Full-year Report 2011

Lonza

- Lonza's core business delivered underlying revenue and a stable EBITDA margin, despite significant headwinds
- Strong performance in Custom Manufacturing; high capacity utilization and further pipeline growth
- Microbial Control performed as anticipated, driven by growth in the emerging markets
- With the acquisition of Arch we are now the clear global leader in two attractive, growing life-science markets: Microbial Control and Custom Manufacturing
- Better balanced portfolio: less exposed to the growing but volatile pharma CMO business, less dependent on Swiss franc and enhanced growth potential in key markets such as China, India, Brazil and South Africa
- Change in leadership

Lonza after Acquisition of Arch

Financial highlights million CHF	2011	Change in %	Change CER[1] in %	2010
Sales	**2692**	0.4	13.5	2680
EBITDA	**537**	(16.5)	(0.2)	643
Margin in %	19.9			24.0
Margin in % at CER[1]	**21.1**			
Result from operating activities (EBIT)	**261**	(30.2)	(8.8)	374
Margin in %	9.7			14.0
Margin in % at CER[1]	**11.2**			
Profit for the period	**154**	(45.8)	(22.9)	284
EPS basic (CHF)	**2.98**	(46.3)	(23.4)	5.55
EPS diluted (CHF)	**2.97**	(46.3)	(23.3)	5.53
CORE[2]				
Result from operating activities (EBIT)	**326**	(15.8)	7.0	387
Margin in %	**12.1**			14.4
Margin in % at CER[1]	**13.6**			
Profit for the period	**225**	(24.7)	0.3	299
EPS basic (CHF)	**4.36**	(25.3)	(0.3)	5.84
EPS diluted (CHF)	**4.34**	(25.3)	(0.2)	5.81
Cash flow before change in net working capital	**448**	(15.5)		530
Free cash flow before acquisition	**127**	(64.9)		362
RONOA in %	**6.9**			10.8
Net debt	**2647**	138.9		1108
Debt-equity ratio	**1.12**			0.46
Number of employees	**11001**	32.9		8280

Lonza Before Acquisition of Arch

Financial highlights million CHF	2011	Change in %	Change CER[1] in %	2010
Sales	**2505**	(6.5)	5.6	2680
EBITDA	**559**	(13.1)	3.7	643
Margin in %	22.3			24.0
Margin in % at CER[1]	**23.6**			
Result from operating activities (EBIT)	**292**	(21.9)	0.5	374
Margin in %	11.7			14.0
Margin in % at CER[1]	**13.3**			
Profit for the period	**190**	(33.1)	(9.5)	284
EPS basic (CHF)	**3.68**	(33.7)	(10.3)	5.55
EPS diluted (CHF)	**3.67**	(33.6)	(10.3)	5.53
CORE[2]				
Result from operating activities (EBIT)	**306**	(20.9)	1.3	387
Margin in %	**12.2**			14.4
Margin in % at CER[1]	**13.8**			
Profit for the period	**216**	(27.8)	(4.0)	299
EPS basic (CHF)	**4.19**	(28.3)	(4.8)	5.84
EPS diluted (CHF)	**4.17**	(28.2)	(4.8)	5.81
Free cash flow before acquisition	**171**	(52.8)		362
RONOA in %	**9.0**			10.8
Net debt	**1111**	0.3		1108
Debt-equity ratio	**0.46**			0.46
Number of employees	**8473**	2.3		8280

[1] An additional change from the current to the prior-year period is disclosed on the basis of constant exchange rates (CER). For this reason, the actual results for the entities reporting and making transactions in currencies other than the Swiss franc are converted into Swiss francs at the prior period's exchange rates, rather than at the exchange rates for the current year. CER margin percentages for EBIT and EBITDA in relation to sales are also based on conversion at prior-period exchange rates.

[2] 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.

Impact of Arch Acquisition

million CHF	2011	Change	Change CER[1]	2010
		in %	in %	
EBIT before acquisition	**292**	(21.9)	0.5	374
Result from operating activities of Arch before revaluation	19			
Impact of inventory revaluation	(12)			
Additonal depreciation and amortization from revaluation	(3)			
Integration costs incurred up to 31 December 2011	(35)			
EBIT after acquisition	**261**	(30.2)	(8.8)	374

[1] Change from current to prior year, based on constant exchange rates (CER).

Change in leadership With the acquisition of Arch in 2011 Lonza achieved another step in its transformation towards a global Life Science company. This continuous change characterized the past years and Stefan Borgas has led this process as Lonza's CEO. The Board of Directors of Lonza expresses its gratitude for Stefan's valuable contributions. In the challenging years ahead Lonza will enter a period of focus and improvement of return of capital. This led the Board of director's to the decision to initiate a change of CEO. As Chairman of the Board Rolf Soiron will lead the Management Committee during the transition.

Overview In 2011, Lonza completed a number of major strategic initiatives that established the company as the clear global leader in Microbial Control and Custom Manufacturing, two attractive sectors in the life-science market. Lonza delivered underlying growth in sales and EBITDA despite significant external challenges – for example the foreign exchange impact of CHF 84 million due to the strong Swiss franc, higher and more volatile raw material prices especially in Life Science Ingredients, and the effect of an FDA warning letter at our Hopkinton, MA (USA), site (CHF 15 million).

Building the World Leader in Microbial Control On 20 October 2011, Lonza completed the acquisition of Arch to become the global leader in microbial control. The activities of Arch have been combined with the company's existing operations to create a new business sector, Lonza Microbial Control. This business has pro-forma annual sales of approximately USD 1.4 billion, with market leadership in water, hygiene and personal care, and attractive growth potential in materials protection and water treatment.

The Arch acquisition has expanded Lonza's footprint in China, India, Brazil and South Africa, bringing us closer to a number of attractive end-customer markets. Since completion of the deal, work by the integration and leadership teams has confirmed that Lonza will deliver substantial cost synergies of USD 50 million per annum in the second year, and that increased sales of at least USD 40 million will be achieved in the third year. The Arch acquisition will be EPS-accretive from year one, and is expected to be EVA-positive from year two.

Investing in Growth In 2011, Lonza continued to invest in a number of growth projects, the most important being the completion of the large-scale monoclonal antibody plant in Singapore. This plant, which began operations in the second half of 2011, is already running at a profitable capacity utilization.

In Life Science Ingredients, growth projects continued to progress as planned. The new agrochemical plant in Visp (CH) is running at high utilization rates. The new L-carnitine plant in Nansha (CN) experienced good customer uptake, despite start-up difficulties. The construction of the new Niacinamide plant in Nansha is progressing according to plan.

In Bioscience, the Cell Therapy projects in Walkersville, MA (USA), and Singapore are on schedule to be completed in 2012.

Singapore Listing In October, Lonza's shares made their trading debut on the Singapore stock exchange. Lonza is the first SIX-listed company to have a secondary listing, by way of an introduction, on the Singapore Exchange (SGX-ST). The listing will help enhance our profile in the region and offers options for accessing capital.

Operating Overview Lonza delivered underlying revenue and EBITDA growth at constant exchange rates due to high capacity utilization in most business units. Custom Manufacturing continued to benefit from demand for outsourcing from pharmaceutical and biotech companies, particularly in Biological Manufacturing, where utilization rates were above 85%, excluding the new plant in Singapore.

Lonza's recognized strengths led to an increase in the number of contracts signed across all businesses, resulting in a substantially improved project pipeline, especially in Custom Manufacturing.

The Microbial Control business experienced a slowdown in established markets, starting in the third quarter of the year. This was partially offset by revenue from new products and sales in new markets.

Lonza strengthened its position in emerging markets, for example through the start-up of a joint venture with Fosun Pharmaceuticals in China and moving the headquarters of our Life Science Ingredients division to Beijing in China.

Financial Summary
- Net cash from operating activities: CHF 221 million in 2011
- Free cash flow before acquisitions: CHF 127 million
- Net working capital in relation to sales decreased to 23.9% in 2011
- Capital expenditure decreased to CHF 267 million, with no resulting delays in reaching the growth project milestones
- Net debt amounted to CHF 2647 million , resulting in gearing of 112%. The majority of Lonza's debt is financed on a long-term basis, with average fixed rates of under 3.5%
- A dual-tranche straight bond has been issued:
  - CHF 240 million with a coupon of 2.25%, maturing in 2015
  - CHF 140 million with a coupon of 3.125%, maturing in 2018

Board of Directors The Board of Directors is proposing a cash dividend of CHF 2.15 per share for 2011. As Lonza is able to pay this dividend out of the reserves from capital contribution, it will be paid to shareholders free of Swiss Withholding Tax.

Dame Julia Higgins will leave the Board in line with statutory regulations. The Board of Directors is proposing to elect Margot Scheltema and Dr. Jörg Reinhardt as new members at the next Annual General Meeting on 3 April 2012.

Margot Scheltema was Financial Director of Shell Nederland BV until the end of 2008. She is Vice-Chair of Triodos Bank's Supervisory Board and Chair of Triodos Bank's Audit and Risk Committee. She is a Member of the Supervisory Board of ASR NV, TNT Express and of Schiphol NV. She is also a member of the Supervisory Board of the Rijksmuseum, Member of the Supervisory Board of ECN, Member of the AFM External Reporting Committee and an external Member of the Audit Committee of the Dutch state pension fund ABP.

Dr. Jörg Reinhardt brings a broad range of experience to the Lonza Board, having served in various leading positions in the pharmaceutical industry. Since 15 August 2010, he has been Chairman of the Board of Management of Bayer HealthCare AG. From 2000 until 2010, Dr. Reinhardt served as Chairman of the Board of Directors of the Genomics Institute of the Novartis Research Foundation in La Jolla, California. The Lonza Board will be increased from seven to eight members.

Senior Management Changes On 20 October 2011, Lonza nominated Jeanne Thoma as the COO of the newly created sector Lonza Microbial Control.

Outlook In 2011, Lonza strengthened its overall business, becoming the global leader in Microbial Control and Custom Manufacturing. 2012 will be again a challenging year for Lonza's businesses. However, the acquisition of Arch allows to expect overall earnings growth which will translate into significant growth of EPS as well.

It will be enhanced by the synergy from the acquisition and measures to improve productivity especially in Switzerland. The delivery of existing growth projects (e.g. biosimilars, antibody drug conjugates, cell therapy, etc.), the growing project pipeline and our investments into R&D will support the growth of the basic business in the coming years.

Lonza's new business structure will generate significant free cash flow before acquisitions, enabling the company to reduce its net debt. Capital expenditure is forecast to be below CHF 400 million (including maintenance capital expenditure) in 2012.

We would like to thank our customers and partners for their continued trust, our employees for all their efforts throughout another challenging year, and our shareholders for their ongoing support.

Rolf Soiron
Chairman of the
Board of Directors

Life Science Ingredients

(Excluding Microbial Control 2010 and 2011)

Life Science Ingredients million CHF	2011	Change in %	Change CER[1] in %	2010
Sales	**697**	(1.4)	9.3	707
Change due to				
Volume and prices	66			
Currency translation	(76)			
Scope of consolidation	0			
Result from operating activities (EBIT)	**40**	(57.0)	(22.6)	93
Margin in %	5.7			13.2
Margin in % at CER[1]	**9.3**			
EBITDA	**104**	(32.5)	(10.4)	154
Margin in %	14.9			21.8
Margin in % at CER[1]	**17.9**			

[1] Change from current to prior year, based on constant exchange rates (CER).

Life Science Ingredients experienced a high capacity utilization. Results were negatively influenced by the strong Swiss franc, volatile raw material prices and competitive pressure in certain areas.

In 2011, we streamlined our Life Science Ingredients project pipeline, concentrating on the most advanced and promising product candidates.

Nutrition Ingredients generated high volumes in 2011, as demand for nicotinates (vitamin B3 for food, feed and pharmaceutical applications) grew according to expectations, despite a slight softening affecting feed-grade products in the second half.

- **Nicotinates** (vitamin B3) Based on strong overall market demand, feed and food volume sales were buoyant; however, pharma-grade volumes were slightly weaker. Overall, vitamin B3 prices were maintained at the target level, though this was lower than last year. Increasing raw material prices and a strong currency effect had a negative influence on margins.

- **Carniking™** feed-grade L-carnitine 2011 sales of the Carniking™ product portfolio to the animal feed industry continued to be strong in terms of volume. The first deliveries of Carniking™ products from our new production facility in Nansha (CN) were well received by the customers .

- **Meta™** metaldehyde is a specific active ingredient, acting as a molluscicide, used for slug and snail control in agriculture and the home and garden markets. Sales were behind plan in 2011 because of unfavorable weather conditions in most parts of Europe, leading to a low slug population and reduced sales of metaldehyde in the key markets of the EU. The long-term perspective for the Meta™ metaldehyde business is promising thanks to the positive listing of metaldehyde in Annex 1 (EU registration of active substances) and Lonza's strategic decision to move up the value chain, creating our own formulated product range.

Work on the construction of a new Niacinamide (vitamin B3) plant in Nansha is going according to plan.

Performance Intermediates saw good demand for its products, resulting in high capacity utilization.

- The **High Performance Materials** business enjoyed strong demand in the electronics, aerospace and construction industries. Customer demand for our Primaset™ cyanate esters and our Lonzacure™ products continued to be strong. The new PMDA (pyromelitic dianhydride) production plant in Nanjing (CN) is up and running. We improved the efficiency of our alkylation plant in Visp (CH) in response to increased demand for ortho-alkylated anilines for the polymer and crop protection industries.

- Underlying demand for **diketene derivatives** was strong all year. Our primary focus for these products continues to be the European markets. Acetic acid prices peaked in the second and third quarters, but have since dropped to normal levels. The strong Swiss franc continued to put pressure on our margins. Asset utilization remained high.

- **HCN derivatives** sales were also strong due to robust demand in Europe and the Far East. Asset utilization remained high, although margins suffered under the strong Swiss franc.

- Underlying demand for **agrochemical actives and ISO-regulated custom manufacturing** enjoyed a significant increase. We started up our new production plant for a plant protection intermediate in Visp in mid-year. Plant utilization was high through to the year-end and on into 2012. We continued to grow our project portfolio for agrochemical actives and ISO-regulated intermediates.

The Life Science Ingredients headquarters has moved to Beijing, China, to further strengthen its Asian footprint.

Microbial Control

Microbial Control million CHF	2011	Change in %	Change CER[1] in %	2010
Sales	**486**	55.3	80.8	313
Change due to				
Volume and prices	66			
Currency translation	(80)			
Scope of consolidation	187			
Result from operating activities (EBIT)	**(8)**	(121.1)	(115.8)	38
Margin in %	(1.6)			12.1
Margin in % at CER[1]	**(1.1)**			
EBITDA	**14**	(73.1)	(63.5)	52
Margin in %	2.9			16.6
Margin in % at CER[1]	**3.4**			

[1] Change from current to prior year, based on constant exchange rates (CER).

Lonza completed the acquisition of Arch Chemicals on 20 October 2011. The Arch business has been combined with Lonza's existing Microbial Control business to create the new Lonza Microbial Control sector.

The integration of Arch has moved forward following the closure of the deal. The integration team and business leadership team were announced at the close. The teams have confirmed the following targets, announced at the time of the acquisition:

- Sustainable savings of $50 million in cost synergies to be delivered by the end of 2013
- $85 million in one-time integration costs over two years
- Increased sales of $40 million up to December 2014 through cross-selling of the combined portfolio

During the next 18 to 24 months, Lonza Microbial Control's innovation efforts will be focused on developing new formulations from the combined portfolio.

2011 Results

The combined Microbial Control business performed at the expected levels. The business enjoyed a strong first quarter across all markets and sectors. However, the faltering economic environment, especially in the USA and EU, had an impact on demand in the third and fourth quarter. This slowdown in the established markets was partially offset by sales of new products and sales in new markets.

As with Lonza overall, the Microbial Control business faced a number of strong headwinds in 2011.

Impact from foreign exchange rates and volatility in the raw material markets continued throughout the year. The increase in raw material prices was partially offset by price increases. The business also experienced strong competitive pressure in the EU and Asia, particularly in the water, hygiene and preservation markets. The natural and nuclear disaster in Japan also had an impact.

Other business highlights for the Microbial Control business during 2011 include:

- The opening of a new oil and gas lab in Houston, TX (USA), emphasizing our long-term commitment to this market
- The opening of the Alpharetta, GA (USA), Innovation and Technology Center, which will focus on the innovative new formulations needed to achieve our longer-term targets
- The Suzhou plant (CN) was awarded Best Supplier Award for 2011 by a major customer
- Receipt of the InCosmetics Asia award for Regenistem™ Red Rice products

Lonza Microbial Control is based on five key business units:
- Hygiene & Preservation
- Water Treatment
- Materials Protection
- Personal Care
- Wood Treatment

The Hygiene & Preservation business offers solutions for environmental hygiene, including household and commercial, healthcare, pharmaceutical, veterinary, agriculture, food protection, wipes and hand care. Lonza offers the largest portfolio of efficacious, registered formulations for these markets.

Lonza's Water Treatment business includes recreational water treatment products sold directly to consumers for use in pools and spas, including the industry's leading brand, HTH™. The business also provides products to treat surface water, municipal water, beverages, cooling water, pulp and paper processing, and for other industrial applications. Two of the main growth areas in this segment are potable water, and oil and gas.

The Materials Protection business unit offers products and services for industrial preservatives, mold control, water repellants, fire retardants, textiles and colorants. The business offers solutions for paint and coatings, marine antifouling, polymer emulsions, metalworking fluids, plastics, textiles and construction materials.

Wood Treatment provides microbial control products for pressure-treated wood and anti-sapstains. The portfolio includes the well-respected brands Wolman™ E, Lumbrella™ and Chemonite™.

The Personal Care business offers a unique portfolio of products that leverages the full range of technologies in the Lonza portfolio, from chemical to biological solutions, creating a broad offering of solutions for our customers in the areas of anti-dandruff, personal cleansing and cosmetic preservatives, including pyrithiones (Omadine™), Glydant™, agarose and PHMB (Vantocil™ /Cosmocil™).

Regulatory At Lonza we view the global regulatory agencies as our partners. We see their focus on continuous improvement through better regulation as providing increased opportunities for more sustainable microbial control solutions.

Regulators provide our customers with peace of mind, and through registration we ensure the efficacy of our active ingredients and formulated products.

We will continue to support the efforts of the global agencies, world health organizations and trade associations to promote the advancement of the microbial control industry.

Innovation The Lonza Microbial Control innovation pipeline will leverage our knowledge across the life-science businesses, and our relationships with universities and other innovators to develop new solutions, including active ingredients, formulated products, delivery systems, detection and diagnostics.

Custom Manufacturing

Custom Manufacturing million CHF	2011	Change in %	Change CER[1] in %	2010
Sales	**1297**	(10.2)	0.8	1445
Change due to				
Volume and prices	12			
Currency translation	(160)			
Scope of consolidation	0			
Result from operating activities (EBIT)	**228**	(9.9)	7.9	253
Margin in %	17.6			17.5
Margin in % at CER[1]	**18.8**			
EBITDA	**393**	(7.7)	7.0	426
Margin in %	30.3			29.5
Margin in % at CER[1]	**31.3**			

[1] Change from current to prior year, based on constant exchange rates (CER).

Driven by the continuing outsourcing trend in 2011, Lonza Custom Manufacturing experienced increasing demand across all three business units.

Chemical Manufacturing In 2011, Lonza's "Total Life Cycle Management" – offering development and manufacturing services, from early product development through the post-patent generic stage – continued to strengthen our product pipeline to over 330 projects across all clinical phases and to deliver capacity utilization of over 80%. Another important factor in building our pipeline is our leadership in new differentiating technologies – cytotoxics, antibody drug conjugates (ADC), highly active pharmaceutical ingredients (HAPI) and our microreactor technology (flow chemistry).

Lonza Chemical Manufacturing continued to implement its strategy for growth, adding capacity and investing in facilities to support new technology platforms. All of these major investment projects were initiated in response to customer demand and are on schedule:

- In Nansha (CN), the first two expansion phases of the large-scale multipurpose cGMP API (active pharmaceutical ingredients) plant continued to be utilized for multiple customer projects. Demand for this capacity increased in the first half of 2011 following FDA approval of the site.
- Also in Nansha, a new cGMP kilo lab and an additional small-scale manufacturing train were successfully brought on stream in the second half of 2011.
- In Visp (CH), five additional HAPI labs with the capability to handle cytotoxic substances are now fully operational.
- Investment in additional cytotoxic API manufacturing capacity at the Visp site has started successfully.

Biological Manufacturing Lonza's Biological Manufacturing business unit had a very successful year, with multiple new products and production campaigns increasing mid- and large-scale asset utilization to above 85%. Business also benefitted from high batch success rates, above the industry average.

In 2011, we were also able to increase our current product pipeline to more than 300 active projects. This was the result of numerous marketing initiatives as well as portfolio additions across our mammalian and microbial services and manufacturing offerings.

The business unit made further progress with the execution of its planned expansion projects, with a number of important milestones being reached in 2011:

- The large-scale mammalian facility in Singapore began operations with engineering and validation batches for multiple customers, achieving a start-up utilization above 70%.
- The expansion of development labs and manufacturing capacities in Slough (UK) facility started in the first half of 2011.
- Equipment additions and infrastructure changes in Hopkinton, MA (USA), were completed and all manufacturing lines and development laboratories are fully operational.
- Harmonization programs in all mid- and large-scale mammalian manufacturing facilities now allow us to provide tailor-made capacity offerings from multiple sites.

In September 2011, the Hopkinton site received an FDA warning letter related to aspects of analytical methods for one product (Ontak™). These issues have been addressed and the site is preparing for the FDA re-approval audit in February 2012.

Development Services The Development Services business unit continued to experience strong customer demand. This was driven by interest in our AggreSolve™ technology, our highly potent cell lines (strategic collaboration with BioWa, Potelligent®) and the new media and feed systems that we now offer (sourced from Lonza Bioscience).

In 2011, Lonza's technologies and expertise enabled new yield records to be set. The new GS-System™ Version 8 medium and feed platform achieved yields of up to 10 g/l and the Singapore large-scale manufacturing site was able to harvest final product at 4.6 g/l.

Lonza introduced a customized program (Light Path™) providing streamlined process development, cell line development and custom material supply, from discovery to early clinical development.

Lonza's leading position in the microbial biopharmaceuticals market has been strengthened by continuous efforts to improve our XS Microbial Expression™ platform, the new pDNA production platform, and the new fast-track program for strain development and clinical material supply.

Lonza began expanding its Development Services platform in Singapore to meet increasing customer demand in the region.

Bioscience

Bioscience million CHF	2011	Change in %	Change CER[1] in %	2010
Sales	**202**	(4.3)	11.8	211
Change due to				
Volume and prices	24			
Currency translation	(33)			
Scope of consolidation	0			
Result from operating activities (EBIT)	**13**	(7.1)	0.0	14
Margin in %	6.4			6.6
Margin in % at CER[1]	**5.9**			
EBITDA	**28**	7.7	19.2	26
Margin in %	13.9			12.3
Margin in % at CER[1]	**13.1**			

[1] Change from current to prior year, based on constant exchange rates (CER).

The sales increase at constant exchange rates (CER) in Lonza Bioscience was mainly due to strongly increased Cell Therapy sales. A lower level of academic research spending in the USA and southern Europe was only partially offset by stronger growth development in Asia-Pacific, where sales increased by more than 20% in Swiss francs. Margins were slightly lower than 2010, mainly because of the impact of the overall business mix and pre-investments in future business. Measures taken to offset this margin pressure included operational excellence projects and delayed hiring.

Lonza's Bioscience division is focused on becoming the leading supplier to the regenerative health industry, with an emphasis on cell and viral therapy. This follows a strategic review that took place in the first quarter of 2011.

Therapeutic Cell Solutions sales increased significantly from 2010 due to higher cell/viral therapy sales. Media sales grew well in the USA and Asia, but declined in the EU. Profits from Therapeutic Cell Solutions were higher than in 2010, but were constrained by short-notice cancellations and delays in the production of clinical products.

A significant manufacturing contract was signed with Mesoblast (Australia) for its most advanced allogeneic pharmaceutical project (cardiovascular, phase III) and an orthopedic project (phase II). Clinical production for Mesoblast is due to start at Lonza in Singapore and Walkersville, MD (USA), in 2012.

Cell therapy continues to attract growing interest from both pharma and biotech companies. This is reflected in an increased number of pipeline projects, with process development also running at very high capacity.

To meet increased demand for viral manufacturing, we are expanding capacity at our facility in Houston, TX (USA). This will come on line in the first half of 2012 as anticipated. The new viral therapy sterile filling line in Houston was validated and became operational in the third quarter of 2011.

Testing Solutions sales increased by over 5% in local currencies in the EU and USA, and at a double-digit rate in Asia.

A slowdown of endotoxin sales was observed in the fourth quarter of 2011 because of destocking by major pharmaceutical customers. Sales of the MODA™ real-time, point-of-testing, environmental monitoring system grew more slowly than anticipated owing to stringent CAPEX restrictions, mainly from pharmaceutical customers. This led to resources being refocused on cell/viral therapy production, the division's most important strategic segment.

The launch of the microCompass™ II platform (microbiology testing) has been postponed until the first half of 2012. Hardware development is still delayed by our partner. Assay developments are on track and first applications are being tested by lead customers.

Research Solutions revenue declined slightly in 2011. In Europe, sales grew nicely in local currencies due to higher bulk agarose (chromatography) and transfection, cell biology and cell assay sales. However, sales growth was constrained by a clear slowdown in academic and research spending in southern Europe in the second half of the reporting year.

Sales in the USA were slightly below 2010 levels, mainly due to the late release of federal funding and conservative spending by US academic and government institutions.

Corporate

Corporate million CHF	2011	2010
Sales	10	4
Result from operating activities (EBIT)	(12)	(24)
EBITDA	(3)	(15)

Condensed consolidated balance sheet at 31 December million CHF	2011	2010
Fixed assets	5072	3301
Long-term loans and advances	56	43
Total non-current assets	**5128**	**3344**
Current assets	1694	1185
Short-term advances and other financial assets	2	1
Cash and cash equivalents	196	248
Total current assets	**1892**	**1434**
Total assets	**7020**	**4778**
Equity attributable to owners of the parent	2357	2387
Non-controlling interests	(1)	0
Total equity	**2356**	2387
Long-term liabilities	989	443
Long-term debt	2725	850
Total long-term liabilities and provisions	**3714**	**1293**
Short-term liabilities	774	548
Short-term debt	176	550
Total current liabilities and deferred items	**950**	**1098**
Total liabilities and equity	**7020**	**4778**

Condensed consolidated income statement million CHF	2011	2010
Sales	**2692**	**2680**
Cost of goods sold	(1992)	(1969)
Gross profit	**700**	**711**
Other operating expenses	(439)	(337)
Result from operating activities (EBIT)	**261**	**374**
Net financing costs	(73)	(43)
Share of profit / (loss) of associates / joint ventures	(13)	(1)
Profit before income taxes	**175**	**330**
Income taxes	(21)	(46)
Profit for the period	**154**	**284**
Profit attributable to:		
Owners of the parent	154	291
Non-controlling interests	0	(7)
Profit for the period	**154**	**284**
Basic earnings per share – EPS basic (CHF)	2.98	5.55
Diluted earnings per share – EPS diluted (CHF)	2.97	5.53

Condensed consolidated statement of comprehensive income million CHF	2011	2010
Profit for the period	**154**	**284**
Other comprehensive income:		
Exchange differences on translating foreign operations	(14)	(230)
Cash flow hedges	7	8
Income tax relating to components of other comprehensive income	0	7
Other comprehensive income for the period, net of tax	**(7)**	**(215)**
Total comprehensive income for the period	**147**	**69**
Total comprehensive income attributable to:		
Owners of the parent	**148**	**76**
Non-controlling interests	**(1)**	**(7)**
Total comprehensive income for the period	**147**	**69**

Condensed consolidated cash flow statement million CHF	2011	2010
Profit for the period	**154**	**284**
Adjustment for non-cash items	371	318
Income taxes and interests paid	(77)	(72)
Cash flow before change in net working capital	**448**	**530**
(Increase) / decrease of net working capital	(126)	17
Increase / (decrease) of other payables net	(101)	(45)
Net cash (used for) / provided by operating activities	**221**	**502**
Purchase of fixed assets	(267)	(300)
Acquisition of subsidiaries, net of cash acquired	(918)	(26)
Net purchase of other assets and disposals	(12)	(38)
Interest and dividend received	4	6
Net cash (used for) / provided by investing activities	**(1193)**	**(358)**
Issue of straight bond	376	397
Repayment of straight bond	0	(300)
Issue of syndicated loan	491	0
Repayment of syndicated loan	(500)	0
Raising of acquisition bridge financing	1185	0
Repayment of acquisition bridge financing	(381)	0
Increase / (decrease) in debt	(62)	15
Increase / (decrease) in other liabilities	(2)	(3)
Acquisition of non-controlling interests	0	(57)
Purchase of treasury shares	(77)	(4)
Sale of treasury shares	4	14
Dividends paid	(111)	(92)
Net cash (used for) / provided by financing activities	**923**	**(30)**
Effect of currency translation on cash	(3)	(6)
Net (decrease) / increase in cash and cash equivalents	**(52)**	**108**
Cash and cash equivalents at 1 January	248	140
Cash and cash equivalents at 31 December	196	248

Condensed consolidated statement of changes in equity million CHF	Attributable to owners of the parent								
	Share capital	Share premium	Retained earnings/ Other reserves	Hedging reserve	Trans-lation reserve	Treasury shares	Total	Non-con-trolling interests	Total equity
At 31 December 2009	**53**	**316**	**2294**	**(16)**	**(254)**	**(68)**	**2325**	**64**	**2389**
Profit for the period	0	0	291	0	0	0	291	(7)	284
Other comprehensive income, net of tax	0	0	0	8	(223)	0	(215)	0	(215)
Total comprehensive income for the period	**0**	**0**	**291**	**8**	**(223)**	**0**	**76**	**(7)**	**69**
Dividends	0	0	(92)	0	0	0	(92)	0	(92)
Recognition of share-based payments	0	0	8	0	0	0	8	0	8
Transfer of employee shares	0	(3)	(7)	0	0	10	0	0	0
Acquisition on non-controlling interests	0	0	1	0	(1)	0	0	(57)	(57)
Derecognition of put-option	0	0	59	0	0	0	59	0	59
Acquisition of treasury shares	0	0	0	0	0	(4)	(4)	0	(4)
Sale of treasury shares	0	(2)	(1)	0	0	18	15	0	15
At 31 December 2010	**53**	**311**	**2553**	**(8)**	**(478)**	**(44)**	**2387**	**0**	**2387**
Profit for the period	0	0	154	0	0	0	154	0	154
Other comprehensive income, net of tax	0	0	0	7	(13)	0	(6)	(1)	(7)
Total comprehensive income for the period	**0**	**0**	**154**	**7**	**(13)**	**0**	**148**	**(1)**	**147**
Dividends	0	0	(111)	0	0	0	(111)	0	(111)
Recognition of share-based payments	0	0	4	0	0	0	4	0	4
Transfer of employee shares	0	(1)	(4)	0	0	5	0	0	0
Acquisition of treasury shares	0	0	0	0	0	(77)	(77)	0	(77)
Sale of treasury shares	0	0	0	0	0	6	6	0	6
At 31 December 2011	**53**	**310**	**2596**	**(1)**	**(491)**	**(110)**	**2357**	**(1)**	**2356**

Selected explanatory notes

1. Accounting principles

Basis of preparation of financial statements These condensed financial statements are based on the audited consolidated financial statements for the twelve-month period ended 31 December 2011 that will be prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Changes in accounting policies
The following new and revised standards and interpretations have been issued, being effective for the 2011 reporting year:

- Amendment to IAS 32 – Financial instruments: Presentation – Classification of rights issues
- IFRIC 19 – Extinguishing financial liabilities with equity instruments
- IAS 24 revised – Related party disclosures
- Amendment to IFRIC 14 – Prepayments of a minimum funding requirement
- Improvements to IFRS (issued in May 2010)

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

2. Exchange rates

Balance sheet period-end rate CHF	31 12 2011	31 12 2010
US dollar	0.94	0.94
Pound sterling	1.45	1.45
Euro	1.22	1.25

Income statement average rate CHF	2011	2010
US dollar	0.89	1.04
Pound sterling	1.42	1.61
Euro	1.23	1.38

3. Debt

The syndicated loan of CHF 500 million, which became due for repayment in December 2011, was refinanced by signing a new syndicated loan with a consortium of banks on the following terms: Credit facility of CHF 700 million, of which CHF 500 million was used as of 31 December 2011, due 9 September 2016, at floating interest rates (libor + margin, depending on margin grid). Lonza hedged the interest rate until 13 February 2012. The net proceeds of the syndicated loan amount to CHF 490.9 million after considering up-front fees of CHF 9.1 million.

The acquisition of Arch is completely debt-financed. A consortium of banks commited credit facilities of USD 1550 million to Lonza, of which USD 1375 million was raised in October 2011 to aquire the Arch shares and prepay part of the debt. The facilities are at floating interest rates (libor + margin, depending on margin grid) and are repayable in June 2012 (USD 450 million), March 2013 (USD 500 million) and October 2014 (USD 425 million).

USD 412 million of the facility due in 2012 (USD 450 million) was repaid in December 2011 and refinanced by the issuance of two straight bonds on the following terms:

- CHF 240 million, due 7 December 2015. Interest: 2.25 % p.a., payable on 7 December, for the first time on 7 December 2012. The net proceeds of the bond amount to CHF 238.1 million per 7 December 2011, after considering up-front fees of CHF 3.001 million and an agio of CHF 1.131 million.

- CHF 140 million, due 7 December 2018. Interest: 3.125 % p.a., payable on 7 December, for the first time on 7 December 2012. The net proceeds of the bond amount to CHF 138.2 million per 7 December 2011, after considering up-front fees of CHF 2.615 million and an agio of CHF 0.780 million.

4. Business combinations

Effective 20 October 2011, Lonza Group acquired 100% of the shares of Arch Checmials Inc. for a cash consideration of USD 1.2 billion (USD 47.20 per share).

Arch is a global biocides company and provides innovative, chemistry-based and related solutions to destroy or selectively inhibit the growth of harmful microorganisms. Arch focuses on the areas of water treatment, personal care, health and hygiene, industrial preservation and protection, and wood treatment. Arch operates in two segments: Biocide Products and Performance Products. Together with its subsidiaries, Arch has approximately 3,000 employees and manufacturing and customer-support facilities in North and South America, Europe, Asia, Australia and Africa.

5. Free Cash Flow

The different components of free cash flow developed as follows in 2010 and 2011:

Components of free cash flow million CHF	2011	2010	Change
EBITDA	537	643	(106)
Change in operating net working capital	(88)	47	(135)
Capital expenditures in tangible and intangible assets	(267)	(300)	33
Disposal of tangible assets	6	9	(3)
Change in other assets and liabilities	(61)	(37)	(24)
Free cash flow before acquisition	**127**	**362**	**(235)**
Acquisition of subsidiaries	(918)	(26)	(892)
Free cash flow	**(791)**	**336**	**(1127)**

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 Full-year Report 2011 is also available in German. The English version prevails.

Full-year Report 2011
25 January 2012

Annual General Meeting
for the 2011 financial year
3 April 2012
Congress Center Basel
MCH Swiss Exhibition (Basel) Ltd

Half-year Report 2012
25 July 2012

For publications and further information please contact:

Lonza Group Ltd
Muenchensteinerstrasse 38
4002 Basel, Switzerland
Tel +41 61 316 81 11
Fax +41 61 316 91 11
www.lonza.com

Investor Relations
Tel +41 61 316 85 40
Fax +41 61 316 95 40
investor.relations@lonza.com

Media / Corporate Communications
Tel +41 61 316 87 98
Fax +41 61 316 97 98
media@lonza.com

Share Register
c / o SIX SAG AG
P.O. Box
4601 Olten, Switzerland
Tel +41 62 311 61 33
Fax +41 62 311 61 93
lonza.aktienregister@sag.ch