, textiles and plastics. The biocidal actives and formulated products that Lonza Microbial Control supply to the building products market deter the growth of mold and mildew on painted surfaces, wallboard, ceiling tiles and related building materials, helping protect human health and safety.

Our Oleo Chemical Derivatives business is a high-quality supplier of key additives, primarily emulsifiers, for use in foods, plastics, textiles, metalworking, water treatment, the oil and gas industry, and personal care products.

Integration Update

Building the world leader in Microbial Control: The Arch integration is progressing as planned and is on track to deliver cost synergies as expected. The annual cost savings target of USD 50 million after two years is completely on track, with 80 % of the cost-saving measures initiated; 50 % of the synergies will already be delivered in 2012. We are on target to achieve increased sales of at least USD 40 million by the end of 2014, based on cross-selling activities.

Office consolidation in the Americas, Europe and Asia was largely completed, including the corporate center in Norwalk, CT (USA), which is set to be closed in August. The approximate reduction in headcount through corporate duplication and natural attrition was 160 overall. Consolidation of supplier agreements continued. An important aspect of the integration work is to keep a steadfast eye on business stabilization with the goal of avoiding any loss of customers through integration, while at the same time building a common culture.

The project team is currently reviewing several key business processes (e.g. HR, Finance, CRM and IT) to assess where enhancements or improvements are needed and where there are strengths that can be consolidated in the integrated Resource Management platform. This evaluation will take the best from each organization to create a more advanced way of doing business for the sector overall. Ultimately, if one process is deemed superior, it will be harmonized across the sector, while business processes that have shortcomings will be re-engineered to create a desirable new approach.

The acquisition remains EPS-accretive from year 1 at more than CHF 0.40 per share and is expected to be EVA-positive from year 2. The next priorities include consolidation of legal entities, SAP integration and exploiting cross-selling opportunities.

Custom Manufacturing

Custom Manufacturing million CHF	2012	Change in %	2011
Sales	**597**	5.1	568
Change due to			
Volume and prices	19		
Currency translation	10		
Scope of consolidation	0		
Result from operating activities (EBIT)	**59**	(39.8)	98
Margin in %	9.9		17.3
EBITDA	**140**	(21.8)	179
Margin in %	23.5		31.5

In the first half of 2012, the sector experienced strong demand for product manufacturing, for new technology offerings and especially for development services for early-stage products. The outsourcing trend continued undiminished and customers maintained inventories at normalized levels. Many clients indicated that they regard Lonza's broad technology offering combined with manufacturing capabilities for all clinical stages and on all scales as a competitive advantage. The business development activities in Asia, especially in Japan, were very productive, resulting in an expanded pipeline and a diversified geographical footprint. A robust project pipeline brought a further increase in visibility. However, some volatility remained as a result of generally more stringent product approval procedures. Our business model was adapted accordingly.

The new large-scale Custom Manufacturing Biologics facility in Singapore made very good progress with the introduction of various products. The qualification process, followed by the compulsory and consecutive validation campaigns for each product, had an influence on capacity utilization and subsequently on EBIT contribution. We expect the FDA audits and subsequent approvals for the products manufactured at this site to be carried out in 2012. The warning letter received at the Hopkinton, MA (USA) site, was addressed with refocused processes and investments. This and the initiated investments in formulated products had an adverse effect on the financial results.

Chemical Manufacturing

Lonza's Chemical Manufacturing business made a promising start to 2012, recovering from various product delays and cancelled projects in 2011. In the first half of 2012, Lonza's "Total Life Cycle Management" concept, which offers chemical development and manufacturing services from the early phase of product development to the post-patent generic stage, contributed to the overall strengthening of the Chemical Manufacturing product pipeline in all clinical phases to more than 300 active projects, delivering capacity utilization of over 75 %. The number of late-stage products increased significantly, with qualification and validation campaigns successfully completed. The dedicated peptide facility in Braine (BE) passed a pre-approval inspection by the FDA, with no observations. Lonza's newest differentiating technologies – cytotoxics, conjugates, highly active pharmaceutical ingredients (HAPI) and microreactor technology (MRT) – attracted many new customers and will continue to underpin Lonza's outstanding competitive position in the future.

The Chemical Manufacturing business unit continued to pursue a growth strategy, strengthening its capacity and technology platforms. All major projects are on schedule, driven by customer demand:

- The first two build-out phases of the large-scale multi-purpose cGMP API (active pharmaceutical ingredients) plant in Nansha (CN) are being utilized by multiple customer projects, especially after FDA approval of the site in 2011
- The new cGMP kilo lab and an additional small-scale manufacturing train, also in Nansha, have been brought on line successfully
- The large-scale antibody drug conjugates project in Visp (CH) is on schedule and a second expansion is under review, prompted by increasing market demand and the anticipated regulatory approval of a number of phase-III products
- Five additional HAPI labs with capabilities for cytotoxic substances are now fully operational in Visp

Biological Manufacturing

The Biological Manufacturing business unit continued to operate at high batch success rates, above the industry average. Multiple new products and production campaigns pushed mid- and large-scale asset utilization in the first half of 2012 to above 75 %, including the new large-scale facility in Singapore.

Numerous initiatives and portfolio additions across our mammalian and microbial services and manufacturing offerings got off to a good start. The current pipeline has more than 250 active projects.

The business unit made further progress with the execution of the planned expansion projects, achieving a number of important milestones in the first half of 2012:

– The new Singapore facility successfully performed its first engineering and validation campaigns for numerous customers
– The expansion of the laboratories and manufacturing suites of our Slough (UK) facility is on track and will be operational by the end of 2012
– The Hopkinton, MA (USA) site was fully operational and manufactured multiple early-phase and commercial products for various customers. In close cooperation with the FDA and customers, the site made significant progress with its quality systems and equipment performance. A detailed response to the FDA findings was submitted.
– The harmonization programs for all our mid- and large-scale mammalian manufacturing facilities continued. These programs enabled our facilities to provide tailor-made capacity offerings for our customers, from 20 liters up to 20 000 liters.

Development Services

The next-generation GS Gene Expression System™ was launched. The GS Xceed™ shortens cell line construction times by up to six weeks, allowing faster generation of clonal cell lines and ultimately cutting the clinical lead time. The GS Xceed™ system is the latest generation of Lonza's industry-leading gene expression system, achieving titers of up to 6 g/L.

The AggreSolve™ technology, comprising highly potent cell lines derived from our strategic collaboration with BioWa, POTELLIGENT®, as well as the new media and feed systems (sourced from Lonza Bioscience), continued to attract strong customer interest.

Lonza's new Light Path™ service package is a customized program for streamlined process development, cell line development and custom material supply, from discovery to early clinical development. To meet increasing customer demand Lonza is expanding its Development Services platform in Slough and Singapore.

The expanded XS Microbial Expression™ toolbox, the new pDNA production platform and the new fast-track program for strain development and clinical material supply continue to strengthen Lonza's leading position in the microbial biopharmaceuticals market, meeting diverse customer requirements for the growing vaccine and therapeutic markets.

Life Science Ingredients

Life Science Ingredients[1] million CHF	2012	Change in %	2011
Sales	**379**	4.7	362
Change due to			
Volume and prices	17		
Currency translation	0		
Scope of consolidation	0		
Result from operating activities (EBIT)	**25**	8.7	23
Margin in %	6.6		6.4
EBITDA	**59**	11.3	53
Margin in %	15.6		14.6

[1] Excluding Microbial Control 2011 and 2012

Performance Intermediates and Nutrition Ingredients experienced good demand in the first half of 2012. Net sales and EBIT increased compared with the previous year, outperforming the budget targets for the year. The flattening of the Niacin business was mainly offset by higher demand for agrochemical products. Effective management of fixed costs and capital expenditure contributed to the positive results for the first half of 2012. Asset utilization was very high in all plants. The outlook for the year-end remains on last year's level, with high demand expected to continue in almost all market segments.

Performance Intermediates

The High Performance Materials business continued to enjoy brisk demand for Primaset™ cyanate esters and Lonzacure® products from the electronics, aerospace and construction industries. The production site for pyromellitic dianhydryde (PMDA) in Liyang (CN) has been closed and products are now completely manufactured at the new Nanjing (CN) facility. Products from this new facility are now qualified for all major markets and output is ramping up.

Demand for agrochemical actives and intermediates, as well as ISO-regulated custom manufacturing, remained strong. Several debottlenecking initiatives were implemented to increase output and meet rising demand. Our new production facility for a plant protection intermediate in Visp (CH), which we started up last year, experienced a high level of interest from customers. Plant utilization was high in the first half of 2012 and looks set to continue into 2013. In the reporting period, we also expanded our project portfolio for agrochemical actives and ISO-regulated intermediates.

Nutrition Ingredients

The market environment in the area of nicotinates (vitamin B3), especially for feed applications, remained difficult due to reduced demand in certain regions and strong competition from India and China. Volume sales in food applications were slightly above target, while pharmaceutical sales were lower than in the same period last year. Marked currency effects had a further negative influence on margins. Despite these facts, growth in emerging markets was above expectations for the first half of 2012.

Our new Carnitine production facility was well received by customers. Several successful customer audits took place at our site in Nansha (CN) in the first half of 2012.

Carnipure™ (food-grade L-carnitine) volumes were higher than in previous years. The favorable results were driven mainly by growth in the supplements and beverage categories, and sales realized via activity expansion in new regions.

Carniking™ (feed-grade L-carnitine) demand remained buoyant, especially in the pet food market. Demand is expected to be sustained in the second half of the year due to new projects.

Meta™ (metaldehyde) is a specific active ingredient used as a molluscicide for slug and snail control in the agricultural and home and garden markets. Demand was low at the start of the year because of low slug populations and high inventory levels at customers. Sales in May and June were strong thanks to favorable weather conditions in most European markets. In the first half of 2012, production of formulated products at the new plant in Visp (CH) started up successfully and ahead of schedule. First sales are expected in July 2012. Product registration in key markets should follow later in the year.

Bioscience

Bioscience million CHF	2012	Change in %	2011
Sales	**116**	12.6	103
Change due to			
Volume and prices	13		
Currency translation	0		
Scope of consolidation	0		
Result from operating activities (EBIT)	**8**	14.3	7
Margin in %	6.9		6.8
EBITDA	**17**	21.4	14
Margin in %	14.7		13.6

Bioscience sales increased substantially compared with the first half of 2011, with market growth in the Therapeutic Services segment and in Asia. Margins were also stronger than in the first half of 2011 on the back of increased asset utilization and operational optimization. Process Development Services increased its contribution and there was general sales growth in Asia. The sector outperformed budget targets, despite the fact that governmental and institutional spending in Western countries remained at a low level. The clear growth drivers were Therapeutic Services and increased activities in the Asian markets.

Further strategic steps in Bioscience included the operational start-up of cell therapy in Singapore and the successful completion of a new GMP clean room at Houston, TX (USA) to support viral vector and viral vaccine projects.

Therapeutic Services

Therapeutic Services significantly increased revenue year on year thanks to higher cell and viral therapy sales. Media sales saw double-digit growth rates worldwide, but were slightly lower than forecast in Europe. The bottom-line results were well above last year's performance, in line with expectations. As anticipated, EBIT was adversely affected in the first half of 2012 by the start-up activities for the new cell and viral suites in Singapore, Walkersville, MD (USA) and Houston, TX (USA). However, the new facilities are expected to start making a positive contribution in the second half of the year. Process development is running at full capacity, focusing on the major late-phase projects in the portfolio.

Good progress in the Viral Therapy area was reflected in an increased number of pipeline projects. A new GMP manufacturing suite was started up during the second quarter of 2012 to cope with the strong increase in demand. New viral collaborations (e.g. Avalanche) experienced increased demand for viral production capacity in gene and cancer therapy.

Research & Testing Solutions

Research & Testing Solutions revenue was on target, nearly on a par with 2011. The research business grew in comparable terms, taking into account the discontinuation of a significant European research distribution collaboration at the end of 2011. Geographically, growth in Asia was strong and there was also solid growth in the USA. Sales in Europe declined mainly as a result of the sovereign debt crisis in Southern Europe.

In Research Solutions, there was strong growth in the Media and Sera businesses and solid progress in Cell Biology. Molecular Biology at target despite challenging market environment.

In the Transfection business, there was a marked increase in volume sales of transfection kits. Japan achieved significant year-on-year growth in Transfection sales, both in kits and instruments. Sales failed to meet the overall target for new transfection instruments, mainly due to a difficult market environment in capital equipment for research in Europe and the USA.

Testing Solutions sales were slightly below the corresponding period of 2011 due to a slowdown in endotoxin sales in Europe and a reduced growth rate in Asia and the USA. New MycoTOOL™ (mycoplasma testing) sales were below expectations, but a strong sales pipeline was developed. The launch of the microCompass™ II system (microbiology testing) was further delayed until 2013 due to instrument supply issues. Lonza still has not received satisfactory beta instruments from Becton, Dickinson and Company, the supplier of its instrument platform. Lonza believes the instruments received to date lack robustness, do not meet the necessary specifications and exhibit unacceptable hardware failures. As a result of repeated failures to obtain acceptable instruments from Becton Dickinson, the collaboration with Becton Dickinson is under review. Softer top-line revenue will be partially offset by increased activities in Asia and stringent measures to reduce fixed costs.

Corporate

Corporate million CHF	2012	2011
Sales	7	3
Result from operating activities (EBIT)	(11)	(10)
EBITDA	(7)	(6)

Condensed consolidated balance sheet at 31 December 2011 and 30 June 2012 (unaudited) million CHF	2012	2011
Fixed assets	4 983	5 072
Long-term loans and advances	79	56
Total non-current assets	**5 062**	**5 128**
Current assets	1 673	1 694
Short-term advances and other financial assets	0	2
Cash and cash equivalents	278	196
Total current assets	**1 951**	**1 892**
Total assets	**7 013**	**7 020**
Equity attributable to equity holders of the parent	2 353	2 357
Non-controlling interests	(1)	(1)
Total equity	**2 352**	**2 356**
Long-term liabilities	885	989
Long-term debt	2 063	2 725
Total non-current liabilities	**2 948**	**3 714**
Short-term liabilities	888	774
Short-term debt	825	176
Total current liabilities	**1 713**	**950**
Total liabilities and equity	**7 013**	**7 020**

Condensed consolidated income statement first half-year (unaudited) million CHF	2012	2011
Sales	**1 964**	**1 193**
Cost of goods sold	(1 460)	(874)
Gross profit	**504**	**319**
Other operating expenses	(336)	(183)
Result from operating activities (EBIT)	**168**	**136**
Net financing costs	(46)	(19)
Share of profit/(loss) of associates/joint ventures	(6)	(4)
Profit before income taxes	**116**	**113**
Income taxes	(22)	(16)
Profit for the period	**94**	**97**
Profit attributable to:		
Equity holders of the parent	94	98
Non-controlling interests	0	(1)
Profit for the period	**94**	**97**
Basic earnings per share – EPS basic (CHF)	1.82	1.90
Diluted earnings per share – EPS diluted (CHF)	1.81	1.89

Condensed consolidated statement of comprehensive income for the period first half-year (unaudited) million CHF	2012	2011
Profit for the period	**94**	**97**
Other comprehensive income:		
Exchange differences on translating foreign operations	11	(163)
Cash flow hedges	(3)	5
Income tax relating to components of other comprehensive income	0	5
Other comprehensive income for the period, net of tax	**8**	**(153)**
Total comprehensive income for the period	**102**	**(56)**
Total comprehensive income attributable to:		
Equity holders of the parent	**102**	**(55)**
Non-controlling interests	**0**	**(1)**
Total comprehensive income for the period	**102**	**(56)**

Condensed consolidated cash flow statement first half-year (unaudited) million CHF	2012	2011
Profit for the period	**94**	**97**
Adjustment for non-cash items	229	166
Income tax and interest paid	(63)	(50)
Cash flow before change in net working capital	**260**	**213**
(Increase) / decrease of net working capital	95	(84)
Increase / (decrease) of other payables net	4	(13)
Net cash (used for) / provided by operating activities	**359**	**116**
Purchase of fixed assets	(141)	(117)
Net purchase of other assets and disposals	15	(4)
Interest and dividend received	13	2
Net cash (used for) / provided by investing activities	**(113)**	**(119)**
Increase / (decrease) in debt	(47)	48
Increase / (decrease) in other liabilities	(7)	(3)
Purchase of treasury shares	0	(77)
Dividends paid	(111)	(111)
Net cash (used for) / provided by financing activities	**(165)**	**(143)**
Effect of currency translation on cash	1	(4)
Net (decrease) / increase in cash and cash equivalents	**82**	**(150)**
Cash and cash equivalents at 1 January	196	248
Cash and cash equivalents at 30 June	278	98

Condensed consolidated statement of changes in equity first half-year (unaudited) million CHF	Attributable to equity holders of the parent								
	Share capital	Share premium	Retained earnings/ Other reserves	Hedging reserve	Trans-lation reserve	Treasury shares	**Total**	**Non-con-trolling interest**	**Total equity**
Six months ended 30 June 2011									
At 31 December 2010	**53**	**311**	**2 553**	**(8)**	**(478)**	**(44)**	**2 387**	**0**	**2 387**
Profit for the period	0	0	98	0	0	0	98	(1)	97
Other comprehensive income, net of tax	0	0	0	5	(158)	0	(153)	0	(153)
Total comprehensive income for the period	**0**	**0**	**98**	**5**	**(158)**	**0**	**(55)**	**(1)**	**(56)**
Dividends	0	0	(111)	0	0	0	(111)	0	(111)
Recognition of share-based payments	0	0	2	0	0	0	2	0	2
Transfer of employee shares	0	(1)	(2)	0	0	3	0	0	0
Acquisition of treasury shares	0	0	0	0	0	(77)	(77)	0	(77)
At 30 June 2011	**53**	**310**	**2 540**	**(3)**	**(636)**	**(118)**	**2 146**	**(1)**	**2 145**
Six months ended 30 June 2012									
At 31 December 2011	**53**	**310**	**2 596**	**(1)**	**(491)**	**(110)**	**2 357**	**(1)**	**2 356**
Profit for the period	0	0	94	0	0	0	94	0	94
Other comprehensive income, net of tax	0	0	0	(3)	11	0	8	0	8
Total comprehensive income for the period	**0**	**0**	**94**	**(3)**	**11**	**0**	**102**	**0**	**102**
Dividends	0	0	(111)	0	0	0	(111)	0	(111)
Recognition of share-based payments	0	0	2	0	0	0	2	0	2
Transfer of employee shares	0	(4)	(1)	0	0	8	3	0	3
At 30 June 2012	**53**	**306**	**2 580**	**(4)**	**(480)**	**(102)**	**2 353**	**(1)**	**2 352**

Selected Explanatory Notes

1. Accounting Principles

Basis of Preparation of Financial Statements These condensed consolidated 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 2012 (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 2011 (hereafter "the annual financial statements") as they provide an update of the previously reported information. The same accounting policies and methods of computation are followed in these interim financial statements as compared with the most recent annual financial statements for the year ended 31 December 2011, except for accounting policy changes made after the closing date of the annual financial statements.

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

As a result of the acquisition of Arch Chemicals Inc. in October 2011, the comparability of the condensed consolidated six-month income statement 2012 and 2011 is limited. The Arch business has been combined with Lonza's existing Microbial Control business to create the new Lonza Microbial Control sector. The segment information table below has been changed to reflect the additional sector and prior-year information has been restated accordingly.

Changes in Accounting Policies
The following new and revised standards and interpretations have been issued, being effective for the reporting year 2012:

- Amendment to IAS 12 – Recovery of underlying assets
- Amendment to IFRS 7 – Transfers of financial assets

These new accounting standards and interpretations did not have a significant impact on the Group's interim financial statements.

2. Exchange Rates

Balance sheet period-end rate CHF	30 06 2012	31 12 2011
US dollar	0.96	0.94
Pound sterling	1.49	1.45
Euro	1.20	1.22

Income statement half-year average rate CHF	2012	2011
US dollar	0.93	0.91
Pound sterling	1.46	1.46
Euro	1.20	1.27

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, except for businesses within the Microbial Control segment. In particular the water products business is seasonal in nature as its products are primarily used in the USA. Therefore, the results of the Microbial Control segment for the six months ended 30 June 2012 are not indicative of the results to be expected for the entire financial year.

4. Debt

The straight bond (2009–2013) of CHF 300 million and USD 500 million of the acquisition bridge financing facility repayable in March 2013 are disclosed as short-term debt due to their contractual repayment date within one year of 30 June 2012.

5. Dividends Paid

On 3 April 2012, the Annual General Meeting approved the distribution of a dividend of CHF 2.15 (2011: CHF 2.15) per share in respect of the 2011 financial year. The distribution to holders of outstanding shares totaled CHF 111 million (2011: CHF 111 million) and has been recorded against reserves from capital contribution of Lonza Group Ltd.

6. Operating Segments

First half-year 30 June 2012 million CHF	Microbial Control	Custom Manufacturing	Life Science Ingredients	Bioscience	Total operating segments	Corporate / Eliminations [1]	**Group total**
Sales third-party	865	597	379	116	1 957	7	**1 964**
Inter-segment sales	6	20	33	6	65	(65)	0
Total sales	871	617	412	122	2 022	(58)	**1 964**
Goodwill impairment	0	0	0	0	0	0	0
Result from operating activities (EBIT)	87	59	25	8	179	(11)	**168**
Return on sales %	10.1	9.9	6.6	6.9	9.1	n.a.	8.6
Net financing costs							(46)
Share of profit / (loss) of associates / joint ventures							(6)
Profit before income taxes							**116**
Income taxes							(22)
Profit for the period							**94**

First half-year 30 June 2011 million CHF	Microbial Control [2]	Custom Manufacturing	Life Science Ingredients [2]	Bioscience	Total operating segments	Corporate / Eliminations [1]	**Group total**
Sales third-party	157	568	362	103	1 190	3	**1 193**
Inter-segment sales	6	25	29	5	65	(65)	0
Total sales	163	593	391	108	1 255	(62)	**1 193**
Goodwill impairment	0	0	0	0	0	0	0
Result from operating activities (EBIT)	18	98	23	7	146	(10)	**136**
Return on sales %	11.5	17.3	6.4	6.8	12.3	n.a.	11.4
Net financing costs							(19)
Share of profit / (loss) of associates / joint ventures							(4)
Profit before income taxes							**113**
Income taxes							(16)
Profit for the period							**97**

[1] The “Corporate / Eliminations” column represents the corporate function, including eliminations for reconciliation of the Group total.
[2] Due to the introduction of “Microbial Control” as a new business segment, the disclosure of the segment information in 2011 was restated accordingly.

7. Material Events Subsequent to the End of the Interim Period That Have Not Been Reflected in the Financial Statements for the Interim Period

No material events occurred after the end of the interim period on 30 June 2012. The Board of Directors authorized the interim financial statements of Lonza Group Ltd and its subsidiaries for the six-month period ended 30 June 2012 for issue on 23 July 2012.

8. Operational Free Cash Flow

In 2011 and 2012, the development of operational free cash flow by component was as follows:

Components of operational free cash flow first half-year million CHF	**2012**	2011	Change
EBITDA	327	265	62
Change of operating net working capital	95	(68)	163
Purchase of fixed assets	(141)	(117)	(24)
Disposal of tangible and intangible assets	6	2	4
Change of other assets and liabilities	2	(16)	18
Operational free cash flow	**289**	**66**	**223**

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. Any statements contained herein that are not statements of historical fact (including statements containing the words "believes," "plans," "anticipates," "expects," "estimates" and similar expressions) should be considered to be forward-looking statements. Statements herein regarding the proposed transaction between Lonza and Arch Chemicals, the expected timetable for completing the transaction, the potential benefits of the transaction, and any other statements about management's future expectations, beliefs, goals, plans or prospects also constitute forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty. There are a number of important factors that could cause actual results or events to differ materially from those indicated by such forward-looking statements, including: 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; uncertainties as to the timing of the tender offer and merger; uncertainties as to how many shareholders will tender their stock in the offer; the possibility that various closing conditions for the transaction may not be satisfied or waived; and the effects of disruption from the transaction making it more difficult to maintain relationships with employees, customers, and other business partners; 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. Except as otherwise required by law, Lonza disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after this presentation was made.

The Half-Year Report 2012 is also available in German. The English version prevails.

Full-Year Report 2012
24 January 2013

Annual General Meeting
for the 2012 financial year
9 April 2013
Congress Center Basel
MCH Swiss Exhibition (Basel) Ltd

Half-Year Report 2013
July 2013

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