FULL-YEAR REPORT 2007

Financial highlights full-year

million CHF	2006	2007
Continuing operations		
Sales	2 285	**2 870**
Change in %		25.6
EBITDA	484	**682**
Change in %		40.9
Margin in %	21.2	**23.8**
Result from operating activities (EBIT)	301	**408**
Change in %		35.5
Margin in %	13.2	**14.2**
Net income	199	**301**
Change in %		51.3
EPS basic (CHF)	4.20	**6.33**
Change in %		50.7
EPS diluted (CHF)	3.88	**5.88**
Change in %		51.5
Total operations		
Cash flow before change in net working capital	429	**562**
Change in %		31.0
RONOA in %	12.2	**14.1**
Net debt	913	**1 309**
Debt-equity ratio	0.57	**0.72**
Change in %		26.3
Number of employees	6 146	**7 711**
Change in %		25.5

Lonza reports 36% growth in EBIT (CHF 408 million), 51% growth in net income (CHF 301 million) and a strong improvement in cash flow (all based on continuing operations), which results in a significant strengthening of its ability to generate further sustainable growth. The revised growth strategies for Bioscience, Nutrition Ingredients and Microbial Control are designed to deliver enhanced returns. Lonza continues to successfully achieve critical milestones in its long-term strategic plan and extends its mid-term guidance to 2013. The Board of Directors is proposing a dividend of CHF 1.75 per share.

Overview The full-year performance was characterized by Lonza's portfolio changes and solid developments in all businesses, with Biopharmaceuticals experiencing particularly strong growth. The successfully integrated Bioscience division performed according to expectations. As a result, EBITDA for the group rose by 40.9% based on continuing operations from CHF 484 million in 2006 to CHF 682 million in 2007, increasing margins by 2.6 percentage points to 23.8% of sales. Along with proactive measures that helped lower the tax rate to 16.5%, the improved financial result led to a proportionately greater increase in net income of 51.3% to CHF 301 million. As a consequence, gearing declined from 92% at the end of the first quarter to 72% at year-end. RONOA continued to improve from 12.2% in 2006 to 14.1%. Full-year sales in 2007 amounted to CHF 2 870 million.

Strategy The projects designed to deliver sustainable, above-average, profitable growth continue to be on or ahead of plan. The transformation of the portfolio progressed in 2007, with the sale of the purified isophthalic acid facility in Singapore at an attractive price, as well as the announced divestiture of the majority of the remaining stake in Polynt S.p.A. The disposal proceeds will be redeployed in growth-enhancing opportunities. Over 90% of Lonza sales now relate directly to the life sciences, with an extensive range of technologies and reactor scales having been built up in order to meet customer needs. The successful integration of the newly acquired assets (Bioscience, Porriño (ES), Hopkinton, MA (USA)) strengthens Lonza's ability to serve pharmaceutical and biotechnology customers. In addition, Lonza Bioscience provides a new technology and business platform, extending the range of offerings to include more steps in the customers' process, from the research laboratory to production and subsequent quality control.

Strategy reviews were completed for the Microbial unit within the Biopharmaceuticals business, the Bioscience division and the newly named Life Science Ingredients (formerly Organic Fine & Performance Chemicals) business. Increased up-front investment in R&D, regulatory filings, new regions and new products will lead to better mid- to long-term growth prospects. In addition to incremental R&D investments in most of the businesses, an organization to deliver long-term technology breakthroughs and new business platforms across all divisions has been created. It will be funded in the low double-digit CHF million range.

Life Science Ingredients posted a solid performance in 2007. Sales increased by 5.6% to CHF 1 135 million. Excluding the impact of currencies, sales grew by 7.2%, two-thirds of this improvement due to volume increases. The business again preserved both margins and RONOA despite negative economic conditions and market uncertainty caused by cost increases in raw materials, unfavorable currency exchange rates, a weak construction market in the USA, and the seasonal shut-down of the cracker in Visp (CH). For the full year, EBIT increased by 7.7% to CHF 140 million. Market shares in strategic business niches were sustained at the desired high levels and capacity utilization remained high.

Exclusive Synthesis & Biopharmaceuticals continued to be the principal growth driver for Lonza in 2007, increasing sales by 29.4% to CHF 1 388 million. The significant improvement in EBITDA, which rose by 32.5% to CHF 391 million from CHF 295 million a year ago, was driven by the Biopharmaceuticals business. Profits were impacted by the operational performance and subsequent restructuring measures initiated in the Baltimore, MD (USA), Riverside, PA (USA) and Braine-l'Alleud (BE) facilities.

Biopharmaceuticals increased sales by 68% from CHF 468 million in 2006 to CHF 788 million, due to strong customer demand for both existing and recently aquired assets. Capacity utilization was above 90% throughout the year, and batch success rates remained significantly above the industry average. The outlook for the successful Microbial and Mammalian manufacturing businesses is supported by a pipeline of over 135 projects, resulting in strong demand for Lonza's Microbial and Mammalian Services.

Exclusive Synthesis generated sales of CHF 600 million in 2007, operating at over 90% capacity utilization. After a disappointing first half, operational performance improved, on track towards the delivery of expected growth. Overall, constraints from the high levels of capacity utilization and changes in the product mix limited sales growth for the full year. The turnaround project at the small-molecule plant in Riverside, PA (USA) showed the first promising results, and the production ramp-up at the Braine-l'Alleud (BE) peptide facility is able to fully meet customer needs, but has not yet achieved the optimal operational performance. As a result, margins for the full year remained below expectations. The further strengthening of the development pipeline supported the expansion of new technology platforms in Visp (CH). Strong customer demand required an acceleration of the build-out of the large-scale API plant in Nansha (CN).

Bioscience, Lonza's new division, is fully on track with its business plan, delivering a strong margin performance when short-term integration costs are excluded. On sales amounting to CHF 189 million, EBIT of CHF 28 million translates into a margin of 14.8%, including integration costs. This good performance was driven principally by healthy growth in the Rapid Testing business and a solid operational performance in production. This financial strength will enable increased investment in R&D and capital expenditures resulting in mid-term upside potential, without dilution of short-term profitability. Integration activities are progressing ahead of schedule, while the first global sourcing synergies and the first cross-selling opportunities have been realized.

Lonza Group summary

- The improved results in non-core activities were driven primarily by the strong performance of the purified isophthalic acid facility in Singapore and the book gain of CHF 29 million relative to its disposal.
- As planned, capital expenditure (excluding customer financing) was substantially higher than in 2006 to support growth (2007: CHF 533 million, 2006: CHF 278 million).

– Net working capital (NWC) in relation to sales declined further, from 26.4% in 2006 to 21.5%, showing the continuing impact of the NWC improvement program.
– Net cash provided by operating activities increased by 51.5% from CHF 425 million in 2006 to CHF 644 million.
– Net debt amounted to CHF 1 309 million by the end of 2007, with the ratio of debt to equity having declined from 92% in the first quarter to 72% by year-end, on strong cash flow generation.
– In order to finance the acquisition of the Microbial Biopharmaceuticals and Research Bioproducts businesses from Cambrex, Lonza signed a syndicated loan of CHF 500 million with a consortium of banks in December 2006. The syndicated loan, which has a five-year term and is based on floating rates, was drawn in February 2007. Lonza hedged the interest rate for the whole period of five years by means of an interest rate swap.
– Lonza added 1 565 employees to its workforce compared with the beginning of 2007, 1 074 of them through acquisitions. Excluding these, the number of employees increased by 8.0%, in line with the long-term Human Resources strategy.

Senior management changes Effective 1 January 2007, Uwe H. Böhlke joined Lonza as a Management Committee member and Head of the Exclusive Synthesis business. Effective 1 August 2007, Marcela Čechová, previously Head of Lonza Exclusive Synthesis Biochemicals and of the Kouřim (CZ) site, took over as the new Head of Global Human Resources and replaced Jeanne Thoma as a new member of the Management Committee (MC). Jeanne Thoma moved into the role of Head of the Microbial Control business unit as of 1 June 2007.

Outlook All strategic projects are on track. With sound execution of its long-term plan, Lonza continues to drive aggressive growth initiatives in the form of strategic investments and organic growth projects. Based on visibility of contracts, projects and economic conditions, Lonza expects:
– EBIT growth in the mid to high teens up to 2013
– Project pipeline fully aligned to support growth expectations – 80% of capacity expansion committed today

At Lonza we remain committed to our vision. Our passion is to deliver sustainable value to our customers, whom we thank for their continued trust.

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

Rolf Soiron Chairman of the Board of Directors	**Stefan Borgas** Chief Executive Officer

million CHF	2006	2007
Sales	1 075	**1 135**
Change in %		5.6
Change due to		
Volume and prices		77
Currency translation		(17)
Scope of consolidation		0
Result from operating activities (EBIT)[1]	130	**140**
Change in %		7.7
Margin in %	12.1	**12.3**
EBITDA	197	**206**
Change in %		4.6
Margin in %	18.3	**18.1**

[1] In 2007: impairment losses of CHF 3 million on inventory of the DHA business in Lonza AG, Visp were included.

Life Science Ingredients (formerly Organic Fine & Performance Chemicals)

Life Science Ingredients posted a solid performance in 2007. Sales increased by 5.6% to CHF 1 135 million (CHF 1 075 million in 2006). Excluding the impact of currencies, sales grew by 7.2%, two thirds of this improvement due to volume increases. The business again preserved both margins and RONOA despite negative economic conditions and market uncertainty caused by cost increases in raw materials, unfavorable currency exchange rates, a weak construction market in the USA, and the seasonal shut-down of the cracker in Visp (CH). For the full year, EBIT increased by 7.7% to CHF 140 million. Market shares in strategic business niches were sustained at the desired high levels and capacity utilization remained high.

Nutrition Ingredients (formerly Nutrition) posted a strong business performance, driven by good growth for nicotinates (vitamin B3) in both new pharmaceutical and food/feed applications, as well as favorable weather conditions in Central Europe for Meta®. However, competition from Chinese producers had an impact on the margins of Meta®.

L-Carnipure® (food/pharmaceutical grade L-carnitine) grew in the USA, while sales in Japan were below expectations due to a volatile beverages market. Carniking® (feed-grade L-carnitine) performed well, especially in the pet-food segment.

The DHA business (docosahexaenoic acid) experienced a temporary set-back after the court rulings in the USA and in Germany. While such rulings are being appealed by Lonza in both cases, Lonza is preparing to enter the US market in conformity with the decision of the US Judge.

The vitamin K3 operation in Shawinigan (CA) started up successfully with commercial sales expected during the first quarter of 2008.

The new larch arabinogalactan franchise developed well, according to plan.

Microbial Control (formerly Hygiene / Personal Care / Preservation) The hygiene product offering continues to enjoy good market demand. Margins remained below expectations due to delayed price increases and margin pressure, mainly in the USA and Europe. Specialty raw materials underwent large price increases. In the personal care area, softer volumes were compensated by higher margins.

In the water-protection business, stronger sales of patented technologies such as Equinox® made up for softer sales of some older, low-margin products.

Sales of Carboquat®, a product for pressure treatment of wood, were below 2006 levels. Lower demand from the weak US housing market could not yet be offset by growth in new markets.

The new amines production plant in Mapleton, IL (USA) was successfully started up in the first half of 2007 and delivered the expected product quality at the targeted lower cost.

Performance Intermediates (formerly Industrial Specialties) Difficult market conditions were encountered for diketene derivatives, with price erosion due to strong competition, a weak USD/CHF exchange rate, and higher raw material costs.

As a result of a highly competitive market, HCN derivatives sales were lower than in 2006, but stabilized by year-end. Activities were initiated as part of a strong commitment to develop an alternative niche-product pipeline.

The high-performance materials business continued to show strong volume development for electronic, aerospace parts and other attractive new applications. The pyromellitic dianhydride business, with a manufacturing operation in Liyang (CN), had a record year.

In the agrochemical business, strong demand and very high asset utilization in the non-regulated custom manufacturing plants delivered a satisfactory result. The project portfolio for agrochemical active ingredients and non-regulated intermediates increased to more than 40 projects.

Strategy A strategic review of the Life Science Ingredients business occurred during the year, resulting in the following key elements for the renamed business units:

- Nutrition Ingredients: build on the portfolio of health-related ingredients to expand the number of market niches where strong market positions can be held. The business will develop new innovative processes, and leverage both its global assets and leading regulatory expertise. Growth will be driven by new product development from R&D, capital expenditures and mid-sized acquisitions.
- Microbial Control: focus business activities on fewer but more attractive market segments, expand presence in Asia, and develop new product applications and services. Growth will stem from new product development by R&D, capital expenditures, regulatory competency, and potentially acquisitions.
- Performance Ingredients: exploit opportunities of the Lonza technology and product network outside of life sciences through effective product and process development, in alignment with key customer needs. Ensure Lonza's overall cost leadership by maintaining a stable and efficient operational base.

To support these growth strategies, investments in R&D will be increased from 2.5% to 4.0% of sales over the coming years, providing EBIT growth acceleration starting in 2010, followed by long-term RONOA increase. Capital expenditures and mid-sized acquisitions will support both the growth initiatives and the maintenance of the business.

Research & Development The Life Science Ingredients R&D department was re-organized in alignment with the new strategic focus. The new structure consists of three R&D teams, each focused on one of the three business units. There are currently 71 projects in the R&D pipeline. To fuel future growth, 13 innovation projects were started, which will contribute to growth from 2012 onwards.

In order to enhance the R&D pipeline, chemical R&D laboratories were developed at the site in Nansha (CN). An additional small-scale plant for the R&D team is under construction and will be operational in the second half of 2008.

million CHF	2006	2007[1]
Sales	1 073	**1 388**
Change in %		29.4
Change due to		
Volume and prices		276
Currency translation		(4)
Scope of consolidation		43
Result from operating activities (EBIT)	193	**219**
Change in %		13.5
Margin in %	18.0	**15.8**
EBITDA	295	**391**
Change in %		32.5
Margin in %	27.5	**28.2**

[1] In 2007: impairment losses of CHF 7 million on property plant and equipment of Lonza Inc. Riverside and of CHF 9 million on goodwill of Lonza Braine SA are included.
In 2006: impairment losses of CHF 8 million on property plant and equipment of Lonza AG, Visp for Hirulog were disclosed.
In 2007: CHF 14 million of integration charges were recognized in Microbial Biopharmaceuticals.

Exclusive Synthesis & Biopharmaceuticals

Exclusive Synthesis & Biopharmaceuticals continued to be the principal growth driver for Lonza in 2007, increasing sales by 29.4% to CHF 1 388 million (CHF 1 073 million in 2006). The significant improvement in EBITDA, which rose by 32.5% to CHF 391 million from CHF 295 million a year ago, was driven by the Biopharmaceuticals business. Profits were impacted by the business performance and subsequent restructuring measures initiated in the Baltimore, MD (USA), Riverside, PA (USA) and Braine-l'Alleud (BE) facilities.

Biopharmaceuticals increased sales by 68% from CHF 468 million in 2006 to CHF 788 million, due to strong internal growth and recently acquired assets. Capacity utilization was above 90% throughout the year, and batch success rates remained significantly above the industry average. The successful Microbial and Mammalian manufacturing businesses are supported by a pipeline of over 135 projects, resulting in strong demand for Lonza's Microbial and Mammalian Services.

Expansion projects: The business continued with significant capacity expansion during 2007, achieving a number of major milestones.
– Two large-scale microbial lines (15 000 liters each) were successfully brought on line in Visp (CH).
– Groundbreaking for the second large-scale mammalian facility (4 x 20 000-liter) in Singapore occurred in March 2007. The final build-out of the facility will be completed and become fully operational in 2011 at the latest, in line with customer commitments.
– The groundbreaking for the shell of an eventual high-throughput mid-scale expansion in Portsmouth, NH (USA) occurred in May 2007.
– A new 500-liter train in the mammalian manufacturing facility in Slough (UK) was added during the year.

Integration of new businesses: In addition to internal construction, capacity was added to the Biopharmaceuticals sector through the acquisition and integration of new businesses.
– The successful integration and operation of the mid-scale mammalian facility (4 x 10 000-liter) in Porriño (ES) occurred during the year. This business was acquired at the end of 2006.
– The integration of the acquired Cambrex Biopharma business is on track, supported by the finalization of the Microbial asset strategy. As a result of the strategy review, the decision was made to consolidate in Hopkinton, MA (USA) and to close the Baltimore, MD (USA) facility in early 2008, fully covered by restructuring charges booked in 2007. This course of action is strongly backed by customers.

New technology and service platforms: Investments were made in new technologies and physical assets in support of the planned expansion and diversification of the sector's technology toolbox.
– Additional laboratory space for the Biopharma Services business was added in the UK.

– AggreSolve™ technology from Zyentia Ltd in Cambridge (UK) was acquired in July. This protein analysis platform is used to solve problems resulting from protein aggregation, and will be made available to customers worldwide.
– A strategic collaboration with BioWa to generate optimized production platforms for more potent antibodies was announced.

Commercial developments: The business achieved favorable results on regulatory matters, as well as further advances in customer developments.
– The Japanese Pharmaceutical and Medical Devices Agency (PDMA) granted approval for biopharmaceutical manufacturing in Portsmouth, NH (USA) and Slough (UK). As a result, two products manufactured by Lonza have gained approval for the Japanese market.
– The FDA "Team Bio" conducted a successful inspection of the plant in Portsmouth, NH (USA).

Exclusive Synthesis generated sales of CHF 600 million in 2007, operating at over 90% capacity utilization. After a disappointing first half, operational performance improved towards delivery of expected growth. Overall, constraints arising from the high levels of capacity utilization and changes in the product mix limited sales growth for the full-year. New technological platforms have successfully been added in Visp (CH). The restructuring at the Riverside, PA (USA) facility is showing results with first profitable performance demonstrated in the second half. Production optimization in the peptide facility in Braine-l'Alleud (BE) is able to fully meet customer needs, but has not yet achieved optimal operational performance. The most significant expansion project in 2008 will be the commissioning of the large-scale API (active pharmaceutical ingredients) plant in Nansha (CN), for which strong demand has required an accelerated build-out. The aging portfolio in Kouřim (CZ) experienced significant price pressure in 2007, which could not yet be compensated through new products. Productivity and portfolio improvement projects have been initiated.

Expansion projects: Major expansion projects are on schedule and produced the first results during the second half of 2007.
– A small scale multi-purpose, cGMP API plant was started up in Nansha (CN) and successfully completed the first product validation.
  – The configuration ensures fast change-over, optimized efficiencies and extremely rapid technical transfer to commercial assets.
  – The corresponding large-scale API plant will be finished in the second half of 2008.
– The Nansha facility has already generated significant interest in the market since Lonza is the only western CMO (custom manufacturing organization) operating and expanding at this pace in its own facilities in China.

New technology platforms: In addition, Lonza Exclusive Synthesis expanded its technology portfolio in Visp in 2007.
– A small-scale facility for the production of conjugates was brought on stream. A commercial-scale plant for conjugates is expected to be on line in 2008.
– A new manufacturing site is enabling large-scale production of highly potent APIs.

– These two technology platforms provide Lonza with a unique competitive advantage: it is the sole custom manufacturer capable of handling large-scale manufacturing in this area.

Commercial developments: The market for custom manufacturing of chemical platforms evolved through the year, with a number of changes signaling a positive climate for the Exclusive Synthesis business.

- From a competitive standpoint, some relatively minor consolidations of western CMOs occurred during the year.
- There were positive developments at some customers, as major pharmaceutical companies continued their restructuring processes and initiated programs to divest or shut down their own production.
- As a result, there was increased interest in outsourcing and strategic partnerships.

million CHF	2006	2007[1]
Sales	0	**189**
Change in %		NA
Change due to		
Volume and prices		0
Currency translation		0
Scope of consolidation		189
Result from operating activities (EBIT)	0	**28**
Change in %		NA
Margin in %	NA	**14.8**
EBITDA	0	**43**
Change in %		NA
Margin in %	NA	**22.8**

[1] Results February until December and include integration costs of CHF 8 million.

Bioscience

The new Bioscience division is fully on track with its business plan, delivering a strong margin performance when short-term integration costs are excluded. On sales amounting to CHF 189 million, EBIT of CHF 28 million translates into a margin of 14.8%, including integration costs. This good performance was driven principally by healthy growth in the Rapid Testing business and a solid operational performance in production. This financial strength will enable increased investment in R&D and capital expenditures resulting in mid-term upside potential, without dilution of short term profitability.

Rapid Testing Demand for rapid microbial detection products remained very strong. The FDA granted approval for a new endotoxin-detection manufacturing suite in November. Lonza's proprietary recombinant Pyrogene™ technology was accepted by new commercial customers, thus expanding leadership in endotoxin detection. The business renegotiated a key customer account, extending the contract to 2013. Sales of industrial microbiology products lagged but future growth is expected with the recent microCompass™ System launch.

Cell Discovery & Molecular Biology full-year sales reflected mixed results. Sales of bioassays, media and adult stem cells for the research market developed well, with double-digit growth. On the other hand, cell biology sales were affected by delays in key customer projects and by increased competitive pressure.

Media sales developments were solid for the year. Production and operational performance was strengthened by increased Media demand in the Cell Therapy business unit. A new large-scale, non-animal-origin powder production facility in the USA came on line in 2007 and is now in full production.

Cell Therapy sales were on target for the year. Production performance improved dramatically with the introduction of internally produced media, combined with other process improvements. Validation of two new Cell Therapy suites was completed in the USA, including the first suite that is compliant with European regulatory standards. Both suites have been fully booked through at least 2008.

Major projects initiated in 2007:
- Several new products were launched mainly in the second half of the year, including PyroSense®, Human Adipose-Derived Stem Cells, PrimeFect™ Transfection Reagents, Clonetics® Neonatal Cardiac Myocytes, ProNS0™ Serum Free Media and product line extensions.
- The microCompass™ System for rapid microbial detection was commercially launched in September 2007. This product line marks the extension of our Rapid Testing business into microbiological testing for product development and quality control.
- As part of the strategic integration process, a new project pipeline tracking method was developed and implemented. At the end of 2007, there were 65 new product development projects in the pipeline and over 65 therapeutic client development projects. The project pipeline shows the status of the new product developments and therapeutic client developments during the reporting period.

– Approval for design and engineering of additional Cell Therapy capacity was received for the Walkersville, MD (USA) facility. Expansion will add three new suites and is expected to be completed in 2009.

Integration

– Integration of the Bioscience division is on track and entering its final phase with 75% of the planned activities successfully completed.
– Technical evaluations are underway to develop improved and new product lines for Lonza Bioscience to enhance servicing of the biotech and pharmaceutical markets in 2008-2009.
– Global sourcing synergies are being realized to improve customer value.
– Several cross-selling opportunities were identified to integrate Lonza Bioscience products and services into the Lonza Custom Manufacturing business.
– A global ERP (enterprise resource planning) project is underway. Lonza's SAP system will replace the legacy system in the second quarter of 2008.

Strategy 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. Growth will be driven principally by market acceptance of new cellular based therapeutics supported by capital expenditures.
– Rapid Testing: extend leading position in endotoxin detection systems by developing new technology platforms, while exploring new markets and applications. New growth will primarily be the result of new product development in R&D.
– Media: expand the specialist position to develop the next generation of media for biopharmaceuticals manufacturing, while leveraging the Lonza sales channel to deliver growth in the long term. Integration and cross-selling activities will be the main growth drivers for the business.
– 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. Growth will stem from new product development in R&D and acquisitions.

Based upon the new strategy, the financial targets for the division have been enhanced from the acquisition model. The current strength of the business allows an investment phase through 2008 and 2009 without affecting current margin levels. Stepwise acceleration of sales growth into the mid to high teens and a rise in operating income to over 20% of sales are expected. As part of efforts to achieve these targets, R&D investments will be increased from 6% to 8% of sales, and additional capital expenditures of CHF 100 million will be invested in the business 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.

million CHF	2006*	2007
Sales	629	**0**
Result from operating activities (EBIT)	43	**0**
Margin in %	6.8	**NA**
EBITDA	68	**0**
Margin in %	10.8	**NA**

* Results January until October 2006

Polymer Intermediates

On 6 November 2006, Lonza floated 69% of its holding in Polymer Intermediates (Polynt S.p.A.) on the Italian stock exchange at a price of EUR 1.85 per share.

On 27 December 2007, Lonza announced the signing of an agreement to sell approximately 28.49 million shares in Polynt S.p.A. for EUR 3.67 per share.

million CHF	2006	2007
Sales	137	**158**
Change in %		15.3
Change due to		
Volume and prices		40
Currency translation		(6)
Scope of consolidation		(13)
Result from operating activities (EBIT)[1]	(22)	**21**
Margin in %	(16.1)	**13.3**
EBITDA[1]	(8)	**42**
Margin in %	(5.8)	**26.6**

[1] In 2007: gain of CHF 29 million on sale of Lonza Singapore Pte Ltd and impairment losses of CHF 7 million on intangible assets of the DHA business are included. Results of Lonza Singapore Pte Ltd for January until 19 November 2007 included.

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 2007 million CHF	2006	2007
Fixed assets	2 599	3 219
Long-term loans and advances	12	28
Total fixed assets	**2 611**	**3 247**
Current assets	1 071	1 222
Short-term advances and other financial assets	13	4
Cash and cash equivalents	217	372
Assets held for sale	0	106
Total current assets	**1 301**	**1 704**
Total assets	**3 912**	**4 951**
Equity attributable to equity holders of the parent	1 607	1 808
Minority interest	0	0
Total equity	**1 607**	**1 808**
Long-term liabilities	464	471
Long-term debt	923	1 360
Total long-term liabilities and provisions	**1 387**	**1 831**
Short-term liabilities	686	959
Short-term debt	232	353
Total current liabilities and deferred items	**918**	**1 312**
Total liabilities and equity	**3 912**	**4 951**

Condensed consolidated income statement			2006	2007
million CHF	Continuing operations	Discontinued operation	Total	Total
Sales	**2 285**	**629**	**2 914**	**2 870**
Cost of goods sold	(1 721)	(561)	(2 282)	(2 060)
Gross profit	**564**	**68**	**632**	**810**
Other operating expenses	(263)	(25)	(288)	(393)
Goodwill impairment	0	0	0	(9)
Result from operating activities (EBIT)	**301**	**43**	**344**	**408**
Financial result	(50)	(2)	(52)	(47)
Profit before income taxes	**251**	**41**	**292**	**361**
Income taxes	(52)	(17)	(69)	(60)
Profit after income taxes before gain / (loss) on discontinued operation	**199**	**24**	**223**	**301**
Gain / (loss) on sale of discontinued operation, net of taxes		(1)	(1)	0
Profit for the period	**199**	**23**	**222**	**301**
Attributable to:				
Equity holders of the parent			222	301
Minority interest			0	0
Profit for the period			**222**	**301**
	CHF	CHF	CHF	CHF
Basic earnings per share	4.20	0.49	4.69	6.33
Diluted earnings per share	3.88	0.42	4.30	5.88

Condensed consolidated cash flow statement million CHF	2006	2007
Profit for the period	**222**	**301**
Adjustment for non-cash items	321	354
Income taxes and interests paid	(114)	(93)
Cash flow before change in net working capital	**429**	**562**
(Increase) / decrease of net working capital	22	83
Increase / (decrease) of other payables net	(26)	(1)
Net cash (used for) / provided by operating activities	**425**	**644**
Purchase of fixed assets	(371)	(609)
Acquisition of subsidiaries, net of cash acquired	(212)	(586)
Disposal of subsidiary, net of cash disposed of	16	111
Disposal of discontinued operation, net of cash disposed of	141	0
Net purchase of other assets and disposals	31	9
Interests and dividend received	22	20
Net cash (used for) / provided by investing activities	**(373)**	**(1055)**
(Decrease) / increase of capital	0	0
Repayment of convertible and straight bond	(675)	0
Syndicated loan	0	500
(Decrease) / increase in debt	169	44
(Decrease) / increase in other long-term liabilities	93	76
Company contribution for employee shares	(3)	(2)
Purchase of treasury shares	(3)	(24)
Sale of treasury shares	0	50
Dividends paid	(61)	(72)
Net cash (used for) / provided by financing activities	**(480)**	**572**
Effect of currency translation on cash	(1)	(6)
Net (decrease) / increase in cash and cash equivalents	**(429)**	**155**
Cash and cash equivalents at 1 January	646	217
Cash and cash equivalents at 31 December	217	372

Condensed consolidated statement of changes in equity million CHF	2006	2007
Changes in total equity		
Beginning of year	**1490**	**1607**
Gains / (losses) recognized directly in equity	(46)	(58)
Profit for the period	222	301
Total recognized income and expense for the period	**176**	**243**
Dividend	(61)	(72)
Equity-settled transaction	6	8
Transfer of employee shares	(1)	(3)
Acquisition of treasury shares	(3)	(24)
Sale of treasury shares	0	49
End of year	**1607**	**1808**

Selected explanatory notes

1. Accounting principles

Basis of preparation of financial statements These condensed financial statements are the audited consolidated financial statements for the twelve-month period ended 31 December 2007 that are 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 2007:

- IFRIC 7 - Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyper-inflationary 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

With the exception of additional disclosures, the new and revised standards had no material impact on the consolidated financial statements for the year 2007.

2. Exchange rates

Balance sheet period-end rate CHF	31 12 06	31 12 07
US dollar	1.22	1.13
Pound sterling	2.40	2.26
Euro	1.61	1.66

Income statement full-year average rate CHF	2006	2007
US dollar	1.25	1.20
Pound sterling	2.31	2.40
Euro	1.57	1.64

Financial highlights

million CHF	2006 Continuing operation	2006 Discontinued operation	2006 Total	2007 Total
Sales	**2 285**	**629**	**2 914**	**2 870**
Change in %				(1.5)
EBITDA	**484**	**68**	**552**	**682**
Change in %				23.6
Margin in %	**21.2**	**10.8**	**19.0**	**23.8**
Result from operating activities (EBIT)	**301**	**43**	**344**	**408**
Change in %				18.6
Margin in %	**13.2**	**6.8**	**11.8**	**14.2**
Net income	**199**	**23**	**222**	**301**
Change in %				35.6
Cash flow before change in net working capital	**371**	**58**	**429**	**562**
Change in %				31.0
Net debt			**913**	**1 309**
Debt-equity ratio			**0.57**	**0.72**
Change in %				26.3
EPS basic (CHF)	**4.20**	**0.49**	**4.69**	**6.33**
Change in %				35.0
EPS diluted (CHF)	**3.88**	**0.42**	**4.30**	**5.88**
Change in %				36.7
Number of employees	**6 146**	**0**	**6 146**	**7 711**
Change in %				25.5

The Full-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

Half-year Report 2008
23 July 2008

Full-year Report 2008
28 January 2009

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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